

# POLITICAL-ECONOMY PROFILES

## A Brief Report on the Business Environment of Batticaloa Town



Produced by Michael Calavan and staff of The Asia Foundation, Colombo



**The Asia Foundation**



**Australian Government**  
Aid Program

# *Political-Economy Profiles*

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### **Introduction**

Now in its second phase, The Asia Foundation's Local Economic Governance (LEG) program aims to directly improve economic governance practices in 15 towns in five of the nine provinces in Sri Lanka. LEG facilitates discussion between the public and private sectors, which in most cities are historically uncoordinated at best, and at worst mired in disputes over regulations and services, by convening local government officials, businesspeople, and citizens to address how to improve commerce and trade. LEG focuses on the capacity of LAs to support economic growth while encouraging the private sector to take the lead in pursuing opportunities to create jobs, increase profits, and expand the critical revenue base for LAs. The Public-Private Dialogues (PPDs) established in partner LAs by the first phase of LEG resulted in the identification and prioritization of issues, and the joint design and implementation of innovative and replicable solutions, such as improved physical infrastructure, or rationalized processes to help bring businesses into regulatory or tax compliance.

To complement and measure these achievements, LEG introduced the profiling of private sector-local government relations and interaction through a rapid appraisal in LEG towns. The method was semi-structured, in-depth interviews with a representative cross-section of the business community, capturing the prevailing status of the business climate, its "business-friendly" and "unfriendly" attributes. By interviewing the same 12-18 business-owners at intervals, the profiles will provide a baseline for LEG's progress in strengthening public-private relationships and economic growth. The profiles will be used to develop a survey instrument for a survey, using quantitative methods. The surveys will arrive at a numerical scale and data used to make comparisons among communities in a particular year and to track a single location over time. The reports will generate discussion in the partner communities as well as at the national level about what steps government can take to improve the local business environment.

Both the PPDs and profiles identify micro and macroeconomic issues by clarifying the challenges and interests of businesspeople. But PPDs are highly structured, action-oriented, susceptible to dominance by certain voices, and often geared toward a specific consensus-based outcome. While PPDs can secure the momentum and interest for both long-term partnerships and short-term 'quick wins,' the open-ended and individualized format of the profiles adds nuance, identifying concerns and insights that may not come forward in a facilitated group session. Under the comfort of anonymity and free of the sense of ethnic or political obligations, respondents state their level of agreement or disagreement on 10 statements about the local economy. These interviews, lasting 45 minutes to an hour, enable not just yes or no answers, but informative explanations. By inviting feedback and analysis on a range of economic subjects, the profile allows the respondents to step outside their traditional roles, speaking not only as an expert or advocate regarding issues specific to their business, but also to greater trends, future prospects, and the status of the community as a whole.

The profiles allow LEG consultants and field staff to collect detailed information in just a few days, capturing the distinctiveness of the locality in a way that a formal quantitative survey, using random sampling and a predetermined range of answers, would not. The open-ended nature of the profiles is more appropriate in situations where limited knowledge of the local context inhibits the creation of a truly useful standardized instrument, but one which we are working toward. Panelists who are interviewed have been known to actually change their positions during the discussion. In this sense, the profiles reveal the short-comings of traditional surveys in documenting such dynamics.

While the Foundation works with local partners to purposefully identify panelists and ensure appropriate representation of female business-owners and the variety of industries, a third of interviews are ad hoc, increasing the opportunity for previously untapped perspectives. For respondents familiar with LEG, the profiles

confirm the value of their participation and demonstrate the Foundation's continued engagement. In contrast, the spontaneous interviews pique new interest and optimism for collaboration. For example, during one interview, a shop owner accused the local Chamber of Commerce of a lack of openness, and observed that notifications from the LA were frequently not in Tamil. Though he complained about the responsiveness of these groups, the conversation appeared to heighten his interest in engaging with both his peers and the LA to advocate for his rights—while also highlighting for the Foundation issues that may not have been captured by traditional methods. Another respondent drove home the differing conditions in Colombo by presenting first-hand documentation of the length of time required to secure a business license in the capital (half an hour) versus his city (two months), information which he may not have felt comfortable pressing in a meeting with government, but which speaks to an explicit aim of LEG: to improve the business environment in localities outside of the Western Province, which enjoys disproportionate growth and investment compared to the rest of the country.

Though the BEBs conducted to date have already enlightened program staff on whether a city is progressing, stagnating, or declining, and the contributory factors, the real value of the profile will be shown in the coming months. One purpose of the profiles is to provide Sri Lankan policymakers with timely, accurate information about the sub-national business environment, pinpointing common challenges that should be addressed island-wide. But the most valuable outcome of the findings, when disseminated to Local Authorities and private sector partners, will be the resulting new discussions and cooperative initiatives aimed at streamlined and supportive local government services, innovative partnerships, and other, perhaps unanticipated, challenges and opportunities for inclusive economic growth.

## SECTION 1—Methodology

As part of this series, we have prepared political-economy profiles of 15 towns. In alphabetical order, they are:

- Ampara
- Badulla
- Bandarawela
- Batticaloa
- Galle
- Hambantota
- Jaffna
- Kalmunai
- Kandy
- Mannar
- Matale
- Matara
- Nuwara Eliya
- Trincomalee
- Vavuniya

In the 18 interviews in Batticaloa that comprise this profile, business and local government leaders were asked to elaborate on why they agreed or disagreed with 10 broad statements:

- There is observable economic growth
- Existing businesses are expanding
- New businesses are being established
- Opportunities to expand or start new businesses are increasing
- The people in Batticaloa are more prosperous
- Businesses are trying for more positive influence on government
- The MC is taking practical steps to improve business
- The government policies that affect business operations are improving
- The basic resources needed to run a successful business are improving
- The long-term outlook for business in Batticaloa is promising

We have not tried to attach numerical scores for each of the ten components because of the small sample sizes. We want to discourage the temptation to draw comparison between towns based on these small samples. The statements below represent the opinions of 18 business people selected as panel members in Batticaloa. The information must be interpreted with some care; the samples are not large enough to use as the basis for generalizations. However, they do offer a useful snapshot of the psychological state and institutional setting of Batticaloa business at a point in time, in this case July 2011. Later, when qualitative observations are used in conjunction with survey data, they can provide rich, comparative insights into the business environment.

Asia Foundation staff have made every effort to present opinions and information gathered during interviews accurately. However, we cannot guarantee that all information provided by panelists is accurate, or that their opinions are internally consistent. We can vouch for their strong commitment to providing their views as openly and accurately as possible.

These individuals include: owners and managers of *retail shops* and *service providers*—groceries, jewelers, clothing and textiles, electronics, mobile phones, photographic and printing services, beauty shops, furniture, training institutes, and private schools; *small-scale manufacturers*—handicrafts, food products, garments, mechanical products; *wholesalers*—of agricultural commodities, food products, and beverages; and *others*—bank managers, contractors.

## SECTION 2—Panelist Observations

### 1) “There is observable economic growth in this community.”

Panelists were generally in agreement in their responses regarding this issue. Five sixths agreed or strongly agreed with the statement, while only one sixth disagreed. Positive responses generally referred to causes of economic growth, notably the end of the war, or specific examples such as improvements in their own business. Notable observations by the panelists [some positive, some negative] included:

- Roads are better, checkpoints are gone, and transport, especially night transport, has expanded.
- With a reduced military presence there is no longer a “commission system” for local firms.
- Three months ago the floods interrupted economic growth.
- We can buy specialized goods—temple bells and religious statues—from Batticaloa.
- There is a steady growth in demand for beauty services—facials and wedding make-up.
- Most NGOs have left; consequently the bottled water business has gone down.

Observations that agree or strongly agree with the statement included, in order of importance: 1) *physical* factors: completion of highways; absence of security checks and roundups; improved phone and internet services; new construction; farmers returning to their land; 2) new *business practices*: shops extending their business hours into the evening; aggressive marketing of lending services by banks; and 3) *conditions* needed for continued growth: people with money to invest and aggressively seeking shop space and land; opportunities in tourism; the end of “monopolies”; a recognized need for new technologies, machinery, packing methods, advertising, and quality control.

Few panelists disagreed with the statement, but many who agreed also expressed reservations about the current growth path. They noted: 1) *unequal access*: new businesses owned and staffed by outsiders; construction contracts awarded to outside firms; bank loans unavailable to “ordinary people”; and 2) *local inadequacies*: businesses clinging to traditional practices; lack of analytical skills; and 3) *barriers* to growth: inflation; too few new jobs created.

Most business people are satisfied with current growth; some are very pleased. They are grateful for the end of hostilities and the freedom of action it brings. But lingering doubts were expressed. Will the process be fair to us and to our workers and other citizens? Do we have the skills needed to compete in the future?

### 2) “Existing businesses in this community are expanding.”

Panelists were broadly in agreement in their responses to this statement, with more than two thirds agreeing or strongly agreeing. About a quarter disagreed. In either case, answers typically referred to panelists’ personal business experiences as well as observations on other firms. Notable observations by panelists included:

- We can now operate in an *Eastern* market, with *Eastern* suppliers and *Eastern* customers.
- Before we went to Colombo to purchase goods, now salesmen come to the door.
- Our shop space has been increased to four times the previous area.
- Banks are now giving merchants “online” credit card processors, not mechanical ones as before.
- Farmers are purchasing new combined harvesters.
- Outsiders from the North come during festival season, rent a temporary space, and sell cheap clothes.

Observations agreeing or strongly agreeing with the statement included, in order of importance: 1) *expansion* of personal businesses: adding new floors to a shop house; adding storage; adding outlets or branches; additional inventory; new services; purchasing vehicles, photocopiers, and IT equipment; and 2) *supporting conditions*: banks and leasing companies eager to lend; opportunities to learn during donor-supplier-supported trips around Asia and to Europe.

Comments made by those who disagreed, and by a few who were mainly in agreement, betray lingering doubts: 1) *uneven* growth: some businesses are contracting or staying at the same level; 2) *competition*: there is sharp

competition from outside, perhaps due to distortions in bank lending and licensing practices; and 3) *poor decisions*: some borrowers may be unable to repay loans.

Some unevenness in business growth and expansion is inevitable. Market demand is never even across all products and services. But some businesses may face stagnant or falling sales because they have chosen to stand pat and avoid the perceived risks of expansion.

### 3) “New businesses are being established in this community.”

Panelists were in agreement in responding to this statement. All agreed or strongly agreed, with virtually all mentioning the presence of new financial institutions and a range of other businesses. Notable observations by panelists included:

- Previous risks in starting a business—violence, hartals, curfews, protection money—no longer exist.
- Outsiders have established banks, leasing companies, insurance firms, and showrooms.
- Recently, pasteurized fresh milk, ice cream, and yoghurt became available.
- There are more fruit stalls, jewelers, groceries, beauty shops, restaurants, and takeaway shops.
- Shops are being established in neighborhoods outside the central business district.
- Outsiders from the South are coming to sell wooden almirahs door-to-door.

Observations that agree or strongly agree with the statement included, in order of importance: 1) *New financial institutions*: banks, leasing companies, and pawning centers; 2) *Other major products and services*: agricultural machinery [tractors, combined harvesters]; more powerful motors for fishing boats; commercial and personal vehicles; a planned three star hotel; computers and other hardware; office equipment; private hospitals; and 3) *new consumer goods and services*: dairy products, fruits and vegetables; photocopy services; “fancy goods”; jewelry; takeaway foods.

A few observers expressed: 1) *minor concerns*: One was of the opinion that the few new shops were an insignificant source of new jobs. It was noted that there are no software sellers in the city.

There are no doubters in the Batticaloa business community. New businesses have arrived and are changing business practices and the lives of those who can afford to be consumers.

### 4) “Opportunities to expand new businesses and start new ones are increasing in this community.”

Panelists were invariably positive in their responses to this statement; all either agreed or strongly agreed. Answers ranged from mention of human, natural, and financial resources available to potential investors to proposals for promising new businesses. Particularly interesting and significant observations by the panelists included:

- We need domestic air service.
- We need a tourism training school for cookery, catering, and financial management.
- We need more sophisticated packaging.
- We need an ice factory.
- We need new designs and products for handicraft production.
- We need advanced agricultural technology and machinery.

Observations agreeing or strongly agreeing with the statement identified needed and promising *business ventures* in: 1) *tourism*: hotels; restaurants; cottages; handicrafts; luxury transportation services; dial-up taxis; 2) *agriculture*: more advanced technology and machinery; poultry production; dairy herds and dairy products; cold storage facilities; more sophisticated rice mills; large scale cashew and vegetable production; 3) *fishing*: adoption of trawlers and dried and smoked fish; an ice factory; and 4) *consumer goods and services*: cooking pots; tableware; plastic items; ladies’ garments; beauty services; women’s tailoring; a fee-for-entry swimming pool. Panelists also identified: *enabling conditions* such as: 5) readily available *construction materials*: a tile factory, brick kilns, and metal crushers; and 6) *other requisites*: banks eager to lend; an industrial zone; workers skilled with computers and English.

Business people in Batticaloa are clearly scanning local resources and trends in market demand and identifying significant opportunities.

**5) “The people of this community are more prosperous.”**

Panelists professed two differing views regarding this issue. Two thirds either disagreed or strongly disagreed, while one third either agreed or strongly agreed. In several cases panelists offered insightful socioeconomic descriptions of the local population. Many also cited the rapidly rising cost of living for all residents, and foreign remittances, as important factors in shaping local prosperity. Particularly significant observations by the panelists included:

- People have no savings; they spend on food, then on clothes, then on fancy goods.
- Ninety-five percent of the NGOs here for Tsunami relief work [and paying high salaries] have left, leaving many un-employed.
- Poor people are eager to go for work in the Middle East; [illegal] ships leave “every day.”
- The war destroyed many businesses, including a paper factory that employed 2,000.
- The cost of living is rising while wages remain the same.
- Some people have money, but no chances to spend it; there are not night clubs or discos.

Observations that disagree or strongly agree with the statement included: useful 1) *socio-economic analyses*: most people are unemployed or work for a daily wage, are suffering from rapid inflation, lack savings, often lack skills needed in the labor market, and may be discriminated against by firms run by outsiders; and observations on 2) *underlying conditions*: people are only now recovering from the war; remittances from Diaspora families wax and wane; people spend more during the wedding season and religious festivals.

One quarter of panelists who agreed with the statement focused on: 1) the *behavior of better off residents* who: buy expensive electronic appliances, often for cash; spend significant amounts on their children’s education; go to beauty parlors.

Batticaloa’s business people pay close attention to the welfare of their fellow citizens. We can assume two reasons for this: They are genuinely, humanely concerned for others; and they pay close attention to their customer base.

**6) “Businesses are trying for more positive influence on relevant government units including the LA, DS, GA, and PC.”**

Panelists professed two differing views regarding this issue. By agreeing, nearly two thirds indicated they are aware of at least some advocacy efforts by the business community. By stating that they disagree or “neither agree or disagree,” other panelists indicated they are unaware of such efforts. Although the statement doesn’t specifically call for a judgment regarding the success of advocacy efforts, several mentioned their distress at the unwillingness of government units to respond to business concerns. Notable observations by the panelists included:

- “We are pushing for business-friendly Municipal Council.”
  - The MC is addressing the street lighting problem, and some firms are donating bulbs.
- VS
- Efforts to improve street lighting—letters to the DS and GA, discussions with the MC—have been unsuccessful.
  - The Swedes talked to Chamber of Commerce members about undertaking policy advocacy.
  - “We don’t know about public advocacy.”
  - Advocacy efforts are “very rare” and meet “a lot of barriers.”

Observations agreeing with the statement more often described advocacy efforts than successes. They included: 1) participation in business/government *advisory groups* such as the Eastern Development Industries Committee, the District Entrepreneur’s Forum, and the Local Economic Governance Working Group; 2) mention of some of the *issues pursued*: street lighting; establishing an industrial park; parking problems; ridding

the city of wandering cattle; dealing with illegal [they arrive on tourist visas] Indian door-to-door cloth sellers; pressure on banks to simplify needed documentation for loan applications.

Panelists also enumerated 1) *reasons for failure*: inappropriate “political involvement”; politicians who favor their home areas and own ethnic group.

In explaining their positions, panelists expressed diverse views on advocacy. Some are unaware of recent or ongoing efforts, and pessimistic about the results of any such efforts. Others are aware of specific efforts, but cynical as a result of perceived indifference by public officials. Relatively few are both knowledgeable about ongoing efforts and convinced such efforts are worthwhile. Fortunately, the latter group includes respected business leaders in Batticaloa.

### **7) “The MC/UC is taking practical steps to improve the business environment.”**

Panelists professed two sharply differing views regarding this statement. Half agreed that the municipal government is taking useful steps to improve conditions for business, while half disagreed or strongly disagreed. Positive responses focused on adequate delivery of some services and, in a few cases, recent procedural improvements. Negative responses focused on inadequate services, inconvenient procedures, and an uncooperative attitude among elected and administrative personnel. Notable observations by the panelists included:

- Municipal Council services are better than before.
- The new bus stand is a good thing.
- The MC response is about 25%. There are some street lights, some road repairs.
- A computer learning center was given to a firm without tendering. It’s no longer operating.
- “There was no one at the table” to re-issue a property deed.
- There is no space in MC offices; visitors must stand.

Observations agreeing with the statement included: 1) recent *procedural improvements*: easier payment of taxes and business licenses, including quarterly payment plans; clear explanation of registration for small businesses; a valid bus stand tendering process; timely response to complaints of trash on the road; collection of taxes from [bothersome] pavement sellers; and 2) better *services*: cleaning the bus stand adequately; keeping the city cleaner; providing decorative flower pots.

Observations disagreeing or strongly disagreeing were often expressed in strong language regarding: 1) *procedural issues*: old-fashioned administrative and financial systems; delays in providing updated deeds and street line certificates; 2) *service delivery*: inappropriate timing for garbage pick-up; need for neighborhood garbage bins; no action on street lighting; lack of information on the business community; and 3) *general frustration*: the MC “has enough money” to manage roads better; MC member interference in allocating bus station stalls; unwillingness to consider management of the bus stand by a business association; reacting to specific problems rather than developing systems; “they’re eager to collect taxes, but not to repair roads.”

Batticaloa businesses have a complex relationship with their city government. Support was seldom more than lukewarm, while some criticisms were couched in strong language. There was no appreciation of the problems the MC faces—inadequate funding, antiquated personnel policies, needed clearances and mandates—in accomplishing its work. There is a clear need for bridge building between the two sides.

### **8) “The government policies that affect business operations in this community—laws, regulations, procedures, safety and security—are improving.”**

Panelists held varying views regarding this statement. More than half agreed, about a quarter were unsure of their views [thus selecting “neither agree or disagree”], and about a quarter disagreed or strongly disagreed. Those in agreement mentioned specific government actions—dialogues conducted, committees formed, or simpler tax payment procedures. Those who disagreed or were neutral often mentioned government pronouncements that have not been followed up by concrete actions. Notable observations included:

- Government policy is good, but whether there is effective implementation is less clear.

- “The government is willing; there are no obstructions.”

VS

- There are no opportunities to talk to those people, to “break those barriers.”
- There is no problem with government collecting taxes, but for that they should serve the people.
- The Divisional Secretary’s office has greatly simplified the vehicle licensing process.
- Only local residents were allowed to bid on stalls at the new bus station.

Observations agreeing with the statement included: 1) *specific policy and procedural improvements*: income taxes have been combined into a single payment; the Senior Supervisor of Police was persuaded to discipline miscreant policemen and to rationalize parking enforcement; the VAT on private education providers has been removed; “When I applied for a birth certificate at the DS office, it was ready the next morning”; 2) various *outreach efforts*: the Divisional Secretary meets with business people periodically; the MC has established a “help desk,” though it is not yet working well; The Asia Foundation is doing a useful service in facilitating contacts with government; government officials sometimes call meetings to announce new policies; and 3) *general observations*: the MC is doing good service for the taxes they collect.

Complaints aired by those who disagreed or “neither agreed or disagreed” included: 1) *lack of information*: the absence of public information on policy guidelines and poor communication of new incentive programs; and 2) *inconsistent policy enforcement*: after a local business man was denied permission to establish a service station for “environmental” reasons, an outsider was allowed to establish a three wheeler sales outlet and service station on the same site.

The great majority of panelists believe supportive government policies are essential to their success and all are hoping for greater, more consistent support. Some are optimistic that better, more coherent policies can be elicited from various levels of government, others are not.

**9) “The basic resources needed to run a successful business in this community—roads, banks, transportation, parking and traffic management, street lighting, phone and internet services, electricity, water—are improving.”**

Panelists were strongly in agreement on this issue. Seventeen of 18 agreed or strongly agreed. While nearly all mentioned at least one source of dissatisfaction—poorly maintained interior roads, inadequate street lights, parking problems—virtually all feel their businesses are no longer significantly hampered by inadequate basic services. Notable observations by panelists included:

- There are “more than enough” banks.
- Other than street lighting, all services are “quite good.”
- Interior road construction is erratic; they upgrade 25 meters, then leave the next 75 unimproved.
- Remote areas still lack essential support services.
- Many local property deeds are “in the bank” for loan security.

Observations that agreed and strongly agreed with the statement offered 1) *specific praise* for: main roads; telephone and internet service; transport services and parking; banks. However, most panelists also registered 2) a few *complaints*: inadequate street lighting; poorly maintained interior roads; insufficient off-street parking; poor traffic management; poor electricity service. A few panelists offered: 3) *specific recommendations* to improve services: increase outdated speed limits on major highways; inform customers of electric power cuts in advance.

In general, business people are content with the physical and banking support they receive, and some noted that most of these are provided by the private sector. There are still areas of glaring inefficiency—street lighting, interior road repairs, management of parking and traffic—where the Municipal Council can improve their performance and gain the support of the business community.

**10) “The long-term outlook for business in this community is promising.”**

Panelist responses were broadly in agreement on this issue, indicating substantial optimism regarding business development over the next ten years. The quarter of respondents who chose to “neither agree or disagree” sometimes prefaced their remarks with “ensh’allah” or “god willing,” and mentioned circumstances that might derail future business success. Notable observations by panelists included:

- Most people in the Diaspora have now developed the confidence they can invest here.
- VS
- If democracy is re-established, we will get support from the Diaspora.
  - In the past, to buy a photocopier I needed to go to Colombo, then wait a month. Now I can order in an hour and take delivery the same day.
  - Government policies are always changing. How can we start a new business under those conditions?
  - Getting access to needed construction materials—sand and bricks—requires multiple permits that take months to get.
  - After business hours, people have little to do; the quality of life needs to be improved by a club.

The substantial majority who strongly agreed and agreed 1) explained their *reasoning*: farmers are returning to lands they had to abandon during the war; based on two years of growth we can be optimistic about the next ten; more businesses run by women; the presence of after sales service in Batticaloa for electronic equipment; the current government’s support for economic growth. They also: 2) offered *predictions*: the end of emigration to the Middle East; development of export businesses; more investment from the Diaspora; the presence in Batticaloa of “more than three” three star hotels. And they outlined 3) *necessary conditions* for continued growth: government support through “motivations” and flexible taxes; local [thus more knowledgeable and sympathetic] banks; investment by the Diaspora; and re-election of the current government two or three times.

There were a small number 4) of *doubts* expressed: a return to violence, another natural disaster, and inter-ethnic conflict can derail economic development; some businessmen are “misusing” their opportunities.

Overall, Batticaloa business people are quite optimistic regarding their future. This supportive attitude is itself a resource that can be built on through supportive policies and comprehensive, effective planning.

### SECTION 3—Asia Foundation Comments

In the future, when constructing a quantitative measure or index of the business environment in secondary cities, for purposes of comparison, we may want to employ the use of tiers. This is because a few points of difference should not be considered important, but assignment to the same or different tier should be noted. For example, seven of the towns are in provinces that were most severely affected by the war, and are now proceeding through roughly equivalent recovery processes. It is only where communities are separated by one or two tiers that substantial psychological and institutional differences should be inferred. Asia Foundation consultants and staff members who participated in interviews in Badulla and Bandarawela, for example, can attest to such differences. The two towns are in the same district and separated by a brief one hour drive. But the content and tone of panelist responses varied dramatically. Bandarawela business people were almost invariably upbeat and enthusiastic, while those in Badulla were inclined to be pessimistic and cynical. The contrast between Bandarawela and Matale, four tiers apart, is even more dramatic.

It is striking that respondents in three towns located well outside the war zone—Galle, Matale, and Badulla—were generally less positive in their outlook than respondents in seven towns more directly affected by fighting and militarism—Jaffna, Mannar, Ampara, Vavuniya, Trincomalee, Kalmunai, and Batticaloa. Lacking an obvious break in the routine of managing their businesses, panelists in Galle, Matale, and Badulla were inclined to focus on their own problems and on shortcomings in their community. Panelists in the Northern and Eastern towns had experience of a clear “line in the sand.” They described the end of the war as a fundamentally important turning point for business and daily life. Compared to the recent past, there are broad opportunities to invest and innovate. This optimism and “sense of the possibilities” is a positive resource, one that can be harnessed in planning and implementing a comprehensive development strategy. In contrast, towns lacking a clear “line in the sand” [such as Galle, Matale, and Badulla] need to build such support. A preliminary strategy is needed to help business people and government officials to discover their “sense of the possibilities.”

Batticaloa is located on the east coast with good road connections to other Eastern Province cities, the North, and Colombo. It is a district center and is located relatively close to a nascent center of tourism in the adjacent local authority. New and expanding businesses are readily observed, and new public infrastructure is serving businesses and the public well. The responses of 18 panelists have given Batticaloa a relatively high overall score among the 15 towns included in the study.

*High scores* among the 15 surveyed communities were received for responses to four statements. When combined, these scores might be considered a kind of “optimism index”:

- *Opportunities to expand or start new businesses are increasing:* Panelists were hopeful about future business prospects, and typically envision new firms established on a tripartite base of agriculture, fisheries, and tourism. They were upbeat as they mentioned numerous opportunities in these sectors. However, their observations also revealed underlying anxiety and suspicion. They fear that many opportunities will be claimed by “outsiders,” particularly Sinhalese investors.
- *The government policies that affect business operations are improving:* To a greater extent than their counterparts in a dozen other communities [only Jaffna and Bandarawela panelists were more positive], respondents in Batti were positive in assessing the current government policy setting. They mentioned specific *policy and procedural improvements*: income taxes combined into a single payment; the Senior Supervisor of Police persuaded to discipline miscreant policemen and rationalize parking enforcement; the VAT on private education providers removed; timely services at the DS office. They were also favorably impressed by various *outreach efforts*: Divisional Secretary meetings with business people; the MC establishment of a “help desk”; Asia Foundation assistance in facilitating contacts with government. One panelist even noted that the MC is doing “good service” for the taxes they collect.
- *The basic resources needed to run a successful business are improving:* Panelists in Batticaloa were generally grateful for a bundle of services that have been significantly upgraded or introduced new since the end of the war. Business people throughout the East and North view new bank branches, faster internet speeds, cheaper mobile phone services, and dramatically improved roads with fresh eyes, and

thus clearly express their appreciation. In contrast, business people in the Southern and Central Provinces have witnessed the gradual introduction of improved phone and internet services, new bank branches, and other basic services over a decade or more. Their [typically human] response is to accept these services as part of the current reality and look toward the next generation of improved services.

- *The long-term outlook for business in Batticaloa is promising:* Panelists cited sound reasons for optimism—new firms, expanded businesses, shops remaining open into the evening hours. But it is worthy of note that panelists in Kalmunai and Trincomalee were similarly optimistic. Panelists in the East are clearly still in a *post-war expansion mode*, and are deeply appreciative of the personal and business benefits that flow from peace, free movement, and autonomous decision-making. In any case, their optimism is an important resource for future development.

Certain other issues arose spontaneously in the course of semi-structured interviews.

*The arrival of “outsiders”:* Several panelists expressed their fears that local businesses are losing out to outside investors and owners. Often they noted that these “outsiders” are Sinhalese business people from the Western, Southern, or Central Provinces. There were clearly overtones of *ethnic resentment* in their comments. But other emotions can also be detected. Indigenous business people feel their *survivors’ rights* have been ignored, that it is fundamentally unfair that they are being outdone by individuals and firms that did not share the dangers and difficulties of conducting business in wartime. Panelists also alleged the presence of political favoritism in awarding construction contracts, providing bank loans from government-supported programs, and allocating government land for factory space.

*The mixed benefits of remittances from abroad:* Many panelists noted that local residents, notably Tamil families, receive regular remittances from family members abroad in Europe, North America, Australia, or the Middle East. In the first instance, they mentioned this as a fundamental element of the local economy. The funds ensure the prosperity of some families, and are sometimes the source of business investments. But several panelists made an additional point. They suggested that the availability of the funds has fostered dependency, outright laziness, and frivolous expenditure. The implication is that more careful expenditure of these funds—e.g., for advanced education, establishing businesses, or building a financial portfolio—would benefit both the affected family and the wider community.