Intervention Report

VCD Exercise Enter-Growth Kurunegala

- Promoting export anthurium flower production in the North Western Province -

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1. Background

The anthurium sector in the Kurunegala district has been selected by the district MSE forum for a Value Chain Development (VCD) exercise, which took place in December 2005. Eventually the exercise expanded to the Puttalam District, thus covering the North Western Province. The importance of the anthurium sector to the local economy, the relatively high number of female-owned MSEs involved in the sector, the availability of potential entrepreneurs, the presence of a clear value chain, and the potential of growing anthurium for both the export as well as the local market all were enough reason for the intervention.
Acting upon request from the MSE forum, Enter-Growth (EG) worked together with local partner organisations involved in export anthurium to conduct a VCD exercise in the division. The ultimate goal of EG VCD interventions is to identify and promote the *local sector* within *value chains* that have potential for growth in terms of income and employment generation for poor people (Herr, 2007). Hence, the main aim of this intervention was to put the local anthurium growing sector in a better position compared to competitors

Table 1.1: Overview of the Anthurium sector in the North West Province

North West Province	Anthurium sector in the North West Province
Province: North-West Province **Districts:** Kurunegala & Puttalam **Locations:** Kurunegala, Mawathagama, Narammala, Kuliyapitiya, Wariyapola, Hettipola, Alawwa, Polgahawela, Madampe, Wennapuwa **Population:** Kurunegala: 1,452,369* Puttalam: 709,677*	➢ **Location**: Both Kurunegala and Puttalam districts are based within the "coconut triangle" (Puttalam, Chilaw and Kurunegala). Kurunegala serves as a transit point between several important cities in Sri Lanka; Colombo, Negombo, Annuradahpura, Kandy ➢ **Income**: Rs.340 labourer (per day) (Average wage rate agriculture: Rs.127,52 in 2005) ➢ **Education level**: Reasonable (24% passed O/L, 66% passed A/L) (Kurunegala; 18.5 O/L, 8.9 A/L, 1.2 Degree; Puttalam; 14.0 O/L, 6.1 A/L, 0.7 Degree) ➢ **Workplace risks**: Exposure to chemicals, such as pesticides and insecticides ➢ **Share of workforce**: currently only a small percentage of the population in the North Western Province works in the anthurium sector ➢ **Number of anthurium enterprises**: Around 100 export growers in the North Western Province (EG) ➢ **Number of collectors**: 1 direct collector in the Kurunegala district, 1 direct collector in Kurunegala & Puttalam district, 3 direct collectors in Puttalam district, 2 *intermediary* collectors in Gampaha district. ➢ **Market demand**: The current market demand for export-variety anthurium flowers relatively high (higher than the current supply). Anthurium constitutes 0.33% of the

	relatively high (higher than the current supply). Anthurium constitutes 0,33% of the total *quantity* of floriculture exports and 0,03% of the *quantity* of total exports. ➢ **Contribution to divisional GDP**: Anthurium contributes 0.28% to the *value* of floriculture exports (actual value = 1,069 in 2005***) and 0.15% to the *value* of total exports.

Source: *Census of Population and Housing 2001, Department of Census and Statistics, 2003
**Niranjan and Gunasena 2006: 72-73
*** www.srilankabusiness.com, 10-10-2007

The anthurium sector is a sub-sector of the floriculture sector, which falls under the horticulture industry. The horticulture industry - in commercial terms - is a new venture for Sri Lankan MSE entrepreneurs in the province. Anthurium flowers are cut flowers that can be kept for a relatively large period (about two weeks), and there is a potential for export. The price received for export anthurium flowers is relatively high, which makes it a potentially profitable business.

The Export Development Board in Kurunegala, which hosted the VCD exercise together with EG, had earlier supported some 50 people to start growing anthurium for export. However, the results were disappointing, and before the exercise the EDB had decided not to continue their efforts. Several other organizations had supported growers for the local markets, and initiated the establishment of associations. However, all agreed the support had been uncoordinated and not sufficiently effective.

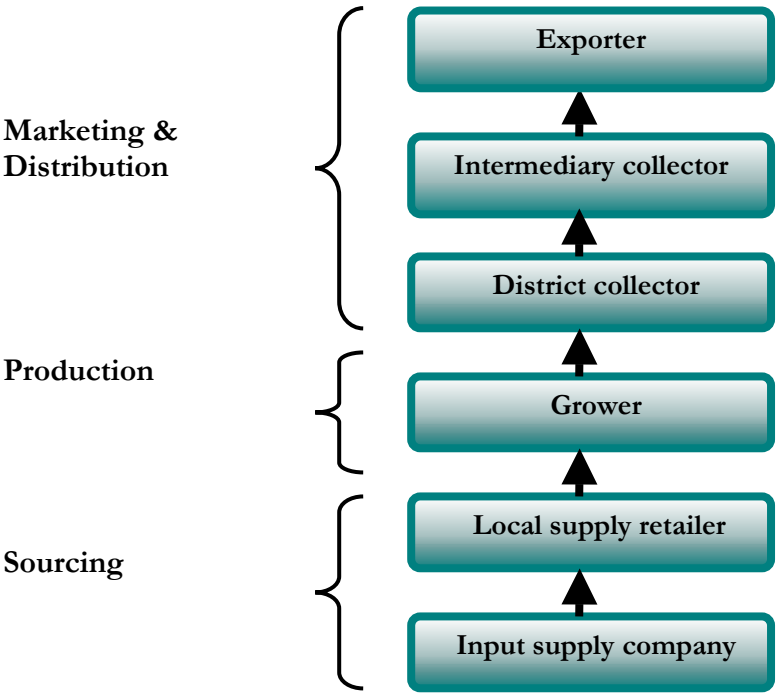
This intervention report on the still ongoing work to upgrade the anthurium value chain in the North Western Province presents the results of research done by and independent consultant, Laura Smeets, and her assistant, Miss P. Sandika, between May and August 2007. The research comprised interviews with service provides, Enter-Growth staff, and enterprises in the value chain, including 51 growers. Growers not included in the interventions were interviewed as well. In addition, interviews were conducted at the household level to gauge the impact on poverty indicators.

2. Enter-Growth action & plan

The EG intervention consisted of three parts: a) an analysis of opportunities and weaknesses in the *local economy*, and b) an analysis of the market requirements in the *global economy* (value chain), and c) the follow-up activities to implement the proposals generated by the VCD exercise.

The VCD exercise followed the standard procedure for a LOCA exercise, as designed by Mesopartner, with a few changes in emphasis to take into account that it needed to look more in-depth at national and global markets and consider a more strategic re-orientation of the value chain for improved local competitiveness and market integration (Herr, 2007)[1]. The exercise was managed by the EG district programme manager in Kurunegala together with trained 'LOCA facilitators' who are all members of the local partner organisations involved. The proposed interventions as a result of the VCD exercise are organised according to the three main functions within the value chain; *Marketing and Distribution*, *Production* and *Sourcing*. This is reflected in the value chain map that resulted from the exercise (See: Figure 2.1).

Figure 2.1: Simple Value Chain for export anthurium



The exercise identified the following strengths, weaknesses, opportunities and threats in the local anthurium value chain.

[1] LOCA is called PACA outside Sri Lanka. This stands for Participatory Appraisal of Competitive Advantage. The approach is normally area rather than sub-sector based. It was designed and is owned by Mesopartner. More information is available on www.mesopartner.com.

Table 2.1: SWOT analysis for the anthurium sector in the North West Province

Main issues identified in the export anthurium sector

Investment costs

- Initial investments costs are high
- Operating costs are high and increasing because of the current situation in the county
- Period for return of investment is long because:
    - It takes 1,5 years before one can sell the flowers of a tissue culture plant
    - The production of flowers per plant is relatively low, whereas the costs of inputs and transport are high

Supply inputs

- Good quality tissue culture plants are costly and difficult to obtain; they have to be imported as there is no tissue culture lab in Sri Lanka that can produce these
- The growers are operating on a small scale and are not properly organised, therefore they are unable to buy their inputs in bulk

Production

- Problems with production of *quality* export anthurium flowers
    - Export quality requirements are high
    - Anthurium flowers are sensitive to climatic conditions, water supply and need a lot of care, in order to prevent pests and diseases, which makes it a risky business
    - The average knowledge of growers is not appropriate to overcome pests and diseases
    - No tissue culture lab available in Sri Lanka that has the a patent from Anthura company to tissue culture guaranteed high export quality tissue culture plants
- Problems with *quantity* of supply
    - The growers operate on a relatively small-scale
    - Transport costs are high and increasing

Grower organisation

- No well-functioning collecting system in Kurunegala district; 1) no stable and consistent collector, 2) no collecting centre, 3) growers are unable to supply consistently and in large quantities
- No proper export anthurium business association, the growers are not organised properly

Buyer/Exporter

- Low price for export flowers
- No direct buyer for export in the district

This analysis resulted in the following proposals being put forward and prioritised by the partner organisations (See: Table 2.2).

Table 2.2: Proposed interventions and their justification – per section of the value chain

Proposed Intervention	Reason for proposed intervention
MARKETING & DISTRIBUTION	
1. Promote **direct export linkages** between anthurium grower entrepreneurs and foreign buyers	1. Growers receive a relatively low price for their flowers, as the market is not transparent; there is no direct exporter in the district and growers are unable to consistently supply large quantities of flowers. However, there is potential for the anthurium export market.
2. **Strengthen the relation between the growers**	2. Export: losses due to negligence of regulations, not

and the buyers (export and local); 1) Educate to maintain the supply contracts without fail, 2) Building confidence between the growers and their buyers	educating the growers on qualitative and quantitative information regularly (e.g. packaging and cutting technologies), growers are unaware of benefits and concessions available for exporters. Local: inconsistency in supplying to the market demand, frequent fluctuation of the buying and selling prices.
PRODUCTION	
3. Increase the **quality** of the production of the growers	3. Quality-based rejection of flowers
4. Increase the **quantity** of the production of the growers ("over 5.000 units per week")	4. Inconsistent supply, quantity-based rejection of flowers
5. Organizing the anthurium growers to meet local and export demand. Enrolling all the **anthurium growers and associations under a single organization;** group together the export-oriented growers in one association	5. Lack of coordination between the grower associations. Objectives export-oriented and local growers differ, but they are not grouped accordingly. Lack of coordination and efficiency of the associations.
SOURCING	
6. **Improve relation between growers and their suppliers;** 1) Encouraging signing bilateral trade agreements between the grower societies and the supplier. This will create credit facilities, concessionary rates, continuous supply, supply of demand driven products etc., 2) Creation of a favourable environment to develop frequent dialogue between the supplier and the buyer. This will give an opportunity to identify the growers' needs to the supplier and vice versa; 3) Suppliers should educate the end users on their products and services to enable them to get the maximum advantage of the product/service	6. Absence of regional agents, absence of systematic promotional mechanism, inability to maintain uninterrupted supply, absence of licence/permits and standard certificates and lethargy to obtain them, lack of cooperation and confidence between the suppliers and the growers (and their societies), lack of interest to develop demand driven material with technological improvements, absence of awareness programmes on product quality, price variations and their comparative advantages/disadvantages, absence of trial plots for application of cost effective methods for the benefits of the growers.

Beside the main sector specific proposals that came out of the VCD exercise, the stakeholders proposed to improve the coordination and interrelation among the relevant institutions in order to provide better service to everybody concerned. In addition it was proposed to set targets and prepare an action plan, to address the absence of planned objectives for growers and their associations.

From the proposals that came out of the VCD exercise, the Export Development Board (EDB) took over the main responsibility for implementing proposals related to the anthurium sector in the North West Province.

3. What actually happened

The following gives a summary of the activities that have been conducted to implement the above proposals:

	MARKETING & DISTRIBUTION
Proposal 1	EG developed a **CD with pictures of all the anthurium export varieties** available in the NWP. which was sent to 4 potential buyers. The EDB is currently in the process of developing a **promotion CD** for marketing purposes. The growers **dispatched samples of their flowers** in order to get more export orders. Four samples were distributed to different potential buyers/exporters: Foodstuff International Co. and companies in Germany, Japan, and Dubai. This resulted in a new buyer: Foodstuff International Co.. Discussions with the Japan and Dubai companied are ongoing,. From Germany there was no response. EG and the EDB **facilitated the process of finding new buyers who buy for export**. The EDB, in cooperation with 2 growers, contacted a new buyer who now gives a higher price (Rs.40 for anthurium with cut foliage leaves and Rs.28 for a single good quality anthurium flower) for their flowers, compared to a *maximum* price of Rs.25 before. At the time of the interviews a **flower collection mechanism was being set up** as an immediate solution to the fact that a large percentage of the growers was unable to sell their flowers. In doing so, a collector from Puttalam district and a collector from Kurunegala district distribute the flowers to a second (*intermediary*) collector in Gampaha district who does the final quality check and packaging before sending it to the exporter. The collection mechanism is not working properly as currently many export growers (especially those based in Kurunegala) are unable to sell their flowers. A direct exporter located in the North Western Province has still not been found and there are currently still many intermediaries, resulting in loss of income for the growers. However, recently (after the research for this report had been completed) one grower trained by EDB started collecting from the Kurunegala district. He does the quality check, packaging and provides the transport directly to the exporter. This means that one intermediary collector has been removed from the value chain. The impacts cannot be reported on, as this change took place after interviews with growers were completed. Moreover, recently a **potential direct exporter located in the Kurunegala district** has been identified, an export grower who exports his flowers to Japan and South Korea for Rs.60 per flower. This could significantly improve the situation of growers in Kurunegala, but so far this has not gone beyond the stage of initial discussions.
Proposal 2	In order to educate the growers about the market relations and their buyers, two **'awareness on the export market' workshops** were conducted by a resource person of the EDB Agriculture division. In the workshop a description and discussion of export markets (e.g. Japan, Dubai) was provided and market expectations and requirements of foreign buyers were discussed. A **quality standards and packaging workshop** was organized by the new intermediary collector (based in Gampaha district) that became part of the new flower collection mechanism. The intermediary collector received training from the exporter. This embedded service conduced by the new intermediary collector is a spin-off effect of the flower collection mechanism that has been set up during the intervention period.

	A **flower arrangement workshop** was organised for the growers to facilitate *local* market linkages. As a result growers will be able to do flowers decorations , by which they can earn more in the local market for their' flowers rejected in the export market.
	PRODUCTION
Proposal 3	A **baseline study** on anthurium production abilities has been conducted by professionals from the Royal Botanical Gardens for growers supported by the EDB before the present exercise. The purpose was to assess quantity and quality produced and establish potential and needs for upgrading. It was partly funded by EG. • The capacity assessment found that the climate, weather & soil are adequate, and raw materials needed for cultivation are easy to find in the North Western Province • The capacity assessment ranked the growers on the basis of their business performance and the quality of their enterprise site. The study can be used as: – A baseline in order to measure and monitor the future progress of the growers – A guideline for future interventions, such as technical training session and workshops for the growers. The assessment gave the resource persons for workshops (see below) better insights on what to focus their training programmes. The study indicated that to improve the quality of their flowers the growers should improve their technical skills to maintain their farms (e.g. re-introduction of growing media where the de-compost is above 40%, re-establishment of plant nurseries; re-establish their net houses, and raise their beds from pit system to flat form system - as pit systems do not have proper draining in the rainy season). • Ultimately, the report was used to: 1. Convince the NDB bank to release the second part of loans allocated to 9 growers; 2. Convince the EDB to provide grants to the growers to upgrade their nurseries; 3. To support loan applications of new growers (See: Proposal 4) 4. Inform training workshops. The EDB distributed 13 **grants** of Rs.3,000-10,000 for growers that upgraded the bed structure of their nursery This indicates that 13 growers most probably increased the quality of their nursery. **Technical training** was provided by the Royal Botanical Gardens for 50 new growers. They can start growing when they receive the loans they applied for. Two workshops on **technical advisory services** were facilitated by EG and conducted by the Royal Botanical Gardens on request. The main aim was to increase the grower's productivity and the quality of their flowers. The workshops addressed the root problems identified (e.g. preparation of beds in a different way, media used, etc.).
Proposal 4	**Selection and training** of 50 new growers facilitated by the EDB and conducted by the Royal Botanical Gardens. Fifty were indeed trained, but several dropped from the project for various reasons. They have been replaced , but these new growers still have to be trained. **Make credit available** : • EDB is facilitating **bank loans** (Rs.100,000) for the new export growers to start their business and install their nethouse. Loan applications are currently being processed. • The EDB introduced the **MSE grant of the National Chamber of Commerce to the growers.** 5 growers have applied , 3 grants have been obtained. **Further expansion** of capacity is being planned:

	• EDB is planning to support a **third group** of 50 growers in Puttalam district • A **fourth group** of women in and around Kurunegala town, for smaller scale household production will be selected. • A **fifth group** of 10 growers will be selected for larger scale investment.
Proposal 5	One of the main goals of the intervention was to set up a new association for all export growers of anthurium in the NWP, whether they were involved in the project or not. What has happened is: 1) The growers selected an **association committee** of 5 growers during one of the monthly EG/EDB meetings 2) These 5 growers had 2 **discussion meetings** with the EDB and EG 3) 6 growers have obtained an **Association Building Training** provided by EG The EDB export growers, facilitated by EG and the EDB, have laid a foundation to build a strong anthurium business association. However, there are no direct benefits yet for the growers, as the association is currently not yet functioning **Organising Puttalam growers**: • 3 meetings in Puttalam district with the growers, EG and EDB have taken place • As a result of these meetings the Puttalam growers formed a society for export anthurium growers in Puttalam district, as they are not able to all attend the EG/EBD meetings in Kurunegala). Currently representative growers from the new Puttalam society attend the EDB meetings, and inform the other Puttalam export growers about the outcomes of these meetings. Additionally, the EDB and EG attend the meetings of the Puttalam society.
	SOURCING
Proposal 6	The EDB has organized 2 **workshops and training sessions with the suppliers** and growers during the two business service fairs in 2006 and 2007 (e.g. training on nets, pots, manure, and insecticides/ pesticides – the fairs were an initiative of EG and will be reported on separately). The MSE Forum invited the suppliers to attend the service fair in order to strengthen the relation between the growers and their suppliers. EDB organized an **introductory workshop with input supply companies** • **Neem Grow company** gave a product presentation of their new environmentally friendly pesticides during a monthly meeting of the EG/EDB. The main aim of all the three different workshops organized were: 1) for the supply companies to gave an introduction of their products and to introduce and promote their products, and 2) for the growers to increase their knowledge on the availability and use of input supply products and the availability of input supply companies.

In addition to the main sector-related interventions EG facilitated the first interaction among all relevant supportive authorities in the (export) anthurium sector during the anthurium VCD exercise. As a result the VDC exercise united all relevant supportive authorities for a common goal - EDB, Small Enterprise Development Division, Wayamba Development Authority, Provincial Ministry of Agriculture, Agricultural Department, and the Royal Botanical Gardens. In addition, action plans have been designed for 2006 and 2007 and a progress assessment of the action plan for 2006 has been done: 80% of the action plan of 2006 has been implemented, 20% is still in progress.

Beside the planned interventions, some additional 'interventions', which do not specifically relate to one of the proposed interventions formulated in the VCD exercise, have taken place. They address issues that

were identified later, for instance at the meetings between the EDB, EG and the growers. Some actually arose after the initial exercise had been completed.

1) The EDB intervened to get **certification from the quarantine department** in order to:

- Check whether the flowers the growers currently have are disease free in order to 1) export the flowers, and 2) sell their 'shoots' in the future. The quarantine department visited 10 nurseries that want to sell plants ('shoots') in the future.
- Obtain a quarantine certificate for the exporters in order to export the flowers of these growers. The EDB directed 2 anthurium exporters to the quarantine department in order to get a quarantine certificate. The 2 exporters obtained the quarantine certificate from the quarantine department
- Since the quarantine certificates for the flowers are difficult to obtain the EDB, with support from Enter-Growth, conducted a feasibility study on how to find a permanent solution to this issue. As a result 4 common collecting and cool room centres will be opened in Puttalam and Kurunegala, which means that certificates can be issued earlier in the process to the exporters in the NWP. The first collection centre has been established in Kurunegala. This will not only facilitate the certification of flowers but also improve the collection system.

2) The EDB encouraged the growers to get their **business registration**. The growers need business registration in order to apply for several grant schemes. Recently some growers have started to register their business. The exact number is unknown.

Furthermore, one of the main actions carried out was the facilitation of the **monthly EG/EDB meetings** for the export growers, hosted by the EDB. The potential impact of these meetings should not be neglected. 89% of the growers who received EDB support mention that they regularly attend the EG/EDB meetings. In addition, several other export growers say they attend these meetings.

Beside the results of the direct interventions some of the growers mention the usefulness of the networks they have built up as a result of the exercise. Their access to 'important', 'knowledgeable', and 'government-related' persons has increased. Several growers mention the usefulness of sharing their experiences and exchanging their ideas with other growers. Lastly, a small group of growers mentions that they have obtained new knowledge and skills directly through the EDB or via EG.

4. First signs of impact

Though some of the proposals have not yet been implemented, some initial signs of impact resulting from the EG and EDB interventions can be observed. They are divided between, the direct impact on the: 1) *MSE Performance*, 2) the impact on *employment* and *income* (as this is the ultimate goal of Enter-Growth), and 3) the impact on the individual entrepreneurs in terms of *quality of work*.

4.1. Initial signs of impact

Table 4.1 Initial signs of impact

	MSE PERFORMANCE
Improved market linkages	As a result of the fact that a new export buyer was found, 74% of the growers who received EDB support earlier switched to this new buyer. There being a new collector has also played a role.
Increased export price	The fact that a new buyer was found increased the **price growers** receive for their flowers from on average Rs.12-13 to on average Rs.17-18. 56% of the growers supported by EDB have changed their buyer and also increased the price they receive for their flowers. 68% of the EDB growers who receive a better price now than before the intervention attribute this change *directly* to the buyer; 41% indicate that there are more export buyers now, 11% mention that there *is* an export market now, and 16% argue that the buyer gives a higher price now. Additional positive spin-off effects regarding the price have been created for other export growers who are indirectly related to the new collectors.
Increased local price (Awareness for value-addition)	15% of the growers indicate that they receive a better price for their flowers in the local market because they started to do flowers decorations now. Therefore this is most likely related to the workshop for rejected flowers facilitated by the EDB. The average price for local flowers is currently Rs.6-7 in the local market, compared to around Rs.4 1.5 years ago.
Improved grower – buyer relation	EDB supported growers turned out to be more **aware of their buyers**, compared to other export and local growers; 15% know **to whom and for what price their buyer sells their flowers**, this is almost twice as much as the export growers who are not involved in the project. This may be a result of 1) the 'market awareness workshops' organised by the EDB, and/or 2) the regular EG/EDB meetings, which most of the growers regularly attend. For 11% of the EDB supported growers the new buyer **improved the access to training and market information** . As all these growers currently sell to the new collector, this could be an effect of the 'quality and packaging workshop' she conducted. A small percentage of export growers have also changed their **bargaining power**. This is linked to the fact that they improved the quality of their flowers, or increased the quantity of flowers they supply. So possibly the interventions related to the quality and quantity supply of flowers had a minor indirect effect on the grower – buyer relation.
Increased quality	58% of the EDB supported growers indicate that the **quality of their flowers** has increased, 32% decreased the **number of rejected flowers**, and 58% has sharply decreased the **number**

	of plants affected by pests or diseases. The main reason mentioned by these growers is that they have increased their **knowledge and experience**. 15% indicate the number of rejected flowers is reduced as a *direct* result of the 'quality check training'. The increase in the quality of the flowers may in turn affect the sales volume, price, and bargaining power of the growers; 7% of the EDB supported growers argue that the increase in the quality is the main reason for the *increase in their sales volume*, 8% that it *increased the price* they receive for their flowers, and 7% that it improved their ability to *negotiate the price*. An additional 27% of the export growers not in the project most probably have received **spin-off effects** on the quality of their flowers via the interventions carried out.
Changes in sales volume	Although the price has increased for most of the EDB supported growers, for 44% of these growers the **quantity** of the flowers they can sell in the export market has *decreased*. On the other hand, 33% of the EDB supported growers have *increased* their sales volume. The changes that occurred in the sales volume are attributed by 19% of the EDB supported growers to **'market'-related** factors; 11% indicate that their sales decreased as the market situation has worsened (no demand for their flowers), whereas 8% mention that the market situation has improved. This illustrates that the new collecting system is not yet functioning properly, thus the market is not yet properly organised at a local level. Other reasons mentioned are related to the **'production'** part of the value chain; the growers relate the decrease in sales volume to neglect of their business and increased occurrence of pest and diseases (quality), and the main reason for an increase in sales volume is the expansion of their business (quantity).
New investments	44% of the EDB supported growers made new investments in their enterprise; 26% to expand their business, 4% to improve their business, and 11% to make repairs.
Improved future business expectations	72% of the EDB supported growers expect their business to improve in the future, whereas 28% expect their business to worsen. The growers who expect improvement relate this to an expected improvement in the **market**; 29% indicate that the price will increase, whereas 12% mention that the demand will increase. At the same time the growers indicate that their supply will increase (24%) and that they are planning to expand their business (24%). A small percentage also indicates that the future expectations are related to the **quality** of their flower business. In addition 12% plan to upgrade their business.
	EMPLOYMENT
More jobs	15% of the EDB supported growers increased the number of paid workers in their enterprise, thus created employments opportunities (though also 4% decreased the number of workers in their enterprise). The main reason mentioned by the export growers for the increase in paid workers are **expansion** of their business (66%), functional **upgrading** (collecting) (17%), **increased income** from the business in order to hire a worker (17%).

	INCOME
Change in income	For 26% of the EDB supported growers the importance of their **income** from anthurium increased. At the same time for 26% the importance of their anthurium income decreased. The increase can be attributed to increased **profits** (39%), an **expansion of the business** (7%) or **increased sales volume** (7%). All the specific reasons mentioned by the export growers relate to the 'production' part of the value chain. Other reasons for increased profits were not specifically mentioned. 7% of the EDB supported growers indicate that they **cannot sell their flowers** now and therefore the importance of the income has decreased. Other reasons are that they have **pest/diseases** (7%), pay **less attention to the business** (7%), or have fewer **flowers** now (4%). This indicates that they relate the decrease in their anthurium income mainly to the 'production' part of the value chain.
	QUALITY OF WORK
Enhanced human resource development	The interventions directly affected the **human resource development** of the growers as 56% of the growers involved in the interventions mention that they increased their skills and knowledge through the training they received. 44% indicate that that this change can be attributed to the technical skills obtained during the training they received. An additional 19% of the EDB supported growers mention the training received from the Anthura company in the Netherlands, which was arranged via the previous export anthurium association AGEX (Association of Anthurium Growers for Export) - which is currently not functioning anymore. 31% attribute the change to their increased experience.

4.2. Reasons why the signs of impacts are minimal

A proper combination of market organisation at the local and the global level is necessary in order to increase the competitiveness of enterprises. Exactly this can possibly explain the fact that although a significant number of interventions has been carried out under the anthurium value chain exercise, the impact on enterprise performance has been minimal. First of all, the main focus of the interventions was to link the growers to the buyers at a higher level of the value chain (global process). This has happened and the result was that growers were able to obtain a higher price for their flowers. Still, although there is an export market for the anthurium flowers, the growers cannot produce and supply the quantity required and secondly, the growers are not organized in a proper way (local processes). As the market is not properly organised at the local level, not all the growers are able to sell their flowers. This is caused by the fact that currently no proper collection system is in place. This collecting system may be organised by the growers themselves or by the exporter (or any other participant in the global value chain). In addition, the growers are not organised in an association, through which they possibly can improve their position in the global value chain, upstream (e.g. buy in bulk, negotiate the price, request training from suppliers, etc.) as well as downstream (e.g. negotiate the price, receive training and market information, agreements, etc.). This illustrates that although the interventions improved the global processes, it has failed to sufficiently enhance the local processes.

Thus, the fact that the interventions did not sufficiently **focus on both the local and global processes** of enterprise development may explain that the outcomes of the actual interventions at the enterprise level are

currently still minimal. Additional reasons can be examined from two further angles; 1) the current **phase of the interventions** and 2) the **background of the growers**.

The intervention phase:

1) Ongoing interventions are still in the initial stage (the new anthurium business association is not yet functioning, the group of newly trained anthurium growers is not yet growing flowers, only recently a collector started collecting in the Kurunegala district, and the facilitation of certification is too recent to have show an effect);
2) A number of interventions is only in the planning phase (e.g. further growers to be trained have not yet been selected);
3) The outcomes of the interventions are not yet what they were hoped to be (e.g. current collection mechanism not yet working properly).

However, a number of these interventions has the potential to have a positive effect on the future development of this sector.

The background of the growers:

It should be noted that the majority of the growers initially started their business as a hobby, not specifically as an income-generating activity. However, currently most growers indicate that they started doing it as a business. Still, growers do not depend on their anthurium business as the income is *relatively* low, compared to their total household income, as:

1) Anthurium growers are '*middle income*' or even '*rich*' people;
2) Anthurium is usually just a *side business* (growers' households on average have four income-generating activities, of which the anthurium growing business is usually the least important). Only for a small percentage of the growers who earn a reasonable percentage of their total household income from the anthurium business, impact on the household poverty situation has been found. Furthermore, as most of the growers do this as a side activity, the growers tend to neglect their business when the demand for their flowers is going down. In doing so, they are not actively searching for the market, but are waiting for the markets to 'come to them', possibly because they are not dependent on the income from their flowers;
3) The *performance* of the majority of the anthurium businesses is currently not good. Therefore the impact of changes in enterprise performance on their poverty situation are difficult to find.

4.3. Impact on pro-poor growth

As the initial investment costs are relatively high and one of the criteria on which the growers were selected by the EDB in its' first support programme - before the VCD exercise started - was their ability to make these investments, this VCD exercise did not specifically target the poorest of the poor. Consequently, none of the growers interviewed had an **income** close to or below the poverty line, and all growers indicate that their **social economic status** is average/middle income or rich/high income. However, poverty cannot only be assessed at the hand of economic indicators, as nowadays it has been realized that the intangible elements of poverty should not be neglected. The impact on pro-poor growth can also be assessed at the hand of non-economic indicators of poverty at a more individual level, such as **empowerment**. In doing so, several growers indicated that change in the anthurium enterprise performance directly influenced their **self-confidence** and **peace of mind** (an important value in Sri Lanka). Future improvements for others involved could have the same effect.
Furthermore, as 70% of the EDB assisted entrepreneurs are female, the EG/EDB interventions mainly affected **women**.

Other empowerment indicators, such as '**community participation**' and '**decision making power**' did not directly change as a result of the interventions in the existing businesses. Though, in the future changes in community participation and decision making power could still be achieved as they are mainly related to '*being* a member of a business association' or '*being* an (export) anthurium entrepreneur'. First of all, being a member of a business association increases women's community involvement, as women who are a member of a business association are more often involved in other community associations. Thus, possible future impact could be expected as a result of the creation of the new business association. Secondly, decision making power about their future life and the education of the children, tends to be higher for export entrepreneurs than entrepreneurs selling locally. Moreover, entrepreneurs more often make decisions about the education of the children, compared to non-entrepreneurs. Becoming an anthurium grower may therefore improve women's decision making power. Furthermore, women who start anthurium growing will have to start making decisions about their enterprise. Currently 63% of the female growers make these decisions on their own.

Although the number of poor people involved in this sector is minimal, '**potential**' for improvement in intangible poverty indicators exists in the field of 'women empowerment'. Lastly, it could be concluded that this potential has mainly be caused by 'having' an anthurium business and not by the changes that have currently taken place in the business as a result of the '**interventions**'. This means that the various planned future interventions to increase the number of growers may especially empower potential future (female) growers.

Lastly, it should be noted that working in the anthurium sector is reasonably 'decent' work, as only 4% of the growers had ever experienced business-related health complains. Most of the growers (79%) use protective measures, such as gloves, in order to decrease the exposure to pesticides and other chemicals used in the business.

As anthurium entrepreneurs spend on average only 20% of their time in the business, most grower (about 60%) indicate that it is 'easy' or 'very easy' to combine anthurium growing with their other (income-generating) activities and household duties. In addition most of the growers (85%) indicate that this business is 'easy' or even 'very easy' to combine with a good family life, a value that - especially in Sri Lankan culture - is important. They argue that this anthurium business contributes to a better family life (72%), and 55% of all the growers mention that this business makes their life more secure. This is especially the case for the growers who earn a large part of their total household income from anthurium.

In addition, more than half the growers indicate that through this business, they obtained new skills, which are useful for their personal future life.

Last, but not least, almost half the growers (43%) mention that flower growing or anthurium growing for them is the best job possible. The reasons why the growers like their anthurium business are related to economic indicators, such as a good income and access to an extra source of income (20%), but also to non-economic factors, such as mental satisfaction (22%), ability to do it from the house (29%), independence (12%), time to involve in other activities, housework and family (10%) and that it is an easy job to do (4%).

5. Learning, conclusion & next steps

In this section the main learning experiences of Enter-Growth are examined and discussed:

Stakeholder coordination	It was found that **coordination between the involved organisations** is necessary. Before, different organisations focused on the same subject, and several 'same' kind of projects operated in the same area. Those projects started to 'complement' instead of 'supplement' each other. Through VCD exercise the coordination is improved and organisations know the; 1) subjects covered, 2) working areas, 3) focus, and specialized knowledge offered by other organisations, they may bundle, coordinate, spread, and complement their (specific) resources, increase the efficiency of the services provided in the anthurium sector and thereby improve the final outcome of their efforts. The EG and EDB facilitate this process and inform, direct, and cooperate with the other organisations about the progress and opportunities in the market. This avoids that unnecessary work is done. Such coordination has been a major result of the VCD exercise.
Delegation	A local partner, the EDB, has taken on responsibility for the implementation of the anthurium sector proposals. The EG district manager remained in the background, but was actively involved in bringing together the right people (networking) and helping where obstacles occurred. The combination of actively organising and managing a VCD exercise and subsequently having the local host organisation implement the proposals has worked very well in this case.
Proper project selection	Firstly, the anthurium sector has been selected through a participatory forum, using criteria developed with EG, which included pro-poor and growth potential. However, the representation of people with a stake in the anthurium sector was high. That is the main reason that this sector was selected for intervention. A next time indicators should be more strictly applied and some research done to underpin the selection. (Though it should be noted that growers should be able to make the necessary initial investments). Furthermore, the **location of the enterprise** of the growers would have been an appropriate criteria for their selection, as it affects the effectiveness and viability of a future collection mechanism. Instead, selection was driven by non-business related indicators, such as fairness. Moreover, it should be noted that the **selection of the entrepreneurs themselves** is essential, as they are the most important assets of the enterprise; this means that it is important to select motivated and dedicated people who want to start this enterprise as a 'business' and a 'source of income'. Lastly, it was found that **entrepreneurs who are more dependent on their business** generally tend to perform better. Furthermore, the level of job security obtained through their business tends to be higher. When growers become more dependent on their anthurium income, they tend to use it more for themselves or for their household instead of reinvesting it all in the business. This possibly has a positive influence on both the household and individual poverty alleviation indicators. Therefore the **growers should be stimulated to be fully involved in this business**. This should also be taken into account in future selection processes.

Combine global and local governance

The main reason why the interventions did not lead to the expected results yet is that the interventions failed to properly address both the *local* and *global* governance processes governing the value chain of export anthurium. When taking a holistic view of small enterprise development in relation to the increasingly globalized world, it should be clear that the local processes interact with the global processes imposed by the value chain. This should be taken into account simultaneously when analysing firms' potential to upgrade and their possibility to increase its competitiveness (Humphrey and Schmitz, 2000). Therefore the main recommendation following the interventions that have taken place is to focus on stimulating *both* the **global governance** as well as the **local governance** structures at the same time. Currently this is in progress, though as the interventions did not yet have the desired impact on the local processes (e.g. collection mechanism and association building), the impacts of the improvements in the global processes also remained minimal.

In doing so, growers may enhance their competitiveness in the local context through obtaining the necessary skills to produce the **quality** and **quantity** of flowers requested, which may be provided by; 1) extension service providers (e.g. business service providers, product experts), 2) the growers themselves (e.g. exchange of ideas through societies or business associations), and 3) value chain participants (e.g. quality requirements from buyers and information on input supplies from suppliers). The first two types of providers are governed at the local level, whereas the third is monitored by global governance structures within the value chain. The quality and quantity of flowers may directly influence the bargaining power of the growers in the value chain, which in turn may increase the price. In addition, this may enhance the demand in the value chain.

Organise the local market

As mentioned above, in order to be able to make changes at the *global* level, at the same time also the *local* processes should be improved. This can be done through **organising the market** at the local level. This should first of all be done through the **organisation of a proper collection system**. This may decrease the (transportation) costs of the growers and at the same time increase the price the growers receive. There are now some indications that improvements in the collection system are underway. At the same time a **proper organisation of the growers in a business association** may facilitate this process. A business association can provide benefits at different levels; 1) it may improve knowledge and skills through exchanging market, product and technical knowledge, through exchanging ideas between growers and possible resource persons, 2) it may facilitate the organisation of the local market, through a proper collection system, 3) it may improve the growers' ability to buy supply inputs in bulk for lower prices, and 4) it may enable the growers to link up with (new) buyers and they may be able to increase their bargaining power at the lower end of the value chain, as they will be able to offer the buyer 'more' as an organised group than as an individual. It can be seen that the first two advantages of market organisation are governed by local structures whereas the last two are governed by global forces.

Thus, the organisation of the growers in the local market can improve the position of the individual growers within the global value chain. At the same time global governance structures are influenced by the organisation of the local market, as buyers are more interested in a relation with businesses as long as; 1) the quality of their products is sufficiently high, 2) the products can be supplied in the requested quantity and supply is stable, and 3) the costs are reasonably low.

Lastly, it can be concluded that this may also **empower** the growers at an individual level, as increased association membership directly as well as indirectly increases the growers' level of community participation, which in turn possibly enhances their social capital and networks, which has the potential to positively influence the job security of the growers.

Create buyer awareness	Little training and market information is distributed through the value chain. This illustrates that in the light of global governance also the relation between the growers and their buyers should be improved. In order to improve this relation, the underlying reasons should be assessed. In doing so, **awareness should be created on the part of the buyers**, as they should realize the importance of the anthurium sector, the potential for development and the possible profits that could be made when a good market system is in place. When the buyers become aware of the market potential, possibly the information (e.g. training, market information, new technologies, etc.) provided to the growers may increase, which in turn may enhance the growers' business performance, and indirectly their individual and household poverty situation.
Remove unnecessary intermediaries in the value chain	Currently new buyers have been found and market linkages have slightly improved which resulted in a higher price for the growers, though at the global level there are still many (unnecessary) intermediaries. As the research shows that growers who supply their flowers through a 'shorter' value chain have more bargaining power, we expect that in order to increase the bargaining power of the growers, (unnecessary) **intermediaries should be removed** from the value chain.
Buy inputs in bulk	Thus, there exists a potential for the growers to buy their inputs for lower prices if they are better organized. If they are able to set up a collection centre, which will simultaneously function as a **cooperative shop**, their costs will remarkably decrease, because 1) the costs of their input supplies will decrease, and 2) their transport costs will decrease if they only have to travel to one place to bring their flowers and at the same time buy their inputs. A second option may be to organize it in such a way that the collector supplies the growers with inputs when they come and collect the flowers. This can then be an additional business/income for the collector. However the collector should be able to allocate enough time and efforts for this.
Expand or start-up?	It was found that as the enterprise employs more workers, the percentage of paid workers employed in the enterprise increases. MSEs first tend to make use of family labour and as they grow more paid labourers get involved. This suggests that - in the short term - more **employment opportunities** for employees are created when focusing on MSEs *growth* (expansion and upgrading), compared to new MSE *creation* (new start-ups). In addition to the employment opportunities the expansion or upgrading of the business creates, the growers also indicate that MSE growth may directly enhance their job security and job satisfaction. On the other hand, the growers who just start their business usually rely on casual labourers, which does not provide a stable permanent income for these workers. Above all they are predominantly hired to do the tedious work as the growers tend to hire workers to do the pesticide and insecticide spraying and cut the coconut husk. Future interventions should pay attention to **improving the working conditions of these workers**. Generating more permanent jobs is also important because wages are relatively high in this sector, which may reduce the poverty situation of the workers, at least in economic terms. It should be noted, though, that start-ups will - in the short term - generate new jobs for entrepreneurs. From the people involved in the initial project (2000), only 68% of the enterprises still exist. This illustrates that anthurium growing is a risky business. However if the market is properly organised, entrepreneurs are able to compete and growers are able to sell their flowers at a 'fair' price, most likely the percentage of 'drop outs' from this business

	will shrink. On the other hand, although the **creation of new export anthurium enterprises** may provide fewer direct employment opportunities for employees, it may empower female entrepreneurs, as becoming an anthurium 'entrepreneur' may positively enhance decision making power and the level of self-confidence. Besides, becoming an entrepreneur of an 'export business' tends to increase the decision making power even further.
Improve quality of work (and empowerment)	It should be noted that **quality of work indicators are inter-related**, as human resource development tends to directly enhance job security and job satisfaction. Enhanced social capital (e.g. networks) influenced job security, and personal involvement of the grower increased their level of job satisfaction. Moreover, **quality of work indicators may influence the empowerment of the entrepreneurs**; job satisfaction and the workload in terms of personal involvement may improve the peace of mind of the growers. Finally, also the various **empowerment indicators were found to be inter-related**; the level of self-confidence in terms of general knowledge and experience tends to influence the growers decision making power. Lastly, **empowerment indicators may influence quality of work**, as community participation may enhance the social capital of the growers.
Income reduces vulnerability	It should be noted that the growers included in the research strongly employ their anthurium business as a financial household strategy. They tend to take loans for the business, which they sometimes have to pay back by using other financial strategies, such as pawing of jewellery or savings. At the same time, the anthurium income is sporadically used to improve the quantity of food available to the growers, their access to good quality education for their children, and access to better heath care facilities. To a lesser extend it has been used to make improvements in the house. It should be noted that the growers relate several the household poverty indicators solely to the income from their anthurium business and not to any non-economic indicator related to the business. Therefore it is recommended that in terms of maximizing the impact of the anthurium business on the vulnerability of the household, the **focus should be on improving the income of the growers**.