

## Development Projects and Programmes of the Ministry

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### National Kithul Development Programme

The programme is implemented with the aim of uplifting the Kithul Product Industry in the country as a commercially profitable one. The objectives of the programme are to create self-employment opportunities and income generation in rural areas.

The National Kithul Development Program includes the following interventions

- Tappers training
- Provision of safety kits for Kithul tappers(jacket, a safety belt and a helmet)
- Introduction of kasper technology and traditional technology for increasing the sap yield
- Quality improvement of treacle, jaggery, handicrafts and timber (GMP, SLS)
- Research and development:
- Exhibition and marketing
- Registration of Kithul producers, social security arrangements to enhance the welfare of the Kithul producers.

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### The Divi Neguma National Programme on Cottage Industries

The Ministry of Traditional Industries and Small Enterprise Development (M/TISED) is taking a lead role in the implementation of the Divi Negume National Programme on Cottage Industry Island-wide in all districts under the guidance of Ministry of Economic Development using a cluster approach and in collaboration with other industrial cluster Ministries namely the Ministry of Industry and Commerce (M/IC), Ministry of Technology and Research (M/TR), Ministry of Youth Affairs and Skills

Development (M/YASD) and Ministry of State Resources and Enterprise Development (M/SRED) and the 16 agencies and institutions that comes under these Ministries.

A Strategic Plan has been developed for Divi Neguma National Programme on Cottage Industry identifying the vision, mission, objectives, targets, strategies with methodologies and approaches; Handbills have been developed for **46 promising and viable industrial clusters** covering rush and reed, wood carving, wood based products, brass and silver based handicrafts, jewellery, bamboo and cane based products, gifts items/ ornamental items, kithul based products, palmyrah based products, coir based products, Leather and Footwear, clay based products, food processing, soft toys, beauty culture, rubber based products, textiles, retail shops, chemical based products, paper based products, stone carving, electronics etc.

Divi Negume implementation strategy has a six step approach that commences with

- **Prioritization of high potential promising key industrial sector products** - The Ministry in close collaboration with private sector and other stakeholders identify the high potential promising key industrial sector products and prioritize from an export and local market perspective. These key product sectors will be promoted under the Divi Neguma National Programme on Cottage Industry. Handbills have been developed for such key priority sector products indicating their high potential, market opportunities, eligibility requirement, investment required, training needed with technology and other Government assistance including the state institutions for coordination and support.
- **District level technology showcase and awareness programme** – these district level exhibitions help villagers to create enterprise culture and facilitate villagers to select suitable high potential cottage industries as identified above.
- **Sensitization Programme** - conduct Sensitization Programme to select potential cottage industrialists and to undertake need assessment of such beneficiaries and to design suitable intervention programmes to support cottage industries.
- **Training and technology transfer** - provide training and technology transfer and entrepreneurship skills for the selected beneficiaries on cottage industries.
- **Basic tools and raw materials** - provide basic tools and raw materials to the maximum value of Rs.30,000/- per beneficiary as a outright grant under this programme to motivate and promote cottage industries.
- **Banking Clinics** - provide links with banks and financial institutions by conducting “banking clinics” to assist in obtaining concessionary credits to the selected beneficiaries and
- **Market Facilitation** - provide linkages with export and local markets through sub-contracting and buy-back arrangements by involving large private sector enterprises, exporters and NGOs to enhance the sustainability of the cottage industry.

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## **Industrial Production Village Development Programme**

Under the Mahinda Chintana Programme, the National Programme on Development of Industrial Production Villages was launched in 2005 based on "One Product; One Village" concept covering the traditional rural industries such as Blacksmith, Clay based product, Cane based product, Coir based product, Leather based product etc. The main thrust of this project is development of these traditional industrial villages by increasing the productivity level of industrialists through facilitating access to new technology and practical training opportunities, market access for their products, making improvements to infrastructure, linking them to the market and mobilizing them to achieve economic and social progress.

Since 2005 about 256 Production Villages have been established of which 105 production villages had Common Services Centre (CSCs) facilities. These CSCs were established in the traditional rural villages to provide technology, new designs, raw materials, machinery and infrastructure facility and services and market linkages both forward and backward linkages to the production villages to enable small industrialists and handicraftsmen to upgrade themselves as successful rural industrialists. The operations of the CSCs are managed by the Village Producers Cooperative Societies.

Based on the evaluation conducted by the University of Colombo, of the 85 peoplised CSCs 29 are under performing and 19 are marginally functioning. The Ministry has initiated actions to further strengthen the production villages and the CSCs to enable the production villages to be more productive, dynamic, operational and sustainable. The budgetary allocation for the year 2012 is Rs. 13.5 Mn for revitalization and enhancement of the sustainability of rural industries in the production villages. Under this initiative already 10 districts such as Polonnaruwa, Kalutara, Nuwara Eliya, Kandy, Gampaha, Galle, Kurunegala, Jaffna, Puttalam and Anuradhapura are being supported under the revitalization programme.

"One Village, One Product" programs are Government-sponsored village assistance programs, funded by Government budgets, often supporting the existing villages with technology, training, access to credit, machineries, raw materials and new designs with a light focus on the principle that supply creates its own demand. However, such production village programmes implemented in Sri Lanka as well as in other countries have not been notably successful at generating powerful market linkages that created sustainable incomes.

Under the production village programme the project planners and proponents look at the question of "what is this village good at producing". However, this approach often lacks entrepreneurial drive, a market orientation and economic sustainability.

One major assumption of this model is that there are existing village producers with rural products and skills that mainly lack networks to markets, finance and training to be able to generate additional income.

The Government under its budget proposal 2012, has emphasized more on moving towards enterprise villages rather than production villages. The enterprise village development programme concept begins with the market demand first and then matches this with villages that have appropriate skills, production and motivation to supply this need. It is market oriented, entrepreneurially – driven, economically viable and commercially sustainable approach. It focuses on

creating entirely new products and considers market viability based demand studies for the existing and potentially new products.

The production villages tend to look at finding new markets for existing products by improving product quality and making improvements in designs. On the other hand, the enterprise village model looks at creating entirely new products even if skills and products (rural asset map) do not exist. As such the enterprise village concept relies in launching of an extensive skills development programmes.

However, having studied the rural asset map, the Ministry of Traditional Industries and Small Enterprise Development has formulated a two-pronged strategy covering both production villages as well as promoting enterprise villages in line with the Mahinda Chintana – Vision for the Future.

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### Development of Industrial Estates

The Mahinda Chintana – Vision for the Future recognizes establishment of industrial estates as a sector strategy to reduce rural, urban imbalance of industrialization and for promotion and relocation of industries in the backward regions. SME industrial estates have been given special attention to develop MSMEs.

Industrial Estates offer managed/ serviced work space – workshops or plots of land with collective access to utilities, roads, transport, telecommunications and other common facilities such as waste collection, effluent treatment, tool rooms, testing, quality control and security services. Some estates in other developing countries have technical libraries, recreational areas and housing for workers. Estates are not necessarily used for a permanent basis; they may also serve as an incubator or nursery, a temporary start-up facility for new firms. The provision of common facility including centralized effluent treatment etc. can be a particular value to small and medium scale enterprises (SMEs) which often cannot afford these on an individual basis. The agency responsible for the estate should not limit itself to maintenance of the facilities and supervision of activities but play a dynamic role, promoting the services offered by the estate among local entrepreneurs. (*Industrial Estates – Principles and Practices - UNIDO*)

An estate which may only contribute to development of backward area in the long run can be socially justified. The estate may charge an appropriate price for a good package of services. Development of SME industrial estates may require sub-contracting and other forms of enterprise networking.

There are 18 SME Industrial Estates – Island-wide managed by the Industrial Development Board. These industrial estates serve as industrial hubs with infrastructure facilities to house small and medium scale value added industries that generate more employment and as such the industrial estates help to promote, attract and enhance SME investment opportunities. Industrial land plots in the Industrial estates are given to industrialists on the following criteria

- High potential and viable sectors/clusters
- The value addition
- Use of local raw materials
- Export orientation / export connectedness
- Forward and backward linkages
- Flagship sector with very high potential spillover effects
- Employment generation

Action is being taken by the Ministry and the Industrial Development Board to strengthen and modernize the industrial estates within two years and unutilized vacant space will be made available to potential SME investors.

#### **Establishment of Supra Class Model SME Industrial Estate**

It is proposed to upgrade the existing selected industrial estates to ensure the establishment of one supra class model SME industrial estate in each province every year.

#### **Improvements to existing Industrial Estates**

Action has been taken to improve the infrastructure facilities of all 18 SME industrial estates with a view to facilitate the SMEs housed in the industrial estates to deliver quality products. A Project with a cost estimate of Rs.305 Mn has been approved for a 3 year period from 2013 to 2015 to implement the infrastructure development in the industrial estates.

#### **Construction of new Industrial Estates**

It is proposed to construct 5 new industrial estates during the medium term to support and house the SMIs. The Atchchaveli Industrial Estate is one such industrial estate and is being established in the Jaffna District with support of the Government of India.

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#### **Reactivation of Atchchaveli Industrial Estate**

The Atchchaveli Industrial Estate was setup in 1970s in a 65 acre land in Atchchaveli, Jaffna and was managed by the IDB. There were 36 industrial units in operation in the 25 acres covering lime based products, fruit pulp based products, Aluminium based products, tyre retread, coconut oil extraction and ever-silver and plastic based products. This industrial estate was destroyed due to the past war situation. A Project Concept document was developed by the Ministry with the IDB on Atchchaveli Industrial Estate and funds were obtained under the Indian Small Grant Development Assistance Programme. The proposed industrial estate is being developed as an **environmentally friendly model industrial estate**, with a funding of Rs. 200Mn from the Indian Grant and approximately Rs.48Mn from GOSL Counterpart funds. Presently, the industrial facility infrastructure is being developed and the estate will facilitate the commencement of industries by August 2013

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## Reactivation of Palmyrah Research Institute

The Palmyrah Research Institute (PRI) was established in 1986 at Kaithady, Jaffna and was in operation under the Palmyrah Development Board. This Research Institute has been deserted after 1995 due to the past war situation. The Research Institute carries out research in the area of improving the quality of palmyrah products such as fruit pulp, soft drinks, jaggery, sap, vinegar and other related products and contributed significantly in developing new value added products, preservation methods and increasing yield and productivity. As the PRI was damaged, the research activities got affected which resulted in the disruption of product development activities.

The latest palmyrah resource survey revealed that there are 11 million palmyrah trees in the country. Of which 3.5 million trees are in the Jaffna District and another 3.5 million trees are in the Kilinochchi District. The need for its re-establishment was seriously felt with the peace situation as the palmyrah sector started to re-emerge as a dynamic sector especially in the Northern and the Eastern part of the country.

Funds were obtained to purchase research instruments under the Indian Small Grant Development Assistance Programme to the value of Rs.70 Mn. The research equipment package includes laboratory equipment, laboratory glassware, laboratory chemicals, laboratory furniture and vehicles.

The Government of Sri Lanka provided budgetary funds to the value of Rs.40 Mn to renovate and reconstruct the building and Civil works. Following its opening in July 2012, the PRI has initiated research activities in areas, Identified under its Research Master Plan. Linkages have also been established with other research institutions such as the Industrial Technology Institute (ITI), Universities as well as the National Institute of Plantation Management, Hector Kobbekaduwa Agrarian Research and Training Institute and NERD Centre to undertake research effectively.

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## Expanding the Fishnet Production Capacity of the Northsea Limited

The Northsea Limited is a Government owned Company established in June 2001 under the Company's Act No.17 of 1982. The main objective of the Northsea Limited is to manufacture and supply quality fishnets to meet seasonal demand of the fishermen. There are 3 fishnet factories namely Gurunagar - Jaffna, Weerawila - Hambantota and Lunuwila - Puttalam under the Northsea Limited. The company operated the Gurunagar fishnet factory from June 2001 whereas the Lunuwila and Weerawila factories were taken over from the Ceynor Foundation of the Ministry of Fisheries and Aquatic Resources from November 2011 based on the directive issued by the Cabinet of Ministers. Under a Grant Assistance Programme of Government of India, activities have been initiated to modernize and upgrade the Gurunagar factory with provision of new equipment which will increase the production capacity to 360MT /annum from the present capacity of 60MT/annum. The Indian Grant component Rs.166Mn and GOSL counterpart funds of Rs.30Mn have been provided for this project. The GOSL has also provided a funding of Rs.85Mn for rehabilitation of Weeravila and Lunuwila Factories.

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### **Development of Traditional Handicraft Villages and other Development Projects**

Based on the budget proposal 2012, development of traditional handicraft villages project has been proposed to strengthen craftsmen economically and also project the country's rich cultural and crafts skills that comes from generation to generation with a view to promote the cultural revival in our country. The project proposal identifies popular 12 existing handicraft villages with capacity to develop products to local and export market and provides support to improve product quality and facilitate access to market. Traditional handicraft villages with specialization in sectors such as, jewellery, lacquer and sesath, musical instrument, rush and reed, masks, coir, gift items and souvenir items, dumbara items, clay based products, palmyrah based handicrafts etc will be strengthened through:

- Provision of infrastructure (roads, electricity, water and sanitation)
- Technology, machinery and common service facility
- Introduction of market oriented creative new designs
- Skills development
- Raw materials and basic tools
- Facilitation to access to market (Sub-contracting and buy-back arrangements) and access to credit through banking clinics
- Quality improvement, packing and branding
- Production of gift items and souvenirs with good packing and branding

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### **SHILPA National Crafts ,SME Exhibition, Trade Fair and Awards Programme**

The Shilpa National Crafts and SME Exhibition and Trade Fair for the handicrafts and small industrialists have been organized as an annual event to popularize the products of traditional craftsmen and small industrialists and to provide them an opportunity to showcase and exhibit their creative products and processes and give the producers an opportunity to market their products directly through trade stalls. Providing trade stalls to the producers helps to market their products and to avoid exploitation by the middlemen. Moreover, the recognition of the creative products of the craftsmen and small industrialists through the awards has helped to strengthen the sector.

With regard to handicraft sector about 1000 craftsmen participated in the exhibition covering 19 craft clusters and 54 sub clusters and over 1500 products are exhibited. These exhibits are the best products that come through the provincial competitions to the national level. Similarly, over 100 SMIs under 15 industrial clusters display over 1000 best products based on District and provincial competition. Over 200 Trade stalls are given to producers at concessionary rate to market their products and creative designs.

The Objectives of the Shilpa National Crafts and SME exhibition and Trade Fair are given below:

- Showcase the creative new designs and products of the Handicraftsmen to popularize and promote handicrafts and SMIs
- Opportunity to the producers to sell their products without the involvement of middlemen
- Opportunity for buyer-seller (Producer) meetings – Local and Foreign Markets
- Recognition, motivation and encouragement for handicraftsmen and SMIs - national awards and Certificates for the best performers
- Promote market opportunities and development of consumerism on handicrafts and SMI products
- Public have opportunity to buy locally manufactured products

The objectives of the national exhibition and trade fair are to popularize and promote handicrafts and SMIs; showcase the creative new designs and products of the Handicraftsmen; providing opportunity to the producers to sell their products without the involvement of middlemen; expand local and foreign market opportunity and orders; entrepreneurial skills, opportunity for buyer-seller (Producer) meetings; recognition, motivation, appreciation and encouragement for handicraftsmen and SMIs - awards and Certificates for the best performers; support the winners of the competition to emerge as best entrepreneurs of SMIs, cottage industrialists and handicraftsmen; promote market opportunities and development of consumerism on handicrafts and SMI products and provide opportunity to the public to buy locally manufactured products. The event thus serves to project the nation’s traditional, craft and industrial skills and values to the youth of the country and enhance their interest values and appreciation for this sector.

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