



## ILO Enter-Growth

Small Business Associations Project Intervention Report



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## 1. Background

The ILO Enter-Growth project in Sri Lanka aims to contribute to pro-poor economic growth and quality employment through an integrated program for development of micro and small enterprises. The Enter-Growth program supports the implementation of the Government of Sri Lanka's SME strategy for poverty reduction and targets four districts with a high incidence of poverty Kurunegala, Polonnaruwa, Anuradhapura and Puttalam. Its strategy is to identify challenges which MSEs face and the bottlenecks to their growth in order to facilitate the search for solutions. One of the key weaknesses of MSEs in solving their common issues is their lack of ability to raise a strong voice. In this light, the Enter-Growth project has taken steps to promote the establishment and capacity-building of small business associations (SBAs) in the four districts that the Enter-Growth project targets. To support Enter-Growth's work in this area, the Enter-Growth project has developed a training manual entitled, "How to establish, manage and expand small business associations" – (SBA Training), to facilitate small association building and strengthening in the four project districts.

### **Reasons for Small Business Association Building and Strengthening**

The main objective of Enter-Growth's work with small business associations is to promote more organization of MSEs and to build the capacities of SBAs (through training) to serve their member MSEs more effectively which could lead to the following results:

- (i) a stronger voice for MSEs which means more dialogue (e.g. lobbying and advocacy) with the authorities and a better informed government which can in turn set policies and regulations conducive to the MSE sector,
- (ii) better market access given that MSEs can bulk their produce and in so doing sell in quantities required by the market
- (iii) more negotiating power with buyers and suppliers as a group
- (iv) additional training and other services as buyers or suppliers may provide services to MSEs as a group (e.g. training on quality standards and other training and business development services the association can purchase; associations may also receive access to credit programs)

The factors above all in turn contribute to growth of income and employment within the micro and small business sector (MSE).

In addition to its work with small business associations, the ILO Enter-Growth project also works to promote the small enterprise sector and stimulate local economic development through local competitive advantage (LOCA) and value chain development (VCD) exercises. Proposals resulting from LOCA or VCD exercises aim to address weaknesses for small enterprise development within a local economy. When a LOCA or VCD exercise resulted in a proposal to establish an association, this was the result of the initiative of the entrepreneurs and not imposed by the project. Enter-Growth does not promote the establishment of associations directly but depends on the businesses themselves to take the initiative as a result of their identifying common problems through a LOCA or VCD exercise. Enter-Growth believes that only then associations can be effective and sustainable.

In February 2009, Enter-Growth commissioned an assessment of its work with small business associations to MDF South Asia. The objective of this assessment is to establish if Enter-Growth has had an effect on: (i) the number of SBAs in the four project districts, (ii) the size of their membership, (iii) the members' access to services, (iv) the members' access to markets, (iv) the SBA's role in advocacy and inclusion in private-public dialogue as well as (v) the overall governance and management of the SBA's.

## Methodology

In February 2009, as part of the assessment, a survey of twenty seven small business associations was carried out in Kurunegala, Puttalam, Anuradhapura and Polonnaruwa. Enter-Growth has worked with the twenty seven surveyed associations either directly or indirectly through partner organizations in the four Districts. This initial survey focused primarily on how the small business associations were established, the size of their membership and their members' access to services. Based on the survey responses received from the twenty seven associations, a sample of six associations was selected for a more in-depth study that would expand upon the areas already covered in the basic survey and also include a review of Enter-Growth's contribution to the SBAs in the areas of members' access to markets, the SBAs role in advocacy and the overall management capacities and governance of the SBAs. The sample of six associations was selected by Enter-Growth based on observed positive trends in membership numbers and/or comprehensiveness of services provided to the association members.

## 2. Findings from Initial SBA Survey

### (1) General Characteristics of Small Business Associations

#### (A) Year of establishment

The SBA's are relatively recently established. Twenty one of the twenty seven (74%) of the surveyed SBAs have been established after the year 2000 with thirteen (almost 50%) of them established after 2006. Only three associations were established before 1990.

Year of establishment	
Before 1990	3
1990-1999	4
2000-2005	7
2006-2009	13

#### (B) How the associations originated?

Reasons for establishment	
Following LOCA exercise	4
Following VCD exercise	3
Other reasons	20

Of the twenty seven small business associations surveyed, twenty associations (74%) were established for other reasons and not following Enter-Growth's LOCA or VCD project interventions (e.g. government

intervention, industry initiative to address common problems, self-motivated for collective bargaining power). Seven new SBA's (about 26%) on the other hand, have been created following either a LOCA (4 SBAs) or a VCD (3 SBAs) exercise carried out by Enter-Growth.

However, of the twenty associations established independently (i.e. not due to Enter-Growth's involvement), fifteen have been involved in LOCA exercises, thirteen in VCDs and eight in both LOCA and VCDs. In other words, seven have been involved in only LOCA exercises, five in only VCDs and eight in both LOCA and VCDs. Hence, all twenty (or 100%) have been involved in Enter-Growth initiated LOCA and VCD exercises.

Reason for SBA origination: Other	
Involved in LOCA	15
Involved in VCD	13
Involved in both	8

Established between 2006-2009		
LOCA	4	31%
VCD	2	15%
Other	7	54%

Of the thirteen associations that were established between 2006 and 2009 (see table in 1A above), four associations (or 31%) were established following an Enter-Growth LOCA

exercise, 3 (or 23%) followed a value chain development exercise while 6 came about due to other reasons (government intervention, self-motivated etc). More than half of the thirteen SBAs established since 2006 have been formed due to Enter-Growth's project interventions (7 SBAs or 54%).

**(2) Membership Profile**

**(A) Types of members**

Most of the surveyed associations are sector specific associations (18 out of 27). Their members and the businesses they provide services to are from certain sub-sectors. The sectoral associations are varied and cover all types of sectors (agriculture, floriculture, fisheries, tourism, services, manufacturing, salt mining etc.) Seven associations have members from multiple sectors (between 4 to 6 different industries) while two organizations have members from all types of businesses.

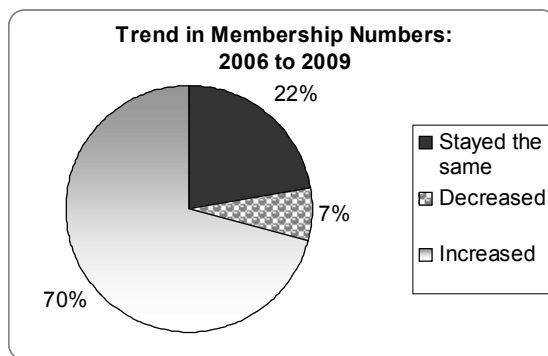
Membership profile: types of businesses	
Sector specific: one sector	18
Sector specific: multiple sectors	7
All businesses	2

**(B) Number of paid and unpaid members in 2005**

All twenty seven surveyed associations provided membership data and collectively serve 5,262 members spread over the four project districts. The estimated number of members in beginning 2009 ranges from 15 to 2,000. Most associations are small in size; fifteen out of twenty seven surveyed (55%) have less than 100 members and twenty two associations (or 85%) surveyed have less than 300 members. The median number of members is 60. Most of the associations have only paid members (25 out of 27 associations). Two organizations, one of which reported only unpaid members and the other reported both paid members and unpaid members (with unpaid members comprising 55% of their membership). The largest association comprising 2,000 members comprises only paid members.

Members in 2009	
Less than 100	15
100 to 299	8
300 to 500	1
500 to 1000	2
2000	1
Median	60
Minimum	15
Maximum	2000
Sum	5262

**(3) Trends in the number of members**



Overall, the twenty seven associations collectively serve 5,262 members at the beginning of 2009 compared to 3,589 members during the same period three years ago (an increase of 47% or 1,670 member MSEs). Most of the SBAs (19 out of 27) have experienced an increase in the number of members at the beginning of 2009 when compared to the same period in 2006. However, membership in eight

associations have either decreased (1 SBA) or stayed the same (7 SBAs) since beginning 2006. While most associations have experienced a growth in the number of their members, this growth is generally of fewer than fifty members over the last three years. This finding is in line with the small membership of most of the surveyed SBAs. The minimum increase is three additional members, the maximum is four hundred and fifty (450) additional members while the

median increase is twenty members and the average increase is sixty two members. The association who reported a decline in membership lost no more than ten members. Incidentally, this association has also not received training or counseling services from any organization in the past two years (including ILO Enter-Growth).

**Trend in Membership Numbers**

Negative Growth	1
No change	7
1 - 50 more members	13
51-99 more members	1
100-299 more members	3
More than 300 members	2

**Membership Growth**

Median	20
Minimum	3
Maximum	450

**(4) Services Provided**

The table on the right shows the types of services associations currently provide either directly or indirectly to businesses, as well as those that have been recently introduced (i.e. new services) since 2006. Facilitating credit or direct lending to members is the most provided service. Technical skills and welfare services such as help with funerals are the next most provided services. These are followed closely by services such as business management training, support in developing a business plan, accounting and record keeping, advocacy, linking members to new buyers or suppliers, which are provided by more than sixty percent of the surveyed associations. Services such as access to trade fairs, information on market opportunities and trends as well as information on new technologies and

Type of Business Services	Current Services	New Services
Credit	24	-
Skills training	19	1
Welfare services	19	2
Business management	18	1
Business plan development	18	3
Accounting/Record keeping	17	4
Advocacy	17	4
Linking to new buyers or suppliers	17	3
Trade fairs	16	5
Info on market opps & trends	15	6
Info or access to new tech	14	7
Common marketing	13	4
Advertising	12	2
Common purchasing	11	3
Savings scheme	11	3
Auditing Services	10	3
Certification	10	4
Legal Services and representation	10	3
Quality Control	10	6
Insurance	9	1
Access to new design	8	4
Tax services and clearance	6	1
Internet access	5	3
Others	5	3
Computer use	4	3
Fax/phone/copy	2	1

and common marketing are provided by approximately half of the surveyed associations. By contrast, computer use and other facilities such as fax, telephone and copier services are provided by fewer than five associations. New services currently available compared to 2006 mainly relate to information on new technologies, information on market trends and opportunities, access to trade fairs, accounting and record keeping support, advocacy, common marketing, certification and access to new product design services. As many as twenty five (out of 27) associations provide new services in 2009 that they did not provide three years ago. Out of these, thirteen associations were formed in or after 2006.

In addition, a majority of the associations have also received training or counseling in the past three years (24 out of 27 SBAs). Only three associations have received no training or counseling since 2006. Of the twenty four associations that have received training or counseling, sixteen associations (or 67%) have received training or counseling from the Enter-Growth project and

eight associations have received training or counseling from other organizations but not from Enter-Growth.

### 3. Findings from Follow-up Surveys (Case Studies)

Based on the responses received in the initial survey, six associations from the four project districts were selected by Enter-Growth for further study. The selected associations have displayed positive growth in their membership numbers and/or their members' access to services. The selected associations are: (i) Supirisara Rural Economic Development Entrepreneurship Association (Kurunegala), (ii) Madampe Kusum Lanka Flower Growers Association (Puttalam), (iii) Weenapuwa Coir Millers Association, (Puttalam), (iv) Thambutthegama Traders Association (Anuradhapura) (v) Thirappane Animal Producers Association (Anuradhapura) and (vi) Ellewewa Fishermen's Association (Polonnaruwa).

#### 3.1 Case Study One: Supirisara Rural Economic Development Entrepreneurship Association, Kurunegala

The Supirisara Rural Economic Development Entrepreneurship Association in Kurunegala was established in 2007 following a Dairy Sector Local Value Chain Development (LVCD) study conducted by ILO Enter-Growth. The LVCD exercise proposed a recommendation to establish a strong association as a necessary step for the development of the dairy farmers in order to improve their access to business development services and increase their bargaining power. The association was formed with support from the Human Resource Unit of the District Secretariat and thirty Divisional Secretariats. The President of the association and founder of the NGO, Sri Abhinawarama Development Foundation, has a strong track record as well as the capacity to develop the association. The main objectives of the association are to elevate the economic situation of the rural entrepreneurs as well as to look after the welfare of the members at the social and personal level.

Membership: The association currently has 600 members and has displayed impressive growth in membership from 150 members at the beginning of 2007 (an increase of 300%). The substantial increase in membership can be attributed to excellent leadership and guidance from supporting organizations (including Enter-Growth) as well as learning from the short comings of other associations and organizations in the District (such as high interest loans for members, lack of proper support and follow through on assistance given to members). The association's members comprise of micro enterprises, very poor entrepreneurs, women, youth as well as potential entrepreneurs. The association's membership is 75% female and 25% male.

Access to services: The association provides a comprehensive set of services such as business management training, support in business start-up and business plan development, insurance and auditing services, advertising, access to new product ideas, certification, technical skills training, advocacy, savings schemes, facilitating credit as well as direct credit, internet access, computer skills training, welfare services and linkages to BDS providers. In terms of **access to markets**, the association organizes trade fairs, links members to new buyers and suppliers, undertakes common marketing and common purchasing (bulk purchase of inputs) as well as provides members with information on market trends and opportunities. The President of the association is planning to host a trade fair in April in an attempt to gather the buyers and sellers of Kurunegala town and will look to leverage Enter-Growth's previous experience in coordinating such events.

The association's members participate fully in the activities and events organized by the association and it because of the enthusiasm and support of the members that the association has developed to the level that it has, in such a short time (two years). The association's activities and events are mainly funded by the business community and government institutions in Kurunegala.

*Role in advocacy and dialog with authorities:* The association states that it has significant influence on business related issues within the community. The association meets with the Authorities regularly to discuss problems affecting the dairy farmers, seek advice on the legal aspects of land issues (farmlands), solicit support from the Public Health Inspectors on health related issues as well as obtain advice on latest developments in food technologies. The local authorities are also considered a coordinating mechanism to meet with authorities at the national level. The association is highly satisfied with its relations with the Authorities and appreciates the assistance it has received from the Authorities thus far. The District Secretariat is also in the process of allocating a big plot of farmland in Niklaweratiya for the association's cattle breeding project. Overall, the association's relations with the Authorities have improved since 2006.

*Information and support:* The President of the association has received ILO Enter-Growth's **small business associations training course** as well as training on small enterprise and entrepreneurship development. The President of the association found the training very useful and emphasizes that the training has enabled him to better manage the association and its activities. The training was also a useful forum to network with other players in the industry as well as meet buyers and sellers. Enter-Growth has also organized a training program with a Professor in Agriculture on technical preparation techniques of dairy products (including yoghurt). Moreover, the President of the association is a member of the **MSE Forum** and regularly attends the meetings. The MSE Forum is considered an excellent platform to network with people from the entire District.

*Governance and management of the SBA:* The association receives income from membership fees and interest on bank deposits as well as retains its own institutional profits. All sources of income (except membership fees) are deposited into the association's bank account. Each member is charged a membership fee of Rs25 per month which is collected by group coordinators (each group covers a certain area) and deposited in separate area group accounts. The association's leaders will be elected by the members every three years as a yearly change is seen as too frequent for the appropriate knowledge transfer to take place. Overall, the association is well organized and professionally managed by an excellent leader who is well respected in his community.

*Role of ILO and its partners:* Enter-Growth has fulfilled a useful role in developing the association in several ways. Firstly, the proposal to create this association came from an Enter-Growth Dairy LVCD exercise. Secondly, Enter-Growth has provided training and overall guidance on how to better manage the association (SBA training as well as other technical training and entrepreneurship development programs). As a result, the organization is currently being run professionally which in turn has helped attract more members. Fourthly, Enter-Growth has fostered linkages with buyers and suppliers through various events and workshops that have enabled the association's President and members to meet with other buyers and sellers (the MSE Forum and Enter-Growth training programs and workshops are viewed as a useful platform for networking with various individuals from the entire District). The President of the association consults with Enter-Growth before embarking on any new activity and greatly values Enter-Growth's assistance and role in developing the association to the level that it has reached today.

Enter-Growth's partners, the Agriculture Department and Animal Production and Health Institute have both provided various awareness programs on the potential of the sector as well as technical training on dairy production techniques. The Animal Production Department through its farm in Niklaweratiya provides livestock (cows) to the association for allocation to members at reasonable prices and has also supplied machinery for the association's dairy plant.

During the field interview, the President of the association expressed that organizations such as Enter-Growth should have a long term vision and that the work they do should be longer term. He also stated that tailor made training programs would be more beneficial and that training alone is not sufficient. Enter-Growth could help more with implementation and monitoring support. However, the President is very satisfied with Enter-Growth's involvement overall and the assistance the association has received to date.

*Sustainability:* The association definitely plays a vital role for its members. The association has established a fresh milk and yoghurt production plant with the assistance from the Sri Abhinawarama Development Foundation (for land), Industrial Services Bureau (provided two incubators) and the Animal Production Department (provided milk separator machines). This has helped develop the locality through livelihood and employment creation. Further, the association provides its members with access to a comprehensive and diversified set of services including linkages to BDS providers for training and entrepreneurship development, better access to markets (actively linking members to buyers and traders in Kurunegala town), active business related dialogue and advocacy with Authorities as well as provision of welfare services. The association comprises mainly women entrepreneurs and also serves very poor entrepreneurs who definitely benefit from membership in the association. The association runs independently and will likely be able to function without external assistance.

### **3.2 Case Study Two: Madampe Kusum Lanka Flower Growers Association, Puttalam**

The Kusum Lanka Flower Growers Association in Puttalam was established in 1999 under the guidance of the Agriculture Department. The Agriculture Department suggested forming an association for better market access given that as a network, MSEs can bulk their produce and sell in quantities that meet export market requirements. The main objectives of the association are to provide opportunities to women entrepreneurs and to advance their economic situation as well as to build a network of floriculture product suppliers for the export market.

*Membership:* The association has approximately 100 members comprising mainly women entrepreneurs, youth, very poor entrepreneurs as well as micro enterprises and the self-employed. 90% of the association's members are women MSEs. Membership numbers have increased from 85 members at the beginning of 2006 to 100 members in 2009, a growth of about 18%. The increase in membership numbers can be attributed to better management and professionalism of the association, the results achieved by the association (links to better training, credit facilities and common marketing) as well as the support and assistance received from governmental institutions, specifically the Agriculture Department and the Paradeniya Botanical Gardens (training, overall management guidance and input supplies).

*Access to services:* The association provides services such as business management training, support in business start-up and business plan development, organizing trade fairs, technical skills training, facilitating credit and providing direct credit, welfare

services, common purchasing (bulk purchase of inputs such as fertilizer from the Agriculture Department) and common marketing (for the export market). Since 2006, the association has also introduced **new services** in the areas of accounting and record keeping, auditing services, linking members to new buyers or suppliers, quality control and providing information on market opportunities and trends as well as information on new technologies. In terms of improving **access to markets**, the association organizes three trade fairs every year as well as helps create linkages to local buyers and exporters.

The association's members participate fully in the activities and events organized by the association as they view them as directly beneficial to their businesses. These activities and events are mainly funded by government institutions.

*Role in advocacy and dialog with authorities:* The association appears to have some influence on business related issues within their community. The relations with Authorities are satisfactory to some extent, however, the association believes that the Authorities could do more for them in terms of helping them find a space for a flower showroom, a permanent venue for exhibitions and a space for their collecting centre. The association meets with local Authorities at the District Secretariat's office but not very regularly and mostly to discuss logistical issues such as venues for exhibitions and meetings. However, it should be noted that the Agriculture Department is highly involved in the work they do and relations with them appear to be highly satisfactory and rewarding. The association states that overall, relations with the authorities have improved since 2006.

*Information and support:* The association was aware about the **small business associations** training and **counseling** services provided by ILO Enter-Growth and its partners. The association has received advice and counsel from Enter Growth and its partners in the areas of access to credit, access to markets and industry specific training requirements. These issues were later addressed through an ILO initiated LOCA intervention in Madampe. The association's President however, has not received Enter-Growth's **SBA training program** and also was not familiar with the **MSE Forum**.

*Governance and management of the SBA:* The association receives income from membership fees, joining fees and well as interest on loans to members. Each member is charged a membership fee of Rs20 per month collected six months in advance as well as Rs300 when joining the association. Membership fees and all other sources of income are deposited into the association's bank account. The association's leaders are elected by the members once a year. There are nine leaders within the Management Committee who can serve a maximum period of no more than three years. Overall, the association is run in a professional manner by leaders who have strong management and marketing capabilities.

*Role of ILO and its partners:* Indeed ILO Enter-Growth has played a useful role in the development of this association. Through the Small Enterprise Development Division (SEDD), the implementing agency for the floriculture sector LOCA intervention, the association has: (i) received technical training and training on packaging and quality requirements for the export market from EDB as well as technical training from Paradeniya Botanical Gardens through field exposure visits (ii) been introduced to two new exporters, Greenet Flowers and Kandy Orchids and Foliage (through EDB and SEDD) and (iii) been able to secure low-interest long term financing from Peoples Bank with training and support from Enter-Growth to prepare a project proposal as part of the association's loan application. Overall, Enter-Growth and its partners have contributed significantly by providing technical training (from EDB), increasing access to markets (introducing two new exporters – SEDD and EDB) and facilitating more access to financing (micro-credit from People's Bank – SEDD and Enter-Growth).

*Sustainability:* The association serves its members well in terms of facilitating more training, better access to services and access to markets (through trade fairs and collective marketing as well as facilitating common purchase of inputs). The association plays a vital role by grouping growers who collectively bulk their produce in order to meet export requirements, which cannot be achieved on an individual basis. It is only through the association's work that the floriculture sector in Puttalam has shifted from hobby-based cultivation to a more business-like commercial enterprise. The association also helps advance women entrepreneurs as well as very poor entrepreneurs all of whom definitely gain from being a part of the association. The association however, still depends to quite a large extent on the Paradeniya Botanical Gardens and the Agricultural Department (for technical advice and subsidized inputs) and is likely to continue this dependence.

### **3.3 Case Study Three: Weenapuwa Coir Millers Association, Puttalam**

The Weenapuwa Coir Millers Association in Puttalam was established in 2000 out of the coir millers' own initiative to address their common needs and problems. The main goal was to form a Federation for the Coir Millers in order to obtain a reasonable price for their coir products. The overall objectives of the association are to represent the coir millers, develop them as entrepreneurs, intervene to resolve issues the coir millers' face as well as provide for their welfare.

*Membership:* The association has 160 members (all male) comprising mainly potential entrepreneurs, small, medium and large enterprises, as well as youth. While there are no women members in the association, a large portion of the workers at the mills are women. Membership numbers have increased from 125 members at the beginning of 2006 to 160 members in 2009, an increase of 28%. The increase in membership numbers can be linked to the results the association has achieved by working collectively on issues such as product and raw materials pricing as well as shortages in raw materials which has helped build trust and confidence that together the millers can solve their business problems together.

*Access to Services:* The association has a good service offering such as business management training, support in business plan development, accounting, auditing and insurance services, linking members to trade fairs as well as to new suppliers or buyers, technical skills training, advocacy, common purchasing and common marketing (bulking of produce) as well as welfare services. Since 2006, the association has also introduced **new services** in the areas of certification, providing information on market opportunities and trends, facilities such as access to the internet and computer use as well as quality control advice. In terms of **market access**, the association collectively sells the coir products of its members to three main buyers (Hayleys, Camro and Samarasinghe Brothers) as well as links members to sell their products at local exhibitions. The association is also planning to buy raw materials from suppliers in bulk which it will distribute to members at reasonable prices. The members participate fully in the activities and events organized by the association which are funded out of their own funds.

*Role in advocacy and dialog with authorities:* The association states that it has good influence on business related issues within their community (mainly through staging strikes to obtain fair input and product prices). The relations with national authorities, the Coconut Development Authority (CDA) mainly, are somewhat satisfactory. The President of the association expressed that the CDA is not a pro-active government body and does not give the coir industry the necessary focus. As such, government support and assistance for the sector are severely lacking. The association meets with the CDA when the need arises to discuss industry related environmental concerns as well health and safety issues of the coir millers. However, the association has limited

dealings with the local authorities and could not comment on whether relations with the local authorities have improved since 2006.

Information and support: The association was not aware of the **small business associations training and counseling services** provided by Enter-Growth and its partners. The association was also not familiar with the **MSE Forum**; the leaders and its members do not attend the Forum meetings nor is the association a member of the MSE Forum.

Governance and management of the SBA: The association receives income from membership fees and retains its own institutional funds (which are raised by selling raffle tickets for which private sponsors provide the prizes as well as selling tickets for the stage drama events organized by the association's members). All sources of income are deposited into a separate bank account. Each member is charged a membership fee of Rs100 per month. The association's leaders are elected by the members once a year. There are twenty one leaders within the Management Committee, however, the coir millers are generally reluctant to take leadership positions because of the time commitment involved and hence leadership positions do not change hands too frequently. Nevertheless, the association is a professional organization with strong management capabilities, as well as sound negotiation and execution ability.

Role of ILO and its partners: The association stated that Enter-Growth and its partner the Industrial Development Board (IDB) did not fulfill a useful role in the development of the association. Enter-Growth conducted an awareness program in late 2008 to provide information on the coir industry however, the President and the association's members did not find the program very useful. Given that Enter-Growth personnel do not work in the coir industry, the coir millers are of the opinion that Enter-Growth is probably not in a position to provide industry advice to the coir workers.

Enter-Growth's partner, the IDB, did not play much of a role either. IDB had sent the association a letter requesting them to enlist the Association as a member of the IDB. The association submitted the requested forms and documents, however, IDB kept requesting for additional documents and information that the association has decided not to proceed any further.

The President of the association also expressed that ILO Enter-Growth should have assisted in developing the coir industry further by helping them obtain better prices for their products as well as address shortages of supply (raw materials), instead of providing training alone.

While the opinions of the President of the association have been presented in this report, it is also important to note that the awareness program organized by Enter-Growth to introduce good working practices within the mills was undertaken by Enter-Growth staff who are aware about the coir industry and who had conducted extensive research on working practices by understudying mills that had instituted good working practices. It also should be mentioned that it is not the role of the Enter-Growth project to negotiate for better prices for the coir millers or any other businesses. Enter-Growth's role is more to help strengthen associations so they can perform their functions (including negotiating better prices) independently.

Sustainability: Through the association, the members have increased their collective bargaining power with buyers. When it was initially established, the association organized a strike and collectively bargained for better pricing from its buyers (Hayleys, Camro and Samarasinghe Brothers). The association managed to obtain better prices for their members' products after the strike. The members will also soon enjoy the benefits of common bulk purchase of inputs from suppliers at discounted prices. The

association is also involved in advocating the rights of their members in terms of addressing environmental and health issues with the Authorities. The association appears to be self sufficient and will likely be able to function independently without support from external parties. However, the association's President expressed concerns about the future viability and sustainability of the coir industry (due to raw material shortages, lack of government assistance, low product prices) rather than the sustainability of the association itself.

### **3.4 Case Study Four: Thambuththegama Traders Association, Anuradhapura**

The Thambuththegama Traders Association in Anuradhapura was established in 1984 with the support of the Mahaweli Authority. The association started off as a welfare society which later converted into a union to represent the rights of traders and to address the needs and problems of the traders. The main objectives of the association are to advocate the rights of traders as well as to develop a network of welfare services for its members.

Membership: The association currently has 453 members and has displayed strong growth in membership from 60 at the beginning of 2006 (growth of 665%). The substantial increase in membership can be attributed to excellent guidance and support from the Mahaweli Authority (Enter-Growth's partner organization), development of better association management skills, the powerful role in advocating the rights of the traders as well as the training and other welfare services currently being provided to its members. The members (80% male and 20% female) comprise of very poor entrepreneurs, the self-employed, micro, small, medium and large enterprises as well as the youth.

Access to services: The association has a good service offering including business management training, support in business plan development, accounting, tax, auditing, insurance and legal services, savings schemes and credit facilities and welfare services. Since 2006, the association has also introduced **new services** in the areas of advertising, access to product design, advocacy, and facilities such as computers and internet access. In terms of increasing **access to markets**, the association offers common marketing (bulking of produce), organizes and coordinates regular buyer meetings and directs its members to the various trade fairs, sports meets etc in the Mahaweli zone. The members also sell their products amongst themselves to support one another's trades. The association has also aired their members' products and shops on Enter-Growth's social marketing program called "Palama". There is a high level of participation in the activities and events organized by the association. The association's activities and events are mainly funded by the business community (Coca Cola, Lever Brothers, Insurance Companies etc).

Role in advocacy and dialog with authorities: The association states that it has significant influence on business related issues within the community. The association meets with the Authorities regularly usually at the District Secretariat's offices to discuss business registration matters, tax issues and other issues pertaining to the lease of government land as well as logistical issues such as the need for meeting venues. The association is satisfied with its relations with the authorities and states that relations with the authorities have improved since 2006.

Information and support: The President of the association has received ILO Enter-Growth's **small business association training** as well as small business development and business management training. The training was thought to be extremely beneficial and the main reason why the President of the association is able to carry out the management of the association and all related work in a professional manner. The President of the association has expressed his interest in receiving further training on

business management and entrepreneurship development. Moreover, the President of the association is a member of the **MSE Forum** and regularly attends the meetings. The MSE Forum is considered a beneficial problem-resolution platform. Through the MSE Forum, Enter-Growth has facilitated linkages to relevant authorities. As a result, the association has been able to discuss and resolve some common problems the traders encounter that pertain to business registration, obtaining permissions and licensing as well as solutions for issues relating to the lease of government land. Enter-Growth played a key role in linking the association to the right people and thereby helped expedite the problem-solving process.

*Governance and management of the SBA:* The association receives income from membership fees, joining fees as well as bank interest. All sources of income are deposited into the Associations bank account. Each member is charged a Rs 2,500 joining fee and a monthly membership fee of Rs250. The association also collects donations based on what the members can afford to pay, to help carry out welfare services for its members. Other services and events are funded by private organizations. The association's Management Committee comprising 10 members are elected by the members every year. The association is a professional and commercially run organization with able leaders who have good networking, execution and marketing ability.

*Role of ILO and Its Partners:* Enter-Growth's has served a useful purpose since 2006 in four main areas: (i) contributing to the increase in membership numbers, (ii) increased access to markets, (iii) providing training services and (iv) helping link the association to the relevant authorities through the MSE Forum. Working with ILO Enter-Growth and being associated with the ILO Enter-Growth name has enhanced the association's image and credibility, and helped attract more members to the association. ILO Enter-Growth has arranged for the association to showcase their product offerings in the forum theatre, "Palama" to help the members market their products. Enter-Growth's SBA training program has further helped enhance the management and professionalism of the organization. Enter-Growth played a key role in linking the association to the right authorities and has helped contribute to the resolution of land (on the lease of government land) and other issues.

*Sustainability:* The association definitely fulfils a useful role for its members in terms of access to a comprehensive set of services (including entrepreneurship and skills development programs), better access to markets, active dialogue with the Authorities and collectively advocating their rights as traders (e.g. finding fair solutions to tax and rental issues for lease of government land). The association also serves very poor entrepreneurs who definitely can benefit from membership in the association. The association runs independently and will likely be able to continue to function without external dependence.

### **3.5 Case Study Five: Thirappane Animal Producers Association, Anuradhapura**

The Thirappane Animal Producers Association in Anuradhapura was established in 2005 when the dairy farmers organized themselves as a group in order to address the common problems the farmers were facing (such as how to get started with business and how to obtain quality livestock). The farmers realized that it was difficult to tackle these problems individually and hence they decided to form the association with the main objective to develop their businesses into profitable, commercial enterprises as well as to increase their production of dairy products.

*Membership:* The association currently has 207 members as compared to 30 members at the beginning of 2006 (increase of 590%). The substantial increase in membership can be attributed to professional management of the association and the support and

assistance given to members (training, links to credit facilities and to suppliers of quality livestock). The members comprise of very poor entrepreneurs, internally displaced individuals, farmers, micro-enterprises, the self-employed, women and youth. The association's membership is 55% female and 45% male.

Access to Services: The association has a good service offering including business management training, support in business plan development, accounting, auditing and insurance services, certification, skills training, information on new technologies, advocacy, savings schemes and credit facilities and welfare services. Since 2006, the association has also introduced **new services** in the areas tax and legal representation services, linking members to trade fairs as well as buyers and suppliers, providing information on market opportunities, quality control and advice on new product ideas. In terms of increasing **access to markets**, the association has recently started linking their members to trade fairs, as well as directing them to buyers or suppliers, however, the association is not too involved as yet in activities to increase members' access to markets. The association does have plans in the future to collect their milk production for collective distribution and sale, however, this activity has not started as yet. The members' level of participation in the activities and events organized by the association is satisfactory when compared to initially when the participation was very low. The association's activities are funded either by outside sponsors or the association itself.

Role in advocacy and dialog with authorities: The association states that it has significant influence on business related issues within the community. The association meets with the Authorities regularly to discuss problems affecting the dairy farmers (such as river contamination and effects on livestock, destruction of cultivation and harvests by the animals, issues that arise when farms are located close to publicly used wells and rivers and health related concerns for those working on the farms) and to solicit support from the Public Health Inspectors. The association is somewhat satisfied with its relations with the Authorities but the President of the association finds that the dairy sector is not given enough priority and that the farmers are not receiving enough assistance from the government. All in all however, relations with the authorities seem to have improved since 2006.

Information and support: The President of the association has not received ILO Enter-Growth's **small business association training course**, however, he has attended a negotiation and problem-solving workshop provided by Enter-Growth. Moreover, the President of the association is a member of the **MSE Forum** and regularly attends the meetings. The MSE Forum is considered a useful platform to discuss problems and come up with solutions. Through Enter-Growth's facilitation, the Chamber of Commerce organized a meeting for the President of the association to convene with the President of the Country. The objective of the meeting with the President of Sri Lanka was to campaign for the dairy sector and to try and get assistance for the sector from the Head of State.

Governance and management of the SBA: The association receives income from membership fees and interest on bank deposits. All sources of income are deposited into the association's bank account. Each member is charged a membership fee of Rs20 per month. The association's leaders are elected by the members every year. Overall, the association is professionally managed with good leadership, excellent networking and execution capabilities.

Role of ILO and its partners: Through the MSE Forum, Enter-Growth and the Chamber of Commerce have facilitated important linkages to the Country's President, meetings with press and media persons as well as meetings with relevant authorities and officers (such as the District Secretary, Govijana Seva Officers, Irrigation Officers, Provincial

Council Officers etc.) Enter-Growth has also provided training workshops on negotiations and problem resolving.

Sustainability: Through the association, members have increased links to the Authorities (or Livestock Development Instructors from the Animal Production and Health Department) for vital business related assistance. The Animal Production and Health Department provides overall guidance and advice on the day to day management and related activities (such as selection of quality livestock, farm cleanliness and livestock health maintenance as well as coordination of veterinary surgeons). The Department also conducts four to five training sessions per month for the association's members (on animal health and quality breeding, and techniques for maximizing dairy production). The association provides opportunities for women entrepreneurs and internally displaced individuals, and also serves very poor farmer entrepreneurs. However, the association is almost fully dependent and currently operates under direct supervision of the Animal Production and Health Department and hence, will not likely be sustainable without future external assistance.

### **3.6 Case Study Six: Ellewewa Fishermen's Association, Polonnaruwa**

The Ellewewa Fishermen's Association in Polonnaruwa was established in 1992 with the collaboration of the Grama Niladhiri to protect the village fishermen's fresh water fish farming activities as well as to manage the resources of the village reservoir. The main objectives of the association are to: (i) to carry out their fisheries vocation in a professional manner, (ii) protect the welfare of its members, (iii) extend micro-credit to its members as well as (iv) establish a system to secure the reservoir (from pollution and outside intruders). The association works closely with the Fisheries Ministry and the Mahaweli Authority, both Enter-Growth partner organizations.

Membership: The association has 40 members comprising of very poor entrepreneurs, youth, women as well as potential entrepreneurs. The association has 5 female members (13%) and 35 male members (87%). The association has not witnessed any increase in membership numbers since 2006 due to the decision taken by the association to keep membership small in order to serve and protect the current members and prevent outside villagers from tapping into the resources of the reservoir. It is the associations' understanding that the reservoir can only accommodate or generate livelihoods for a maximum of 40 fishermen.

Access to services: The main focus has been to provide credit services as well as welfare services to its members such as monetary support for funerals and hospitalization as well as funding for construction of a school at the temple for its members. The association has also introduced **new services** aimed at increasing **access to markets** such as collective purchasing and collective marketing activities since 2006. The association collectively purchases inputs of juvenile fish in bulk as well as fishing boats at discounted rates from the Mahaweli Authority. The members also collectively sell their fish to local vendors who come to areas close-by to the reservoir. The Fisheries Ministry purchases excess fish from the fishermen and any still remaining fish go into the dry fish project run by four association members under the guidance of the Fisheries Ministry. The association members participate fully in the activities and events organized by the association (which are mainly funded by Mahaweli Authority and Fisheries Ministry), as the members see them as directly beneficial to their enterprises.

Role in advocacy and dialog with authorities: The association appears to have an open dialogue with the Authorities. The leaders of the association meet with representatives from the District Secretariat, Grama Niladhiri and Fisheries Ministries every month at a district meeting held and organized by the District Secretariat. The issues they discuss

cover areas such as prohibited methods of fishing and their legal implications, advice on supply and purchase of inputs, ways to increase the fish harvests as well as the association's proposal to establish a fishermen's village close to the reservoir. The association states that it has significant influence over business related matters in their community and that they are satisfied with their relations with the local authorities and the services they offer. Overall, the association's relations with the local authorities have improved since 2006.

Information and support: The association did not know about the **small business associations training and counseling services** provided by Enter-Growth and its partners, although they noted that the association has previously received training from Enter-Growth. Enter-Growth had conducted a training program in the Dimbulagala area during the time of the previous President and hence, the current President of the association was not fully aware about the details of the training program. The association's President had also not heard about the **MSE Forum** previously.

Governance and management of the SBA: The association receives income from membership fees, interest on bank deposits, generates its own institutional profits as well as income from a paddy field the association owns. Membership fees and all other sources of income are deposited into the association's separate bank account. Each member is charged a membership fee of Rs10 per month and in addition, each member has to give the association Rs20 for every kilogram of fish they sell a day. An average is 5kg of fish is sold per day per fisherman. From the Rs20, half is deposited into the fishermen's bank account and the remaining half is deposited in the association's account.

The association's leaders are elected by the members once a year. The association is managed in a professional manner with the support of the Mahaweli Authority and Fisheries Ministry. The overall leadership capabilities of the leaders (all very rural) could be further enhanced and the association will likely benefit from Enter-Growth's SBA training program.

Role of ILO and its partners:

**Fisheries Ministry:** The Fisheries Ministry (Enter-Growth's partner) is the main institution that has provided the foundation for establishing and developing the association. A representative from the Fisheries Ministry attends the association meeting held every month. The Ministry has provided technical training in fresh water fish farming, training in leadership and management and accounting as well as organized field exposure visits for the members. The fresh water fish farming hatchery centre in Dambulla has also been constructed by the Fisheries Ministry. In addition, the Fisheries Ministry has assisted in fostering linkages with input suppliers (of juvenile fish) who provide juvenile fish at reasonable prices.

**Mahaweli Authority:** The Mahaweli Authority supplies the juvenile fish for the fish farming hatchery at subsidized rates. They have also provided guidance on the overall management of the association as well as helped linked the association to other District level fisheries associations and societies in Polonnaruwa. The Authority also provides fishing boats through a subsidized scheme whereby the Mahaweli Authority pays for half of the cost of the boat and the remaining 50% is serviced by the fishermen on an installment basis.

**Enter-Growth:** Through Enter-Growth's fisheries sector development initiative (LOCA) conducted in 2006, a moss removal intervention was initiated by Enter-Growth to remove all unwanted moss from the reservoir system. The intervention however, could not be fully carried out as it was being conducted during the rainy season (and hence the wrong time to conduct the moss removal project). Prior to this, Enter-Growth had

conducted a training program during the time of the previous President of the association. The current President could not provide further details about the training.

Enter-Growth's partners have fulfilled a useful role in terms of providing training programs and management support as well as facilitating new services such as the common purchase of bulk inputs at discounted rates (eg. small fish and fishing boats from the Mahaweli Authority) as well as the collective sale of outputs (e.g. to local vendors by the river and the sale excess fish to the Fisheries Ministry).

*Sustainability:* The association has certainly contributed to advancing the economic situation of the locality by creating and promoting income-generating activities in fisheries as well as by protecting the businesses of the village members. With the help of its supporting organizations, the association has introduced vital new services such as bulking produce for local buyers and common bulk purchase of inputs. The association also actively engages in dialogue with the Authorities over business related matters. Additionally, the association serves very poor entrepreneurs who definitely benefit from membership in the association. The association however, remains fully dependent on external support from the Fisheries Ministry and the Mahaweli Authority in areas already discussed above.

## **4. Conclusion: Summary of Main Findings**

This section summarizes the findings from above and examines the indicators of achievement that were defined by Enter-Growth for the SBA project, in order to determine if Enter-Growth has had an impact on:

- (i) the number of SBAs in the four project districts
- (ii) the size of their membership
- (iii) the members' access to services
- (iv) the members' access to markets
- (v) the SBA's role in advocacy and inclusion in public-private dialogue
- (vi) the overall governance and management of the SBAs

### **(1) The number of SBAs**

Seven new associations (out of 27 surveyed) were formed directly through ILO Enter-Growth interventions in local sector development and value chain development projects. The remaining twenty associations have been established due to outside factors, however, all twenty of these associations have been involved in a LOCA project (7 SBAs), a VCD intervention (5 SBAs) or both a LOCA and VCD (8 SBAs). Further, of the thirteen associations established since 2006, approximately half (or 7 SBAs) have been established following LOCA or VCD exercises.

### **(2) Size of membership**

A majority of the SBAs witnessed an increase in membership numbers (19 out of 27), however the increase was of fewer than fifty members over the past three years given that most of the surveyed SBAs have small membership bases. Only one association witnessed a decrease in membership (of 10 members) and the remaining seven SBAs experienced no changes in membership size. Of the nineteen SBAs that have seen an increase in membership numbers, fourteen SBAs have received training from ILO Enter-Growth and/or its partners which could have resulted in the development of better association management skills and which may in turn have attracted more members to join.

*Case Studies:* Three out of five case study SBAs surveyed attributed the contribution from ILO Enter-Growth and/or its partner organizations as one of the reasons for their

association's increase in membership numbers. The reasons the associations cite are excellent leadership, guidance and support from supporting organizations (including Enter Growth and its partners) as well as better management and professionalism of the association after the Enter Growth SBA training course. Two out of the three case study SBAs had received Enter-Growth's SBA training while the third obtained guidance and support through a LOCA intervention. The remaining two SBAs, while they had witnessed an increase in membership, they had not received the SBA training and did not attribute their membership increase to Enter-Growth or its partners. The final (and sixth) association did not witness any change in membership numbers due to a management decision to keep membership small.

### **(3) Access to services**

Most of the surveyed associations have an objective related to enterprise and sector development and this is reflected in the services they provide either directly or indirectly to businesses. Facilitating credit or direct lending to members is the most provided service. Technical skills and welfare services such as help with funerals are the next most provided services. These are followed closely by services such as business management training, support in developing a business plan, accounting and record keeping, advocacy, linking members to new buyers or suppliers, access to trade fairs, information on market opportunities and trends as well as information on new technologies and common marketing services. Twenty five out of twenty seven SBAs have introduced new services since 2006 and of these, thirteen were new associations established in or after 2006. The most provided new services are in the areas of information on new technologies, information on market trends and opportunities, access to trade fairs, accounting and record keeping support, advocacy, common marketing, certification and access to new product design services.

*Case Studies:* All six of the case study SBAs, have introduced new services since 2006. Of the six surveyed SBAs, three SBAs have received training and counseling services from ILO Enter-Growth and its partners which they attribute to helping them introduce new services (such as linking members to new training services such as technical training, business management and entrepreneurship development training, guidance on organizing trade fairs, links to new buyers and suppliers, help providing members information on market opportunities and trends, information on new technology and production techniques as well as common marketing and common purchasing services).

### **(4) Access to markets**

More than half of the 27 surveyed associations offer services that relate to increasing members access to markets such as linking members to new buyers or suppliers and organizing or providing information on trade fairs (17 SBAs and 16 SBAs respectively, about 60%) as well as information on market opportunities and trends (15 SBA's or 55%). Common marketing and common purchasing services are offered by slightly less than half of the surveyed associations (13 SBAs, 48% and 11 SBAs or 40% respectively).

*Case studies:* All the surveyed case study SBAs (with one to a lesser extent), are involved in activities that are geared to increasing members access to markets: organizing trade fairs (5 SBAs), linking members to new buyers and suppliers (4 SBAs), providing common marketing (5 SBAs) and common purchasing services (3 SBA's) as well as providing members with information on market trends and opportunities (3 SBAs) .

### **(5) SBA's role in advocacy and inclusion in public-private dialog**

*Case studies:* Most of the survey cases (5 out of 6) stated that their organization has a very strong influence on business-related issues in their community while one SBA

believes that it has influence only to some extent. Five out of six associations stated that their association has an increased public profile through advocacy and lobbying activities and their relations with the Authorities have improved during the last three years. Most of associations (4 out of 6) have regular meetings with the authorities while the other two SBAs mainly meet with authorities when the need arises. The main topics discussed relate to tax and land issues as well as their own activities, common sector related problems and how local authorities can assist them, either technically or financially. Three out of the six case study SBAs are members of the MSE Forum and regularly attend the meetings. The MSE Forum is regarded as a useful platform to meet with authorities to resolve important issues as well network with individuals from the rest of the District (including other buyers or suppliers).

#### **(6) Governance and management of the SBAs**

Case studies: In all six case study SBAs, the leaders are elected by all the members of the association. The selection of leadership takes place frequently in general once a year with the exception of one new SBA where election will be held every three years. All the surveyed associations are professionally run organizations and five out of six SBAs have very strong leadership and management capabilities. The leadership capabilities of one SBA (in a very rural area) could be further enhanced. Three out of the six SBAs have received Enter-Growth's SBA training course which they found beneficial and which has helped them better manage the association and its related activities.

#### **Role of ILO and its partners:**

Overall, Enter-Growth (and/or its partners) has fulfilled a useful role in developing the associations in several ways. Firstly, Enter-Growth has fostered establishment of seven new associations following either a LOCA or VCD exercise, one of which was selected for the follow-up case analysis. Together these seven newly established associations serve about 900 member MSEs that were previously not organized in representative associations. In addition, all twenty seven surveyed associations collectively have 5,262 members at the beginning of 2009 as compared to 3,589 member MSEs in 2006 (an increase of 47%).

Case studies: Secondly, with reference to the case study SBAs, Enter-Growth has provided training, overall guidance and management support on how to better manage the association which resulted in more professionally managed organizations and also helped the associations introduce new services which in turn has helped attract more members (3 case study SBAs). Thirdly, Enter-Growth has fostered linkages with buyers (& exporters) and suppliers through various events and workshops or arranged for members' products and stores to be featured in Enter-Growth's "Palama" theatre (3 case study SBAs). Fourthly, Enter-Growth and/or its partners have provided technical training on production techniques and other training such as entrepreneurship development, negotiation skills etc (5 case study SBAs) as well as facilitated low-interest financing. Finally, five out of the six case study associations find that their associations have an increased public profile through advocacy and lobbying activities and that their relations with the Authorities have improved during the last three years. Of these five case study SBAs, three SBAs are actively involved in Enter-Growth's MSE Forum. Through the MSE Forum, Enter-Growth has also helped link one association with the relevant authorities to resolve pertinent issues facing the association's members, enabled associations to network with representatives in the government, others in the business community as well as meet with buyers and sellers from the district (3 case study SBAs), and also facilitated links for one association to meet with the President of Sri Lanka and other media and press people in order to help the association campaign for the dairy sector.