

# POLITICAL-ECONOMY PROFILES

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



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



The Asia Foundation

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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—Analysis

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 12 interviews in Mannar 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 Mannar 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 Mannar 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 12 business people selected as panel members in Mannar. 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 Mannar 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 broadly in agreement in their responses regarding this issue. Eleven out of 12 agreed or strongly agreed with the statement. 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:

- Business confidence has increased with the end of the conflict.
- Fishing and farming were severely limited in wartime. Fishermen are back and farmers are starting one by one.
- Before there was manual harvesting. Now farmers are using their own combined harvesters.
- A lot of families receive remittances. In addition, Diaspora family members are starting to visit and foreign currency is coming.
- “Now I can order goods from Colombo by phone and they’ll be delivered the next day.”
- Restrictions on fishing have been reduced; otherwise, there’s not much economic growth.

Observations that agree or strongly agree with the statement often noted 1) the *end of the War and restrictions it imposed*: farmers no longer restricted in buying fertilizer and other chemicals; people returning from camps to live in their own houses; sufficient transport for people to “come and go and do their business”; big companies purchasing land [Tokyo Cement considering a major purchase]; more vehicles for business and personal use; people modifying their houses and business premises; with no “pass system” it is possible to freely buy materials [a carpentry business can now acquire aluminum and paint]; there is no need to go out of Mannar for purchases. Panelists also mentioned 2) *improvements in the business environment*: people starting to invest; leasing companies readily offering vehicles [one firm has acquired four “tipper” trucks]; more orders for a garment mini-factory; a recent interest in crab processing; “My work load is up 40%.” They also offered 3) *general comments*: people coming from remote areas to buy; improved hospital facilities and schools; people show they are “a little bit rich” by upgrading from motorbike to car.

Finally they voiced 1) some *cautionary notes*: there are more outside business people, bringing sharper competition and lower profit margins; business people are ready to offer new products, but customers want traditional items; many new businesses depend on loans and may face default; a computer school can offer “up to date” courses, but people don’t know their worth; and a few 2) *contrary opinions*: there is no increase in per capita income; there is lack of investment by a local private sector that is traditional and informal; out-of-district middlemen are undercutting local seafood dealers by offering fishermen prices above the “agreed” level.

Most business people are satisfied with current growth; one fifth are very pleased. They are grateful for the end of hostilities and the freedom of action it brings. But concerns were occasionally raised about the capacity of local business people and workers to participate fully in a growing economy.

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

Panelists were broadly in agreement in their responses regarding this issue. Five sixths agreed or strongly agreed with the statement; only one sixth disagreed. Some observations were highly personal; others addressed the general situation. Notable observations by panelists included:

- There are no longer “illegal taxes.” People are freer to expand.
- Expansion in the town depends on expansion of the rural economy.
- “Before we did only engine services. Now we do wheel alignment, tire repair and sales, and battery charging and sales.”
- “Before we didn’t put jewelry in a showcase; now we do. Before we closed at 2:00 p.m. and now we close at 4:30 or 5:00.”
- “Before, men’s hair saloons had only one chair. Now they have multiple chairs, glass-and-aluminum fittings, AC, and electric clippers. Very relaxing!”
- Mannar is an island. Few people come and there is less change than in Vavuniya.

Those agreeing with the statement offered numerous examples, in addition to those noted above, of 1) *personal businesses expanding*: “Earlier, I used manual carpentry tools. In the past two years I have purchased power tools with the assistance of the Chamber of Commerce.” “We use new technologies to process sea cucumbers. Instead of sun drying we use electric dryers. We’re planning a cool room for storage during the rains.” “We’ve moved our small garment factory from our home to rented space and added five new machines.” “Before we accepted advance payments from a seafood dealer in Colombo, and had to sell to him. Now we finance ourselves and sell to the highest bidder.” “Before we had one computer [in our print shop]. Now we have seven networked. I sometimes email designs to the shop that I’ve worked on at home.” “We are purchasing more supplies and increasing yields from our milkfish pond. We have also applied for five more acres of pond land.” “Students in computer classes for school leavers have increased 20%. Those in classes for post-A Level students have increased 50%.” Panelists also described 2) *expansion of other businesses*: a photography shop has added sets for in-shop portraits and purchased new cameras; bakeries that sold from bicycle-drawn carts now use three wheelers; hotels are adding rooms; hardware stores, construction firms, and telecom companies are expanding. They also identified a few 3) *contributing factors* to expansion: checkpoints are gone. The onerous necessity of unloading Colombo-based lorries and reloading local lorries at a checkpoint 80 kilometers from Mannar has ended. Larger lorries can be used. It’s easier to arrange for outside professionals—e.g., instructors in a computer school—to visit. Leasing companies make acquisition of some equipment and vehicles easier. Central Bank lending facilities are encouraging agriculture and micro-industries. There are no longer “illegal taxes”; people are freer to expand.

Panelists disagreeing with the statement offered 1) *contrary statements*: Mannar has remained the same, with the same kinds of businesses and limited opportunities. Fishing and agriculture have not changed, they still use the same technologies; encroachment by Indian trawlers is undercutting fish catches and opportunities for “value added” products from fisheries; and 2) an *explanation*: an “unsettled situation” persists because the government refuses to seek a solution to ethnic issues.

Numerous examples offered by panelists leave little doubt that Mannar business is in a period of expansion. However, a few counter examples and cautionary statements may point the way toward a clearer understanding of the risks and barriers that businesses face.

### 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:

- “Value added” has been achieved for sea foods, which were previously shipped unprocessed to Colombo.
- “Before, for vehicle wheel alignment it was necessary to drive all the way to Anuradhapura.”
- “Before, we had only standard paint colors. Now with modern mixers there are thousands of colors and we can easily order more if we run out.”
- Ninety percent of fishermen now have motorboats. Before they used 100 meter nets, now 1000 meters.
- “We have started a luxury bus company.”
- “We have ‘more than enough’ three wheelers.”

In addition to the examples of new local initiatives listed above, observations that agree or strongly agree with the statement enumerated 1) new *financial institutions*: banks, leasing companies, finance companies, insurance firms, and pawning centers; 2) *product showrooms*: Abans, Singer, Damro, Sathosa; and 3) other *products and services*: ice factories [five where there was one before]; vehicle parts shops; hotels and guest houses; restaurants; motorbike dealers; construction firms; a new computer training school; metal crushers; crab, milkfish, sea cucumber, and prawn farming operations; supermarkets [local]; bakeries; petrol stations; beauty parlors; net cafes; a glass cutter; a coffin shop; one fishing trawler; and crab processors [boiled and sold in bulk]. A few 4) *additional observations* were made: A new industrial zone has been proposed. There are more attendees at the various religious festivals due to the presence of new shops.

There are no doubters in the Mannar 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. Notable observations by panelists included:

- Mannar has great potential due to its location. If Colombo-Jaffna buses are re-routed on Highway A32, Mannar will “overtake” Vavuniya.
- A renovated harbor and railway will make Mannar the “gateway to India.” It will be much more efficient to ship directly to and from India.
- For six months a year [the off season for fishing] we can easily mobilize workers.
- If the rumored oil exploration efforts are successful, there will be huge implications.
- New businesses [e.g., a water bottling plant] are constrained by limited funding and an onerous approval system. Including corruption issues.

Observations agreeing or strongly agreeing with the statement identified needed and promising 1) *industrial enterprises*: canned fish and prawns; coconut oil and roofing materials; rice mills; water bottling; glass recycling; high quality furniture; steel cupboards, gates, and posts; garment factories; shoe and slipper manufacture; 2) *commercial businesses*: pharmacies [“We currently depend on Anuradhapura and Vavuniya.”]; a baby clothes shop; 3) *agro-enterprises*: a “mash” factory that turns surplus fish and byproducts into poultry feed and fish meal; vegetable production; crab ponds; high quality herbs and spices; 4) *services*: boat tours; medical laboratories; nursing homes; expanded TV cable service; and 5) *handicrafts*: shell crafts; palmyrah mats and bags. One informant proposed a revival of the once profitable pearl fishery.

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

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

Panelists held varying views on this issue. For the first time in interviews in Mannar, panelists selected all possible responses, ranging from strongly agree to strongly disagree. Among other things, these widely dispersed responses probably indicate the difficulties in judging the welfare of thousands of fellow citizens. Notable observations by panelists included:

- People are investing in new homes, motorcycles, and business vehicles.
- There is a segment of the population that is cash rich due to profits from the war period.
- “Economic growth is moving ‘one by one’ and some households have not yet been affected.”
- “50% are OK; 10-20% are day laborers, and the remainder are ‘somewhat OK’.”

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- “25% are upper level; 25% are middle level; and 50% are at poverty level.”
- Many people lost their property in wartime and are only now recovering.

Observations that strongly agree or agree with the statement included examples of 1) *typical expenditures*: home remodeling; motorcycles [often bought on credit]; vehicles for business or family use [leased]; electronics and other consumer goods; education for children; jewelry [“never more than 40 grams,” worth about Rs.320,000]. There were 2) *wide ranging estimates* of the proportion of local residents who are “well off” and “OK”: 25% + 25%; 50% + 30%; 35% + 35%; 10% + 40%; 10% + 60% [but even among the fishermen the *samathi* are well off]. Thus, the 3) *remaining portions*: ranging from about one quarter to one half, are poor. A few panelists mentioned 4) the importance of *remittances from abroad*.

Those who disagreed or strongly disagreed with the statement mentioned 1) *probable causes* of poverty: frequent “disturbances” to normal business [e.g., when ministers come and the causeway and bridge are closed]. “Some people lack business capacity, and have operated at the same level for the past ten years.” “Some people

spend their money on arrack; most are Tamil Catholics” [according to a Tamil Catholic]; as well as 2) *implications* of poverty: some people barely eke out their basic needs, and can eat only once daily.

Overall, significant income growth and prosperity are probably realities in Mannar. However, it is probably worthwhile to focus on some straightforward questions: Are there poor people here? Are they getting better off, or worse? What are the implications? What can be done?

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

Panelists professed differing views regarding this issue. Seven out of 12 agreed or strongly agreed with the statement, thus indicating at least some familiarity with advocacy efforts on behalf of local businesses. Responses from other panelists suggest they are unfamiliar with 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 panelists included:

- The District Entrepreneurs’ Forum brings together Chamber members and various government officials.
- There are quarterly meetings between fishermen and Fisheries Development officials. Problems are raised, if not solved.
- There are remaining barriers to fishing under continuing Emergency Regulations. Getting licenses for the better fishing grounds are onerous, and boats must wait “in line” to present licenses daily.
- Yet Negombo fishermen come from another province, use larger motors, and fish without hindrance.
- There have been discussions with the UC regarding road repairs and drainage problems, but so far no action.
- “I am not aware of any such activities.”

Those agreeing with the statement cited 1) *examples of advocacy work*: Successful Chamber meetings with the military and District Secretary to request relaxation of the most onerous fishing regulations [restrictions on deep sea and night fishing, and a requirement to deposit motors over night at the military camp]; the District Entrepreneurs’ Forum; quarterly Fisheries meetings; Chamber collaboration with the UC on the “clean city program”; discussions about allocation of market stalls; Chamber collaboration with the banks to “uplift” micro-businesses; discussions about a proposed Economic Zone. Panelists also offered 2) *general comments*: “There is the Chamber of Commerce and the Traders Associations. My husband is more familiar. I’m not much involved.” “I know it [advocacy] is happening. The Chamber sent me to a technical exhibit, where I learned about new printing techniques—double stamping and preparing plastic identification cards.” “I met with the Divisional Secretary individually about issues with my TV cable company.” “Before, it took one year to register my carpentry workshop. Now officials advise me how to proceed.”

Those disagreeing with the statement essentially 1) *denied knowledge advocacy work*: “I am not aware of any such activities.” “I didn’t know that issues could be taken up through the Chamber.”

A solid majority of panelists recognize the existence of business advocacy in Mannar. However, only a minority believe such efforts have had any observable effects.

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

Panelists professed a range of views regarding this statement. Seven of 12 strongly agreed or agreed that the municipal government is taking useful steps to improve conditions for business. One third disagreed. Positive responses focused on satisfactory 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 officials. Since an elected Council was established recently [for the first time in decades], there is a tendency to allow them some time to prove themselves. Notable observations included:

- “Only now are they getting started in their development work.”
- “They are collecting garbage twice daily.”
- They are performing adequately on licenses and approvals.
- “They are a TNA Council, and don’t have national support.”

- The various festivals are being supported—by allocating space, providing a location for stalls [for a fee], and assisting with security and sanitation—regardless of ethnicity or religion.
- Governance is bad due to “internal difficulties.”

Observations agreeing with the statement included comments on 1) *improved service delivery*: garbage collected frequently; some street lights provided; roads cleaned; septic pits cleaned [for a fee]; ample water is provided; and 2) recent *procedural and infrastructure improvements*: quicker approval of environmental licenses and other permits; safety covers placed on drains. Finally, they identified 3) *policy or leadership initiatives*: “They will take action on illegal construction.” “The problem of stray cattle was reduced after the owners were fined.” “Public funds are passed along for community projects fairly, and without corruption.” “Collection of the Assessment Tax has re-commenced after ten years.”

Negative observations included 1) *specific complaints about UC management*: inadequate drainage facilities; unsatisfactory sanitation; undeveloped by-roads; more 2) *general complaints*: “internal difficulties” in the Council; an election that lacked “proper guidance; and observations about 3) *initiatives not yet undertaken*: no public forum with business people; no business complex built so far; a “good system” to manage the fish market and meat stalls that is lacking; a lack of focused support for the fisheries sector.

Many Mannar business people are favorably disposed toward their city government. They appreciate standard services that are provided reasonably well. And they appreciate some initiatives that are improving the overall business environment and quality of life. Inevitably, a few panelists asked “What have you done for me lately?”

**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. Five out of 12 agreed or strongly agreed, one quarter were unsure of their views [thus selecting “neither agree nor disagree”], and one third disagreed. Those in agreement mentioned specific government actions—subsidized loan funds, emergency regulations eased, major infrastructure activities. Those who disagreed or were neutral often mentioned emergency regulations or government pronouncements not followed up by concrete actions. Notable observations by panelists included:

- There are Central Bank-sponsored loans available to fishermen at 9% interest.
- Infrastructure development and elimination of procedural barriers have brought in new businesses [while lowering profit margins in many businesses].
- “The BTT was formerly 5%, but has now been reduced to 1% for jewelers.”
- Timber transport licenses are easily obtained by registered carpentry businesses.
- Information about policies and regulations are lacking—e.g., a recent regulation about sealing weighing scales.
- Labor officers, PHIs, Inland Revenue officials, and weights-and-measures inspectors are in place after a gap of 20 years.

Observations agreeing with the statement included comments on 1) *policy and procedural improvements*: several special loan facilities have been created; the Government is undertaking major infrastructure programs [including a new two-way causeway and bridge for Mannar]; government land was turned over for salt production, sufficient to produce 2500 tons of salt annually and create 40 jobs; the Consumer Act mandates price lists and some price controls [“That’s good.”]; some fisheries regulations [e.g., depth limits on harvesting sea cucumbers, size limits] are good; and 2) *general observations*: lower loan interest will encourage investment. “There is now a ‘free economy’ for sending and receiving goods, a major difference.”

Complaints aired by those who disagreed or “neither agreed nor disagreed” included 1) *lack of information*: policies are introduced without consulting with the business community. “I didn’t know there were plans to widen our road until I went to request a building permit.” “I’m not aware of any policy to support new start-up businesses.” Fishing bans are introduced abruptly, often undercutting established business activities; and 2) *inconsistent or confusing policy enforcement*: Indian trawlers are able to fish in Sri Lankan waters ordinarily fished by Mannar boats; difficulties are encountered in changing the registered name on a market stall; and 3) *general criticisms*: “Licensing and registration requirements can lead to corruption.” There is no clear policy to

protect and provide for local businesses [e.g., poultry producers are undercut by imports, and farmers face unreasonable input prices]. “The UNP government was better; prices are now high and there are hidden taxes.”

The great majority of panelists believe supportive government policies are essential to their success. For now, the most pressing issues are associated with persisting regulations and restrictions from the war period. Business people would like to see all remaining discriminatory regulations and procedures eliminated.

**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 professed differing views on this issue. While five agreed, another five “neither agreed nor disagreed.” One sixth disagreed. Overall, their choices represent a mixed response to a complex set of basic resources. Virtually all panelists singled out at least one or two basic resources for praise, and some that still need improvement. Notable observations by the panelists included:

- We are happy about the new bridge; before it was one way.
- Development [concreting] of the highway to Jaffna is ongoing.
- “Parking is not a problem like it is in big cities.”
- RDA roads are OK; others are not.
- “Use of public transport by women is not good!”
- “Electricity. No way!”

Observations that agreed with the statement focused on 1) *specific valued services*: most prominent among these were: phone and internet services; improved roads [better in town than in isolated neighborhoods]; supportive banking services; some traffic management efforts [traffic officers sent during school drop-off and pickup times]. Also 2) *mentioned* were: better transport services [“The bus to Colombo takes seven hours]; parking [notably for private buses and three wheelers]; water supply; street lights [on main roads].

Five panelists chose to “neither agree nor disagree,” and proceeded to name a mixed list, including services they find satisfactory, and those they find deficient. They, along with those who disagreed with the statement, specified 1) *major areas of dissatisfaction*: inadequate street lighting [in most parts of town; in one neighborhood the mosque federation replaces bulbs]; water supply [during electric power cuts, no water is pumped; water connections take a long time to arrange; some households are supplied by bowsers]; poor parking and traffic management [“blocks” for vehicles negotiating main market roads, no traffic lights]; and 2) to a *lesser degree*: transport services [unsuitable for women]; drainage, roads, and banks. However, the main complaint area was 3) *unreliable electric power*: “Power failures have gotten worse in the past month.” “Power failures leave us without street lights. The computer was stolen from the co-operative office.” “One day of electric power loss leads to the waste of Rs.5,000 in employee wages.” Power tools can’t be used.

Support services for Mannar firms are less than fully satisfactory. The overarching issue, the one most limiting for local businesses, is a highly unreliable electricity supply. Advocacy on this issue must ultimately be undertaken at the provincial or national level. However, other shortcomings can be addressed locally. For example, the UC Council has it within its mandated role to assist with some serious shortcomings and hindrances. Notably, with adequate resources and support from the business community, they can attack the challenges of parking, traffic management, and improved street lighting.

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

Panelists were broadly in agreement in their responses regarding this issue. Five sixths agreed or strongly agreed with the statement. However, a few tempered their optimism by noting some pre-conditions that are needed, or by mentioning some threats to sustained development. Notable observations by panelists included:

- The end of fighting has created a climate conducive for business.
- “Promising, yes, if the policies are right and political stability if maintained.”
- Tourist ships will come into Mannar port.

- The conflict has had a positive effect. For those who stayed, it fostered an ability to survive and innovate. Those who emigrated got insights into new practices.
- A political solution needs to be achieved.
- “I don’t expect a lot of improvement.”

Panelists agreeing with the statement laid out 1) their *reasons for optimism*: the port will be upgraded, bringing ship service [and possibly tourists] to and from Chennai; after a quarter of a century, train service is being restored; land values are high; the modern, two-way bridge has opened Mannar to the mainland. They also specified 2) *supportive conditions* needed: “The future depends on the politicians.” Supportive national and local policies are needed. A political solution is needed; and aired 3) *optimistic general statements*: “If things continue as in the last two years, it will go well.” Improved infrastructure—highways, railway, port—bodes well for the next ten years. Opportunities for new industries [e.g., a biscuit factory] exist.

Panelists disagreeing with the statement noted 1) *potential threats* to a promising future: administrators from outside Mannar with little interest in local development; the U.S. debt crisis; a lack of higher education facilities; encroachment by Indian fishermen; persistent bureaucratic delays that will hinder long-term development; political interference in local business [e.g., by favoring outsiders in the transport sector]; big construction projects awarded to outside firms;

They also gave a litany of 4) *pessimistic statements*: “I don’t expect a lot of improvement.” There is some “political involvement” in all development activities.

Mannar’s business community is optimistic, but thoughtful, about the future. Optimism about the future is an important resource for building a strategy for sustainable development.

### 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.

Mannar is a district administrative center and, with the end of the war, is regaining its role as a hub for fishing, aquaculture, and seafood processing. Panelists demonstrated substantial optimism on such issues as: economic growth, business expansion, business opportunities, and Urban Council support for a favorable business environment.

- *There is observable economic growth:* Panelists emphasized the importance of the *end of the war*, noting a sea change in their freedom of movement and of action. For example, a variety of passes and permissions are no longer necessary, a carpenter can easily buy aluminum and paint, farmers can buy fertilizers and other chemicals. They *also noted* the presence of new investors, readily available vehicles through leasing firms, and increased sales. There were a few *cautionary notes*: a more open market brings sharper competition and lower profit margins; some firms are in danger of loan default.
- *Existing businesses are expanding:* Panelists offered *personal examples*: adoption of power tools in a carpentry shop; electric drying of seafood; a computerized print shop; more sewing machines in a small garment business; and expansion of *other businesses*: a hotel adding rooms; motorized delivery of bakery goods; and new cameras for a photography studio. They also enumerated *contributing factors* to expansion: elimination of checkpoints; the end of the onerous necessity of unloading and reloading trucks on the road from Colombo; the elimination of “illegal taxes” levied by insurgent forces.
- *Opportunities to expand or start new businesses are increasing:* Suggestions for *feasible industrial enterprises* included: canned fish and prawns; coconut oil and roofing materials; rice mills; water bottling; glass recycling; high quality furniture; steel cupboards, gates, and posts; garment factories; and shoe and slipper manufacture. *Other proposed businesses* included: pharmacies; a baby clothes shop; a “mash” factory to turn surplus fish and byproducts into poultry feed and fish meal; vegetable production; crab ponds; high quality herbs and spices; boat tours; medical laboratories; nursing homes; expanded TV cable service; shell crafts; palmyrah mats and bags. One informant proposed a revival of the once profitable pearl fishery.

- *The UC is taking practical steps to improve business:* Panelists cited specific examples of *improved services*: garbage collected frequently; street lights provided; roads cleaned, septic pits cleaned, ample household water provided; *procedural and infrastructure improvements*: quicker approval of environmental licenses; safety covers on drains; and *policy or leadership initiatives*: timely action on illegal construction; reducing the problem of stray cattle through fines; collection of the Assessment Tax after a ten-year hiatus. Negative observations included *complaints about UC management*: inadequate drainage facilities; unsatisfactory sanitation; undeveloped by-roads; “internal difficulties” in the Council; an election lacking “proper guidance, no public forum with business people; no business complex built so far; a lack of focused support for the fisheries sector.

In contrast, panelist responses regarding “basic resources” needed for day-to-day business operations were rather pessimistic.

- *The basic resources needed to run a successful business are improving:* The overarching issue, the one most limiting for local businesses is a highly *unreliable electricity supply*: “Electricity. No way!” “Power failures have gotten worse in the past month.” “Power failures leave us without street lights. The computer was stolen from the co-operative office.” “One day of electric power loss leads to the waste of Rs.5,000 in employee wages.” Power tools can’t be used. *Advocacy* on this issue must ultimately be undertaken at the provincial or national level. However, other shortcomings can be addressed locally. For example, the UC Council has it within its mandated role to assist with some serious shortcomings and hindrances. Notably, with adequate resources and support from the business community, they can attack the challenges of parking, traffic management, and improved street lighting.

Two issues of particular concern arose spontaneously during Mannar profile interviews:

*Restrictions on fishing:* Mannar fishermen continue to operate under tight restrictions that bring great inconvenience and considerable costs to the process of applying for, receiving, and using temporary permits for fishing in traditional areas. Mannar residents find this carryover from wartime particularly galling because fishermen from Negombo in the Western Province routinely fish their traditional waters without restrictions. Likewise, they compete with Indian trawlers that Mannar fishermen believe are fishing illegally in Sri Lankan territory.

*An unreliable electricity supply:* A majority of panelists complained bitterly about frequent, unpredictable power cuts that bring either high fuel and operating costs [for businesses that have purchased generators], or losses due to idled workers and spoilage of goods [for businesses unable to purchase generators].