ART INITIATIVE

ART GOLD SRI LANKA PROGRAMME

Concept paper on the Southern Province economic development perspectives and the ART GOLD SRI LANKA action plan

November 2006
Territorial development in the international framework

1. The current trends in the international competition may consolidate worldwide the domain of the strongest sectors at the expenses of the weakest ones, or providing new opportunities for a more equitable distribution of resources.

2. If the many hidden resources of the emarginated areas are valorised, it to enrich generally the global consumptions and competition; the global equilibrium among the countries could be improved; and the migrations, and the poverty will be reduced.

3. At territorial level the valorisation of the economic potentialities of a country has more chances because of the knowledge about how to better exploit each resource and the commitment of the local people about themselves and their generations future.

4. Territorial economic development requires, according to the international best practices, the involvement of all the local stakeholders, and a public-private partnership, which identify and implement shared strategic plans and priorities.

The Ruhuna Territory (South Province in Sri Lanka) Development

5. The Southern Province of Sri Lanka has a very ancient culture and tradition, gathered around the Ruhuna cultural, productive, and architecture heritage.

6. Many economic potentialities, which have competitive advantage¹, are in agriculture (tea, cinnamon, coconut, fishery, curd, paddy), Tourism (cultural, eco, health tourism²), Handicrafts, and Natural Resources (clay, stones, rubber).

7. These products are mainly commercialised and exported as raw materials, but comprehensive value chains can be promoted, integrating industrial transformation and services.

8. A Ruhuna Typical Production and Culture Brand can be promoted and implemented for national and international markets, through reinforcing identity, images and international quality standards.

Main needs for Provincial Economic Development and Sustainable Employment

9. Reinforcement of the competitive economic potentialities, capacity building, skill development, and organisation of a comprehensive service system for the provincial economic development and sustainable job creation are the main needs.

10. Reinforcement of the competitive economic potentialities means improving productivity and quality of the above mentioned (paragraph 6) products and services, small and medium enterprises and cooperatives' entrepreneurship and business administration capacities, creating new enterprises and cooperatives, through promoting the entire value chains for each one of them, promoting sectoral associations, and the Ruhuna Typical Production and Culture Brand Consortium.

11. Capacity building for the provincial administrations and the private sector stakeholders needs refers mainly to the capacity of a collective and participated assumption of commitment and responsibilities on the development strategies identification, implementation, and monitoring, the entrepreneurship, the management of advanced economic services³, the social capital development (social inclusion of the most disadvantaged people in the mainstream economy, association development, gender equity).

12. Comprehensive provincial service system organisation means the coordination and optimisation of all the services needed for supporting the sustainable economic competitive and human development, such as business advice, innovation, marketing, social inclusion, credit, etc.. A Ruhuna Economic Development Agency could be established at this aim.

¹ Competitive advantage consists in the specific and unique characteristics local products or attractiveness have, and which are difficultly imitable, so giving a strong advantage into the international market.

² Galle has been declared UNESCO human patrimony.

³ Research and innovation, quality improvement and control, territorial marketing, internationalisation, business and value chains development, financial support, training, social inclusion.
The Ruhuna Economic Development Agency (Rueda)

13. It is a **public-private non profit legal organisation**, whose owners are provincial, district, municipal and community public administrations, chambers of commerce, university, banks, associations of producers, women associations, local NGO’s. Its main objective is providing financial and non-financial services to population, public administrations, and also to national and international agencies for supporting economic development plans, strengthening the productive sector, including the most disadvantaged people into the mainstream economy, and supporting economic internationalisation.

14. It links financial and non-financial services, through a **Guarantee Fund**, deposited into a bank, and utilised for providing credit to micro, small, and medium entrepreneurs, who do not have the required patrimonial guarantees (credit collaterals), through a specific agreement with the bank, and according to the already existing experience in Sri Lanka. Furthermore Rueda assists the entrepreneurs in the elaboration of viable business plans, in the investment implementation after the entrepreneur have received the credit, and for its return.

15. It is a **self-sustainable structure**. Its income derives mainly (60-70%) from the interests gained by the capital deposited into the Guarantee fund, from the projects’ management, from membership fees, and from the sale of services\(^4\) (mainly to local and national public administration, and international agencies).

16. It will belong to the International Network of the Local Economic Development Agencies promoted by the United Nations ([www.ilsleda.org](http://www.ilsleda.org)), which provides technical support and international linkages.

17. According to the international ART experience the conditions for the success of Rueda are the following:
   i) The provision of a consistent capital for establishing the Guarantee Fund (granted by the ART GOLD)
   ii) The good governance, mainly through the commitment and a coordinated management of the Executive Board
   iii) The capacity and the skill of the Executive Director and the technical professionals (a transparent and severe selection is needed).

The ART GOLD SRI LANKA contribution and added value

18. ART GOLD SRI LANKA can **provide technical and financial assistance**, and builds capacities because of its large (almost 20 years) experience in promoting territorial competitive economic development, combining economic and social development, and establishing self-sustainable Local Economic Development Agencies (see figure 2).

19. It can **expose the provincial economy to international contexts and markets**, enhancing international partnerships (North-South and South-South) with local and regional actors from developed and developing countries, due to its consolidated network (more than 500 institutions and local development organisations), aimed at realising joint cooperation projects, exchange of experience, and commercial and technological transfer.

20. It can **support the Rueda start-up**

21. It will include the Rueda in the **LEDA international network** (paragraph 16)

22. It can support **technical assistance and training at distance** also after the end of the ART GOLD SRI LANKA; through the ART/ILS LEDA services for international linkages and the training courses at distance.

The ART GOLD SRI LANKA action plan for economic development

23. The action plan for the **next 6-8 months** has three main objectives:
   i) To reinforce the economic potentialities of the Southern Province, improving capacities for entrepreneurship, management, technology, commercialization, internationalization, product quality, and implementing value chains.

\(^4\) Services to population and small entrepreneurs are free
ii) To establish the Ruhuna Economic Development Agency

iii) To reinforce the social capital, through promoting sectoral associations, and a Ruhuna Brand.

24. The **reinforcement of the economic potentialities** will be pursued through the following steps:

i) Support to the Provincial Working Group for the identification, selection and elaboration of **strategic projects** mainly in the field of agro-industry and tourism, for supporting the strategy for the competitive, sustainable and human development: productive infrastructure, irrigation systems, capacity building, job creation, innovation, territorial brand, international exposure, international festivals and promotional events, improvement of the quality of the products, gender equity promotion, environment protection and management, natural and bio-parks, cultural villages, information systems, rehabilitation of the cultural and the historical patrimony, museums, waste management, alternative energy supply, economic joint-ventures, investment from Sri Lanka people abroad, etc.

ii) Submission of the projects to the international decentralised cooperation for co-financing

iii) Establishment of a monitoring system for evaluating the impact of the projects.

25. The **establishment of the Rueda** will be pursued through the following steps:

i) Establishment of a **Sub-Commission of the Working Provincial Group**, including representatives of the public and private sector (mainly producers associations), in charge of the overall process leading to the establishment of the Rueda

ii) Involvement of the main local stakeholders into the Sub-Commission, through meetings with farmers, fishers, and small entrepreneurs associations, financial institutions, chambers of commerce, university, training centres, NGO's, community based organisations, etc.

iii) Information about quantitative analysis of the priority sectors, about services already provided by local institutions, and about the national legislation allowing public-private partnerships legal structures for providing financial and non-financial services.

iv) **Study Tour** of the Sub-Commission representatives for visiting international best practices.

v) Elaboration from the Sub-Commission of the Rueda strategies, through the identification of the strategic development sectors, the articulation of the services.

vi) Implementation from the Sub-Commission of the Rueda legal constitution.

vii) Elaboration of the **Rueda business plan**, for identifying the self-sustainability conditions

viii) Agreement with a bank for establishing the Guarantee Fund (see paragraph 14)

ix) Training course on the Rueda management for the Rueda members.

x) Commitment (through signature and registration) of the member of Rueda.

xi) Registration of Rueda

xii) Selection of the Director and of the technical professionals.

26. The reinforcement of the social capital will be pursued through the following steps:

i) Meeting with producers in the priority sectors will be held (see paragraph 25.ii), for providing information about the new opportunities provided by the ART GOLD programme framework, and stimulating them in constituting associations (cinnamon, curd, tourism, tea, etc.), when they do not exist, or strengthening the existing ones, according to the needs.

ii) Stimulation and capacity building for the most disadvantaged people to create jobs for them into the priority value chains

iii) Elaborating a project for the creation of a **Consortium for the Ruhuna Typical Production and Culture Brand**

iv) **International exposure** of the Ruhuna Typical Production and Culture
AN EXAMPLE OF VALUE CHAIN
THE CINNAMON

Burk Oil
Leaves Oil
Fire Wood
Tools
Research
Training
Financing

Cinnamon

Peeling
Collectors
Commercialization

Industry

Food
Cosmetics
Health

Maintenance
Packaging
Tools and spare parts production

Marketing
Figure 2

The Leda’s promoted by the United Nations since 1990