POLITICAL-ECONOMY PROFILES

A Brief Report on the Business Environment of Ampara Town

Produced by Michael Calavan and staff of The Asia Foundation, Colombo
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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 12 interviews in Ampara 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 Ampara 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 Ampara 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 Ampara. 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 Ampara 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. Three quarters of them strongly agreed or agreed with the statement. Only one respondent 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:

- “Up to May 2009, in traveling to Colombo we had to pass 14 security barriers.”
- The paddy areas have been cultivated again.
- Before, people were afraid they would have to pay “taxes” to the LTTE.
- Cargills Food City is here. Keells will arrive soon.
- Recent floods slowed things down just as the economy was starting to move.
- Most people lack deeds to their land. This is a barrier to getting bank loans.

Observations that agree or strongly agree with the statement included, in order of importance: 1) physical factors: completion of highways; the absence of security checks, travel permits, and intrusive inspection of parcels and loads; new construction; greater freedom of movement for business people and their customers; and farmers returning to their land; and 2) new business practices: shops extending their businesses to rural areas; mobile traders selling to villagers; more aggressive lending by banks; extensive vehicle leasing; a dramatic increase in beauty services; and the availability of electronics and household appliances on easy credit terms.

Few panelists disagreed with the statement, but many who agreed also expressed reservations about the current growth path. Their main concern, repeated often during interviews, is: 1) absence of land deeds: The majority of commercial plots and buildings are held under interim certificates, and not yet properly deeded for full ownership. This is a major hindrance to business registration, obtaining building permits, and qualifying for bank loans. Other concerns are: 2) local inadequacies: difficulties in finding qualified staff [e.g., marketing specialists or professional cooks]; and 3) barriers to growth: distance from Colombo [software dealers are unwilling to come to install an accounting program]; and a lack of educational and recreational facilities desired by professionals.

Most business people are satisfied with current growth; half are very pleased. They are grateful for the end of hostilities and the freedom of action it brings. But concerns were repeatedly raised that the large backlog of undeeded properties will hinder long-term growth.

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

Panelists were broadly in agreement in their responses, with three quarters either strongly agreeing or agreeing with the statement. Only one sixth disagreed. In either case, answers typically referred to panelists’ personal business experiences as well as observations on other firms. Notable observations by panelists included:

- “Every businessman wants to expand his business.”
- Before two years ago, there were no shops with air conditioning. Now most have it.
- “I have increased employees in my department store from 110 to 150.”
- There is a strong demand for LCD TVs. Customers can now buy a 32 inch screen for the former price of a 21 inch set.
- “We gained a new distributorship from Ceylon Biscuits.”
- “King coconut sellers are coming from other places and selling from bicycles, thus undercutting my business.”

Observations agreeing or strongly agreeing with the statement included: 1) expansion of panelists’ businesses: adding staff [a garment factory grew from 1200 to 2000 employees], increasing work space, adding new product lines, opening new branches, upgrading and modernizing a sales space [an expanding bookstore is going to be “the best in Sri Lanka”; a beauty shop has added a display area for beauty products, new seating, and a TV], purchasing new equipment [a garage has added a power hoist, pressure pumps, power vacuum, and nitrogen gas dispenser], adding mobile sales, and purchasing vehicles; 2) shifting market demands: changing consumer tastes
Cargills has set new retailing standards, ordinary people purchasing more expensive items; and 3) **supporting conditions**: farmers with more disposable income, easier transactions with finance companies and leasing firms.

Comments offered by those who disagreed, and by a few who were mainly in agreement, betray: 1) **lingering doubts**: a chicken feed business that is being squeezed by rising prices and stagnant demand; and 2) **contrary assertions**: “Most businesses are in the same unfavorable situation as mine.”

Most panelists are rather pleased about expansion in their own businesses and across the own. However, 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.”**

Virtually all panelists, eleven of twelve, were in agreement in their responses on this issue. They strongly agreed or agreed with the statement, with most mentioning the presence of new financial institutions, vehicle dealers, leasing companies, and a range of other businesses. Notable observations by panelists included:

- Four finance companies started last year and three more this year.
- “Before I had to go to Colombo to buy a vehicle. Now I can do it here.”
- Before the end of the war there were two banks; now there are six.
- Up-market customers are “proud” to shop at Cargills Food City.
- Ninety per cent of Abans’ sales are on a credit basis, with equal monthly payments over 18 months.
- “But there are no new local commercial ventures.”

Panelists responded by naming: 1) **outside firms**, generally Colombo-based, that have established local branches: banks, finance companies, leasing firms, and insurance companies; vehicle dealers [AMW, Mahinda, Richard Pereis, Bajaj]; agricultural equipment firms [Agrotech, John Deere]; communication and IT companies [Airtel, Dialog, Soft Logic]; furniture [Damro]; super markets [Cargills]; and food producers [Ceylon Biscuits]. They also noted numerous: 2) **local initiatives**, large and small: a local finance company that already has 16 branches in Ampara District; and small- and medium-sized businesses including: communication shops, digital advertising firms, clothing shops, carpentry, agricultural supplies, and food processors. Finally, panelists noted: 3) **other signs** of business development: a developer planning a new housing estate, and a new building constructed by the Rice Traders Association.

Only a few doubts were expressed about: 1) **negative trends**: One panelist noted a need to develop greater purchasing power among residents, particularly through more profitable farming. Another simply asserted there are no new local business ventures.

There are few doubters in the Ampara 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.”**

Most panelists were in agreement in their responses to this statement. Five sixths either strongly agreed or agreed. Only one sixth disagreed. Answers ranged from mention of human, natural, cultural, and financial resources that are available, to proposals for promising new businesses, to favorable conditions that are required for full realization of opportunities. Notable observations by panelists included:

- People no longer have any fear. They can go anywhere, purchase anywhere. Business people can readily start a new venture.
- “A food court would do well if there is space available.”
- Loans are more readily available.
- VS
- “We can’t access loans because of the problem with un-deeded land.”
- “We have no mega shops for clothing. We need Fashion Bug or House of Fashion here.”
Observations agreeing or strongly agreeing with the statement identified: 1) needed and promising business ventures: new, bigger hotels [some located near the tank], restaurants [several have recently been forced out of their premises], a pharmacy, a jewelry shop, a shop for wedding clothes, and additional computer shops [to compete with the single existing shop]; 2) favorable local resources include: potential tourist draws such as the Diguwapriya Temple, Buddanagela Temple, and large man-made tank; and: 3) desirable pre-conditions: a better hospital [with periodic visits by Colombo specialists], lower commercial rents, and a luxury bus service.

Comments offered by those who disagreed, and by a few who were mainly in agreement, focused on: 1) lingering doubts: limited local spending power, thus the need to focus on exports and markets elsewhere in Sri Lanka; rising rents that are undercutting businesses; difficulty in retaining professional employees in the area [no parks or English tutors]; the oft-mentioned issue of un-deeded land and access to bank loans; and a shortage of commercial space due to the entry of outside firms into the leasing market.

Business people in Ampara are scanning local resources and trends in market demand and identifying significant opportunities, despite perceived barriers.

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

Panelists professed two differing views regarding this issue. Seven either disagreed or strongly disagreed, while five either agreed or strongly agreed. In some cases panelists offered insightful socioeconomic descriptions of the local population. Many also cited the rapidly rising cost of living for all residents, and conditions in agriculture, as important factors in shaping local prosperity. Notable observations by the panelists included:

- “60% of the people in the town are OK. The 40% who are laborers are not prosperous.”
- People are able to save. They don’t have opportunities to “waste their money” as in Colombo.
- The police and paddy farmers can buy electronic products in large showrooms.
- Overall, people in the town are well off.

VS
- “Because people lack spending power, our businesses are coming down day by day.”
- “Before, I sold 50 king coconuts per day. Now I only sell ten or 12. Therefore I’m saying that prosperity if going down.”

Observations included: 1) quantitative estimates of prosperity and poverty: Those who are prospering variously constitute a minority—20% or 15%—that includes top level and ordinary business people; or conversely, they constitute a majority—90% or 60%—and also include government servants, farmers, and most non-laborers. Panelists also offered a range of: 2) socio-economic analyses: On the negative side, most people are unemployed or work for a daily wage, are suffering from rapid inflation, are unable to save, lack skills needed in the labor market, and were affected by recent floods. On the positive side: they are able to save, have low expectations and are readily satisfied, or are doing well in farming. Panelists also offered: 3) indicators of relative prosperity: Farmers spend more readily after agricultural harvests, while government servants spend heavily around the 20th to 25th of each month. This year people pawned jewelry in order to celebrate the New Year. Some people who have taken goods with easy payment schemes are now in default. Other people can afford to buy expensive appliances and patronize beauty parlors.

Ampara’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 three differing views regarding this statement. Five agreed or strongly agreed. Three disagreed or strongly disagreed. In general, the group that agreed on this issue has direct knowledge of policy discussions within business organizations or of dialogues between business people and government officials. Those who disagreed generally denied specific knowledge of policy efforts. The substantial number choosing to
“neither agree or disagree” typically balanced their sense that such efforts are essential against the pessimistic assumption that most will fail. Notable observations by panelists included:

• “We have a ‘good relationship’ with the local institutions.” [A department store owner.]
• The Chamber of Commerce is doing some advocacy with District and Divisional Secretaries regarding the un-deeded land issue.
• There have been dialogues with the Urban Council regarding solid waste management, the assessment tax, and trade licenses.
• Sometimes the Chamber of Commerce “does something” with the government units, but we don’t know much about what they are doing.
• “We were invited for ‘participatory planning’ but not for any other consultations since then.”
• “I attended two or three meetings of the District Enterprise Forum; nothing has happened yet.”

Panelists agreeing with the statement mentioned: 1) particular advocacy efforts: dialogue with the Urban Council regarding garbage collection services and procedures for the assessment tax and trade licenses; discussions with the District Secretary, Divisional Secretary, and Land Ministry regarding un-deeded properties; discussions with the Provincial Transport Board regarding route assignments for private bus companies; involvement in a participatory planning exercise; and participation in a [largely ineffective] District Enterprise Forum.

Panelists disagreeing with the statement offered: 1) general statements of ignorance or denial: “If they are doing something with government units, why am I here by the roadside selling coconuts?” “We don’t know much about what the Chamber of Commerce is doing.” This leads to: 2) pessimistic statements about government counterparts: The Divisional Secretary’s office is inflexible in granting licenses—e.g. turning down an application just because a name is misspelled. The “mentality” of government servants hasn’t changed. There are discussions about changing policies, no actual improvements. They also offer: 3) specific examples: bias in giving electrical hook-ups to opposing party members; a problem in getting electrical service for a new Trade Association building; and a contract that was canceled because the contractor belongs to the political opposition. Unfortunately, these experiences lead to: 4) cynicism regarding advocacy efforts and organizations conducting them: “I was once a member of the Trade Association, but I resigned because they are inefficient.”

Despite doubts by some panelists, there is considerable evidence of advocacy work undertaken by Ampara’s business community. The ultimate success of most such efforts is less clear.

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

Panelists professed three differing views regarding this issue. Five disagreed or strongly disagreed, while four agreed or strongly agreed, and three “neither agreed or disagreed.” Many singled out specific services, often for criticism, sometimes for praise. They also offered general observations on “business friendliness” and overall administrative effectiveness. Notable observations by panelists included:

• There will be an awareness program on Saturday between the UC and business people. Subjects will include: trade licenses, service delivery, and dengue and malaria campaigns.
• The Chairman has discussed his plans for business—e.g., opportunities to advertise at the bus stand—with business people personally known to him.
• The new Council will be better than the old one. But they have had no meetings with the business community.
• “We pay taxes and they provide a few basic services.”
• The Urban Council lacks a good physical plan.
• They have called for quotes from four to five shops, but they actually buy from other shops that didn’t bid at all!

Panelists agreeing with the statement noted an: 1) improved attitude on the part of local government officials, both elected and administrative: “The new council is better than the old one.” They are interested in establishing a “customer friendly environment.” The Chairman has discussed his plans with individual business people. There will be an awareness program on Saturday. They also offered [in a positive manner]: 2) specific
recommendations: install toilets and waiting rooms at the bus stand; convert crown lands held by the UC to good use by constructing commercial buildings on those lands.

Those disagreeing with the statement criticized: 1) particular services: lack of improvements in garbage collection, no public toilets, no vehicle parking lots; and 2) overall weakness: lack of a physical plan; “old systems” for managing roads, drainage, street lights, and public health programs; and very slow processes for approvals, such as building permits.

In Ampara, as in most towns, the Urban Council gets mixed reviews. There will probably be some value [for both sides], for the UC to invite business representatives to participate in the annual budgeting process. A better understanding by businesses of financial and administrative constraints on the UC, and guidance [and fuller payment of taxes] from the business community will help the Council to undertake targeted reforms.

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

Panelists professed differing views regarding this issue. Four disagreed or strongly disagreed with the statement and only two agreed. Those disagreeing or agreeing referred to specific government policies or programs, and opined that they are working poorly or well. A striking number, half of the total, chose to “neither agree or disagree,” in effect admitting that they are ignorant of government policies vis-à-vis the business community.

Notable observations by panelists included:
- “In a recent meeting with Labor Department officials, they promised to be more flexible and balanced in enforcing regulations.”
- The government has capped interest rates. People are getting loans, and business will increase.
- Opening the Hambantota Port will reduce travel time for incoming and outgoing goods roughly by half.
- The President’s national policy is good, but government employees and departments aren’t implementing it.
- “I pay my taxes, have no loans, and have no problems regarding government policies.”
- The leadership of Ampara doesn’t have the knowledge to tell our problems to the Government.

Panelists disagreeing with the statement reiterated the issue of 1) un-deeded properties, although one panelist noted that the Land Ministry has promised to simplify procedures for procuring a deed. They also complained about 2) heavy handed enforcement: the NBT is adversely affecting the smallest businesses; rules and regulations are “very rigid”; the requirement to post retail prices means a department store must “put a price on every dish”; and 3) lack of information on government policies: “We don’t have any awareness on the NBT.” Finally they cited cases of 4) favoritism: “There is a massive government program to improve infrastructure, but it is implemented only in areas controlled by the ruling party”; businesses pay higher postage rates than private citizens.

The few panelists agreeing with the statement enumerated 1) government support programs: construction of major national highways [thus lowering transport costs], construction of the Hambantota Port, incentives for industrial development in the East; and 2) other policies: lower interest rates; programs on fair treatment of employees—EPF and ETF.

Panelists readily perceive the benefits of peace and major infrastructure programs for business. Many are essentially uninformed about the current regulatory framework for business.

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 broadly in agreement in their responses regarding this issue. Two thirds agreed or strongly agreed with the statement. One third disagreed or strongly disagreed. Virtually all panelists singled out at least one or two basic resources for praise, and at least one still needing improvement. Notable observations included:
- Suburban roads are now better.
• Private bus companies are expanding.
• We have WiFi in our electronics showroom.
• We run our generator two or three times a week.
• “Government banks are slow.”
• “When we compare with other areas, even Akkaraipattu and Kalmunai, we suffer from a lack of MP and ministerial support.”

Those who agreed with the statement had 1) particular praise for: the internet [“I use the internet for my business and to keep in touch with the world.”]; phone service; major road construction; transport services [private bus companies are expanding]; and the banks [“Private banks are OK if the manager is willing to lend.”]; and water. They 2) also mentioned: parking, electricity, street lighting, and traffic management.

Interestingly, panelists disagreeing with the statement singled out some of the 1) same services for criticism: electricity [irregular service, un-announced power cuts, need for a generator, inability to get three phase power]; transport services [a lack of luxury buses, “There are no buses after 6:00 p.m. They should be extended to 10:00 p.m. Then we can open our shops.”]; parking [“We have five vehicles and no place for parking.”]; the banks [difficulties in meeting borrowing requirements]; road construction [little attention paid to water drainage during construction]; and traffic management [no traffic lights, undisciplined pedestrians]. They also anticipated 2) the future: “Parking and traffic will be trouble!” “I hope that street lighting will be better after reconstruction of the main road is completed.”

Collectively, panelists are pleased with recent advances in providing the basic resources needed to run their businesses. But most recognize that further improvements are needed to sustain business growth.

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

Panelists were broadly in agreement on this issue. Three quarters strongly agreed or agreed and responded to the statement with considerable interest, laying our their analyses and [substantial] areas of optimism and [occasional] doubts in some detail. Only one panelist was clearly pessimistic. Notable observations by panelists included:

• “I see a four lane road, street lights, lots of shops open at night, good clothing shops, tourism development, and more factories.”
• “In 2021, we will have life like Singapore.”
• “There will be trained employees in every shop, and the Trade Association will give the training.”
• “Without the war, the economy will double.”
• “We believe improvements should be coming, but that depends on the actions of the national government and the UC Chairman.”
• “Trinco is much better.”

Several panelists envisioned Ampara’s future in terms of 1) some other place: the town will resemble Colombo or Singapore, or will become “the next biggest town after Kandy.” Several concurred on: 2) the basic underpinnings of long-term development in Ampara: expanding agriculture [more land under cultivation]; government support [a national government committed to development in the East, a supportive Urban Council]; continuing peace; good roads and transport services, a good town plan. They also noted: 3) positive signs for a promising future: “I’m upgrading my building for the next 50 years”; and successful small entrepreneurs.

Several panelists carefully 1) tempered their optimism: “Sometimes it may be improved, sometimes not.” “If people in government offices work harder, we can go for any target.” “There’s not much of anything here for entertainment of youth.” “We need children’s parks, a swimming pool, restaurants.” “We have a hard time retaining doctors.” “We are still plagued by the land deed problem.”

Ampara’s business community is optimistic, but thoughtful, about the future. Once again, some panelists referred to the problem of un-deeded land; but overall, optimism prevailed. A positive view of the future is no
less important than farm land, banks, and improved infrastructure in 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.”

Although not the largest town in Ampara District, Ampara is the district administrative center. Kalmunai has a population four times larger and a major stake in commercial life in the Eastern Province.¹ Ampara and its businesses are predominantly Sinhalese, exceptional in a province that is dominated by Tamil and Muslim residents. With roots in a post-World War II irrigation-and-resettlement scheme [Gal Oya], the town illustrates the difficulty of fully and successfully completing such schemes. Proper land deeds are rare, imposing a persistent handicap on business people. Despite this barrier, Ampara business owners and managers are generally positive about current conditions and optimistic about the future. Panelist responses led to particularly positive findings in three areas: economic growth, business expansion, and establishment of new businesses:

- There is observable economic growth: Observations agreeing with the statement stressed physical factors: completion of highways; the absence of security checks, travel permits, and intrusive inspection of parcels and loads; new construction; and farmers returning to their land. One informant noted “Up to May 2009, in traveling to Colombo we had to pass 14 security barriers.” Panelists also described new business practices: shops extending their businesses to rural areas; more aggressive lending by banks; extensive vehicle leasing; and availability of electronics and household appliances on easy credit terms. The concern most repeated often during interviews was absence of land deeds: The majority of commercial plots and buildings are held under interim certificates. This is a major hindrance to business registration, obtaining building permits, and qualifying for bank loans. Other concerns were distance from Colombo, difficulties in finding qualified staff, and a lack of educational and recreational facilities.

- Existing businesses are expanding: Observations agreeing or strongly agreeing with the statement included specific information on expansion of panelists’ businesses: adding staff, increasing work space, adding new product lines, opening branches, upgrading and modernizing sales spaces, purchasing new equipment, adding mobile sales, and purchasing vehicles. Panelists also described responses to shifting market demands; attempting to match new retailing standards set by Cargills, stocking more expensive

¹ A separate political-economy profile has been prepared for Kalmunai.
items; and **supporting conditions** for expansion: farmers with more disposable income; easier transactions with finance companies and leasing firms.

- **New businesses are being established**: Panelists named a familiar litany of **outside firms** that have established local branches: banks, finance companies, leasing firms, insurance companies; vehicle dealers; agricultural equipment firms; communication and IT companies; furniture; super markets; and food producers. One informant noted four finance companies started last year and three more this year. The implications of having these firms in town were noted in various ways: “Before I had to go to Colombo to buy a vehicle. Now I can do it here.” Up-market customers are “proud” to shop at Cargills Food City. Panelists also noted **local initiatives**, large and small: a local finance company that already has 16 branches in Ampara District, communication shops, digital advertising firms, clothing shops, carpentry, agricultural supplies, and food processors.

Panelist responses yielded a particularly negative finding in one area:

- **The government policies that affect business operations are improving**: Panelists disagreeing with the statement reiterated the issue of **un-deeded properties**, and also complained about **heavy handed enforcement**, and **lack of information** on government policies. Finally they cited cases of **favoritism**: “There is a massive government program to improve infrastructure, but it is implemented only in areas controlled by the ruling party,” and businesses pay higher postage rates than private citizens. Some panelists opined that The President’s national policy is good, but government employees and departments aren’t implementing it.