Entrepreneurship and poverty reduction: A study of resettled internally displaced persons (IDPs) in Sri Lankan post-war zones

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Declaration

I wish to submit the thesis detailed above in accord with the University of Stirling research degree regulations. I declare that the thesis embodies the results of my own research and was composed by me. Where appropriate I have acknowledged the nature and extent of work carried out in collaboration with others included in the thesis.

N.P.A.S. Gunasinghe
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I am indebted to my family and friends who supported me and especially kept me safe during the fieldwork. Without this safety net, I would not have taken on the massive task and risks that came with the research study.

Many thanks to Divisional Secretaries of Maritimepattu, Puthukkudiyiruppu and Oddusuddan for being courageous in providing permission to carry out fieldwork in your respective divisions.

Finally, and most importantly, to the respondents who gave their time, shared knowledge and experiences and showed me there is hope for humanity in the face of adversity. Thank you for sharing your stories and being inspirational.
Abstract

This thesis provides an insight into entrepreneurial dynamics and poverty reduction in Sri Lankan post-war zones (PWZs) where entrepreneurs from resettled internally displaced person (IDP) communities depend upon enterprise activity to escape poverty. Here, entrepreneurship is linked to the capability approach and poverty traps in understanding the role of entrepreneurship in reducing poverty. Barriers to market entry and innovation are discussed, together with micro-level poverty traps that help to understand the local economic development (LED) of PWZs.

The empirical findings reveal that outcomes of entrepreneurship in PWZs are largely subject to factors outside the control of entrepreneurs, arising from structural elements, thereby highlighting the importance of agency-structure arrangements in the role of entrepreneurship. It seems that GOSL was unable to balance security-development needs in PWZs, to a greater extent. The militarization of PWZs has contributed to predatory behaviour by public officials and substantially curtailed the entrepreneurial space, thereby restricting the role of entrepreneurship. Furthermore, GOSL was largely unable to capitalise on the unique window of opportunity presented by the end of the armed conflict, where resettled IDPs had to start their livelihoods from a point of ‘zero’. This was mainly due to inability to link urgent humanitarian needs with long-term development needs to the GOSL-led relief, recovery and reconstruction response (RRR). The RRR response also did not adequately embed entrepreneurship on a substantial scale that could have positive outcomes for communities.

PWZs could benefit from focusing on deagrarianization of the local economy. The empirical evidence established entrepreneurship is a favourable way of enabling structural adjustments in local economies. The interventions are required to enable the transition of largely semi-formal enterprises in PWZs to formality so as not to enlarge the informal sector. The empirical evidence demonstrated being an entrepreneur allows people in poverty to escape poverty traps, earn an income that supports lifestyles as well as to be able to...
participate constructively in their respective communities. As a result, there are advantages of being an entrepreneur, which help them in an increased level of choice and the ability to live lives they have reason to value even in constrained post-war contexts.

**Keywords:** Entrepreneurship, entry barriers, poverty reduction, poverty traps, capability approach, post-war zones, internally displaced persons (IDPs)
# Table of contents

Declaration .................................................................................................................. 2  
Acknowledgements ................................................................................................... 3  
Abstract .................................................................................................................... 4  
Table of contents ..................................................................................................... 6  
List of figures .......................................................................................................... 9  
List of pictures ....................................................................................................... 10  
List of acronyms .................................................................................................... 10  

CHAPTER ONE ............................................................................................................. 11  
Background and research opportunity ................................................................ 11  
1.1 Introduction and overview of the study ......................................................... 11  
1.2 A brief history: a story of division ................................................................. 13  
1.3 Research context: armed conflict and humanitarian crises ..................... 14  
1.4 Issues related to the context ......................................................................... 16  
1.5 Resettled IDPs in a post-war economy .......................................................... 18  
1.6 Challenges of inclusive development in Sri Lanka .................................. 22  
1.7 Entrepreneurship and post-war economic development in Sri Lanka .... 28  
1.8 Research opportunity and purpose of study ............................................. 30  
1.9 Research questions ....................................................................................... 32  
1.10 The structure of the thesis .......................................................................... 33  

CHAPTER TWO ............................................................................................................ 36  
The economic development process and humanitarian interventions ............ 36  
2.1 Introduction .................................................................................................... 36  
2.2 An overview of development economics in the context of poverty ......... 37  
2.3 Capability approach in economic development ....................................... 40  
2.4 Post-war economic development ................................................................. 50  
2.5 The right of intervention ............................................................................. 59  
2.6 Role of non-governmental organizations (NGOs) ..................................... 66  
2.7 Role of community-based organizations (CBOs) ..................................... 69  
2.8 Summary of the chapter ............................................................................. 71  

CHAPTER THREE ...................................................................................................... 74
Barriers to enterprise and escaping poverty traps

3.1 Introduction

3.2 Entrepreneurship and poverty reduction

3.3 Barriers to entry

3.4 Scope for innovation

3.5 Poverty traps

3.6 Summary of the chapter

3.7 Emerging framework

CHAPTER FOUR - A

Research methodology

4A.1 Introduction

4A.2 Overview of research methodology

4A.3 Qualitative research methods

4A.4 Data collection

4A.5 Data analysis

4A.6 Research limitations

4A.7 Summary of the chapter

CHAPTER FOUR - B

Doing fieldwork in post-war zones

4B.1 Introduction

4B.2 Empirical issues: Research in modern post-war zones

4B.3 Scenario planning

4B.4 Unpredicted events

4B.5 Exit strategies

4B.6 Emotional risks

4B.7 Race and gender in fieldwork

4B.8 Summary of the chapter

CHAPTER FIVE

Livelihoods and entrepreneurial dynamics in Sri Lankan post-war zones

5.1 Introduction

5.2 Livelihood activities in post-war zones

5.3 Internal poverty traps in post-war zones

5.4 Deagrarianization of local economy
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Timeline of the beginning of significant waves of conflict-induced IDPs</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>Major sources of unfreedoms</td>
<td>41</td>
</tr>
<tr>
<td>3</td>
<td>Non-dynamic representation of a person’s capability set and social and personal context</td>
<td>44</td>
</tr>
<tr>
<td>4</td>
<td>The bases and the risks of LED strategies</td>
<td>57</td>
</tr>
<tr>
<td>5</td>
<td>A conceptual model of entrepreneurial possibility space</td>
<td>58</td>
</tr>
<tr>
<td>6</td>
<td>Conceptual Framework for analysing entrepreneurship - poverty dynamics in post-war zones</td>
<td>101</td>
</tr>
<tr>
<td>7</td>
<td>Domains of the real</td>
<td>105</td>
</tr>
<tr>
<td>8</td>
<td>Research path</td>
<td>107</td>
</tr>
<tr>
<td>9</td>
<td>Deductive approach of the research study</td>
<td>110</td>
</tr>
<tr>
<td>10</td>
<td>Quality of case study design</td>
<td>114</td>
</tr>
<tr>
<td>11</td>
<td>Research instruments</td>
<td>115</td>
</tr>
<tr>
<td>12</td>
<td>Resettlement of IDPs in Northern Province</td>
<td>117</td>
</tr>
<tr>
<td>13</td>
<td>Divisional Secretariat level resettlement of IDPs in Mullaitivu District</td>
<td>119</td>
</tr>
<tr>
<td>14</td>
<td>Requirement per cluster</td>
<td>122</td>
</tr>
<tr>
<td>15</td>
<td>Requirement per priority level</td>
<td>122</td>
</tr>
<tr>
<td>16</td>
<td>Requirement per development partner</td>
<td>123</td>
</tr>
<tr>
<td>17</td>
<td>Defining SMEs in Sri Lanka</td>
<td>172</td>
</tr>
<tr>
<td>18</td>
<td>Sources of finance for entrepreneurial activity in PWZs</td>
<td>177</td>
</tr>
<tr>
<td>19</td>
<td>Opportunity–capability driven multi-level innovation route</td>
<td>180</td>
</tr>
<tr>
<td>20</td>
<td>Stages of formalisation</td>
<td>184</td>
</tr>
<tr>
<td>21</td>
<td>Framework for enterprise development in PWZs</td>
<td>234</td>
</tr>
</tbody>
</table>
List of pictures

<table>
<thead>
<tr>
<th>Picture</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A small-scale enterprise</td>
<td>148</td>
</tr>
<tr>
<td>2</td>
<td>Livelihood assistance - Chicken coop</td>
<td>151</td>
</tr>
<tr>
<td>3</td>
<td>A section of Oddusuddan tile and brick factory in a state of disrepair</td>
<td>152</td>
</tr>
<tr>
<td>4 and 5</td>
<td>Small-scale industries</td>
<td>153</td>
</tr>
<tr>
<td>6 and 7</td>
<td>War museum and a sculpture</td>
<td>158</td>
</tr>
<tr>
<td>8</td>
<td>Entrepreneur with multiple physical injuries</td>
<td>194</td>
</tr>
<tr>
<td>9 and 10</td>
<td>Abandoned community wells with writings declaring the soundings are cleared of UXOs</td>
<td>196</td>
</tr>
<tr>
<td>11</td>
<td>LTTE controlled area at the beginning of the Mavilaru humanitarian operation in 2006</td>
<td>209</td>
</tr>
<tr>
<td>12 and 13</td>
<td>Non-operational rice mill that cost approximately £12 million</td>
<td>213</td>
</tr>
<tr>
<td>14 and 15</td>
<td>A disused mini-lighthouse and fish landing centre</td>
<td>214</td>
</tr>
<tr>
<td>16</td>
<td>Building skills, self-confidence and competitive advantage through interventions on collective action</td>
<td>224</td>
</tr>
</tbody>
</table>

List of acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRC</td>
<td>Business registration certificate</td>
</tr>
<tr>
<td>CA</td>
<td>Capability approach</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-based organization</td>
</tr>
<tr>
<td>EPF</td>
<td>Employees’ Provident Fund</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GOSL</td>
<td>Government of Sri Lanka</td>
</tr>
<tr>
<td>IDP</td>
<td>Internally displaced person</td>
</tr>
<tr>
<td>LDC</td>
<td>Less developed country</td>
</tr>
<tr>
<td>LED</td>
<td>Local economic development</td>
</tr>
<tr>
<td>LTTE</td>
<td>Liberation Tigers of Tamil Eelam</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organizations</td>
</tr>
<tr>
<td>PWZ</td>
<td>Post-war zone</td>
</tr>
<tr>
<td>PTF</td>
<td>Presidential Task Force</td>
</tr>
<tr>
<td>RRR</td>
<td>Relief, recovery, reconstruction</td>
</tr>
<tr>
<td>SMEPF</td>
<td>National policy framework for SME development</td>
</tr>
<tr>
<td>TSO</td>
<td>Third sector organizations</td>
</tr>
</tbody>
</table>
CHAPTER ONE
Background and research opportunity

1.1 Introduction and overview of the study

Armed conflicts are becoming increasingly intense and lasting longer, resulting in wide-scale destruction and many people being displaced. Although these armed conflicts mostly occur within a country’s boundary, once the conflict has ended, many national and international actors are involved in developing post-war zones (PWZs) and finding durable solutions for internally displaced persons (IDPs) when they are resettled. The actors involved in this process include states and institutions that are within and outside the PWZs, as well as the affected country, along with resettled IDPs. Thus, people who are displaced and those involved in development activities, face increased challenges in modern PWZs due to the complexities involved. One of the main challenges in a post-war period is the existence of poverty (Ansoms 2005; Collier, Paul and Hoeffler 2002), and this thesis explores the role of entrepreneurship to reduce poverty in Sri Lankan PWZs. By doing so, it emphasises the importance of human capital within resettled IDP communities in enabling them to escape poverty and improve wellbeing.

Even 8 years after the end of the armed conflict, the poverty rate in Sri Lankan PWZs is the highest in the country, showing the scale of the task of poverty reduction (DoCS 2014b) and the Government of Sri Lanka’s (GOSL) inability to reduce poverty to the national average. For example, Colombo District, which is the most developed, has the lowest poverty headcount of 1.4%, while the Mullaitivu district, a PWZ has a rate of 28.8%, compared with a national average of 6.7% (DoCS 2014b). Further, the bottom 20% households share only 4.5% of income (CBoSL 2013), which underpins the scale of absolute as well as relative poverty. Chambers (1995: p.173) argues that poverty is complex, diverse and dynamic and that income is only one aspect of poverty, stating that only ‘sustainable livelihoods are an objective on which most poor people and professionals can agree’. Similarly, Newhouse et al. (2016)
highlight significant knowledge gaps around access to information, technology and infrastructure, skills, employment, data and public policies in understanding poverty that could lead to improving wellbeing. One of the solutions offered for those living in PWZs to escape poverty and improve wellbeing could be to become entrepreneurs.

The theory of entrepreneurship is largely associated with scholars such as Knight, Schumpeter and Kirzner, who described entrepreneurs as risk takers, innovators and opportunity and value creators respectively (Carree, Martin A. and Thurik 2005). Entrepreneurship is central to market economies, economic freedom and the wellbeing of individuals, with impacts on employment creation, economic growth and poverty reduction, hence the role of entrepreneurship in economic development are viewed as favourable (Ahmad, N. and Hoffmann 2007; Toma et al. 2014). However, such generalisations are subjected to factors such as firm size, types of entrepreneurship and the stage of the national economy in which the entrepreneurial activities take place (Acs 2006; Amoros and Cristi 2011; Coyne et al. 2010), thereby bringing ambiguity to the role of entrepreneurship in the economic development process. Therefore, it is important to understand the contexts in which entrepreneurs operate in comprehending the contributions of entrepreneurship both internally, to the entrepreneurs, and externally, to communities. This view is supported by Kunt et al. (2011) that states the need for understanding the determinants of entrepreneurship and the context that supports and motivates entrepreneurs in creating the foundation for economic development.

Moreover, Collier (2009) argues for ‘distinctive strategies’ for post-war development, as post-war contexts are at high risk of occurrence of further conflicts and the aftermath of the conflict create distinctive economic constraints as well as opportunities. However, Collier (2009: p.31) states ‘the research that is needed to test them [distinctive policies and practices] is currently inadequate, although work on post-conflict economies is at last expanding’. This knowledge gap underpins the place of this research study, which intends to add to the available empirical evidence. Long-term conflicts such as that in Sri Lanka are more likely to produce poverty and the unique
nature of post-war contexts complicates the development process (Goodhand 2003), where people living in poverty are believed to be ‘invisible’ and ‘silent’ (Hughes and Pupavac 2005). Given the complexities in post-war development, this research study intends to overlay two theoretical frameworks of entrepreneurship and poverty traps with an overarching capability approach (CA) in order to understand the role of entrepreneurship in reducing poverty. By doing so, the study explores the role of entrepreneurship (individual and collective) and the role of external interventions. The benefit outcomes are contribution to identified knowledge gap, help in achieving durable livelihood solutions to resettled IDPs, targeting of external interventions and suggesting policy for post-war development.

1.2 A brief history: a story of division

Sri Lanka, (previously Ceylon), as a nation, has gone through significant cultural, political and economic change throughout its recent past. After gaining independence from British rule on 4th February 1948, D. S. Senanayake, from the majority Sinhalese race, became the first Prime Minister, with 13 Sinhalese ministers, alongside 3 Tamils and 1 Muslim minister representing the ethnic minorities, in the cabinet. In 1956, Bandaranaike was sworn back into office as the second Prime Minister, in a Sinhalese-dominant political setting which legislated the ‘Official Language Act No. 33 of 1956’, making Sinhalese the only official language, under the pretext of safeguarding Sinhalese culture (DeVotta 2005). However, such actions in favour of popular politics contributed to division along ethnic lines and discrimination against the representation of minority ethnicities, which at the time of independence was multicultural (Stokke 1998).

Prime Minister Bandaranaike was assassinated in 1959 and his wife Sirimavo Bandaranaike was sworn into office as Prime Minister in 1960, while the GOSL continued to follow the path of discriminatory politics towards ethnic minorities (Kearney, R. N. 1964; Stokke 1998). The adopted economic policies under the leadership of Sirimavo Bandaranaike led to widespread unavailability of essential goods and services and such policies became unpopular among the
majority Sinhalese. Using these hardships of the people as a foundation, ‘Janatha Vimukthi Peramuna’ commonly known as JVP, a party formed by Sinhalese youth in the south of the country staged an unsuccessful armed rebellion in 1971, which marked the first armed struggle to change the political status quo (Moore, M. 1993). J. R. Jayawardene came to power in 1977 and introduced free-market economic policies and went on to introduce the powerful ‘Executive Presidency’, a position that carries the Head of the Executive, the Head of the Government, the Commander in Chief of the armed forces and also has immunity to legal proceedings while in office for private and official matters (GOSL 2009). Voices of minorities also went relatively unheard during his term of presidency and powerful dissent from the Tamil minority came to be visibly active in the early 1980s. Liberation Tigers of Tamil Eelam (LTTE) came to prominence using armed force against the state military during this period while crushing other dissident groups from the Tamil minority (Voorde 2005).

1.3 Research context: armed conflict and humanitarian crises

The ethnic conflict between Sinhalese and Tamils in Sri Lanka has a long history and it turned to an armed conflict when LTTE, a proscribed terrorist organization took up arms against the Sri Lanka armed forces and civilians. The LTTE, under the leadership of Velupillai Prabhakaran, assassinated 13 Sri Lankan army soldiers on 23rd July 1983 sparking anti-Tamil riots by the Sinhalese in the southern parts of the country the following day, which is commonly referred to as ‘Black July’ (Manor 1983). Though LTTE was operating well before 1983, the events of ‘Black July’ mark a clear pivotal point of the armed conflict (commonly referred as ‘war’) by ethnic minority Tamils in Sri Lanka.

There were some sporadic clashes between terrorist factions and the Sri Lankan military before the breakout of the crisis in 1983, displacing a relatively small number of people (Figure 1). In 1977, there were anti-Tamil riots in some parts of the country due to the killing of two police officers by terrorists that started the first wave of IDPs. At this point, some of the IDPs chose to leave the country and seek refuge in neighbouring India. In total, it was estimated that the
first wave of anti-Tamil riots resulted in 25,000 IDPs, majority of them given shelter in Colombo (Ministry of Resettlement 2013b). The second wave of displacement took place after the anti-Tamil riots in 1983 where a considerable number of the Tamil communities were displaced in many parts of the country. Many of these IDPs were sheltered in makeshift welfare centres by GOSL while some resided with their relatives. Later, some of these IDPs left Sri Lanka for countries such as India, the United Kingdom and Canada as refugees (commonly known as diaspora Tamils). Using ‘Black July’ as a springboard, the LTTE intensified the attacks on ethnic populations such as Sinhalese and Muslims in Northern and Eastern parts of the country, leading them to flee from their settled places (IRIN 2013; Korf, Benedikt and Silva 2003). The conflict claimed IDPs from all ethnic communities while a large majority of them were from Tamil communities who lived in the Northern and Eastern Provinces. Many villages that came under constant threat were later evacuated to form ‘border’ villages, which later came to act as forward defence lines (Rajasingham-Senanayake 2004). In 1990, LTTE gave 48-hour notice to all Muslims in the Northern Province to evacuate the area (Badurdeen 2010). As a result, around 75,000 IDPs left the Northern Province who was later accommodated mainly in makeshift camps in the Puttalam District in North Western Province (Hasbullah 2001). This third wave of IDPs continued through 1980’s into few years of the millennium (except for the periods of short-lived peace) making ever larger humanitarian crises from Sinhalese, Tamil and Muslim communities, of which Tamils make up the majority of IDPs.

The fourth wave of IDPs started in 2006 with the commencement of the humanitarian operations to retake and open the Mavilaru sluice gates in the Eastern Province. The sluice gates were closed by the LTTE to cut off water supplies to villages that depend on this for their agricultural activities and day-to-day living (Harris, W. A. 2012). The humanitarian operation started in July 2006 in the Eastern Province was later successfully extended to the Northern Province until May 2009, when the LTTE was militarily defeated in the Mullaitivu district. At the end of over two and a half decades of war, there were 764,329 IDPs, predominantly from ethnic Tamil communities, of whom 740,389
were resettled (hereafter referred to in this thesis as ‘resettled IDPs’) as of 31.08.2013 (Ministry of Resettlement 2013c).

**Figure 1:** Timeline of the beginning of significant waves of conflict-induced IDPs.

### 1.4 Issues related to the context

Modern armed conflicts are complex, irrespective of whether they are internal or between countries and establishing a point of ‘peace’ is difficult. As a result, establishing a point of transition from ‘war’ to ‘post-war’ is not straightforward. However, some possible ‘ends’ could be formal surrender, negotiated cessation of hostilities and possible peace talks leading to long-term peace (Brown et al. 2008). For example, the ‘end’ of armed conflict in Sri Lanka is clear when the LTTE was militarily defeated on 18 May 2009 and the GOSL declared the country as ‘post-conflict’ the following day (Orjuela 2010). However, even though the official conflict is over, and the threat of widespread violence has subsided, this new era is not necessarily free from violence (Handrahan 2004).
The ‘unique’ dynamics of armed conflict further open the debate around the viability of identifying and treating different countries and zones as a unitary ‘post-war’ group in development. While acknowledging there are some similarities between different post-war economies (Brinkerhoff 2005), the argument here is that if the contexts are different, the generalisation is difficult; each country or zone needs to be treated exclusively in the development process. The common perception is that once the armed conflict has ended and the resettlement process completed, the post-war society is often peaceful, stable and brings normalcy (Donais 2009). The current development approaches are somewhat in line with the above perception, although it has been regularly challenged in modern PWZs (Black and Gent 2006). The reality is that the conflicts tend to continue without the apparent ‘armed’ part, which makes it difficult to define the ‘post-war’ state, which complicates the development process.

“It is assumed that, when ‘normalcy’ resumes, development projects and investment can be hastily deployed. The international aid system - including donor and receiving governments, the UN, the World Bank, non-governmental organizations and others - embody this conventional interpretation. While this neat interpretation of ‘post-conflict’ is coming under increasing scrutiny, alternative explanations do not rest comfortably with existing aid bureaucracies. Conventional wisdom does not adequately mirror realities on the ground” (Muggah, Robert 2005: p.240).

Normalcy, in the sense of re-establishing the pre-conflict state or building ‘new’ societies through interventions (Pouligny 2005) is unlikely to exist in PWZs. The more likely scenario is an uneasy truce in the short to medium term; a state of affairs that is a combination of above once the resettlement has been completed. This is due to the difficulty of eliminating divisions that led to the conflict, which have possibly developed over generations and their tendency to continue into the post-war period without interruption. As a result, approximately one-third of global conflicts have resumed within the first decade after the end of the conflict (Bigombe et al. 2000).
Post-war communities are faced with two main tasks: the rebuilding of a shattered economy and preventing further conflicts (Collier, Paul et al. 2008). Re-building post-war communities that lack political, administrative and technical capacity remain complex and challenging without an agreed path to economic development (Blunt and Turner 2005). Here, interventions that are directed as an integrated approach to facilitate growth, which includes, post-war government, multilateral institutions and non-governmental organizations (NGOs) remain the preferred method. This interdependence strategy is based on the expectation that growing economic inter-connectedness and fostering economic growth will result in peace, prosperity and prevent future conflicts (Hirschman 1997; Milward 2005). However, one of the main criticisms of the ‘growth’ approach to economic development is its weak effect on overall wellbeing at the aggregate level (Clark, A. E. et al. 2008; Easterlin et al. 2010). Some limitations of the ‘growth’ led approach are that it tends to compare developed countries with developing countries and endanger policy priorities by moving them away from inclusive ‘wellbeing’ towards ‘growth’ and ‘income’. However, Stevenson and Wolfers (2008) argue that growth and income at aggregate and individual levels are vital in achieving wellbeing of developing countries.

1.5 Resettled IDPs in a post-war economy

Emerging from a conflict is typically represented by a situation where there has been loss of lives, injured or widowed individuals, loss of loved ones, displacement, powerlessness, destruction of private and public property, loss of livelihood and loss of hope. Post-war contexts also have dismantled administration, destruction of infrastructure, parallel structures with power and vested interests, weak government and governance and well-cemented divisions that led to the conflict in the first place (Rathmell 2005; Von Bogdandy et al. 2005). Further, there is widespread poverty, lack of opportunities, unemployment and high individual debt, with few to no tangible assets (Ibanez and Moya 2010; Nannyonjo 2005; Stewart et al. 2009). The displacement is typically represented by collapsed economies, communities and families that
are broken up and in need of rebuilding. In order to meet the unique needs of IDPs and the magnitude of the scale of tasks, it is important to identify them as an exclusive group within the population. Therefore, the following definition of IDPs was adopted for the purpose of this study.

"persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized border" (UNHCR 2007: p.8).

The drawback of providing exclusivity for part of society is the unintentional consequence of alienation and preventing others who are also in need from receiving interventions, resulting in unequal distribution of entitlements and intra-communal conflict (Muggah, Robert 2000). However, it could be argued that recent PWZs such as in Sri Lanka have seen total or majority of the population becoming displaced as result of the conflict; in such cases the benefits of singling out and treating IDPs as a unique sub-set outweigh the drawbacks. Further, the United Nations High Commission for Refugees (UNHCR) differentiates the concepts of ‘migrant’ and ‘refugee’ from IDPs, stating the remit of the sovereign nation as people who have not left the internationally recognised boundary of that sovereign nation and, therefore, fall under the domestic jurisdiction (Lavoyer 1995). This differentiation limits the remit of the international community in interventions and places IDPs under the national government, probably, the government from which they are fleeing, with little protection. Therefore, identifying IDPs from the general population provides them with some visibility and safety and with much-needed attention, especially in circumstances like those in Sri Lanka where there is no legislation on the protection of IDPs (Glatz 2012).

Once the resettlement process of IDPs begins, it opens the debate regarding at what point IDPs are considered as resettled: for example, is it at the point of physical resettlement or when the living standards and overall wellbeing have
changed? However, this does not mean that such questions are mutually exclusive and can be discussed separately. In the case of Sri Lanka, this has been defined as at the point of physical resettlement. The point of physical settlement entails allocation of a predefined arbitrary period, where at that point the living standards and overall wellbeing have not changed although the IDPs are resettled. It has been argued that, given the multifaceted nature of resettlement (Cernea 1997; Scudder and Colson 1982), establishing when the displacement has ended needs to go beyond the notion of physical resettlement and take into account overall wellbeing (Cohen, R. and Deng 2012; Muggah, Robert 2000). Here, Muggah (2008) argues that the goal of resettlement is to establish communities that are permanent in nature while enabling them to be self-reliant and self-sustaining, thus achieving durable solutions. A good indicator to the fully resettled status of IDPs could be PWZs return to the current status quo (Brown et al. 2008), such as becoming par with current national average income or human indicators. However, PWZs returning to current national averages alone cannot be considered as the end of the post-war economic recovery, because such recovery could be relatively fragile when compared with other regions and may hide inequalities within communities.

Moreover, while adopting a set of indicators could help IDPs in the long-term, it also places already weak governments under pressure in the short to medium term. This is because the initial priority for the government is a humanitarian response, which is to provide essential services and meet basic needs. Therefore, considering IDPs as resettled at the point of their physical resettlement could potentially aid the development process in a policy and practical perspective. Being able to have a clear cut-off point is essential in moving forward with the development process, adopting, and implementing policies to reflect the contexts. Allowing for a distinction between ‘resettled’ and ‘fully resettled’ at the beginning of resettlement process could help IDPs in achieving durable solutions and overall wellbeing.
1.5.1 The war-induced IDPs of Sri Lanka

The fourth wave of IDPs at the end of the conflict (Figure 1) caused the largest displacement. The events that took place in May 2009 in Mullaitivu resulted in over 300,000 people being immediately falling into military custody (Saparamadu and Lall 2014). These IDPs of all ages were later systematically transferred to a ‘welfare camp’ named ‘Manik Farm’ in Vavuniya District, run by GOSL. Manik Farm was hastily arranged with little prior planning and people were housed in makeshift tents with minimal facilities, which came under increased scrutiny by the international community (de Mel 2012). The GOSL went on to adopt a rapid resettlement programme under international and local pressure and closed Manik Farm in September 2012, approximately three years after the conclusion of the conflict. The accelerated resettlement programme partially resulted in IDPs being resettled in dire conditions without access to basic needs, safety nets and adequate support. For GOSL, the physical settlement of IDPs in a permanent location (original habitat or otherwise) marked the end of the resettlement processes. The narrow definition adopted by GOSL resulted in failing to capture the diverse and complex nature of the resettlement process and shows that the descriptions that are adopted have deep policy implications.

“Definitions and labels matter. The representation of conditions and experiences in certain ways serves specific interests and is an inescapable element of public policy making, its bureaucracies and its discourse. How, by and for whom a concept or phenomena is defined and labelled frames debates, the design and implementation of interventions and valuation of success and failure” (Muggah, R. 2008: p.14).

Having a narrow definition that suited the short-term objectives of GOSL has constrained the policy response, budgeting and interventions. This has potentially limited the economic success of resettled IDPs while placing them at a long-term disadvantage. The leading policy response for post-war reconstruction of the Northern Province by GOSL was known as ‘Uthuru Wasanthaya’ (Northern Spring), which formed part of the relief, recovery and
reconstruction response (RRR: Section 5.2). The main trust of Uthuru Wasanthaya was a 180-day programme consisting of state-led infrastructure development, such as the construction of main roads, railway tracks, housing and telecommunication, which came at the expense of soft components such as community capacity building and targeting individual support (Kelegama 2011; Pannilage 2015). These soft components were not prioritised and the interventions that did occur were small in scale and selective (Saparamadu and Lall 2014). By mainly relying on a state-led development programme, GOSL discounted the role of the private sector and SMEs in the resettlement process that could contribute to resilient and self-sustaining communities. However, it is important to acknowledge the state-led infrastructure development needed at the beginning or even before the resettlement process. The destruction of hard infrastructure that is usually associated with PWZs needs high capacity for reconstruction and typically it will be the respective government that has the capacity or is able to acquire such capacity. The private sector may not have the capacity or not be willing to participate in hard infrastructure at early stages due to the long-term payback period, low return, high risks and high investment requirements. The important points here are to understand and accommodate a resettlement process that goes beyond the physical resettlement, as well as to recognise the value of the private sector in building resilient and self-sustaining communities.

1.6 Challenges of inclusive development in Sri Lanka

Sri Lanka is a lower middle-income country with a relatively high Human Development Index (0.715) in comparison to its peers in the South Asian region and distinctively like developed countries (Malik 2013). However, the country seems to have been unable to fully capitalise on its high human development, when considering the inequality, high unemployment among the educated, unfair market competition and a culture that has a negative perception on entrepreneurs that curtails market driven solutions (Dutz and O'Connell 2013; World Bank 2015a). It has been argued that the inability to capitalise on the high human development and economic growth was mainly due to the long-
term armed conflict and the inadequacies of the development policies of GOSL (Wijerathna et al. 2014).

Some highlights of the economic statistics at national level published by the Central Bank of Sri Lanka (2013) are as follows. The GDP at market price was US $ billion 59.4, a growth of 6.4% in real terms. Agriculture contributed 11.1% of the GDP while industry and services contributed 30.4% and 58.5% respectively. Further, the per capita GDP was US $ 2,923 and unemployment was 4%. Educational attainment is significant with enrolment for primary education at 98% while enrollment for secondary education is at 84% for males and 89% for females. The health sector in the country performs well and above others in the South Asian region, with an average life expectancy of 74.9 years. As such, Sri Lanka achieved Millennium Development Goals (MDGs) on primary education, gender parity in primary and secondary school enrolments and provisions of health services before 2015 (UN 2015).

The above macro-level indicators are encouraging and suggest a positive and prosperous future for its citizens. To the world, Sri Lanka is an economic development success story, where the country has been able to transform itself from a low-income country to lower middle-income country (World Bank 2015a). In fact, the poverty headcount has decreased from 8.9 in 2009/10 to 6.7 in 2012/13. However, a closer look at these figures suggests a high degree of inequality among many indicators spread across its provinces, districts and segments. For example, the overall poverty head-count of 6.7% also indicated disparities between the urban poverty of 2.1%, rural poverty of 7.6% and estate sector poverty of 10.9%, which is more than five times that of urban poverty (CBoSL 2013). Breakdown by provinces displays a similar pattern, where the Western Province accounts for 2% while the Northern and Eastern provinces have 10.9% and 11% of poverty. The pattern holds at the district level, where Colombo District has the lowest poverty level of 1.4% while the Mullaitivu District (the research zone of the thesis) has the highest level of poverty, at 28.8% (DoCS 2015b).
The disparities between the Western Province (richest) and the poorest provinces are widening in terms of per capita consumption and GINI. According to the World Bank (2007), average per capita consumption grew by 50% for the richest quintile while there was only 2% of growth in the poorest quintile. This is further indicated by the annual increase rate of the GINI coefficient, which, at 2%, is much higher than in countries in the rest of the South Asian region. As a result, every 1% increase in GDP per capita is only contributing to a reduction of 0.4% of the poverty headcount. While the overall unemployment is only 4%, youth (age group 15-24) unemployment is much higher, at 20.1% (ILO 2014a). Educational attainment beyond secondary education also remains subdued, where enrolment rates for males and females are 6 and 4 percent. The disparities are even more relevant to PWZs, which are far behind the rest of the country in relation to economic infrastructure, access to finance and human capabilities (World Bank 2007).

Some key characteristics of people living in poverty are; they are disproportionately young, have lower educational attainment, are unemployed, engaged in agriculture, largely from Tamil ethnic backgrounds and belong to the rural sector (Locke et al. 2016). Therefore, it could be argued that the main development challenge for Sri Lanka has always been human development and the poverty nexus: how to convert high human development to an inclusive economic success, which highlights the need for capacity development. For the purpose of the thesis, the following definition of capacity development is adopted.

“Capacity development processes focus on technical or functional capacities, organizational change, leadership and social cohesion, or shift in policies or other aspects of the enabling environment which can facilitate more effective use of capacity” (UNDP 2010: p.11).

In Sri Lanka, two of the poorest provinces were affected by the conflict, where people lost their houses, access to land, employment, income, assets, social cohesion and faced significant deaths and disabilities, which has a long-term negative impact (Raheem 2013). At the macro-level, the resettlement policy
only recognises three traditional areas for livelihood restoration, namely, agricultural incentives, the fishing industry and animal husbandry (Ministry of Resettlement 2013a). This has made minimum attempts to diversify livelihoods of resettled IDPs, thereby failing to recognise the advantages of livelihood diversification, which could lead to durable solutions (in this case, adequate standards of living above the poverty line, equal access to employment and livelihood opportunities). The government has frequently failed to recognise resettled IDPs as a vulnerable group and to maintain disaggregated data and statistics. By recognising only four sub-groups as vulnerable within the resettled IDPs, namely, women-headed families, conflict disabled, former combatants and youth who are approaching adulthood (MPR 2016) has failed to capture the essence of what is need in achieving durable solutions and enabling inclusive development.

The link between ethnic divisions and their economic achievements is well established and the broadly-based characteristics are an indication of the severity of inequality within the country, and the challenge that is faced for inclusive development (Collier, Paul 2000a; Dower et al. 2014). This is also true for the resettled IDPs in PWZs, where most of them are Tamils, engaged in the low-productive agricultural and fisheries sector that is actively promoted by GOSL and third sector organizations (TSOs). For Sri Lanka, the World Bank (2015a) suggests three key priorities for inclusive development: multi-sector interventions to improve capacity building, which aim to provide employment opportunities and self-employment in areas where poverty is localized, equal opportunities across ethnic groups and IDPs, and increasing female labour force participation.

1.6.1 Sri Lankan labour market

The direction of the government is to achieve medium to long-term economic growth through focusing on five key areas: shipping, aviation, commerce, energy and knowledge, known as the ‘five-hub strategy’ (Abeyratne 2012). The ‘five-hub strategy’ was originally intended to promote private sector investment
and participation, although the high capital intensity in these projects and low likelihood of sole private sector investment (Lal 1997) compelled involvement of the government. For example, the Magampura Mahinda Rajapaksa Port (seaport), Mattala Rajapaksa International Airport and Lakvijaya Power Station (coal-fired power station) are major infrastructure projects in which the government is heavily involved. These projects have continued the historic trend of the public sector as a key contributor to providing employment.

The 8.4 million employed workers are categorised into three major industry groups: services (47.2%), agriculture (27.5%) and industries (25.3%). where the long-term trend of employment in the agricultural sector is expected to decline (DoCS 2016). Regarding employability, the high numbers of ‘educated youth’ who are caught between the mismatch of supply and demand of labour often lead to unemployment and underemployment. One reason for this is the result of the fragmented and outdated tertiary/vocational education system in the country that is incapable of meeting labour market demands (ADB 2014). Another reason is the near monopoly of the tertiary education system by GOSL, which has kept tertiary education in a non-competitive environment by discouraging private sector participation (Samaranayake 2016).

“On the demand side, the rate of expansion in economic activities that could absorb the unemployed educated youth appeared to be inadequate so that the government continued to undertake a large part of the burden. On the supply, even if there are employment opportunities particularly in the modern economic sectors, the substandard levels of soft-skills and labour training of the unemployed appear to be a major obstacle constraining the employability” (Abeyratne 2012: p.31).

Although the unemployment of 4% and underemployment of 3.5% are relatively low for a lower middle-income country (Ministry of Finance and Planning 2014), the concept of ‘decent work’, which is traditionally used to represent employment opportunities (Fields 2003; Ghai 2003) has largely failed to materialise. Decent work is defined as ‘the opportunity for men and women to obtain decent and productive employment in conditions of freedom, equity,
security and human dignity’ (De Luca 2003: p.1). The failure is due to the situation where a large part of employment is created in the less productive rural agricultural and informal sectors that inherently provide less income and opportunities, contributing to high unemployment among the ‘educated youth’ (Abeyratne 2012). For example, the informal sector contributes to 60% of employment, which is in need of urgent attention to formalizing it (ILO 2009).

There is three key aspects of identifying the formal sector in Sri Lanka, (a) registration of the organization and/ or (b) accounts-keeping practices and/ or (c) having 10 or more regular employees (Ministry of Finance and Planning 2014). Any institution that does not meet any one of these criteria is considered as belonging to the informal sector. The organization is considered formal if it is registered with the Employees Provident Fund (EPF) or in the Department of Inland Revenue (IR) and not in the Divisional Secretariat. The aim of the EPF is to provide social security to members (employees in the private sector) at the time of retirement or their dependents at the time of death. The IR provides a tax-free allowance of Rs. 500,000 (approximately US$ 3,400) a year for individuals who are citizens and non-citizen residents (Sri Lanka Inland Revenue 2016), as such individuals are exempt from registration if they earn below the threshold. However, over 90% of entrepreneurs are sole ownerships (Satharasingha 2015) and legally considered as ‘individuals’. This allows sole ownerships to operate within the income tax threshold without being recognised as formal, which skews available official data, policy and subsequent interventions. Further, the business registration process that is carried out by the respective Divisional Secretariats provides sole owners and partnership enterprises with a form of legitimacy. Subsequent legitimate business transactions with banks and stakeholders of respective enterprises, usually through business current accounts, do not necessarily mean that enterprises belong to the ‘formal sector’. Thus, describing formality and informality alone does not do justice to entrepreneurs/ self-employed, who are mainly sole owners, and illustrates the shortcomings of a key identifying characteristic of the informal sector used by GOSL.
The second and third aspects of institutions, b) maintaining formal financial accounts and/ or c) employing at least ten regular employees are considered as belonging to the formal sector. Here, any enterprise that has an income below Rs.500,000 does not necessarily mean that it must maintain regular financial statements, which automatically pushes it into the informal sector. Further, the ambiguity of defining a ‘regular’ employee brings subjectivity and confusion. This demonstrates the limitations of the description adopted by GOSL in defining the formal sector. For example, the usual process of sole ownership or partnership business registration is carried out at the respective Divisional Secretariat (Private and public limited companies are registered at the Department of the Registrar of Companies). Once registered at the Divisional Secretariat, enterprises can retain legitimate business current accounts, carry out financial transactions and employ up to nine regular employees but are still considered as informal. Therefore, it could be argued that the narrow labelling of the formal sector by GOSL undermines the legitimacy of entrepreneurs who are largely sole traders and influences the negative perception among the public. So, as a route out of poverty, entrepreneurship has been undermined in both policy and cultural perceptions.

1.7 Entrepreneurship and post-war economic development in Sri Lanka

The positive contribution by entrepreneurship to economic development is widely documented in the literature (Acs and Storey 2004; Feldman 2014; Schoar 2010; Singh 2014; Spencer, A. S. et al. 2008). However, there is a disagreement regarding small firms contribution to economic development at a given stage of a particular national economy (Acs 2006; Amoros and Cristi 2011; Koster and Rai 2008). Therefore, it is vital to understand the role of entrepreneurship in post-war contexts in the light of reducing poverty. This is because Sri Lanka being a lower middle-income country and PWZs as the poorest districts present the somewhat unique nature of the subject. Further, the fact that PWZs are inherently fragile environments characterised by high levels of social fragmentation and widespread distrust underpins the need for them to be treated separately as a distinct category (Sweeney 2008).
The importance of the private sector in post-war economic development and peace building is underlined by its ability to facilitate local economic activity, economic growth, re-integration of ex-combatants and channel resources to conflict-affected zones as inward investments (Berdal and Mousavizadeh 2010; Gerson 2001). However, some entrepreneurs tend to operate informally, to avoid the high level of bureaucracy and corruption present in PWZs, which underpins the need for formality, governance and enabling space for entrepreneurship (Demirgüc-Kunt et al. 2011); hence, exploring the role of entrepreneurship will help to support the formal transition while contributing to the wider economy.

The multidisciplinary nature of the entrepreneurship domain has associated entrepreneurs as risk takers (Knight, F. H. 1921), innovators that challenge market equilibria (Schumpeter, Joseph 1928), opportunity seekers and value creators (Kirzner, I. M. 1973), creators of new organizations (Gartner, W. B. 1988), in pursuit of an opportunity irrespective of existing resources (Krueger and Brazeal 1994) and identifying overlooked value of resources (Kirzner, Israel M. 1997). Further, entrepreneurs are largely considered as two distinct categories, ‘push’ and ‘pull’, by citing motivational factors for engaging in enterprise activity (Gilad and Levine 1986; Kirkwood 2009). Here, it is argued that push entrepreneurs are a result of events that carry negative connotations. For example, lack of employment opportunities may push people into entrepreneurship, which acts as an ‘alternative’ and ‘necessity’-driven action. The pull entrepreneurs result from positive events and are motivated by exploitation of market opportunity, social status or profit (Verheul et al. 2016; Williams, C. 2014). The negative connotations attached tend to lead to underappreciating the necessity entrepreneurs who find themselves ‘pushed’ into enterprise activities because of lack of livelihood choices such as decent employment, especially in PWZs. For them, becoming entrepreneurs seems to be the only option to earn an income, a reality that has been underrepresented in leading entrepreneurial concepts.
Further, the loss of assets has made it difficult for entrepreneurs (push or pull) in PWZs to start economic activities. Therefore, it is fitting to discuss entrepreneurship in terms of the ‘barriers to entrepreneurship’ and poverty as ‘poverty traps’, in that through entrepreneurship, people may be able to escape poverty. Therefore, the need arises to facilitate external interventions to address these barriers with the view of formalising enterprises and escaping of poverty traps. Krueger and Brazeal (1994) argue that key to long-term resilience is to increase the supply of individuals who see themselves as entrepreneurs, where promoting economic development through increased entrepreneurial activities is expected to help the local and national economy.

1.8 Research opportunity and purpose of study

The armed conflict that internally displaced over three-quarters of a million people limited the access to the conflict zones, resulting in a lack of research, data and information. This lack of access led to an inadequate understanding of the socio-economic positions of IDPs and resulted in the implementation of pre-determined ‘one-size fits all’ policies and interventions. Further, the armed conflict created a complicated context of ethnic divisions, lack of demilitarization of PWZs, traumatized resettled IDPs, injured and disabled people, a relative lack of infrastructure and opportunities and a high tendency towards risk averseness (Glatz 2012; Saparamadu and Lall 2014; Somasundaram and Sivayokan 2013). The children born in the 1980s onwards in conflict areas had little or no access to structured primary and secondary education; this generation is fundamentally disadvantaged in comparison to other children who had an opportunity of uninterrupted education. The unequal education and educational prospects within ethnic minorities is a contributory factor to high poverty rates (Danziger 2007). Further, over 40,000 ‘war widows’ with female-headed families, struggle to provide for their children and families in PWZs (IRIN 2012).

As noted, the wellbeing of resettled IDPs, especially people living in poverty partly rests on achieving durable solutions through external interventions. While there are many definitions for wellbeing (Seligman 2011; Ward and Meyer
Diener and Suh (1997: p.200) identify three interrelated components to wellbeing: life satisfaction, pleasant affect, and unpleasant affect. The affects are moods and emotions while life satisfaction stands for a cognitive sense of satisfaction with life. The concept is extended by Shah and Marks (2004: p.9) that states,

“One of the key aims of a democratic government is to promote the good life: a flourishing society where citizens are happy, healthy, capable and engaged – in other words, with high levels of wellbeing. Wellbeing is more than just happiness. As well as feeling satisfied and happy, wellbeing means developing as a person, being fulfilled, and making a contribution to the community”.

Sen (1984) see wellbeing as life people live, what they can do and cannot do, which is the end result of development. This suggests there are different domains of wellbeing,

“The primary feature of wellbeing can be seen in terms of how a person can “function,” taking that term in a very broad sense. I shall refer to various doings and beings that come into this assessment as functionings. These could be activities (like eating or reading or seeing), or states of existence or being (being well nourished, being free from malaria)” (Sen, Amartya 1985: p.197).

The post-war contexts have resulted in a concentration of poverty that limits the opportunities and wellbeing of resettled IDPs. Understanding the role of entrepreneurship within the poverty dynamics among resettled IDPs could help reduce poverty and achieve sustainable wellbeing, fill the current knowledge gap, help target external interventions and contribute to wider research literature. Further, this thesis intends to add value to the skill development sectors, enhance capacity building, help formulate enterprise friendly policies and create a ‘space’ for entrepreneurship to flourish. The research findings will also have a wider application at the global level, given the current geopolitical and economic instability, where the number of IDPs tripled since 2010 to 51 million people at the end of 2013 (UN 2014). Of this, conflict and violence-induced displacement have seen an increase from 27.5 million in 2010 to 40.8
million IDPs at the end of 2015, while conflict-related new displacements between January to December 2015 alone accounted for 8.6 million IDPs (Bilak et al. 2016).

Given the context and the purpose, this thesis takes the view that; (a) the contexts of people living in poverty in PWZs are different from those of people living in poverty in non-conflict zones and, therefore, require different policy responses and (b) private sector enterprise-led economic development is an important driver of post-war development that could supplement state-led economic development. In doing so, it will help to establish self-reliant and self-sustaining resettled IDP communities thereby helping to achieve durable solutions for livelihood needs in PWZs.

1.9 Research questions

The research carried out in this thesis is designed to address the key research question ‘What is the role of entrepreneurship in poverty reduction in post-war zones?’ This research question demands identification of approaches to entrepreneurship in establishing the role of entrepreneurs to aid economic development in PWZs. However, entrepreneurship as a multidisciplinary subject (Kuratko and Hodgetts 2001) lacks a commonly accepted definition. Casson (1982) offers two approaches: the indicative approach and the functional approach. The indicative approach includes personality traits, values and behavioural traits while the functional approach describes what entrepreneur does. Further, Gartner (1988) and Kodithuwakku and Rosa (2002) suggests a process approach to entrepreneurship that describes entrepreneurship as a contextual event of the creation of an ‘entity’ with objective outcomes of creation or accumulation of wealth. The process approach that links entrepreneurs with economic agents with the context (Jack and Anderson 2002) fits well in addressing the key research question, because of the contextual nature of this question. The concept of the entrepreneur as ‘agent of change’, further strengthens the capability approach (CA) suggested by Sen (1999), which is the overarching theoretical framework of this study. The CA emphasises individual empowerment as a vital component of economic
development. Therefore, ‘entrepreneurship as a process’ was selected as the best fit for the thesis.

The ‘role of entrepreneurship’ is two-faceted; (a) entrepreneurs as individuals and (b) entrepreneurial freedoms as ‘space’ that facilitates entrepreneurship. The key research question has two sub-questions,

1. What are the entrepreneurial dynamics in overcoming poverty in post-war contexts?
   The objectives are to understand resettled IDPs becoming entrepreneurs and escaping poverty and by doing so to understand the barriers to entrepreneurship in PWZs. Here, the research study explores the existence of poverty traps in order to understand the role entrepreneurship could play in reducing poverty in PWZs.

2. What is the role of external interventions in promoting entrepreneurship as a poverty reduction strategy in post-war contexts?
   The objectives are to understand interventions with respect to entrepreneurship (individual and collective) and identify gaps in order to support a more precise and targeted approach.

1.10 The structure of the thesis

Chapter One has provided a contextual introduction to the research study and the importance of the research subject and its potential to bring real-life benefits to resettled IDPs in Sri Lankan PWZs. Further, it has highlighted the challenges faced in reducing poverty and finding durable solutions in terms of livelihoods, which will help in inclusive development.

Chapter Two addresses the role of agents in economic development, as individuals as well as collectives, in gaining synergies to overcome poverty. Here, the CA proposed by Sen (1999) is used as an overarching framework, in enabling freedom of agency, which is aligned with entrepreneurship. The use of
CA has facilitated discussing capabilities as both individual capabilities and collective capabilities, which leads to achieving functionings. Collective capabilities are important in poverty settings because people living in poverty are typically economically weak and do not have enough assets to escape poverty by acting alone. Therefore, acting collectively may provide them with opportunities to escape poverty (Stewart 2005). The discussion also explores the role of development partners in enabling agency in terms of interventions in post-war contexts.

Chapter Three discusses the mainstream entrepreneurship discourse, barriers to market entry and barriers to innovation. Further, the discussion places entrepreneurship at the centre of poverty reduction and highlights how entrepreneurs are capable of escaping poverty by accumulating wealth and helping the wider community in the process. Here, poverty is discussed in terms of poverty traps, while emphasising the importance of external intervention in facilitating entrepreneurship to escape poverty traps.

Chapter Four-A explains the research methodology adopted in the research study. The discussion includes conceptualisation and justification of the theoretical framework in addressing the stated research questions. Chapter Four-B is an extension of the research methodology discussed in order to shed a light on the difficulties in collecting primary data in PWZs, thereby bringing transparency to the research study. By doing so, it highlights the ethical challenges faced by researchers in conducting fieldwork in PWZs.

Chapter Five uses the empirical findings related to entrepreneurship and livelihood activities to bring the context into the discussion. Based on the findings of the fieldwork, it explores livelihoods in PWZs, revolving around entrepreneurship and internal poverty traps and shows how the grand RRR response of GOSL in developing the post-war zones has achieved mixed results. It highlights how some actions have served to deepen existing poverty traps while on others have created new poverty traps. It is explained how the over-reliance on the traditional agricultural sector has contributed to poverty that calls for an alternative diversification discourse and emphasises on
deagrarianization of local economies. Subjects such as innovation and arbitrage are also explored alongside the limitations of entrepreneurial space and the difficulties in formalising enterprises in PWZs.

Chapter Six extends the discussion of the empirical findings to link the external interventions and structural dynamics of PWZs that affect entrepreneurship and poverty traps, in order to highlight the importance of ‘choice’ and ‘freedoms’ that could be exercised by economic agents. Here, the discussion starts with external poverty traps and extends to issues such as collaboration, security-development needs and socio-economic governance in PWZs. Further, the discussion includes the role of development partners and the importance of entrepreneurship in reducing poverty in PWZs. The discussion highlights the role of collective action in escaping poverty traps and achieving durable solutions for resettled IDPs. The analysis identifies many factors constraining agency that arise from structural conditions; although most interventions are directed at changing the conditions of agents, there is a disconnect between ongoing efforts and the contextual reality.

Chapter Seven is the concluding chapter, which includes further analysis and brings the literature and the analysis of empirical data together to formulate a coherent argument for the thesis. The discussion revisits the research sub-questions and the key research question and elaborates on the findings. Here, a framework is proposed for enterprise development that could facilitate entrepreneurship in Sri Lankan PWZs. The final part emphasises the contribution of the research study to knowledge, research and its implications for policy and practice, followed by concluding remarks.
CHAPTER TWO

The economic development process and humanitarian interventions

2.1 Introduction

It was argued in the previous chapter that the transition from conflict to post-war is not straightforward. However, as the Sri Lankan armed conflict had a clear end, the point of transition to post-war is much clearer. It was argued that the 'normalcy' in terms of achieving a pre-conflict state or building new societies is a goal that needs careful consideration. For this, economic development plays an essential part in bringing normalcy to post-war zones (PWZs). The resettled communities in PWZs typically display collapsed economic activities, and need external assistance. It is further argued that entrepreneurs could have a positive role to play in post-war economic development even though they tend to operate informally. Given this background, the first chapter justified the basic research objective of exploring the role of entrepreneurship in reducing of poverty prevalent in PWZs.

This chapter begins with an overview of development economics in the context of poverty and argues that it has been largely interpreted in relation to less developed countries (LDCs). The central themes that are identified are theoretical and practical concepts from developed countries, which are mainly focused on income and growth, the need for the capability approach (CA), the increasing power of third sector organizations (TSOs) and their right to intervene, and the importance of agency in poverty reduction.

Guided initially by the work of Sen, the discussion is built on more recent ideas of the CA in rooting local economic development (LED). The chapter identifies the need for organising communities and individuals as well as capacity development in PWZs. As external interventions run in parallel to development economics in bringing LED to PWZs, these processes have to be considered in parallel to one another. Some of the external interventions have occurred through aid by international donors, which play an important role in the national
and local political economy. The aid is mainly channelled through the government institutions, as direct interventions by donors or indirectly through non-state organizations. This has often been a source of conflict in terms of efficiency, partnership and objectives, which tends to challenge the state’s command and control position (Alesina and Dollar 2000; Postma 1994). It is therefore important to understand the role of external interventions in shaping agent and structure relationship in post-war contexts in terms of poverty reduction in PWZs.

2.2 An overview of development economics in the context of poverty

Development economics is the dedicated branch of wider ‘economic studies’ within the political economy that focuses on improving the wellbeing of the masses and sustaining such efforts in terms of scale, time and coverage, especially in LDCs (Sen, Amartya 1983; Stiglitz 1986). The complex and multidimensional domain of economic development (World Bank 2000) tends to associated with LDCs, which are comparable to low-income countries as classified by the World Bank (2016). This suggests the domain is mainly concerned with bringing parity across countries i.e. transitioning LDCs into developed countries or transitioning low-income countries to high-income countries. The emergence and significance of the branch has its roots in traditional economic theory, which has two main opposing views; (a) the importance of price efficiency between producers and consumers in free markets concerning resource allocation and (b) those that oppose the market system because of its limitations, citing unemployment/underemployment of capital and labour (Todaro 2000). The first notion favours free trade, private property and competition. It seeks growth by gaining efficiencies through effective allocation of resources to produce products and services. This assumes utility and profit based on rational decision making by the demand-side income constrained buyers and supply-side cost constrained suppliers in a perfectly competing market. The second notion favours social/public ownership of property, policy interventions and independence of capital (Giang and Pheng 2011).
Noting the limitation of the market systems, John Maynard Keynes suggested limited interventions by the government to solve unemployment, which paved the way to neoclassical models of development (Greenwald and Stiglitz 1987; Snowdon and Vane 1997). The Keynesian models that were implemented in a somewhat successful way were later extended to LDCs with little change in achieving development goals (Bleaney 1985). The result is an extensive development framework that is driven by ‘interventionist’ policies focused on relatively weak governments and institutional structures in LDCs in order to achieve development objectives. The interventionist policies have increased the role of development partners such as multilateral agencies and NGOs in the development process that is usually a task of the government (Barbier 1987).

The term ‘development’ is subjective; as such, it brings many representations, meanings and understandings to the subject. However, Todaro (2000: p.18) identifies three core values within the economic development framework: (a) sustenance: the ability to meet basic needs (b) self-esteem: to be a person and (c) freedom from servitude: to be able to choose. Sustenance includes access to food, housing, clothing and the right to be treated justly, which are basic human rights. The absence of sustenance prevents people achieving their full potential while trapping them in situations that are unequal and underdeveloped. Self-esteem enables individuals and societies to form their own identities, affording recognition, dignity and respect in order to participate in social and economic activities as equals and without oppression. The freedom from servitude is the ability to increase the choices available to individuals and nations in order to have a greater control over their socio-economic participation.

However, on a global scale, current economic development efforts have achieved mixed results at best. For example, the global efforts have been successful in reducing extreme poverty to 9.6% (Cruz et al. 2015) while widening income inequality, where the poorest half of the population shares less than 10% of the wealth (Mohammed 2015). To this end, the measurement of the international extreme poverty line as US $ 1.25 was revised to US $1.90
a day in 2015, to preserve the real purchasing power of world’s poorest countries (World Bank 2015b). Using a single indicator of extreme poverty to identify and define people living in poverty has drawn criticism, mostly because all the attention is focused on reducing the ‘head count’.

“*In terms of focusing public attention on the issue of poverty and mobilizing energy and resources for its reduction, this primary goal has proved excellent. However, at other levels of activity its consequences may not be so beneficial. In particular, it encourages the conceptualization of the poor as a single homogeneous group whose prime problem is low monetary income and has led policymakers and their advisors to search for ‘the policy’ that increases the income of ‘the poor’. When ambitions are high and time is short, simple solutions are sought*” (Hulme and Shepherd 2003: p.403-404).

Those who are in extreme poverty are more likely to fluctuate in and out of the extreme poverty line due to shocks such as illnesses, environmental factors, family tragedies and insecurity of income sources. As a result, many who were able to come out of poverty risk falling back into poverty as soon as they face such shocks, while the non-poor may fall below the extreme poverty line for the first time when such shocks occur. Therefore, assisting people who live in poverty to permanently escape poverty requires wide-ranging policy approaches and responses (CPRC 2005) that involve long-term investment in education, employment, self-employment and associated infrastructure development (Shepherd et al. 2014).

While there are advantages of using an extreme poverty line, such as targeting resources, providing measurable objectives, providing a start and end to each intervention, it also distracts the wider discourse of poverty that is often used as a synonym to the extreme poverty line. This indicates the shortcomings of current efforts towards inclusive development or shared prosperity, as suggested by the World Bank, by prioritising only one dimension of multidimensional poverty (Basu, K. 2014). Therefore, it is important to differentiate extreme poverty, which is a snapshot of short period (usually a year), from poverty that could be persistent with many facets, without losing
sight of the important role that individual income that plays in poverty reduction (Bergesen and Bata 2015; Elliott and Pilkington 2015; Moore, K. 2001).

2.3 Capability approach in economic development

The multidimensional nature of poverty is well established among academics and practitioners, and in public discussions (Atkinson 2003; Duclos et al. 2006; Kakwani and Silber 2007; Tsui 2002). This has been further acknowledged by the United Nations in the Millennium Development Goals (MDGs) as well as the subsequent Sustainable Development Goals (SDGs) that call for wide-ranging actions in eradicating poverty by the year 2030 (Griggs et al. 2013; Sachs 2012). However, Duclos et al (2006) argue that, in practice, much empirical evidence and rhetoric on poverty is based on a person's wellbeing being represented as one dimension, income, thereby missing the ‘spirit’ of poverty reduction. Further, it maintains that what is important in escaping poverty and attaining wellbeing is to enable people living in poverty to have command over products and services. For this to occur, it has been argued that a person needs a minimum amount of income, the extreme poverty line. However, this view has eroded over time in favour of calls for wider action to escape poverty.

Thus, the multidimensional nature of poverty has called for moving from utility value to bringing non-utilities into poverty reduction efforts. This allows people living in poverty to become active participants in development rather than being passive beneficiaries. In this respect, Sen (1999) proposed the ‘capability approach’ (CA), an idea of human development with an ‘agency’ oriented view. The individual takes the centre stage in economic development and poverty and Sen (1999) argues with adequate opportunities, individuals can effectively shape their own destiny and help each other. Sen (1999) further argues that human wellbeing needs a comprehensive context that goes well beyond mere utility, assets or resource-based ‘means of living’ to a wider context of human capabilities that provides ‘actual opportunities’. For him, development means removing major sources of unfreedoms (Figure 2).
Figure 2: Major sources of unfreedoms (Sen, A. 1999: p.15-17).

The major sources of unfreedoms form an interconnected self-fulfilling cycle where economic unfreedoms, social unfreedoms and political unfreedoms curtail individual opportunities. The reason for many people remaining in poverty is the denial of these elementary freedoms or the presence of unfreedoms. Of these, economic unfreedoms need to take precedent and be prioritised in policies and interventions to facilitate the anti-poverty agenda (Sen, A. 1999). Therefore, it has been argued that markets play an important role in the development process and that finding solutions to reduce poverty by empowering agents within market mechanisms could act as the engine of development. The rationale here is that market mechanisms are more suited to contribute to economic growth, as well as overall economic progress.

“The fact that the freedom of economic transactions tends to be typically a great engine of economic growth has been widely acknowledged, even though forceful detractors remain. It is important not only to give the markets their due but also to appreciate role of other economic, social and political freedoms in enhancing and enriching the lives that people are able to lead” (Sen, A. 1999: p.9).

The facilitation of agency is twofold: it involves having processes such as public policy that removes unfreedoms, while enabling individual decisions and providing actual opportunities on which individuals can capitalise according to
their social circumstances. For Sen, the beneficial outcomes of empowered agency go well beyond individuals, to benefit whole communities. This is because the actions of the agents can be achieved collectively as well as through individuals in achieving overall economic progress. To facilitate this, five types of freedoms are needed, which include political freedom, economic facilities, social opportunities, transparency guarantees and protective security (Sen, A. 1999).

According to Sen (1999), political freedom is largely represented by the democratic rights of people in selecting their government, participating in the public debate in setting principles and policy and having a voice on institutional arrangements. The economic facilities mainly consist of free and fair access to economic resources and opportunities. This could include access to finance, livelihood and markets, employment, ownership of resources and opportunities for self-development. Some of the social opportunities include free and fair access to education, healthcare, living standards and social inclusion. Transparency guarantees underpin people’s rights to openness, rightful access to public information, and free and fair interactions between people and institutions that are established to serve people. Examples are the absence of corruption, systematic exploitation and nepotism that surround institutions and limit opportunities, and which act counter to the primary objectives of such institutions, which are established to provide processes in enabling opportunities and expanding individual capabilities. Protective security involves providing physical as well as social security such as safety nets for people living in poverty (Acharya 2001; Guhan 1994). For example, protective security is a key part of post-war development because PWZs tend to have a disproportionate level of poverty and an absence of physical and social security.

The five freedoms are interrelated and affect each other. This presence or absence of freedoms can be evaluated at macro-, meso- and micro-level. Though the arguments for freedoms at all levels are persuasive, in reality, it seems that facilitating freedoms are more likely to take place at the macro-level and the individual influence and participation at micro-level appears to be
limited, underpinning the importance of the agency-structure relationship (Dean 2009). The ability of agents to negotiate with the structures in place in PWZs defines the nature of the relationship and CA and provides a framework for understanding the role of agents in LED. As such, CA is used as the overarching theoretical framework, which facilitates other concepts discussed in this study.

2.3.1 Role of agency in economic development

Agency, like many other concepts in social sciences has many definitions. These include agency as ‘the capacity of a person to transform an existing state of affairs’ (Harvey 2002), ‘the capacity of the individual to plan and initiate action’ (Onyx and Bullen 2000) and ‘the individual ability to respond to events outside of one’s immediate sphere of influence to produce desired results’ (Newman, L. and Dale 2005). The common denominators of these definitions are the ability of the individual to take intentional actions and make informed choices (Dietz and Burns 1992). To this end, Ibrahim (2006) argues that agency could play a prominent role in the society where the empowered agents have the capacity not only to help themselves but also to help others and influence the world.

In CA, Sen (1999) describes agency in the development framework and claims that providing capabilities will help them to attain freedoms to achieve various lifestyles that they choose and have reason to value. For this, the conceptual foundation is divided between means to achieve, freedom to achieve and achievement/ subjective wellbeing (Figure 3).
Figure 3: Non-dynamic representation of a person’s capability set and social and personal context (Robeyns 2005: p.98).

CA demands that goods and services need be understood relative to their intrinsic (tangible and intangible value) and instrumental values that help to achieve ‘functionings’ i.e., means to an end (Robeyns 2003a). This is explained in terms of using a bicycle. The value of the bicycle does not merely rest on the raw material (tangible value) used but also its ability to be used as a mode of transportation or used for exercise to keep fit (instrumental value). While goods enable functioning, the relationship between goods and functioning are contingent on personal, social and environmental conversion factors (Robeyns 2005). The personal conversion factors (such as the physical condition of individuals), social conversion factors (such as policies, social norms) and environmental conversion factors (such as drought, floods) play a role in how a person converts a commodity into a functioning item. Therefore, Robeyns (2005) argues that the goods that a person owns are not sufficient to understand the functionings, and there is a need to understand the contexts in which people are living, which is the case for resettled IDPs in Sri Lankan PWZs.

The capability set that includes a combination of achievable functionings for a person, which could describe as ‘potential’ or ‘achievable’ functionings. The capability set provides a range of choices to the individual to decide which
function is to be achieved as per the value they see. Therefore, the capability set include different capabilities of a person that could use to achieve functionings where they have freedom and reason to value them. The notion of individual capabilities has gradually changed to accommodate plurality, to include collective capabilities (Evans, P. 2002; Ibrahim, Solava S. 2006) although it can be difficult and sometimes operationally unviable to represent an exhaustive set of capabilities that are relevant to specific groups. For example, the seemingly, homogenous resettled IDP population is bound to have different conversion factors within them, such that formulating a set of capabilities that are applicable to all may be practically difficult and unusable. However, at the macro-level, CA demands such an approach to development in relation to policy and interventions that may not be compatible at a practical level. Therefore, any list of capabilities that have been identified as relevant to the interventionist point of view is context-specific. This also means that providing capabilities may not necessarily achieve development goals because there is no guarantee that a person may use his or her capabilities to achieve functionings. As it stands, it is the freedom to achieve underpinned by individual choice that is the centre of CA where the acting upon rest with the individual decision. Therefore, given the individual choice, where a person may or may not achieve all achievable functionings, it may be more realistic to recognize and measure the real ‘achieved functionings’ in a practical point of view. For this, it is helpful and important to establish a ‘list’ that consists of a set or bundles of capabilities. However, Sen (1999; 2000; 2004) has repeatedly refrained from providing a universal list of capabilities in support of CA, as producing a list of capabilities is seen as contextual and requires a negotiation between stakeholders through democratic participation.

“It should be clear that the perspective of functionings and capabilities specifies a space in which evaluation is to take place, rather than proposing one particular formula for evaluation. The exercise has to begin with an identification of valuable functionings. In the context of economic development, there might well be considerable agreement as to what functionings are valuable, even though there might be disagreement on the relative values to be attached to the different functionings” (Sen, Amartya 2007: p.18).
Irrespective of perceived difficulties, it is useful to have a list of capabilities from a practical point of view (Nussbaum, M. 2003). However, Alkire (2005) provides five reasons for Sen’s reluctance to provide a definitive list:

a) The view of human nature may be tremendously over-specified.
b) The use of a capability approach as such does not require taking that route.
c) The introduction of such a list would require ‘a great deal of extension as a theory for practical evaluation’.
d) Such a list may not have wide relevance and CA needs to permit ‘other routes’.
e) There is a positive value in an incomplete theory which could be used alongside other theories and provoke public debate.

Hick (2012) argues direct approaches (income-based) to understanding poverty are partial and relatively less important because different people have different needs, while people may need different levels of resources to achieve the same standard of living. Further, some people may need more resources to convert to the same level of ‘functioning’, due to their differing abilities to convert resources into achieved functionings (Alkire, Sabina 2005). As a result, the questions of what people’s abilities and prospects of capitalising on opportunities are may be better understood by CA than the direct ‘means of living’ or ‘lack of resources’ methods.

However, there are some notable criticisms of the CA. The main concept of capabilities and functioning is left in rather subjective and arbitrary state. Sen also refused to provide a list of minimum requirements of capabilities that go beyond the Human Development Index (HDI) (Fukuda-Parr 2003). Although the HDI provides a better alternative to the traditional focus of GDP, it does not provide a conclusive approach to understanding wellbeing (Gasper 2002). Therefore, the CA tends to raise ethical issues (morals are the core of the CA) thus, contradictions arise, such as which capabilities get prioritized over what and who is responsible for deciding the final value, which could rest beyond the agents that the CA is supposed to empower. Further, the freedom is, in
practice, always a negotiated process between stakeholders, as such enabling capabilities may not necessarily provide individuals with the ability to choose as the CA intended. There are also criticisms of its being too individualistic (Stewart and Deneulin 2002), paternalistic and difficult to operationalise (Roemer 1998; Sugden 1993). Because of the heterogeneity of capabilities, it could be difficult to measure and the information requirements for operationalising CA could be overwhelming (Alkire, S. 2005).

Despite criticisms, CA acknowledges the importance of income that is understood as consumption deprivation, which is needed to meet basic needs. The CA also recognises the importance of resources/commodities that shape lives of people. Keeping these overlaps in place, CA provides an alternative concept for economic development and emphasises the importance of freedoms as the expansion of capabilities that provide opportunities and empower people to shape their own futures according to individual values (Fukuda-Parr 2003). CA also considers people living in poverty as active participants in the development process rather than passive beneficiaries. Thus, it provides people in poverty with empowerment through participating in the policy processes that affect them, enriching their lives and providing a purpose for a group that is typically marginalised and does not have a voice (Frediani 2010). Therefore, it could argue that the CA provides a solid foundation for analysing poverty and wellbeing.

2.3.2 Gender inequality and capabilities

Most methods and measurements of understanding and conceptualising poverty is tacitly dominated by male-centred approaches and it is necessary to be ‘gender-aware’ in understanding poverty and inequality (Kabeer 1996). Sen (1999) note that women face relative disadvantages due to lack of capabilities and ability to gain capabilities, which affect their functionings and wellbeing where CA could help to understand and address gender inequality. Women are often excluded from economic opportunities, education, employment and
political participation and face widespread inequality, which is highlighted by Nussbaum (1995: p. 536),

"Being a woman is indeed not yet a way of being a human being. Women in much of the world lack support for the most central human functions and this denial of support is frequently caused by their being a woman".

As such, gender is an important category for understanding poverty (Rummery 2018) even though there are differences among women and in different contexts where Okin (1994: p. 20) state “it is possible to generalize about many aspects of inequality between sexes”. Therefore, without targeted interventions to develop capabilities and space for functionings, gender inequality will not be addressed and runs the risk of widening the gap (UNDP 1993). This could be the case for women in areas such as PWZs in Sri Lanka that have a disproportionate number of female headed families, widows and women that live with disabilities. Fuchs (1988) cautions that there can be unequal outcomes even when women have equal opportunities due to preferences such as having children. Consequently, women’s choice is more important than gender equality. However, making fundamental human choices such as having children should not lead to women facing long-term disadvantages and ‘choice’ should not be a binding factor in gender equality. The danger is that associating gender inequality with ‘choice’ tends to assume that there are no barriers arising from being a woman and opportunities are equally distributed (Stephens and Levine 2011). Assuming opportunities are equal between genders is ambiguous because opportunities are contextual and such opportunities may not be viable for women due to conversion factors. Therefore, simply having opportunities is not enough and there is a need to identify context-specific capabilities to address gender inequality (Robeyns 2003b). This is a two-way process of unequal contexts leading to unequal capabilities and unequal capabilities sustaining unequal settings where Nussbaum (2002) call for allocation of targeted resources and interventions in addressing gender inequality.
2.3.3 Capabilities and entrepreneurship

“Gaining the freedom to do the things that we have reason to value is rarely something we can accomplish as individuals. For those already sufficiently privileged to enjoy a full range of capabilities, collective action may seem superfluous to capability, but for the less privileged attaining development as freedom requires collective action” (Evans, P. 2002: p.56).

One of the criticisms of CA is that it is too individualistic, as the ‘unit’ of CA is the individual, which tends to discount the synergies that could be gained through collective action. However, individualism and collectivism are not necessarily opposed (Tiessen 1997) and this criticism misses an important point that CA claims: those with agency have the capacity to help themselves as well as help others and influence the world, which is supported by Fukuda-Parr (2003) who suggests human beings can be agents of change through individual as well as collective action. The empowerment is subjected to collective strength, which is an important force in influencing policy, shaping public opinion and decisions and enabling development. Further, the social conversion factors have a substantial input on individual conversion factors, capability set and choice (Figure 3), which influences the achievement of functionings. Therefore, it could be argued that individual and collective capabilities are mutually inclusive; individual capabilities depend on collective capabilities, and collective capabilities are contingent on individual capabilities when collective action is taking place.

Stewart (2005) states that all individuals live in groups, from cradle to grave, so such collective capabilities are a vital part both individual and group wellbeing. The collective capabilities enable individuals to achieve some functionings that individuals would not able to achieve alone or to gain better results by acting collectively. Achieving individual functionings through collective capabilities depends on the individual participating in a group that has similar goals (Alkire, Sabina 2008; Ibrahim, Solava S. 2006). Thus, the capacity to make group claims could be better developed by identifying an individual as well as collective capabilities, which could be actionable to benefit individuals sharing
similar goals. The interventions needed to expand the capacity of collective capabilities will not only help individuals and groups in achieving functionings, it will also be crucial in creating new capabilities at individual and group level.

The agency approach could provide an insight into understanding entrepreneurship when seen as exploiting opportunities, which is explored at length in the next chapter. Further, entrepreneurship could be understood as ‘functioning’: a valuable activity and a state that leads to wellbeing. However, this may not occur, due to lack of capability: overcoming barriers to entrepreneurship such as a limited capability set (Figure 3) is important in the process of exploiting opportunities and achieved functionings. Here, Gries and Naude (2011: p.219) state that people lose their ‘agency’ when they are forced to be (push) entrepreneurs due to lack of other livelihood options such as wage employment, thus ‘absence of agency prevents entrepreneurship being a functioning’. While this implies entrepreneurs’ needs capacity building, it also places them in a pessimistic light, as less important for economic development and the importance of the contexts. Considering the interlinked nature of CA and entrepreneurship, the frameworks complement each in exploring the role of entrepreneurship to reduce poverty in specific contexts.

2.4 Post-war economic development

Chambers and Conway (1992) argue that capabilities are both an end and means of livelihoods.

“A livelihood provides the support for the enhancement and exercise of capabilities (an end); and capabilities (a means) enable a livelihood to be gained” (Chambers and Conway 1992: p.9).

The ILO (2010: p.45) takes a similar approach, stating, “Livelihoods consist of the capabilities, assets – both material and social resources – and activities required for a means of living”. However, such outcomes are contingent upon the availability of and access to resources and the environment (space) that
enables activities through capabilities. Therefore, in typical PWZs, where restricted capabilities and access to resources limit activities, gaining a living is not independent of its individual components and the presence of the components does not necessarily mean individuals and families can gain a living (Nannyonjo 2005; Rathmell 2005).

“The challenge of rebuilding war-torn societies is infinitely more difficult and complex than is generally recognized. It exceeds by far the challenge of ‘normal’ development process which in countries emerging from war, are amplified by the legacy of the conflict (physical destruction, lack of resources, and manpower, institutional fragility, political volatility, social trauma), by the urgency of the problem, and by the simultaneous challenges of humanitarian relief and of military security. It is this complexity that multiplies the number of actors and agendas presence and interventions that often run counter to basic principles of development assistance” (Stiefel 1998: p.11).

The processes of PWZ economic development need to be different from those in non-conflict zones (Berman et al. 2013; Krause and Jutersonke 2005). It is acknowledged that armed conflicts create poverty and the poverty created will have a long-term effect on people living in poverty (Collier, Paul 2000b; Justino 2006). Moreover, as conflicts create income poverty, the inequality created by the deficit of income could also fuel the conflict, which pushes conflicts into a lasting cycle. Therefore, the significance of income needs to be recognised in the post-war development process. Further, the poverty created by conflicts is more likely to be multidimensional and needs to differentiate from extreme poverty to benefit the resettled IDPs (Goodhand 2003). The reasons for this are that poverty created by conflicts tends to last longer and has a high probability of being transferred down the generations. Furthermore, the lack of entitlement created in the post-war period may lead to a collapse of livelihood and drive people into subsistence living, creating ever-deeper inequality (Goodhand 2003). Given these realities, post-war communities could benefit from a long-term view of development (Hill, Hal and Menon 2014; Krause and Jutersonke 2005). Therefore, the challenge in Sri Lanka is to recognise the differences
between post-war and non-conflict zones in order to align policies and priorities and help resettled IDPs in building capabilities to increase their wellbeing and achieve durable solutions.

2.4.1 Durable solutions

The role of agency in escaping poverty was highlighted by the CA (Sen, A. 1999). However, IDPs are likely to have a low level of agency at the time of resettlement because of the constraints. Therefore, resettled IDPs at this point could be considered as ‘potential agency’, which has a diminished level of agency that needs assistance in attaining the full potential. As suggested, the ‘potential agency’ often requires external interventions, which usually falls under the respective national government that is typically weak. As a result, these state responsibilities are frequently carried out by TSOs in finding durable solutions. To this end, Inter-Agency Standing Committee (2010: p.5) considers these durable solutions are achieved when,

“IDPs no longer have specific assistance and protection needs that are linked to their displacement and such persons can enjoy their human rights without discrimination resulting from their displacement”.

Achieving a point where IDPs no longer need external assistance is a significant challenge to any government that is coming out of a conflict. As resettled IDPs, they are typically exposed to risks and vulnerabilities for a prolonged period, meaning that durable solutions, which are reactive in nature, could continue to be elusive (Lang and Knudsen 2008).

As noted in Section 1.4, war to post-war transition may not have clear boundaries where competing actors, agendas and priorities complicate the post-war development process. As a result, characteristics of war and the post-war period may look similar, which tends to complicate the development process. Cramer (2011: p.9) argues assuming war as ‘development in reverse’ is misleading and challenging the idea of war is inherently negative. The
complexities of ongoing wars and its finances where individuals and institutions have changed and adapted to the challenging contexts could be viewed as evolving development. This is because many wars are means to an end and the ‘end’ is of achieving material functions where rational decisions are made by the actors involved. These rational decisions are made within the market economy in light of accumulation of wealth. The changes occurring during the war inherently challenge the status quo where new structures emerge, which tend to be flexible to adapt to complex war to the post-war transition process. The market conditions created during the war could be secured by military means to create advantages over competition into the post-war period to provide benefits to actors of war that wield power. As a result, it is important to understand the economic participants that fuel a war such as the drug trade and organised crime, which go beyond typical resource, greed and grievance that dominate conflict analysis (Cramer 2011). Further, the concepts such as democracy, good governance and peace may not necessarily be interlinked and assuming it supports development process could be misleading. Another benefit of a ‘war’ is it acts as a form of communication and encourage communication between warring parties. Therefore, Cramer (2011: p.288) state “the challenge is not just to minimise its damage but to maximise any potential for positive change that might arise in the course of that conflict”.

While it could be a rational decision to start wars, ‘end’ or the objective is not always to accumulate wealth and may not necessarily associate with the market economy as Cramer (2011) claimed. There is also the risk of seeing war only from an economic standpoint and as a commercial venture that is operationalised by rational decisions. As a result, it tends to place wars in a positive light neglecting the costs of war such as destruction of property and human costs, which usually follow to the post-war period. The positive change that occurs due to war must be viewed in relative terms with the negative changes or the cost of war. The main motive of war is to maximise costs/damage, which counters the core argument. For example, the conflict in Yemen had resulted in the world’s largest cholera outbreak and a humanitarian crisis with questionable positive changes if any (Blumi 2018; Dureab et al. 2018; Federspiel and Ali 2018) where the actors involved are not necessarily driven
by accumulation of wealth (Darwich 2018). The Syrian conflict has resulted in the world’s largest internal displacement of 6.2 million people and many are displaced for the 2nd or 3rd time by 2017 (UNHCR 2019) and the country faces a human catastrophe (Maziak 2018) with no sign of the end. The ‘spoils of war’ (Lord-Mallam and Sunday 2018; Mungwini 2018; Schmelzle 2019) is enjoyed by a relatively small number of people at an immense cost to the vast majority as such stated examples demonstrate that it is wise to avoid wars instead of focusing on maximising positive changes that occur due to war. Maximising positive outcomes of war is a questionable proposition and the lessons here are to address root causes of the conflict, conflict sensitivity in interventions while providing a space for voices to people who were most affected in the post-war development process (Annan 2004).

Paris (2007: p.7) propose a strategy of ‘institutionalization before liberalization’ citing the drawbacks of popular democratization and marketization policies in post-war development. Assuming that promoting democracy will help to shift away from war to an electoral system and free markets will help in sustainable development is overrated because such strategies have been successful only in a few instances. Paris (2007) argues that interventions on promoting democracy and market liberalisation are secondary and the efforts had to first focus on building an institutional network that can deliver post-war interventions. The reasons are that democracy and market liberalisation are step-by-step processes that need a longer time and promoting such action demands an institutional foundation even at a basic level. Therefore, having an institutional framework that can manage interventions is essential in securing sustainable development and achieving durable solutions in post-war contexts. The prioritisation of establishing institutions at the peril of delaying democratization and marketization is a risk worth taking.

While acknowledging the importance of institutions and the role they play in post-war development, sole prioritisation could be problematic in many ways. First, establishing an institutional network that can manage post-war development is not necessarily a fast process and may take a long time just as democracy and market liberalisation and postponing of encouraging democracy
and market liberalisation appeared to be counterproductive. Second, the immediate post-war period is dominated by humanitarian needs and these could be met well through democracy and market liberalisation processes. The time period that takes to establish a functioning institutional framework even at the basic level may leave people with less or no assistance and who have critical humanitarian needs. Third, establishing the institutional network does not need to be a mutually exclusive process and other efforts could be established simultaneously. Here, assuming that ‘new’ institutional networks are free, fair and uncompromised by the actors of war could also be misleading because they tend to be vulnerable to corruption and mismanagement. Fourth, not promoting marketization of local economies may place post-war communities at a long-term disadvantage due to loss of competitiveness. This matters because PWZ economies typically open for competition from other regions such as in Sri Lanka and not having a process to support local entrepreneurs and markets will inevitably expose them to unfair competition and affect their long-term capabilities. However, Paris (2007) argues the benefits of first establishing institutional network far outweigh the risks of delaying democratic and market-oriented reforms.

As stated, the countries that are transitioning from war to post-war are typically burdened with weak institutions where some require establishing completely new institutional networks. Here, the challenges faced by respective governments are fundamentally more complex than normal development due to the extra activities involved and design arrangements that are needed to include diverse stakeholders in the post-war development process. Castillo (2008) notes many inefficiencies and problems in post-war development arise due to poor institutional structures that hinder the policy process and advocate robust interventions. Here, the reconstruction efforts must start early and concurrently with humanitarian aid where the leadership of planning and executing interventions rests upon the respective government away from lead development partners such as NGOs. Castillo (2008: p 240) emphasise the importance of governance when establishing institutional networks,
“Unless the rule of law institutions and the economic and commercial legislation, as well as other legal, regulatory and administrative frameworks are in place and enforced, economic institutions will be weak and inoperative”.

Further, Castillo (2008) highlights three priorities in interventions strategy, first for quick impact projects to establish and sustain peace and advocate for humanitarian assistance to meet immediate needs. Second, reconstruction interventions to start concurrently with humanitarian interventions, which will support consumption and investments. This will help in reducing aid discrepancies, create employment and endure LED. Third, policymakers to enhance agency and co-production through democratic participation in order to build consensus among different stakeholders. However, building consensus may be challenging due to divisions arising from war though the success and sustainability of post-war development policies is likely to rest upon the degree of buy-in of stakeholders.

To this end, Kuwali (2014) proposes a three-tier strategy that involves the short, medium and long-term action. According to Kuwali (2014), in the short-term, the strategy needs to focus on providing security, ensuring freedom of movement and providing livelihood opportunities. For this, it is important to arrange access to basic needs at the time of resettlement and provide access to TSOs in order to mitigate the gap in government capabilities. However, most of the time TSOs' involvement is limited because of restricted access imposed by the respective governments and the military. The lack of capacity of the government to meet the demands of resettlement and its unwillingness to cooperate with TSOs is likely to leave IDPs without access to basic needs, livelihood opportunities and to suffer a lack of freedoms. The medium-term focus is on rehabilitation and reintegration in socio-economic, cultural and political aspects that will lay the foundation for the future success. The long-term strategy involves taking preventative measures to avoid further displacement, a continuation of security to assure human rights and addressing individual accountability according to applicable law. In practice, a seamless three-tier strategy is hard to come by because of operationalising issues. For example, medium-term re-integration into socioeconomic aspects may be
hindered by lack of available infrastructure and lasting vulnerabilities that the conflict has created, such as the presence of orphans, the disabled, widows and single-parent families. In the long-term, establishing individual accountabilities could face significant resistance from political actors and a powerful military (Goodhand 2012; Ratner 2013).

2.4.2 Local economic development

The economic development process is driven by infrastructure, attracting industries and foreign direct investments (FDI) (Rodriguez-Pose, Andres 2001; Rodriguez-Pose, Andres and Tijmstra 2005). As a result, economic development is seen as augmentation of infrastructure endowments. Rodriguez-Pose (2001) argues that traditional development strategies have not materialised largely due to a lack of local economic, social and institutional structures and a weak human resource base and emphasise for bottom-up local economic development (LED) (Figure 4). To this end, there are four main characteristics of LED: participation and social dialogue, mobilising of local resources and competitive advantage, LED is locally owned and managed and based on territory (Mollet 2012; White, S. and Gasser 2001).

![Figure 4](image.png)

**Figure 4:** The bases and the risks of LED strategies (Rodriguez-Pose, A. 2009: p.25).

PWZs are unlikely to attract inward investments, due to ongoing security concerns and a low skills base that tends to increase the risks of investments.
However, even attracting a small amount of inward investment is likely to have a large impact on the local economy. Providing incentives to attract investments could be beneficial to LED due to factors such as the introduction of new technologies and skills development (Blomstrom and Kokko 2003). Further, inward investments help in bridging the development gap between regions by reducing bottlenecks of local production systems and linking them to new markets (Helmsing 2003). Capacities of human resources are an important part of LED, although PWZs frequently face challenges in meeting labour market requirements (Cramer and Goodhand 2002). According to Kitson et al. (2004), although competitiveness of local firms is essential in LED, having a comparative advantage such as cheap labour costs may not necessarily result in their competitiveness. To this end, Porter (1985) advocates competitive advantage where competitiveness is derived from innovation and the ability to change and improve. However, there are risks involved in rooting economic activities in this way, such as a migration brain drain, easy access by competitors, subsidies to non-competitive firms and dependence. Simmons (2012) suggests collective action and enhancing of ‘possibility space’, a conducive enabling environment for economic activities to take place, which could mitigate risks when rooting economic activities.

**2.4.3 Possibility space for entrepreneurship**

To understand the possibility space for entrepreneurship that could potentially facilitate LED, a conceptual spectrum has been extracted from the works of Simmons (2012) that could be utilised in targeting and assessing interventions needed for promoting entrepreneurship, as shown in Figure 5.

![Figure 5: A conceptual model of entrepreneurial possibility space.](image-url)
Within the ‘impossible’ segment, conditions are acute that there is no space to conduct enterprise activities and any activity conducted in this segment tends to have illegal characteristics. What this means is that the high level of difficulty for entrepreneurial activities to take place results in severe constraints on entrepreneurs. In the ‘less possible segment’, there is scope for enterprise activity, although this tends to be small-scale and informal, with few prospects for scaling up. Here, push entrepreneurs adopt coping strategies for survival, such as paying bribes to overcome barriers, and their activities are more likely to be at subsistence level. The ‘more possible’ segment allows entrepreneurs a relatively high degree of freedom to conduct entrepreneurial activities. Here, space becomes conducive to innovation and capitalising on emerging opportunities, where pull entrepreneurs become active. The ‘open/ equal opportunity’ segment is where entrepreneurship is most valued and has the freedom to operate with considerably low barriers and entrepreneurs can achieve full potential. However, either end of the spectrum is hypothetical, as in any given context, the freedom for ‘entrepreneurial agency’ rests between either end of the spectrum. Here, the framework could help in contextualising entrepreneurship to PWZs. For example, the analysis could help in placing entrepreneurship on the spectrum and thereby facilitating targeted interventions.

2.5 The right of intervention

Having discussed the notion of capability and LED, the discussion extends to consider how interventions are in post-war contexts. The development of humanitarian interventionism recognised that the sovereign state alone could not sufficiently attend to alleviating insecurities faced by its citizens and may need external help (Fiering 1976; Hobsbawm 1996). This has led to the rise of a local and international ‘development community’ in which the interventions are channelled in promoting development, especially in conflict or crisis situations. The interventionist agenda is mostly underpinned by international development aid and foreign policy that has been ratified at multilateral level by institutions such as the Organisation for Economic Co-operation and
Development (OECD) and United Nations (UN) in order to promote peace, reconciliation and development (Uvin 2001). As a result, external interventions have become increasingly institutionalised and systemised. The sovereign states frequently use these interventions on their own or through the development community to achieve development goals. This has created a context of interdependence between the recipient sovereign states, multilateral institutions and the development community that together partially fulfil the needs of people. However, humanitarian interventions can have wider impact as stated,

“Humanitarianism, as we contemplate it today, has the potential to reinforce or set limits on state powers and market forces, at times even to shape them to better ends” (Reid-Henry 2014: p.428).

These interventions may occur regardless of sovereign states being willing or unwilling participants, citing the right to intervene (RTI) (Dyani-Mhango 2012; Seneviratne 2015). The interventions are primarily focused on large-scale processes such as nation building, promoting human rights, governance and poverty reduction where states lack the capacity (Monk and Mundy 2014). The setting of arbitrary propositions and levels of requirements by external actors when initiating interventions in crisis-ridden contexts is often viewed as intrusive, which has the potential of becoming a source of the conflicts that it is aimed to prevent (Campbell 2001). For example, the military victory over LTTE by GOSL occurred by GOSL rejecting a negotiated peace settlement advocated by external interventions (Walton 2016). There is also the risk of local resistance due to the involvement of stakeholders with different motives (Lee 2015). Despite the drawbacks, these interventions have become increasingly popular, resulting in the legitimising of an enlarged role of involvement into the affairs of sovereign states, individuals and communities by the development community (Blunt and Turner 2005). The legitimacy of the RTI has given scope, power and responsibility for the local and international development community to implement responses when and where needed (Heathershaw and Lambach 2008), raising many concerns.
“First concern is the goals of aid. Donors may hijack foreign aid to pursue their own security objectives rather than those, which would help the poorest. The second concern is about money. The wars in Afghanistan and Iraq and the wider war on terror have been extremely costly, and the debts incurred may soon gobble up aid budgets. The third concern is about the delivery of aid. Major donors are failing to coordinate aid through existing multilateral institutions, choosing instead to create their own new mechanisms and pursue their own priorities” (Woods 2005: p.393).

The donor behaviour has drawn criticism of being self-serving, the limited scope of objectives, focusing on increasing efficiency of funds involved and losing a long-term view (Berthélemy 2006; Milner 2004). Alesina and Dollar (2000) suggest that influencing domestic politics and foreign policy objectives has taken prominence over the needs of recipients and conclude that most forms of aid are tied to donor interests rather than grassroots level needs. Although the aid giving process could be inefficient, mismanaged, undemocratic and biased, as pointed out, the benefits are that it underwrites a significant part of global and domestic poverty reduction agenda and not receiving aid could worsen the situation of people living in poverty (Alesina and Dollar 2000).

2.5.1 Role of government interventions in local economic development

The aid earmarked for LED interventions by foreign donors makes up a large part of public sector income in developing countries (McGillvray and Morrissey 2001). In these efforts, most of the policies are targeted at households as a unit of intervention and typically use a three-tier strategy: infrastructure expansion, social sector expansion and safety net measures (Moser, C. 1995). With regards to the three-tier strategy; the frameworks of policy, strategy development and execution are dominated by the state at the national level or by local government institutes at meso-level, where the centralization limits the inputs by community-based organizations (CBOs), individuals and private sector participants in collaborative processes (Allison and Horemans 2006).
Therefore, all the interventions of three-tier strategy are dominated by the government (Moser, C. 1995), which has the command and control position.

State interventions tend to be predominantly sectoral-specific and the resource allocations are reflected in individual sectoral interventions that lack cross-sectoral coordination and cooperation (Casanovas et al. 2013) with the result that resources are being underutilised and the objectives of interventions are only partially achieved (Picture 2, 15 and 16). This is because unconnected sectoral interventions can only provide partial results while undermining social relevance and overall wellbeing (Casanovas et al. 2013). Borgman and Wegalin (1995) suggest that, while the state takes the lead for implementing policies and strategies for reducing poverty, it also needs to actively encourage CBOs, NGOs and private sector participation for sectoral improvements, development and changing the institutional framework that facilitates the interlinks of intervention.

Defining LED policy is not straightforward because all government actions tend to have direct or indirect effects on localities (Bartik 1991). Therefore, the discussion is limited to interventions on entrepreneurship, such as monetary assistance and incentives, training and facilitation of entrepreneurial space. The idea in post-war contexts is to facilitate inward investments, creating employment and income generation to supporting livelihoods and gaining competitive advantages, resulting in durable solutions (ILO 2010). Thus, the state’s role has evolved from correcting market failures, and promoting economic efficiency, growth and stability to reconstruction and recovery of local economies (Mohan and Stokke 2000) where the traditional role has shifted, creating complexities in PWZs. For example, the Government of Sri Lanka (GOSL) has to accommodate policies for non-conflict and post-war zones simultaneously, which is challenging at best of times.

The outcomes of interventions depend upon the strength of interlinks between sectors as well as stakeholders. The tendency of a top-down approach due to centralization is likely to hinder participation at the grassroots level, thereby limiting ownership, sustainability of interventions and agency. However, a
degree of centralization is necessary for planning and executing post-war interventions and such endeavours could benefit from striking a balance between centralization and grassroots participation. This does not necessarily mean the state not taking the lead role, in which it has ultimate responsibility. The state’s ability for selective intervention is a key determinant of ‘quality’ of interventions (Bardhan 1990). The aim here is to strengthen entrepreneurs to engage in innovation and arbitrage opportunities as well as facilitating policies for improving structural conditions in enabling entrepreneurial space. The efforts could benefit from supply and demand side entrepreneurship interventions in rooting LED (Figure 4).

**2.5.2 Support for entrepreneurial activity in the policy process**

The policy process could be understood by taking the network perspective. Here, the policy process at macro-, meso- and micro-levels ideally involve state institutions, private sector organizations, TSOs, communities and individuals (Cahill 1994; Desai and Potter 2008). The term ‘network’ suggests that policy process involves many public and private actors from different levels and functional areas of government and society (Jordan and Schubert 1992). Within this network, governments take the lead role in delivering policies, as providers or as regulators (Hill, Michael 1996). The idea of ‘public policy’ has been described in many ways, ‘the public and its problems’ (Dewey and Rogers 2012), ‘how, why and to what effect governments pursue particular courses of action and inaction’ (Heineman et al. 1990), ‘what governments do, why they do it and what difference it makes’ (Dye 1976) and ‘public involvement in private life’ (Parsons 1995). Given the array of descriptions, Hill (1983) argues that the definition of social policy implies three things; first, the policies that are identified as ‘social’ are not necessarily be interpreted as if they were conceived and implemented with only the welfare of the public in mind. Second, other policies that are not necessarily identified as social policy may make a comparable or even greater contribution to the welfare and third, the public policy needs to be seen as a whole, in which social policies are significantly interlinked. Therefore, the woven nature of the policy process tends to blur.
boundaries between actors, as any actions or inactions are inherently ‘negotiated’. These negotiations are at the heart of policy process and uphold the democratic values in social change in the modern political economy (Hill, Michael 1997).

The policies and governance could affect the supply as well as demand sides of entrepreneurship, thereby shaping the context (Hart, D. M. 2003). Here, the negotiators and the power structures associated with the policy process tend to be ‘top-down’, which limits ‘bottom-up’ initiatives at the grassroots level (Woolcock 1998). This has often conflicted with the democratic participation of individuals, households, small groups and communities. Hudson and Lowe (2009) argue for governance structures that encourage participation and decentralization to be in place, to fill the ‘democratic deficit’. Here, governance is defined as ‘the manner in which power is exercised in the management of a country’s economic and social resources for development’ (World Bank 1994: p.85).

While entrepreneurship policy has its own standing, it could also be associated with other public policies that promote economic growth, development and sustainability. The reasons for public policy interventions on entrepreneurship arises through deficiencies of markets, such as lack of awareness of the benefit of entrepreneurship, information gaps and lack of access to finance (Audretsch et al. 2007). In many instances, policies for entrepreneurship and small and medium-sized enterprises (SMEs) share similar goals, which aim to improve the performance and the number of economic actors (Rigby and Ramlogan 2013). However, the key difference is that while SME policy is directed at existing firms and they are firm-related, the policies of entrepreneurship are aimed at individuals (Storey 2003). For example, improving the competitiveness of firms may require a different set of policies in comparison to increasing the supply of entrepreneurs at the individual level. Here, many SME policies tend to be in a ‘technical’ form, which is typically extended to shape entrepreneurship policy. This could result in underestimating the importance of the sociocultural aspects in which individuals operate by bringing technical aspects to the forefront. Sociocultural aspects are as important as technical,
regulatory and monetary intervention policies, such as those used in Sri Lankan contexts (Gunatilaka et al. 2010), and failure to integrate sociocultural aspects in the entrepreneurship policy is likely to produce partial results.

The policy interventions could benefit from decentralisation, which is underpinned by the notion that central planning by the national state in terms of resources allocation is relatively ineffective and inefficient, due to the large involvement of bureaucracies, distance from grassroots needs and relative incapability to generate wealth (Lal 1997). Supporting this, Johnson (2001) suggests three arguments; first that the national state lacks the ‘time and place knowledge’ to implement policies and programmes that reflect ‘real’ needs and preferences at the grassroots level. The second is that the state, based on command and control, is qualitatively different from the competition and exchange-oriented markets and from other voluntary organizations. The third is that unchecked bureaucratic authority and lack of incentives, such as the low salaries of public officials, encourage ‘rent seeking behaviour’ among public officials. Here, the empowerment of agents is viewed as positive in shaping the policy process.

The path to decentralising the role of the national state is somewhat unclear, due to its cross-disciplinary involvement, administrative framework, and the quality and effectiveness of community interactions (Faguet 2004). Nevertheless, defining grassroots level needs by the local government and communities through participation is vital for ‘local solutions’ (Finsterbusch and Van Wicklin 1987). These solutions tend to be more effective and promote local participation and ownership to meet local specific challenges and accommodate local autonomy from the national administrative functions.

However, there is some opposition to decentralization, on the grounds it may increase disparities, jeopardize stability, undermine efficiency and increase corruption (De Vries 2000; Prud'Homme 1995). ‘Hollowing out’ the national state may lead to the creation of a multi-level and multi-arena policy environment which may result in power concentration rather than diffusion (Heywood 1998). For Koanteng and Larbi (2008), decentralizing the policy
process is not about one group sacrificing power to another. It is more likely that one group will increase its influence on policy over others, where unequal power is seen as representing ‘winners and losers’ within policy networks. The result is the creation of distrust, new friction and further distancing of grassroots from the policy process. Therefore, the decentralizing policy process may not necessarily produce favourable results.

2.6 Role of non-governmental organizations (NGOs)

In recent decades, TSOs have expanded their public profile and legitimacy in the policy process and welfare service delivery (Casey 2004). Within this, the involvements of NGOs have grown significantly in many areas. Notably in poverty reduction, international development and welfare, where donor nations, multilateral and unilateral institutions are actively engaging with NGOs to achieve development goals and social change, citing their efficiencies and the ability to promote good governance (Edwards, Michael and Hulme 1996; Fisher 1997; Robinson 1994). This has resulted in NGOs becoming large-scale partners in development and building of civil society (Mercer 2002). The NGOs that are engaged in development activities are classified into three categories; international, national and grassroots organizations (GROs) (Parikh 2009). Davidson and Peltenburg (1993: p.15) provide a broad definition of NGOs as ‘associations established to pursue development objectives on a non-profit basis’. The remit of NGOs has evolved over time to include activities such as relief and welfare, and local small-scale self-reliant interventions that include services of self-help and capacity building and provide consultation and advocacy (Korten 1986).

The argument for market economies, with private and non-governmental sector involvement, is the belief that market imperfections are better than imperfect states and the argument for good governance is that it has been an essential part of economic development (Coclough and Manor 1991). It is understood that NGOs are better equipped to reach the people living in poverty and are capable of providing better value for money relative to state participation.
(Edwards, M. and Hulme 2010). This is also underpinned by the fact that NGOs have a long history of providing aid and relief efforts specifically to people who are living in poverty, vulnerable communities and individuals (Chandler 2001). NGOs are seen as the ‘choice’ for welfare and social change, while offering credibility for third sector participation in related matters (Agbola 1994). Further, NGOs and CBOs are perceived by international agencies as a fundamental part of bringing democracy to developing countries and reducing the power of the national state and local governments, where they promote and bridge the gaps in communication, training, auxiliary services and diversity (Mercer 2002; Uphoff 1993; Williams, Aubrey 1990).

The rise of NGOs has set two notable trends (Clark, J. 1995): the first is that donor aid channelled through NGOs has enlarged significantly in the recent past and has become the development partner of ‘choice’. The second is that NGOs are increasingly depending on donor aid to meet the costs and finance their operations, questioning the stability and sustainability of these partners of choice. The scale of the dependency on aid has raised issues around the ability of NGOs to maintain their independence, their performance and accountability (Arellano-López and Petras 1994). This has led to a call to ‘bring the state back in’ (Lewis and Opoku-Mensah 2006; Zaidi 1999) and engage directly with governments, which limits the role of NGOs (Mosse 2005). However, Edwards and Hulme (1996) argue that while financial dependency on donor aid has put pressure on NGO-state relations and has somewhat limited the ability of NGOs in pursuing their goals while there are no universal relationships between increasing dependence on official aid, and particular trends in NGO programming, performance, legitimacy and accountability. Therefore, all actors are interdependent and NGOs have an important role in creating shared and sustainable value (Dahan et al. 2010; Korten 1987; Kramer and Porter 2011).

The development activities in post-war contexts are usually discussed around rehabilitation, civil society and capacity building in a linear model of ‘relief-rehabilitation-development’ (Patrick 2001) or ‘rescue-relief-rehabilitation’ (Sayer 1995). This linear perspective has somewhat undermined the links between stages and the long-term view at the beginning of interventions. This also leads
to the tendency to implement unsustainable and short-term interventions affecting the credibility. The potential of NGOs to efficiently deliver services to disadvantaged communities is well-established (Miraftab 1997; Smillie 1997; Whaites 1996). The NGOs have the added advantage of their humanitarian mission and relative trust when reaching out to post-war communities (Morais and Ahmad 2011). However, trusting NGOs to carry out interventions is sometimes viewed as ‘best bad option’ because, at some point, most NGOs have had relations with warring parties. Such relations could compromise interventions and be viewed with suspicion (Orjuela 2005).

“Most NGOs at one time or another have coordinated with military forces in the execution of their aid activities. This is done with varying degrees of caution and reluctance” (Stoddard 2003: p.3).

These interactions are unavoidable because of lack of capacity within NGOs, thereby having to depend on other parties and have created a tense relationship between national states and NGOs (White, Sarah C. 1999). The mistrust has led governments in monitoring NGOs (Harris, S. 2010). For example, many NGOs collaborated with both GOSL and the LTTE during the conflict, for service delivery (Sorensen 2008; Stokke 2006). This drew criticisms from Sinhalese from the south for collaborating with a terrorist organization and successive governments have shifted their position from collaboration to the opposition (Walton 2013). For Tamils, it was seen as abandoning them (especially by UN bodies) at the last stages of the conflict without providing protection (DeVotta 2009). Therefore, managing misunderstandings, mistrust and perception have become priorities for NGOs’ strategy in PWZs, which could have a direct impact on interventions. This has increasingly become difficult partly because, at international level, donor aid has become political (Debiel and Sticht 2005) and at the national level the humanitarian works of NGOs have been used for political purposes (Baitenmann 1990).

As stated, actors such as government, NGOs and private organizations are unable to operate unilaterally due to lack of individual strength, which highlights the need for collaborative partnerships. Such partnerships require high levels of
trust and understanding within networks (Rummery 2012), although realising these is complicated in an environment dominated by a deficit of trust and understanding such as in Sri Lankan PWZs. Walton (2008) argues that NGOs operating in Sri Lankan conflict settings are engaged in a complex balancing act that constantly negotiates the relationship between GOSL, donors and domestic political actors, which limits the flexibility, capacity and legitimacy of NGOs. Therefore, the very efforts of NGOs' humanitarian values in establishing integrity, governance, legitimacy, accountability, democracy and transparency in state and community building have become more challenging and relevant.

2.7 Role of community-based organizations (CBOs)

The involvement of the community in development activities has a long history (Holdcroft 1978), although it has achieved mixed results. However, this has gained traction among the development discourse, especially through the works of Sen (1999). According to the capability approach (CA), the core objective of development is to improve the capabilities of individuals, groups and communities for them to be self-resilient and choose lifestyles that they value. This bottom-up participatory development process involves the inclusion of people living in poverty in the decision-making, which promotes empowerment (Chambers 1983; Mooney et al. 2015). Participatory decision making is an essential element of CA and considered important in LED (Frediani 2007; Schulz et al. 1995). The decentralization efforts have emerged in the belief of community participation will facilitate local ownership through developing decision-making, resources management and sustainable development at micro-level (Ahmad, M. S. and Abu Talib 2013; Alkire, S. 2005).

The shift led many interventions to support local initiatives that involve CBOs and collective action, recognising them as co-partners that have more responsibility for communities they live. Davidson and Peltenburg (1993) define CBOs as any type of organization, formal or informal, which is based on a group of people living or working together and who associate to pursue
common interests. They are characterized by being local in focus and directly accountable to their constituents (Davidson and Peltenburg 1993). These organizations are often characterised as financially weak, lacking technical and organizational capacity, politically less effective and, therefore, in need of external assistance (Bebbington and Riddell 1995; Eade 1997).

The increased involvement of CBOs has raised questions about how participation is understood (Mansuri and Rao 2004). The important aspect of participation is how individual members of CBOs get involved in community-driven development to pursue collective goals instead of individual goals, thereby balancing opportunism and cooperation. The advantages of cooperation are that when members get involved in development projects, they bring local knowledge, collective bargaining power and the ability for self-initiated action (Wienecke 2005; Zeuli and Radel 2005). This participation also brings voice, choice and empowerment to a community that is otherwise marginalised.

Gilbert (1987) argues that community participation is often exaggerated. In addition, there is the peril of selective participation by local elites such as educated and wealthy that has the potential to silence the majority membership (Young 1993). The over-reporting of outcomes by development initiatives tends to hide the extent of community participation, thus Botes and Rensburg (2000) warn us to be cautious when understanding participation. This is because there are visible and invisible competing values and interests between professional planners, development agencies and government institutions who have the control over resources and members of CBOs with competing agendas (Dill 2010). Furthermore, activities involve prioritising choices, which often come at an expense to the other, creating conflict within the negotiating process and leaving some feeling neglected. Such internal conflicts could also arise from diverse stakeholders having different reasons for engagement, even though they share common objectives (Stiefel and Wolfe 1994). There is also the potential for individuals to pursue individual objectives while taking collective action for common interest thereby becoming opportunistic rather than being cooperative or seeking the common good. Olson (1971) argues that without
taking special precautions, individuals tend to place their own interests before common interests, which undermines community-based development. While acknowledging above limitations, Ibrahim (2014) argues that collective action leads to the expansion of individual and collective capabilities and CBOs act as a vehicle for operationalising CA and enhancing agency where, in some contexts, the collective action seems the best way forward.

2.8 Summary of the chapter

The chapter has examined the main theories of economic development and how these have evolved in the context of poverty. It discussed the market mechanisms in terms of increasing economic growth as a way of reducing poverty in LDCs. It showed how the limitations of growth approaches have provided the way for market interventions to become the dominant method for poverty reduction. Here the role of development partners has become increasingly important in economic development. The term ‘development’ is subjective as it is context-specific, although there are core values that underpin the economic development process. It has been argued that the main thrust of global efforts to reduce poverty has been on extreme poverty, which has brought mixed results, as focusing on reducing headcount and increasing income has lessened attention paid to other aspects of poverty. It has been further argued that poverty is multidimensional; thus, increasing income through economic growth is only one aspect and understanding poverty as a combination of multifaceted contextual factors is beneficial for addressing poverty reduction.

To this end, the capability approach (CA) has stressed the importance of agency and has captured the multidimensional nature of poverty. As a result, poverty discourse has shifted from analysis of means of living to include the human capabilities that provide opportunities to individuals and groups. However, in principle, the CA acknowledges the importance of income, the role of commodities and the importance of market mechanisms in poverty reduction. It is recognised that a vital part of poverty reduction rests upon the individual as
as collective capabilities, and thus it is important to build capacities of individuals and groups at the grassroots level.

The discussion established that non-conflict and post-war economic development bear some similarities as well as differences. Post-war economic development has been discussed in terms of scale, time and context and it has been argued that it needs to be different from that in non-conflict zones. The need to recognise these differences is essential in bringing durable solutions to resettled IDPs in PWZs. However, GOSL faces substantial challenges because of its need to develop post-war zones alongside non-conflict zones.

It has been shown how humanitarian interventionism has given rise the development community that now wields power over governments through policy and international aid. This has legitimised the role of non-state actors in economic development at macro-, meso- and micro-level. The intrusive nature of the interventionist approached has often created distrust and complexities among stakeholders in countries that are emerging from conflicts. Foreign aid that is channelled via the development community contributes to a large part of public sector income of post-war countries and as such helps to underpin the tacit power of the development community. However, the discussion has argued that the development community plays a positive role through interventions that encourage participation and decentralization.

The role of CBOs in the economic development has been discussed, along with how CA has contributed to individuals and communities of becoming self-resilient. The increased involvement of CBOs has raised discussions around community participation, which has been discussed at length. The ability and limitations of the individual to pursue common goals have been examined and the need for community organisation has been highlighted to gain collective strength and achieve objectives that bring benefits to communities. Further, it has been argued that the patron-driven CBOs have similar characteristics to IOFs and their membership as member firms are like individual entrepreneurs who are investors and/ or self-employed. This has led to the argument that individual members of CBOs could be treated as individual entrepreneurs to
some extent, even though they typically follow collective goals. Finally, this chapter has highlighted the role of different stakeholders in the post-war economic development process, and the overlapping boundaries between them.
CHAPTER THREE
Barriers to enterprise and escaping poverty traps

3.1 Introduction

The previous chapters have provided an overview of development economics and argued the need for distinct economic development process in post-war zones (PWZs). This stresses the importance of the capability approach (CA) as an overarching theoretical framework and the need for external intervention in achieving durable solutions to resettled IDPs. Here, the role of the development community, individual and collective action has discussed at length in the light of reducing poverty.

This chapter begins by exploring mainstream entrepreneurship discourse and establishing the relationship between entrepreneurship and poverty reduction. Two main theoretical approaches to entrepreneurship have been identified as Schumpeterian creative destruction and Kirznerian arbitrage opportunities. This chapter extends these two concepts as barriers to market entry and barriers to innovation and establishes that different entrepreneurs face different barriers to varying degrees, as such the importance of understanding entrepreneurial ‘space’. The discussion advances to examine entrepreneurship in the context of poverty and identifies the benefits and limitations of entrepreneurship in poverty reduction and highlight the importance of external interventions.

Poverty is discussed in terms of micro-level poverty traps and some instruments to escape poverty traps are suggested. Here, the discussion is underpinned by the principle that targeted interventions in entrepreneurship to reduce poverty are two-fold in purpose: building the capabilities of people living in poverty to enable them to increase income and accumulate wealth while discouraging the occurrence of poverty traps. The discussion suggests that reducing poverty will only be possible by strategically addressing poverty traps while emphasising the need for formalising push entrepreneurs to gain full potential.
3.2 Entrepreneurship and poverty reduction

Richard Cantillon first coined the term ‘entrepreneur’ in the 18th century for the unique risk-bearing factors involved, and the concept of entrepreneurship has evolved over time (Thornton 2010) to encompass its cross-disciplinary involvement into areas of economics, politics, management and broader sociological studies that have generated many definitions and interpretations (Busenitz et al. 2003). This has prevented a universally accepted definition, which has led to a broader conceptualization of the topic. For example, entrepreneurship is associated with public sector (Bartlett and Dibben 2002; Morris and Jones 1999; Zerbinati and Souitaris 2005), third or non-profit sector (Badelt 1997; Benz 2009), social enterprise (Martin and Osberg 2007; Peredo and McLean 2006) and new venture creation for profits (Gartner, W. B. 1985; Venkataraman 1997). Without a definition, it is difficult to provide directions for policy recommendations and interventions and bearing in mind the complexity of the subject, the following description of entrepreneurship is adopted in the study. ‘Entrepreneurs’ are considered to be the people engaged in entrepreneurship, which is described thus:

“Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and/ or career commitment of providing value for some product or services. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources” (Ronstadt 1984: p.28).

Entrepreneurship is mainly associated with capitalising of opportunity. Hansen et al. (2011: p.292) describe opportunity as ‘an entrepreneur’s perception of a feasible means to obtain/ achieve benefits’. Modern literature suggests the study of entrepreneurship is largely based on Schumpeter’s and Kirzner’s views of entrepreneurship where Schumpeter (1928) viewed entrepreneurs as innovators who challenge market equilibria while Kirzner (1973) viewed
entrepreneurs as opportunity seekers and value creators. The discussion proceeds to explore these approaches.

3.2.1 An overview of Schumpeter’s approach to entrepreneurship

For Schumpeter (1934), the main motivations of entrepreneurs are their desire and initiative for the creation and he viewed entrepreneurs as individuals who are economic leaders, which places the individual/agent at the centre of economic development. The placing of entrepreneurs at the centre of the economic process led to the separation of entrepreneurs from the managerial function and placing entrepreneurship as a factor of production, which were dominated by land, labour and capital at the time. Here, the distinction between entrepreneurship and managerial function is important in the post-war context because: (a) It brings resettled IDPs to the forefront of development as active partners (b). It provides a clear direction in rooting LED (Figure 4), and (c) it allows specific interventions such as skill development where needed.

‘Schumpeterian’ entrepreneurship describes markets as inherently in a state of non-perfection, and therefore not likely to reach equilibrium because of entrepreneurial activity (Bruin and Dupuis 2005; Dollinger 1995; Kuratko and Hodgetts 2001). The rationale behind this is that entrepreneurs are constantly engaged in innovation and create new status quos at higher levels while terminating existing ones, thereby coining the term ‘creative destruction’ (Chiles et al. 2007). The equilibrium described here is with reference to price and quantity demanded of a product or service at a given time, where the innovation arising from entrepreneurship disrupts the equilibrium. As a result, innovation makes markets dynamic and creates new opportunities and without entrepreneurs, markets are likely to be static. Schumpeter (1934) argues entrepreneurs could benefit from having the command over means of production in order to engage in innovation, which allows entrepreneurs to provide the economic leadership in the development and be agents of change. Schumpeter describes the enabling of new combinations as ‘enterprise’ and the individuals carrying out the functions of enabling new combinations as
entrepreneurs’. The new combinations take five forms; new good or a new quality of a good, new method of production, new markets, a new source of supply of raw materials and new firms or new ways of organising businesses that disrupt established market positions (Dodgson 2011; Kurz 2008). These actions contribute to economic development where the enterprises that enable new combinations are considered as an essential part of economic development (Spencer, Aron S. and Kirchhoff 2006). The new equilibrium is a positive change in demand where demand increases along the demand curve or a shift in the demand curve and implied innovation enabled positive change in demand is an essential part of economic development. The concept is important for the Sri Lankan context in understanding the entrepreneurial space for resettled IDPs in PWZs. This is because the favourable space for entrepreneurship is likely to determine the ability to innovate and agent-driven economic development in PWZs.

Credit or access to finance is an essential part of innovation that leads to the creation of new possibilities and establishing of new firms (Croitoru 2012). Here, the process of formation of a new business is imbedded into entrepreneurship (Schumpeter, Joseph 1934), which has several stages: idea generation/ recognising the opportunity, acquiring and allocating resources to develop the opportunity, and starting the new business (Baron and Shane 2005). However, the actions of entrepreneurs go further into strategic and operational aspects of achieving objectives, identifying further opportunities and sustaining such activities. Further, it is worth noting that entrepreneurship does not necessarily mean of formation of business entities, though this is widely accepted (Carree, M. A. and Thurik 2006), where the concept of ‘firm’ is important in rooting economic activity (Figure 4) as well as enabling the transition from the informal sector to become formal (Sections 1.6.1 and 1.7).

The separation between entrepreneurial function and managerial function is also important in terms of innovation and firms. This is because innovation and evolution of firms could occur independently from entrepreneurs. For example, many multinational corporations have become leading innovators due to their research and development capabilities (Nelson 1991). Despite this, many small
firms account for a high number of innovations and patents disproportionate to the size of the firm (Garcia-Penalosa and Wen 2008). However, Carland et al. (1984) argue that not all small firms are entrepreneurial, pointing out that many remain small or have short lifespans. Further, the view of Schumpeterian entrepreneurship is based on individual entrepreneurs and their firms, which is the basis of this research study and does not include corporates or intrapreneurship.

3.2.2 An overview of Kirzner’s approach to entrepreneurship

The mainstream literature on entrepreneurship tends to see entrepreneurs in relation to their functions within the market economy. Kirzner had a similar approach in understanding entrepreneurship within the subject of economics as Schumpeter, which he described in terms of market equilibrium. For Kirzner (1973), entrepreneurship is a discovery process of gaps in the market and pursuing such opportunities, which is essentially engaging in arbitrage opportunities through new data and information. The arbitrage opportunity arises through the alertness of entrepreneurs in processing new data and information, which further helps market competition. The arbitrage process invariably drives imperfect markets towards equilibrium, which is primarily different from Schumpeterian entrepreneurship that argues for creating new market equilibrium at higher level leading to the creation of market imperfections. The notion of equilibrium is central to both approaches and defined in relation to competitive industry as,

“The market price equates the quantity demanded to the total quantity supplied by the given number of firms in the industry” (Begg et al. 1991: p.140).

Hebert and Link (1985: p.273) argue that Kirzner makes no difference between competition and entrepreneurs and note that the ‘competitive market process is essentially entrepreneurial’. Therefore, it is useful to understand the functions that entrepreneurs carry out within the contexts they operate such as opportunity recognition, decision-making and capabilities to the forefront.
The arbitrage opportunities arise due to price differences, a discovery of past errors, which is time and space bound (Hebert and Link 1989). Hebert (1985) suggest that arbitrage opportunities are results of past and present market imperfections and the opportunities occur at 'present' and not in 'future' with relatively short lifespans, which does not expose entrepreneurs to risks in a meaningful way. However, Kirzner (2009) clarifies this to include the arising of future arbitrage opportunities where entrepreneurs could prepare themselves to take advantage when they occur, similar to the view of Richard Cantillon held in association to entrepreneurship (Murphy 1986). For example, entrepreneurs could act upon future price volatility, where they buy now in anticipation of the price of a commodity to rise in the future. To benefit from arbitrage opportunity, entrepreneurial alertness is more important than creativity and due to these actions’ markets tend to systematically gravitate near demand-supply equilibrium. Kirzner (2009: p.148) sees entrepreneur's alertness and decision-making as the driving force of the market process, stating:

“His equilibrative role stemmed not from his autonomously introducing change into existing market relationships, but from his ability to notice, earlier than others, the changes that have already occurred, rendering existing relationships inconsistent with the conditions for equilibrium. The discrepancies that the entrepreneur notices appear in the form of profit opportunities”.

Kirzner (2009) argues that Schumpeterian creative and innovative entrepreneurs engage in arbitrage at an abstract level when they become involved in new combinations (Section 3.2.2) in anticipation of future demand at a profit, where the future selling price is greater than the present cost, which is responding to price differences. This illustrates the similarities of the two stated approaches when entrepreneurs engage in innovation, arbitrage or both in the market process. Therefore, it could argue that main limitations for entrepreneurship are barriers to innovation and barriers to market entry (Boettke and Coyne 2003).
Aligned with the interpretation of Schumpeterian and Kirznerian entrepreneurship, the majority of the contemporary literature identifies the entrepreneur as a person or group of people who are opportunity driven, take risks beyond security, bring ideas into practice and are agents of change (Kuratko and Hodgetts 2001). In essence, the focus of these descriptions appears to be maximisation of individual benefits, suggesting that the main thrust of entrepreneurial processes are individualistic and more inclined towards maximising individual profits (Hessels et al. 2008; Ireland et al. 2003; Wennekers and Thurik 1999). The identification of opportunities and acting upon them largely rests on information and knowledge arising from education, skills and experience, which tend to be individualistic capabilities (Holcombe 2003; Roininen and Ylinenpaa 2009). However, Van et al. (2007) suggest entrepreneurs could use self and collective interest in perusing opportunities, where they could benefit from recognising opportunities as well as the creation of new opportunities by acting collectively and advises them to see entrepreneurship beyond an individualistic and monetary lens.

### 3.2.3 The scope of entrepreneurship in poverty reduction

The argument for economic development through entrepreneurship is supported by its ability to increase market competition, gain economy-wide efficiencies, and lead to innovation, job creation and economic growth (Beck et al. 2005; Kongolo 2010). It is further argued that entrepreneurship helps to increase income, leads to redistribution through participation by entrepreneurs in economic activities and reduces inequality (Soubbotina and Sheram 2000; Spencer, Aron S. et al. 2008). A large proportion of entrepreneurial activity is taking place as small and medium-sized enterprises (SMEs) that contributes to economic output and substantial employment generation through labour-intensive activities (Aris 2007). According to Michelacci (2003), economic development may stall due to lack of entrepreneurial skills, which emphasizes the importance of entrepreneurship to facilitate LED and the importance of entrepreneurship and SMEs is highlighted for poverty reduction (Nieman 2001; Ogundele et al. 2012).
The relationship between entrepreneurship and poverty could be viewed as: (a) Entrepreneurs consider people living in poverty as ‘consumers’ and generate profits through meeting market demand (bottom of the pyramid business proposition or BOP) (Karnani 2007); or (b) People living in poverty using entrepreneurship to break the cycle of poverty (Adenutsi 2009; Hart, S. L. and Christensen 2002). The first notion has prevailed over others, due to the mainstream discourse portrays entrepreneurship as creative destruction, high-growth high-wealth creation businesses or start-ups (Bruton et al. 2013). However, market-based approaches provide a possibility to escape poverty for people living in poverty. As noted,

“Market-based solutions such as entrepreneurship offer the best opportunity to create substantial and significantly positive change within poverty settings” (Bruton et al. 2013: p.684).

Market-based approaches to poverty reduction such as entrepreneurship have the ability to positively contribute to labour market through self-employment and employment creation (Badal 2010; Decker et al. 2014). The relationship between entrepreneur and labour tends to be long-term and mutually beneficial, as it helps to narrow the income gap through providing a consistent income, thereby reducing inequality (Adenutsi 2009). It is further argued that entrepreneurship improves productivity through reallocation of resources (Kam 2015; Nystrom 2008). Roxas and Gerardo (2011) suggest that market-based approaches such as entrepreneurship provide the best solution to reduce poverty as long as entrepreneurs can balance between profits and social benefits and when communities started thinking themselves as entrepreneurs.

3.3 Barriers to entry

The growing popularity of SMEs and their ability to respond to market changes in a speedy, flexible and somewhat tailored manner have challenged established business models such as ‘cost leadership’ (Keskin 2006). The
relatively rapid response time by SMEs to market opportunities are well documented (Blackburn et al. 2013; Jones, O. 2003). However, Svensson and Barfod (2002) suggest that although such responses are relatively rapid, the size of the market opportunities presented is small and any profit-maximising prospects that are gained are small and short lived. Therefore, it could be argued that large firms still hold a long-term advantage over small firms in terms of capability, sustainability and profitability.

As suggested, the SMEs are important because of their capacity to engage in innovation, employment creation, responding to market trends, contributing to economic growth and taking risks that large firms do not wish or are unable to take (Burns 2011; Hart, P. E. and Oulton 1996) thus becoming a catalyst for social change. However, Doern (2008) argues that only a few small firms grow, many small firms stay small or fail and the majority of new firms die young. This emphasises the importance of understanding barriers. As entry and exit barriers share similar characteristics, it is possible to discuss these barriers under one theme of entry barriers, due to its prominence (Caves and Porter 1977a; Eaton and Lipsey 1980; Geroski, P. et al. 1990). Within the context of this thesis, it is fruitful to discuss barriers in relation to market entry by SMEs.

The entry of a new firm into a market is vital as competition is an important source of new technologies, ideas, better quality product and services, competitive pricing and innovation. The entry barriers can be categorized into two types: ‘structural’ and ‘strategic’ (Bain 1956; Porter, M. E. 1985). For example, structural barriers arise from industry conditions, such as highly intense capital requirements and complex manufacturing processes and the strategic barriers include high advertising and promotional budgets from existing firms and exclusive dealing arrangements, which are thoughtfully placed in order to suppress competition and discourage new entrants to the market (Lofstrom et al. 2014). However, some types of barriers have overlaps, and therefore could fall into either category, such as statutory and regulatory barriers (OECD 2007).
According to Bain (1956), market entry conditions are mainly structural conditions and entry conditions of new firms are determined by the potential advantages they have over established firms in an industry. These advantages are primarily economies of scale, absolute cost advantages and product differentiation. Similarly, Porter (1979) identified six major sources of barriers to entry: economies of scale, product differentiation, capital requirements, cost advantages independent of size, access to distribution channels and government policy, such as licence requirements and tariffs. Bain’s advantages are predominantly profit-oriented (Geroski, P. et al. 1990) and as such may only hold true in part in current markets.

According to Bain, scale economies produce two barriers to potential new entrants, the ‘percentage effect’ and ‘absolute capital requirements effects’. The ‘percentage effect’ refers to the minimum size of the production plant (manufacturing) needed to accommodate the potential market (minimum efficient scale) while the ‘absolute capital requirements effect’ refers to the large investment needed to build the required size of production plant (Geroski, P. et al. 1990; Sekkat 2010). Therefore, the overall advantages/disadvantages are determined by the estimation of cost per unit at various output levels achieved by the manufacturers over their competition. As a result, the best possible organization to minimise factor expenditure will be better suited to market settings. Here, ‘sunk cost’ also forms a part of entry barriers and could be described as the willingness of established firms to accept lower levels of profits than they usually accept when investing in new projects (McAfee et al. 2004) or the costs that could not be removed from the production or operational process (Blees et al. 2003). Consequently, new entrants could be better off staying out of such markets, and thus sunk cost is acting as an entry barrier.

The absolute cost advantage refers to a country’s, business organization’s or individual’s ability to produce and sell more goods and services using the same amount of resources as its competitors (Schumacher 2012). Absolute advantage leads to low unit cost relative to competition and possibly higher profits for the entity that enjoys such an advantage. While production efficiencies may present a barrier to entry, they do not necessarily hold a great
advantage to prevent new entrants to markets and therefore it is possible to overcome absolute cost disadvantages faced by new firms (Porter, M. E. 1985).

Product differentiation advantages occur mainly due to strategic advantages when buyers prefer one product or services over many available closely associated substitutes, which is closely related to ‘customer loyalty’ (Smith, W. R. 1956). Such preferences are mainly propagated by sales and marketing activities to gain advantages over competitor’s price and quality and achieve a commanding position in markets through value creation (Levitt 1980; Webster 1988). However, customers tend not to have fixed alliances with products or services and their preferences could be ‘fluid’ (Baloglu 2002; Kumar and Shah 2004). Exercising customer loyalty programmes by established firms is usually costly, while overcoming any existing customer loyalty may also prove difficult and costly for new entrants; therefore, product differentiation acts as an entry barrier. However, a new entrant with an innovative product or service may gain ‘first mover advantage’ over the established competition when compared to a firm trying to introduce a ‘better’ substitute to the market (Lieberman and Montgomery 1988). The ability to enter a market by a potential new entrant could be curtailed by established firms using price mechanisms: reducing their prices after the new competitor’s market entry or reducing prices before entry as a preemptive deterrent (Caves and Porter 1977b; Demsetz 1982). However, such pricing strategies tend to be untenable in the long run and capable new entrants could overcome such difficulties with careful planning and execution of operations.

Lofstrom et al (2014) classify entry barriers into three sets; industry-specific entry barriers, access to financial resources and cognitive skills, knowledge and education. The industry-specific entry barriers can be divided into two groups: high barrier industries and low barrier industries. For example, low barrier industries are those that do not demand intensive capital requirements and the required level of owner education is relatively low. Likewise, high barrier industries are the ones that need intensive financial capital requirement and demand relatively high owner education levels for market entry. Lofstrom et al
(2014) note financial capital and education play a pivotal role in overcoming barriers. Therefore, cognitive skills and knowledge transferred through formal education can help to overcome entry barriers. Martins (2004) classifies entry barriers into three distinct clusters: regulatory barriers, cultural and social barriers and economic and financial barriers, while acknowledging that some groups and areas have ‘unique’ sets of barriers facing them. These groups and areas are identified as women, ethnic minorities, people with disabilities, young people, and those in deprived areas and rural areas. Therefore, the challenge remains to recognise these unique barriers and overcome them to achieve inclusive development. Further, it has been pointed out that barriers to entry have overlapping boundaries that could influence other aspects.

What emerges from this discussion is that not all barriers are alike and different entrants face different entry barriers to different degrees, while some face context specific barriers. For example, PWZ entrepreneurs could face a different set of barriers to non-conflict zone entrepreneurs or similar barriers on a different scale. Further, incumbent firms may act to deter new entrants to market in order to maximise profits resulting in SMEs facing greater hurdles when entering certain markets (Blees et al. 2003). Maintaining entry barriers by incumbent firms may cost them in the long-term such as high advertising budgets or low pricing, therefore, may provide some respite to new entrants who seek opportunities. However, the presence of structural and strategic barriers has resulted in limiting new entry to markets especially for SMEs (Rosenbaum and Lamort 1992). As a result, many new firms entering most industries have been small scale and have a short life expectancy (Geroski, P. A. 1995), suggesting that although SMEs were able to enter, the post-entry period is full of challenges to survive. Caves (1998) also found that new firms face a higher level of risk and are most likely to exit the market within the first few years. Nevertheless, innovation is advocated as a key advantage for market entry and provides the best chance of survival in the post-entry period for SMEs who enter new markets (Cefis and Marsili 2006; Geroski, E. A. and Schwalbach 1991).
3.4 Scope for innovation

As suggested by ‘Schumpeterian’ entrepreneurship, innovation is the cornerstone of economic development (Wiles 1963) and ‘creative destruction’ is viewed as healthy and a necessity for the economy. This line of thought has gradually gained prominence and innovation has become a crucial part of development economics and entrepreneurship theory and practice (Baron and Shane 2005; Fayolle 2007; Koster and Rai 2008; Spencer, A. S. et al. 2008). According to Piatier (1984), innovation is one of the driving forces, if not the prime mover of economic progress. Schumpeter (1939: p.80) differentiates innovation from invention,

“Innovation is possible without anything we should identify as invention and invention does not necessarily induce innovation, but produces of itself no economically relevant effect at all”.

The boundaries between invention, innovation and technological change are less clear (Ruttan 1959). The concept of innovation tends to be associated with a process involving commercialization of inventions, which is value driven (Godin 2012). Factors influencing innovation and capacity to innovate differ depending on the individual, the country or the current stage of a particular economy (Kamien and Schwartz 1975; Maclaurin 1955; Sheremata 2004). Understanding the ‘barriers’ approach to innovation is useful, as once the barriers are identified, it is possible to identify the causes and use remedies to overcome or even completely eliminate them. McAdam (2004) adds that incorporating innovation into SMEs by entrepreneurs is a key challenge, which is complicated by factors such as globalisation, shortening product life-cycles, changing consumer patterns, increased competition, economic changes and technological advancements. It is argued that LDCs tend to enjoy relatively more protected economies in contrast to developed economies (Dornbusch 1992), although LDCs have come under tremendous pressure from the above factors, making it difficult to carry out innovation, and threatening the existence of SMEs and their ability to innovate (Hadjimanolis 1999).
Piatier (1984) suggested a resource-based approach to barriers to innovation and classified them as internal and external barriers. The internal barriers include resource-related barriers (such as finance), human nature-related barriers (such as attitude to risk) and cultural barriers (such as resistance to knowledge sharing). The external barriers include supply, demand and environment-related barriers (Carrillo et al. 2009; Hadjimanolis 1999). For example, supply-side barriers include challenges in acquiring information, technologies, raw materials and access to finance, while demand side barriers include changing customer needs, their opinion towards innovation, customer risk perception and domestic and foreign market limitations. The environmental barriers include government regulations, the legal framework and policy decisions (Hewitt-Dundas 2006; Madrid-Guijarro, 2009).

The barriers to market entry and barriers to innovation suggest that they are interlinked. There is also the tendency to discuss innovation as part of or synonymous with high tech, high growth firms and industries (Jain and Ali 2013; Tödtling, 2005), leaving out push entrepreneurs. This is supported by D'Este et al. (2012: p.487) who state that:

“The important deterring role of market factors might be interpreted in light of the presence of markets dominated by established incumbents where it is not feasible for new, smaller firms to engage in innovation-based competition”.

What has emerged from the discussion is that it is reasonable to ask whether push entrepreneurs in PWZs who experience poverty are able to innovate and, if innovation is possible, to what extent? This is because market entry, scaling up and the longevity of the enterprise largely depend upon the ability to innovate. Therefore, it is important to address barriers faced by entrepreneurs: as Robson and Obeng (2008: p.387) state, ‘any enterprise that does not innovate inevitably ages and declines’.
3.5 Poverty traps

It has been argued that people living in poverty need external help in order to increase their income, accumulate wealth and escape poverty (Bastiaensen et al. 2005; Moser, Caroline O. N. 1998; Steer et al. 2010). Countries tend to make relatively greater reductions in poverty levels in early stages, when poverty levels are high, and gradually see smaller reductions when the poverty levels are lower and difficult to reduce further (Glassman et al. 2011; Leisering 2009; Squire 1993). One of the reasons behind poverty is that individuals and countries alike become stuck in ‘poverty traps’ for long periods (Adato et al. 2006; Azariadis and Stachurski 2005; Giesbert and Schindler 2012). Poverty traps are described by Ravallion (2009: p.1) as,

“**A stable equilibrium but at a low level of wealth and output, and it cannot get out of this low-level equilibrium without a potentially large injection of external assistance. Similarly, with a sufficiently large negative shock, the economy or individual might fall into this low-level equilibrium. For an individual, this may mean severe hardships**.”

These traps could result from personal circumstances or from structural conditions such as market failures or institutional failures that direct the economic mechanisms (Azariadis and Stachurski 2005; Fosu 2015; Leipziger 2001), which produce low levels of wealth that trap people in long-term poverty. Glavan (2008) points out that poverty traps provide opportunities for positive interventions, which focus on coordinated large-scale investments targeted at regions with widespread poverty. In examining types of poverty traps at micro-level, Smith (2005) has identified sixteen micro-level poverty traps, which are now explored at length. However, this is not an exhaustive list.

3.5.1 Micro-level poverty traps

The sixteen poverty traps identified by Smith (2005) can be categorised as internal and external micro-level poverty traps, for ease of analysis. Here, internal micro-level poverty traps are described as situations where the person
or family unit in consideration has relative overall control and hence responsibility for escaping poverty traps. External micro-level poverty traps are described as situations where most of the overall solutions to escape these types of poverty trap lie outside the person’s or family’s control and thus outward-oriented actions are needed. However, micro-level poverty traps are complex and interrelated and could involve the need to simultaneously focus both internally and externally to find successful solutions. In addition, some micro-level poverty traps are the results of the combination of internal and external forces and could belong to both groups without clear boundaries between them. There is also the possibility of people being partially trapped and partial escaping from poverty traps after interventions (Figure 6). Although the separation of poverty traps into two categories somewhat obstructs the linearity in a structured discussion, this is considered beneficial in analysing primary data and advocating possible policy responses.

3.5.1.1 Internal micro-level poverty traps

Internal micro-level poverty traps include the family child labour trap, the illiteracy trap, the debt bondage trap, the high fertility trap, the subsistence trap, the farm erosion trap, the criminality trap and the mental health trap (Smith, S. 2005). The family child labour trap occurs when the parents are unable to support the family and require children to work. By doing so, children are unable to attend school and get a formal education, which traps them in poverty where poverty is passed on to generations. Further, this curtails children’s opportunities for recreation and social development, and affects mental and physical health (Swaminathan 1998). Broadly, there are three reasons to be concerned about child labour: protection of children, development of children and its impact on the economy and labour market (Anker 2000). The causes of child labour could result from the supply side, such as poverty, intensive agriculture and land ownership (Basu, Kaushik et al. 2010) or from the demand side, such as low wages and the existence of low skilled and repetitive tasks (Gartner, D. L. and Gartner 2011). Because of these characteristics, the income earned by children tends to be small, provides short-term respite and
does not necessarily help to escape poverty. It has been argued that labour market reforms together with sustained economic development can help to reduce the child labour trap (Chaudhuri 2011; Kambhampati and Rajan 2006). For this aim, Kitaura (2009) found that development aid plays an essential part in providing public expenditure for reducing child labour and promoting education.

The illiteracy traps, which arise from the lack of access to education, aggravate poverty (Hati 2012). As well as the child labour trap, illiteracy could result from the parents’ inability to provide schooling essentials such as uniforms and school fees (inabilities of agents) while it could also result from other externalities (structural reasons), such as lack of transport and lack of schools (Moro 2015). Further, schools could be ill-equipped with equipment and teachers to deliver education. Particularly, increasing female literacy could help in reducing child mortality and escaping the high fertility trap (Kapur and Shah 2003), which is an indication of how poverty traps are interrelated, contextual and warrants interventions. Education is essential in reducing poverty that contribute to economic development (Hati 2012).

The debt bondage trap arises through the demand for credit and occurs when families are unable to repay the borrowed money or reasons such as low income and high interest rates. The families that are in poverty are encircled by money lenders to a point that any money they make will barely cover the interest payments on loans while capital remains unpaid, thereby trapping them into loan payments for a long period (Jones, S. R. and Smith 2006). Limited access to credit makes people in poverty vulnerable to exploitation by their employers who could act as creditors to leverage labour for long-term advantage (Daru et al. 2005; Upadhyaya 2008). Furthermore, children become indebted through inheritance of their parents’ debt and become a target for hazardous work (Knight, S. 2010).

Fertility rates are relatively high at low-income levels while they decrease at higher income levels, an indication that directly connects income to the high fertility trap (Dyson and Murphy 1985; Lucas 2004). The high fertility trap arises
due to families in poverty choosing to have more children and the argument that low fertility will result in higher quality of life (Jones, S. R. and Smith 2006). Some reasons behind the high fertility trap are lack of education, lack of knowledge of family planning and high mortality rates in families in poverty, where families choose to have many children taking the long-term survival rate into account (Galor and Weil 1993). Further reasons for high fertility decisions could arise from parents treating children as ‘ends’: a way of viewing children as productive assets, through unpaid labour in family enterprises, wage earning employment or a means of insurance in old age (Becker, Gary Stanley and Becker 2009; Cain 1981). High fertility results in malnutrition (Dasgupta 1998), while the high number of children tends to skew the labour market (Cleland et al. 2006; Eastwood and Lipton 1999).

Subsistence traps occur when many people in the area start producing low yielding and similar products, such as paddy cultivation in Sri Lanka. On one hand, this limits opportunities to trade other products while on the other hand, they are producing with limited access to markets (Tittonell and Giller 2013). Smith (2005) advocate specialization and diversification in order to increase productivity and opportunities to escape the subsistence trap. The farm erosion trap is closely linked to the subsistence trap and occurs when families tend to overuse their limited arable land, thereby reducing the soil fertility and agricultural output. This may also lead to long-term negative impacts, such as desertification of land, droughts and famine (Bekele and Drake 2003; Thapa and Weber 1990).

Glaser and Rice (1959) suggest that there is a relationship between economic conditions and crime rate. It has been argued that higher inequality results in higher levels of crime (Becker, Gary S. 1974). People with limited formal education and little prospect of obtaining a formal education (especially youths) who face a lack of prospects are more likely to get into criminal activities (Gould et al. 2002). It has been found that people living in high inequality areas tend to commit crimes as a means of livelihood (Kelly 2000). Their criminal history will limit opportunities and prospects of gaining formal employment because prospective employers are unwilling to accommodate people with criminal
histories. Therefore, criminality and unemployment are reciprocal and influence one another (Thornberry and Christenson 1984).

The mental health trap occurs due to the depression and anxiety that people living in poverty experience because of their inability to sustain them and their families (Smith, S. 2005). This is closely associated with being powerlessness when facing day-to-day difficulties to meet basic needs. Power is associated here as the ability of individuals or groups to determine their own interests and concerns even when others resist (Giddens 2004). Further, factors such as domestic violence, abuse and lack of identity are causes of the mental health trap (Mossakowski 2003; Tolman and Rosen 2001). In post-war contexts, the recognition of ‘individual’ mental health could be extended to a ‘collective’ mental health trap, because armed conflict is not only a private experience. Here, Summerfield (2000) argues that the primary impact on victims is the result of experiencing the collapse of their social world around them, which includes history, identity and living values. The interventions need to consider exposure to daily stressors and conflict sensitivities for individual and collective healing (Miller and Rasmussen 2010).

### 3.5.1.2 External micro-level poverty traps

The external micro-level poverty traps include traps related to working capital, un-insurable risks, information, undernutrition and illness, low-skills, common property mismanagement, collective action and powerlessness. Lack of working capital and access to finance by entrepreneurs’ limits activities and opportunities to grow, making working capital traps high on the agenda of enterprise-oriented poverty reduction efforts. Access to finance is critical for innovation and capitalising on arbitrage prospects. King and Levine (1993; 2005) emphasise the importance of access to finance for enterprises and subsequent economic development. Further, Beck and Demirguc-Kunt (2008) highlight the importance of expansion of financial outreach to support individual welfare, enterprise, poverty reduction and aggregate economic growth. According to Buckley (1997), many informal sector entrepreneurs borrow from
informal sources under unfavourable terms that have long-term negative effects. Therefore, in order to escape the working capital trap, it is vital to formalise the informal sector by enabling push entrepreneurs to access finance from formal sources.

The un-insurable risk traps occur when typically large oligopoly insurers are reluctant to insure high risks, while high insurance premiums associated with such risks become unaffordable to people living in poverty (Smith, S. 2005). An example of this is that insuring crops that are vulnerable to frequent changes in weather patterns is often avoided by major insurers. Smith (2005) suggests state-sponsored insurance schemes (that could be underwritten by state-owned insurers, where available), which tend to be more accessible and affordable to people in poverty. Another alternative risk-transfer tool could be to establish national insurance pools, where it is mandatory to issue insurance policies by local insurance companies (Andersen 2002). For example, Sri Lanka established the National Insurance Trust Fund to cover losses resulting from the strike, riot, civil commotion and terrorism, to issue insurance policies through local insurers (NITF 2016).

Undernutrition remains the main cause of ill health and mortality among children in LDCs (Nandy et al. 2005). Undernutrition and illnesses cause people to be weak and force them to take up low paying employment resulting in low earnings while illnesses lead them to be unable to work for long periods. Sawaya et al. (2003) argue that illnesses in adulthood resulting from childhood undernutrition are a social and economic burden for LDCs.

“Better nutrition improves intellectual capacity, and improved intellectual capacity increases an adult’s ability to access other types of assets that are essential for increases in labour productivity. An adult who is more productive has a larger set of available livelihood options, which raises lifetime private earnings in a way that is robust to external shocks such as disease, unemployment, or natural disaster” (Haddad 2002: p.1).
Haddad (2002) argues that adequate childhood nutrition is important in preventing intergenerational poverty and emphasise the need for nutrition interventions. A well-nourished population is essential in having a productive labour force that helps economic development, where such communities are less likely to engage in conflicts.

The low skill trap occurs when there is no incentive for people in deprived areas to acquire the skills needed in high-yielding employment, because of the lack of such occupations in the area, while the lack of skilled workforce in a region is a disincentive for investors (Jones, S. R. and Smith 2006). The absence of skilled labour tends to keep away investments creating a prolonged vacuum of skilled employment and trapping large areas in poverty (Figure 4). People in poverty who occupy low-skilled employment are usually working long hours and have limited access to information on better opportunities because of time and knowledge constraints, which traps them in low-yielding employment (Barrett, Bezuneh et al. 2001; Krugman 1994).

The foundation of common property is that resource-constrained individuals and communities can benefit by acting collectively and having joint rights to resources in order to escape poverty (Baland and Platteau 1996). Runge (1986) argues that due to the ‘free rider’ problem, individual incentives will inevitably lead to mismanagement of common property. The common property mismanagement trap could also occur by overusing the limited resources to an unsustainable point through irresponsible use. Such actions lead to complete depletion of shared resources that are not renewable or cannot be restored in the short to medium term. Hardin (1968) suggests that the main reason for the irresponsible use of common resources is ineffective governance or lack of governance in regulating the use. This is because of two key characteristics of common property: excludability/ control of access and subtractability or rivalry, where members could subtract value from each other resulting in ‘potential divergence between individual and collective rationality’ (Feeny et al. 1990: p.3). Ostrom et al. (1994) identify two broad types of problems in managing common resources: appropriation and provision. The appropriation problems arise in determining the level of appropriation, the method of appropriation and
the allocation of output. The provisioning problems are related to creating, maintaining and improving capabilities of resources and avoiding the destruction of resources. This inability to manage common property responsibly has led to calls for private property rights (Johnson, O. 1972).

Olson (1971) argues that individuals with common interests tend to get together in small groups to further their common interests, just as individuals act on personal interests, while they tend to free ride in large groups. Furthermore, the collective action trap arises when people tend to avoid participating in community projects that bring benefits to whole groups due to lack of time, commitment, lack of leadership and organising skills, lack of direct benefits to individuals involved and the general tendency to avoid risks (Smith, S. 2005). According to Kalyvas and Kocher (2007), the main reason behind the collective action trap is that public goods generated by collective action are borne by private costs. Consequently, communities miss the opportunities of collective power and synergies that help them to escape poverty; in this respect, Rydin and Pennington (2000) suggest altering institutional structures as a strategy to enhance collaboration and public participation. Ostrom (2015) advocates governments should permit local autonomy and play a supportive role, so that individuals and groups can find solutions to challenges of collective action at the grassroots level.

Smith (2005) states that lack of access to information prevents people living in poverty knowing of opportunities. Information poverty, where people living in poverty substantially depend on informal information sources for their information needs, has many limitations (Pigato 2001). For, example, information could be unreliable, subject to distortion and time lag. These limitations often constrain poor households and enterprises in terms of opportunities and competitiveness (Barton 1997; Cecchini and Scott 2003; Porter, Michael E. 2000). For Forestier et al. (2002), information and communication technologies are necessities for development.

“The poor are powerless. Dispersed and anxious as they are about access to resources, work and income, it is difficult for them to organize or bargain. Often
physically weak and economically vulnerable, they lack influence. Subject to the power of others, they are easy to ignore or exploit” (Chambers 1995: p.190).

Poverty arises by a combination of factors such as material conditions, physical weakness, social isolation, vulnerability, which results in people living in poverty been powerless (Hossain 2005). Therefore, many of the contributing factors to the powerlessness trap are the results of external forces. Yunus (2007) suggests some sections of the society, such as landlords, money lenders and employers are benefited by making those living in poverty bonded to poverty and making them powerless for as long as possible. The result is people who live in poverty unable to exercise control over their lives and become powerless and voiceless (Narayan 2000). To this end, Linthicum (1991) calls for collective action, where communities organise themselves to be empowered, become powerful and to make their voices heard.

3.5.1.3 Escaping micro-level poverty traps

According to Smith (2005), escaping poverty traps needs capability development, where people living in poverty can increase income and wealth. The income and wealth, in turn, can further their capabilities and resilience to risks and shocks that could push them into poverty. Here, Smith (2005) advocates a range of pro-poor strategies, which include health, nutrition, education, access to credit, access to markets, entitlement to resources, sustaining the environment, social inclusion, human rights and community empowerment. A closer look suggests these strategies complement CA and entrepreneurship. For example, access to credit is directly linked to entrepreneurship. The understanding of micro-level poverty traps highlights the importance of the context in poverty analysis while emphasising possibilities of small-scale solutions to large-scale challenges (Enfors and Gordon 2008).

The savings, wealth and access to credit are important factors for entrepreneurs (Buera 2006); as Tamvada (2010) points out, entrepreneurs are

96
more likely to escape poverty when compared with casual labourers. However, it has been argued that not all types of entrepreneurship contribute to economic development, mainly due to (a) misallocation of resources to generate personal profits through socially destructive or unproductive activities and (b) low quality entrepreneurship that has negative externalities (Naude 2010). While productive entrepreneurship contributes to economic development, non-productive, destructive and low quality entrepreneurial activities result in economic decline and stagnation (Coyne et al. 2010). Therefore, Cho et al. (2016) advocate caution regarding the limitations of push entrepreneurs and the need for objective and targeted interventions when promoting entrepreneurship to escape poverty. This suggests that any interventions needed in promoting entrepreneurship need to be based on capitalising on innovation and arbitrage opportunities, which, eventually results in high quality entrepreneurs and decent employment while avoiding non-productive and destructive entrepreneurship.

3.6 Summary of the chapter

The chapter first established how the domain of entrepreneurship has evolved over time and has become a cross-disciplinary subject generating many perspectives though there are similarities between them. The modern literature of entrepreneurship is mainly associated with Schumpeterian ‘creative destruction’ through innovation and the Kirznerian view of arbitrage, using information and knowledge. Therefore, it was argued that entrepreneurship arises by either innovation or capitalising on arbitrage opportunities or a combination, leading the current narrative in the literature and society towards self-interest rather than collective wellbeing. The fundamental difference between the two views is that while creative destruction dislocates the current market status quo and shifts to an upper level of market equilibrium, arbitrage by entrepreneurial activity moves markets towards equilibrium. This suggests that while Schumpeterian entrepreneurial activity creates market imperfections through relentless innovation, the Kirznerian entrepreneurial activity capitalises on market imperfections and drive markets towards perfection. Here, it was
noted that entrepreneurship does not necessarily involve creating new firms, although this has been widely recognised.

LDCs typically consist of a small formal sector and a large informal sector economy where many entrepreneurial activities are taking place as SMEs in the informal sector. Many push entrepreneurs who operate SMEs in the informal sector contribute to substantial employment and economic development in LDCs, which warrants conducive space, capacity building and a path to formalisation. However, Acs (2006) claims that necessity (push) entrepreneurship has no effect on economic development while opportunity entrepreneurship (pull) has a positive effect, which highlights the limitations of types of entrepreneurship. Further limitations were identified resulting from unproductive, destructive entrepreneurship and low quality entrepreneurship. When considering the entrepreneurship-poverty nexus, the BOP approach in which entrepreneurs see people living in poverty as consumers have been popularised against the notion of people living in poverty becoming entrepreneurs to escape poverty. This has contributed to the association of entrepreneurship with high growth, high tech, high wealth creation start-ups and ventures while questioning push entrepreneurs’ ability to innovate and capitalise on arbitrage opportunities. In considering the advantages and disadvantages, the discussion highlighted the overall benefits of entrepreneurship and argued that market-based approaches such as entrepreneurship are best suited to escape poverty. The discussion further noted that entrepreneurship provides one of the best ways of escaping poverty when compared with casual labour.

Given the benefits of entrepreneurship to escape poverty and its contribution to LED, the Schumpeterian and Kirznerian approaches provide the basis for understanding barriers to entrepreneurship in terms of barriers to innovation and barriers to market entry. It was established that barriers to market entry and innovation are interlinked and that large firms still hold the long-term advantage over SMEs, therefore, reiterating the need for support for current and aspiring entrepreneurs. In terms of entry barriers, Bain’s two types of structural and strategic barriers, which are interrelated, were discussed. The
The discussion pointed out that different entrants face different entry barriers and to varying degrees. The presence of entry barriers has resulted in the limited market entry by entrepreneurs while making SMEs small scale with short life spans. This further supports the need to innovate while facilitating interventions targeted at push entrepreneurs. Schumpeter (1939) considered innovation as a key factor in economic development where Piatier (1984) suggests a resource-based approach to understanding barriers to innovation, which was discussed under internal and external barriers.

Although the outcomes of external interventions on poverty reduction have been largely encouraging, some countries and communities as well as individuals lag behind because of poverty traps. Therefore, understanding poverty traps are vital in shaping poverty reduction programmes and the context-specific understandings of these are essential when operationalising such interventions. The sustainability of these interventions rests upon the beneficiaries taking ownership and their ability to continue once the external interventions have stopped. Here, the discussion provided a definition of poverty traps and micro-level poverty traps were further sub-divided into internal and external poverty traps for ease of discussion, which is interrelated and has overlapping boundaries. The discussion proceeded to strategies to escape micro-level poverty traps and restated the need for a careful understanding of poverty traps and promoting entrepreneurship as a way of escaping poverty.

The micro-level poverty traps discussed here, which is not an exhaustive list, are exhibited in many LDCs and people living in poverty. Based on the discussion, it can be suggested that interventions need to be two-faceted: building capabilities of people living in poverty to enable them to increase income and accumulate wealth while discouraging the recurrence of poverty traps where the reduction of poverty will only be possible by strategically addressing micro-level poverty traps at grassroots level.
3.7 Emerging framework

Sri Lanka, emerging after a long-term armed conflict faces numerous challenges in developing PWZs. Complex processes of resettlement, livelihood development and balancing long-term development goals with short-term humanitarian needs complicate some of these challenges. The definitions and the labels attached to these processes are more likely to determine the direction of policy and how they are implemented, which affect interventions at the grassroots level (Section 1.5.1). However, a more likely scenario, such as that in Sri Lanka, is to implement one-size fits all interventions, mainly due to the way that the armed conflict ended. Sri Lankan policy makers and development partners found themselves in a rapid shift from a conflict to post-war context with little understanding of the conflict zones. One reason for the limited understanding was there was little to no access to these zones for a long period, thereby restricting the contextual knowledge and experience. Further, these PWZs have a disproportionate level of poverty compared to non-conflict zones, with the highest poverty level, 28.8%, in Mullaitivu District (DoCS 2015b).

Given the challenges in PWZs, the thesis attempts to understand the role of entrepreneurship in poverty reduction, which is perceived to have a positive impact on the wellbeing of resettled IDPs and offer a path to durable solutions. Here, the Capability Approach (CA) (Sen, A. 1999) provided the overarching framework for the literature review, along with LED (Rodriguez-Pose, A. 2009) and poverty traps (Collier, P. 2008; Smith, S. 2005). The works of two mainstream theorists, Schumpeter (1928; 1934) and Kirzner (1973; 2009) guided the literature review of entrepreneurship, which led to seeing entrepreneurship as involving barriers to market entry and barriers to innovation together with entrepreneurial space (Simmons 2012). These concepts were brought together to construct the emerging framework to guide the data collection and analysis in answering the stated research questions as shown in Figure 6.
The overarching framework of CA is central to the analysis because it allows understanding of the capabilities and functionings achieved by entrepreneurs as well as understanding poverty in terms of individual and structural conditions. This allows the analysis to focus on economic development as negotiations between agents and structure in PWZs and highlight the importance of agency in the process. This recognition of the agent as a key contributor to economic development is central to the literature of CA and entrepreneurship. Furthermore, establishing the entrepreneurs as agents of change and CA’s agent-oriented economic development demonstrated the compatibilities of theoretical frameworks that support achieving objectives of the thesis.

![Conceptual Framework for analysing entrepreneurship - poverty dynamics in post-war zones.](image)

**Figure 6:** Conceptual Framework for analysing entrepreneurship - poverty dynamics in post-war zones.
The main considerations of the thesis are captured in Figure 6, notably entrepreneurship. In keeping with the objective of the thesis, placing entrepreneurship and entrepreneurial space at the centre of the framework allows us to understand the causes and effects of interactions in relation to the context. In addition, it provides a clear focus in exploring 'opportunity', entrepreneurship as participation in markets and for CA, as capability and space for functionings, which are bound together by the capability set (Figure 3). For example, the emerging framework allows the analysis of poverty traps in terms of interventions and the current and possible future roles that could be played by the government, development partners and CBOs in areas such as self-help, collective self-help, governance and participation. On the other hand, it allows understanding of policy and interventions in terms of barriers to entry and barriers to innovation. The analysis between the axes enables to consider causes and effects of structural conditions of poverty and outcomes such as reducing of poverty, enabling formality of enterprises and efficient targeting of interventions. Although these components were considered and laid out in Figure 6 in a linear manner, it is important to note that they have overlapping boundaries with possible interactions that affect each other.
CHAPTER FOUR - A

Research methodology

4A.1 Introduction

The researcher grew up in the poorest part of a poor country surrounded by poverty and has seen and experienced poverty first hand and lived in experience showed how the cycle of poverty curtailed opportunities. The researcher also experienced the ethnic conflict first hand, which tore apart the country with death and destruction. Through personal contacts, the researcher came to know the scale of poverty in resettled communities at a time when official statistics were unavailable. For example, 2012/2013 statistics were issued in June 2015, which was the first available official statistics since the early 1980s. The researcher himself is an entrepreneur who knows the power of it to open doors, opportunities and its ability to transform lives. As a result, the researcher wanted to know the role of entrepreneurship in escaping poverty in contexts of PWZs and embarked on this research project.

The main aim of the research study is to explore the role of entrepreneurship in reducing poverty in post-war zones (PWZs). Here, the research study embarks on answering the two research sub-questions set out in section 1.9 that include understanding the entrepreneurial dynamics in overcoming poverty and the role of external interventions in promoting entrepreneurship as a poverty reduction strategy in post-war contexts. To this end, the previous chapters have discussed the theoretical underpinnings required to answer the research questions and this chapter discusses the research philosophies, approaches, strategies, techniques and procedures used in collecting and analysing data in addressing the stated research questions. In doing so, the discussion provides a justification for the research path taken.
4A.2 Overview of research methodology

Research is guided by a set of beliefs or the inquirer's worldview, which is known as the research paradigm: an overarching structure of inquiry of knowledge that includes ontology, epistemology, methodology and methods (Terre Blanche et al. 1999). Ontology is the study of being and the assumptions are centred on what is the reality, how reality is created and represented while epistemology is concerned with the nature of knowledge; ‘how knowledge can be created, acquired and communicated’ where researchers need to take positions on philosophical underpinnings when doing research (Scotland 2012). Therefore, epistemology relates to the link between researcher and knowledge that queries what can be known and how to search for that knowledge, suggesting that epistemology, methodology and methods are based on ontological assumptions/beliefs.

“Every paradigm is based upon its own ontological and epistemological assumptions. Since all assumptions are conjecture, the philosophical underpinnings of each paradigm can never be empirically proven or disproven. Different paradigms inherently contain different ontological and epistemological views; therefore, they have different assumptions about reality and knowledge which underpin their particular research approach” (Scotland 2012: p.9).

Research methodology is the systematic approach to address the research questions and is concerned with how research is conducted, while methods are the analytical tools used to collect and analyse data (Kothari 2004). There are two major philosophical traditions in social sciences; positivism and interpretivism, based on different ontological and epistemological assumptions. Positivists believe in objectivity, where knowledge can only be based on observed and experimental evidence independent from the observer, while interpretivists believe people are constantly involved in creating meaning, suggesting the social world is constantly evolving and subjective (Williamson 2006). Constructivism belongs to the interpretivist philosophy that emphasises people create meaning through their own activities and the reality is socially constructed. Johnson and Onwuegbuzie (2004: p.14) state,
“Time and context-free generalisation are neither desirable nor possible, that research is value bound, that it is impossible to differentiate fully causes and effects, that logic flows from specific to general and that knower and known cannot be separated because the subjective knower is the only source of reality”.

Therefore, the focus of constructivists is the contextual social processes, which are essentially subjective when meanings are created and understood. This means reality is a construct by minds of individuals; ‘truth is a matter of the best-informed and most sophisticated construction on which there is the consensus at a given time’ (Schwandt 1994: p.128). As a result, there is a possibility of multiple interpretations and truths when constructing realities. Houston (2001) suggests underpinnings that are largely based on human agents and discourse; the ability of ‘actors' to operate independently from social structures and shape and reshape them as agency and discourse as language and signs.

However, Bhaskar (2013) argues for critical realism stating that not all realities are constructed from the discourse, which is independent of individual interpretations, and that the three domains of real, actual and the empirical are distinct as shown in Figure 7.

<table>
<thead>
<tr>
<th>Domain of real</th>
<th>Domain of actual</th>
<th>Domain of empirical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanisms</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Experiences</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Figure 7: Domains of the real (Bhaskar 2013)

Bhaskar (2013, p. 6) argues knowledge is created through ‘science’, in which on one hand continuing social processes and on the other hand scientific inquiries are independent of individual action. The empirical domain consists of experiences while the actual domain consists of experiences and events. The
real or causal domain includes mechanisms that generate events (causal mechanisms) and experiences, which form reality and the domain is real because it causes events to take place (Houston 2001). Fleetwood (2013) states that agents and structures within critical realism are distinct but interrelated and there is only one reality with multiple interpretations. Furthermore, there are four modes of reality that include materially real (oceans, weather systems, mountains), ideally real (discourse, language, signs, symbols, ideas, beliefs), socially real (market mechanisms, rules, organisations) and artefactually real (buildings, tools) (Fleetwood 2013). Bhaskar (2013) suggests that agents could alter this reality in a way that transforms agent-structure interactions, where agents are capable of creating their own world in a given context, which highlights the role of human agency in creating reality and supports constructivism. This is in support of the nature of the research study, in which the reality in PWZs is subjected to agency-structure dynamics. As a result, post-war communities could be viewed as in a constant state of struggle, where agents, in this case resettled IDPs, seek adaptation to contexts as well as changes structural conditions in favour of them (Visoka 2012).

**4A.2.1 Research path**

Based on Saunders et al.’s (2009) ‘research onion’, the research study has taken the following research path (Figure 8) in order to answer the stated research questions.
The conflict contexts are mainly understood by the greed and grievance nexus (Section 3.5.1), which are assumed to be mutually exclusive, where the motivations are described as either ‘private’ or ‘political’ (Kalyvas 2003). As noted, conflicts are complex and evolving, and thus may not neatly fit into a single category (Keen et al. 2009). The Sri Lankan armed conflict has demonstrated the complexities and intertwined nature of greed-grievance that suggests modern conflicts do not necessarily have binary patterns, although it is widely accepted that the Sri Lankan conflict tends to be based on grievance rather than greed (Kearney, Robert N. 1978; Roberts 1978; Shastri 1990). In research, Kalyvas (2003) suggests conflict-related aggregate macro-level data is generally preferred over micro-level data, mainly due to the epistemic preference of generalisability over specific, easy codability over messy evidence and the favour for ‘objective’ structures over ‘subjective’ actions. However, micro-level data is vital in understanding the contexts, especially in situations such as ethnic conflicts where greed-grievance and individual-collective are interchangeable, thereby highlighting the role of the grassroots at micro-meso levels.

It has been pointed out that entrepreneurship is a multidisciplinary subject with overlapping boundaries (Section 1.7). This implies entrepreneurship is understood in many different ways under different paradigms without recourse to knowing which path is better than the other, which brings subjectivity to the nature of the inquiry. Pittaway (2005) argues that mainstream entrepreneurship is dominated by economics, with the tendency to explain how entrepreneurship
works in the economic system and the functions it has within the economic system, which tends to align it with ‘natural sciences' when researching the subject. Such approaches are underpinned by philosophical assumptions of entrepreneurs as rational actors who make decisions on risks that are detached from opportunities and innovation that exist within the economic system, and thus widely adopt an objectivist perspective (Wood and McKinley 2010). As a result, the majority of entrepreneurship research has considered that the entrepreneur and the commercial opportunities are ‘independent' from each other, suggesting that the opportunities that are available within the economic system could be capitalised by anyone, as long as they are identified (Shane and Venkataraman 2000). Therefore, many entrepreneurial inquiries have taken ontological assumptions of ‘reality as a concrete structure' and epistemological assumptions of ‘positivist social science' (Pittaway 2005). As a result, the knowledge created through scientific inquiry is assumed to be objective and value-free. The objective paradigm sees reality as ‘concrete' and having a ‘structure', which considers the discovery of knowledge is possible and that it demands discovery, even it is not yet discovered (McMurray et al. 2004). On the other hand, the subjective paradigm is described thus:

“Reality is a creative process in which people create what is going on, or the reality in which they exist. The world and everything in it are unstructured, or at least it operates in a way that does not necessarily make sense or at least it does not make same sense to different people. Researchers who hold the subjective view of the world seek to understand what people do to create their worlds and how they make sense of them” (McMurray et al. 2004: p.10).

Lindgren and Packendorff (2009) argue that entrepreneurship as a process, which inevitably interacts with the context, could best be understood by capturing the diversity of the complex subject matter using social constructivism. By doing so, it enables us to understand entrepreneurship as an individual endeavour or as the work of networks and teams, and thus a social interaction process. The argument here is that ‘individuals and collectives define themselves and are defined by others’ (Lindgren and Packendorff 2009). Furthermore, Wood and McKinley (2010) argue that the
process of discovering opportunities and the role of entrepreneurs play in generating opportunities within economic systems are best understood by constructivist ontological and epistemological research. What this means is that opportunities are not necessarily pre-existing conditions awaiting discovery by entrepreneurs but rather opportunities that are created by social interactions, which emphasises the importance of the context in which entrepreneurs operate and their capabilities. As a result, the reality is subjective, relative and open to an interpretation that is influenced by the environment and other factors where entrepreneurship takes place (Dana and Dana 2005). Therefore, following a constructivist approach has its advantages although these are not necessarily dominant; as Wood and McKinley (2010: p.67) state: ‘the constructivist perspective is different from, but not necessarily superior to, the objectivist view’.

4A2.2 Systematic discovery of knowledge

According to Dewey (1910) there are two forms of systematic thinking: inductive discovery and deductive proof. The inductive process typically begins with data that look for generalisations about the phenomena under investigation while the deductive process begins with establishing a theory that seeks to be applied for specific contexts (Gray 2014).

“*The inductive movement is toward the discovery of a binding principle; the deductive toward its testing confirming, refuting, modifying it on the basis of its capacity to interpret isolated details into a unified experience*” (Dewey 1910: p.82).

It has been argued that entrepreneurship is embedded in the contexts in which the entrepreneur operates and the actions cannot be separated from the context, and argued for constructivism. This is further supported by Chell (2000), who states that social construction of reality is a combination of subjectivity and objectivity, where individuals deal with situations according to their perceptions and interpretations, resulting in constructing reality after taking
what it means to them as well as others. Objectivity occurs when people use a common language, provides evidence in their interpretations, and this then becomes the dominant interpretation. Therefore, the socially constructed reality is time and space bound. Chell (2000) argues that the basis of entrepreneurial intentions is capital accumulation and wealth; therefore, the behaviour of agents as both individual and contextual observable actions and personal preferences underpins the chosen research path (Figure 8). To this end, Figure 9 clarifies the deductive approach of this research study.

Figure 9: Deductive approach of the research study.

Selecting a deductive approach provides a framework to conceptualise post-war contexts with existing knowledge, which was best suited for the research study. This is in order to capture the multifaceted and complex subjects of entrepreneurship, poverty and post-war dynamics as well as the research study itself, which is time, space and resource bound. Further, the deductive approach facilitates the chosen case study strategy by demanding careful critical thinking and analysis into primary data in deriving logical steps in analysing data while supporting critical realism (Houston 2001).

4A.3 Qualitative research methods

Qualitative inquiry is mainly focused on naturally occurring data and emphasises systematic analysis in natural contexts (field research) rather than artificial environments (Silverman 2006). This includes efforts in understanding
lived experiences of people in everyday contexts and attempting to construct actions and meanings through the ‘eyes of the respondents’, which is therefore largely based on subjective reality. This qualitative inquiry and subsequent subjective reality have come under criticism in comparison to quantitative objective reality, meta-analysis and the use of mixed methods research (Denzin and Lincoln 2008). However, Agar (1986: p.12) argues that such comparisons are not always necessary or helpful and states: ‘you need to learn about the world you understand by encountering it first hand and making some sense out of it’. This ‘fluidity’ has typically resulted in the same person and/or different people interpreting the same data and information differently within space and time, leading to the generation of multiple realities.

As noted, an inquiry into entrepreneurship has included many methods although qualitative methods been less prominent (Neergaard and Ulhoi 2007; Perren and Ram 2004). In emphasising the ‘applied’ characteristics of entrepreneurship, many researchers have called for qualitative inquiries into entrepreneurship in order to fill the research gap and gain an in-depth understanding of the subject (Bygrave 2002; Hindle 2004). This need for and promise of qualitative research into the subject of entrepreneurship is clearly stated by Hindle (2004: p.577),

“There has been an explosion in the use of qualitative methods in almost every domain of the social sciences except entrepreneurship. Unless entrepreneurship… begins to embrace higher volumes of higher calibre qualitative research, the relevance and potency of the entrepreneurial canon will be severely compromised by a lack of the methodological variety that is so strongly displayed in other social sciences”.

To this end, the case study method is recommended due to its ability to answer ‘how’ and ‘why’ questions (Yin, Robert K. 2003), which supports the stated research questions (Section 1.9). Here, the robustness of the research study is derived through replication, preferably using multiple cases and linking them to theory rather than through sampling choices. Further, the robustness and the confidence are enhanced by cases within the context where space and time
are considered relevant. The trust and credibility of the case study strategy are derived by following systematic procedures in data collection and analysis and the findings are generalised through analytics rather than statistical generalisation (Yin, R. K. 2012). The case or the unit of analysis is defined in relation to the research questions and may represent an individual, individuals, an event or entity, which could be a case or a collection of cases/multiple cases (Yin, Robert K. 2003). The usefulness of the method is explained as follows:

“An empirical inquiry about a contemporary phenomenon (e.g., a ‘case’), set within its real-world context – especially when the boundaries between phenomenon and the context are not clearly evident” (Yin, R. K. 2009: p.18).

The case study method is used in research studies in entrepreneurial field (De Massis and Kotlar 2014; Kodithuwakku and Rosa 2002; Komppula 2014) and development economics (Kao et al. 2014; Korf, B. 2004; Norton et al. 1995; Samararatne and Soldatic 2014) where the strengths of the method are well documented (Eisenhardt 1989; Tsang 2014; Yin, R. K. 2009; Yin, Robert K. 2013). The approach further supports the multi-dimensional nature of poverty and offers a holistic understanding of the subject (Hulme and Shepherd 2003; Pryer 1993), especially in the relative absence of secondary data. This is further supported by the aims of this research study, which explores processes and individual outcomes (Patton, M. Q. 1987), thereby underlining the importance of the contexts where entrepreneurial activities occur. The closeness to the real world plays an important part in gaining an in-depth understanding of the respondents and their world, especially in post-war contexts where the reality is altered by the effects (past and present) of armed conflict. Overall, the chosen research path (Figure 7) is considered as the best fit for the theory, research questions and methods deployed in meeting the aims of the research study. The field research was cross-sectional, where data was collected between April – June 2015. The case study of this research study involved collecting primary data from current and aspiring entrepreneurs within the resettled IDP communities in PWZs, together with NGO officials, co-
operative officials and government officials operating in the Mullaitivu District that belongs to PWZs.

Yin (2014) argues that there are four tests commonly used in establishing the quality of empirical social research (Figure 10), to which this research study adhered.

<table>
<thead>
<tr>
<th>Test</th>
<th>Case study tactic</th>
<th>Steps were taken in meeting requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct validity</td>
<td>Use multiple sources of evidence</td>
<td>Use of multiple sources of evidence such as screening questionnaires, interviews, observations and field notes within the contexts.</td>
</tr>
<tr>
<td></td>
<td>Establish chain of evidence</td>
<td>Evidence was gathered from multiple categories.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chain of evidence is established through following strict methodological protocols.</td>
</tr>
<tr>
<td>Internal validity</td>
<td>Do pattern matching</td>
<td>Combining conceptual framework (Figure 5) with primary data in developing a thematic framework (Appendix 1).</td>
</tr>
<tr>
<td></td>
<td>Do explanation building</td>
<td>Use of computer and manual methods in analysis.</td>
</tr>
<tr>
<td></td>
<td>Address rival explanations</td>
<td>Linking primary data to theory.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Linking primary data to existing explanations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Matching patterns between multiple sources.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Matching patterns between multiple categories.</td>
</tr>
<tr>
<td>External validity</td>
<td>Use replication logic in multiple case studies</td>
<td>Contextual generalisations are achieved by analytics rather than statistics.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Analytic techniques were linked to theory by following a logical sequence.</td>
</tr>
</tbody>
</table>
4A.3.1 Research instruments

Research instruments are vital in collecting credible primary data, which depend on research techniques, procedures and aims of the research study, as well as meeting ethical responsibilities, where ‘researchers are unconditionally responsible for the integrity of the research process’ (O’Leary 2004). Moreover, research instruments are imperative in establishing validity and reliability in research studies (Switzer et al. 1999; Zohrabi 2013). In this research study, the following research instruments (Figure 11) were developed after careful consideration of ethics, dependability and trustworthiness and the researcher deployed the research instruments.
### Data collection instruments

| Current entrepreneur screening questionnaire (CESQ), which is serially numbered and printed on white colour paper. | Information sheet. |
| Show cards to supplement CESQs. | Consent form. |
| Aspiring entrepreneur screening questionnaire (AESQ), which is serially numbered and printed on blue paper. | Interpreter confidentiality agreement. |
| Show cards to supplement AESQs. | Transcriber confidentiality agreement. |
| Five topic guides to facilitate semi-structured interviews of different categories, which include current and aspiring entrepreneurs, NGOs, CBOs and government officials. | Three permission letters from respective Divisional Secretaries (DSs) to carry out fieldwork. |

### Figure 11: Research instruments.

The screening questionnaires had two purposes: to facilitate the selection of respondents from current and aspiring entrepreneurs to participate in face-to-face semi-structured interviews, and to gather primary data. This was important due to aspects such as verifying the eligibility and willingness of participation in interviews. For example, it was important to establish that the current and aspiring entrepreneurs were from the resettled IDP communities and their willingness to participate voluntarily. The interviews depended on lived experiences of respondents in a difficult period, thus their willingness to share information and give their time was critical. The ability of respondents to articulate lived experience and thoughts are essential in interviews (Bogdan and Biklen 1992) and the screening questionnaires helped to narrow down the respondents for interviews. Semi-structured interviews were the dominant strategy for collecting primary data. The advantages of using semi-structured interviews are to provide a purpose and structure (Brinkmann and Kvale 2015), gather data across subjects (Bogdan and Biklen 1992), allow flexibility and improve the quality of data obtained (Gillham 2005). Photographs were taken as a method of observation during the fieldwork to capture the reality of the visual inventory of PWZs. The visual images are capable of providing evidence.
and credibility to research activities and the viability to be used critically and reflexively (Savin-Baden and Major 2013). Silverman (2008: p.251) states photographic images assist in ‘preserving, storing or representing information’. Field notes were compiled in electronic format and included descriptive as well as reflexive content. Field notes enable the collection of contextual data while highlighting the relationship between the researcher and respondents as reflexive accounts, thereby improving the understanding of the subject researched (Wolfinger 2002).

4A.4 Data collection

Qualitative inquiry typically focuses on a non-random and relatively small sample size, which could be a single case (n=1) or multiple cases, to provide rich data and the meanings are generated by in-depth analysis.

“The logic and power of purposeful sampling lie in selecting information-rich cases for study in depth. Information rich cases are those from which one can learn a greater deal about issues of central importance to the purpose of the research” (Patton, Michael Quinn 1990: p.169).

The purposive sampling technique is well established in interviews and observations (Seidman 1998; Yin, R. K. 2012) where it follows ‘replication logic’ to provide rich data. The replication is expected to produce similar results (literal replication) or contrasting results (theoretical replication) in producing knowledge (Yin, R. K. 2014). The use of multiple sources such as screening questionnaires, semi-structured interviews, observations and field notes within multiple categories has produced high-quality cases and data, while providing the base for pattern matching between sources and categories.

4A.4.1 Internally displaced persons in numbers

Sri Lanka has nine administrative provinces, which are divided into 25 districts. The districts have their own District Secretariats that conduct civilian
administrative functions for their respective districts. The District Secretary, (formally known as the Government Agent or GA) acts as the head administrator for the respective districts. The District Secretariat is subdivided into Divisional Secretariats (DS Divisions) administrated by Divisional Secretaries (formally known as Additional Government Agents or AGAs). These DS Divisions are further subdivided into Grama Niladhari (Village Officer) Divisions (GN Divisions) where a Grama Niladhari typically oversees many villages.

The Ministry of Resettlement (2014) states that, as at 31.12.2014, 518,904 IDPs belonging to 155,245 families in the Northern Province and 271,304 IDPs belonging to 77,298 families in the Eastern Province are resettled. Therefore, 790,208 conflict-related IDPs belonging to 233,245 families were resettled in Northern and Eastern provinces and only 404 families remained to be resettled. The IDPs were resettled in all five districts of the Northern Province, namely Jaffna, Mannar, Vavuniya, Mullaitivu and Kilinochchi, and the resettlement figures as at 31.12.2014 for the respective districts are shown in Figure 12 (Ministry of Resettlement 2014). The Mullaitivu district was selected as the case study to conduct the fieldwork.

<table>
<thead>
<tr>
<th>Resettled Districts</th>
<th>Resettled Families</th>
<th>Resettled Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jaffna</td>
<td>31188</td>
<td>97053</td>
</tr>
<tr>
<td>Mannar</td>
<td>26007</td>
<td>98450</td>
</tr>
<tr>
<td>Vavuniya</td>
<td>16729</td>
<td>56971</td>
</tr>
<tr>
<td>Mullaitivu</td>
<td>40741</td>
<td>130332</td>
</tr>
<tr>
<td>Kilinochchi</td>
<td>41282</td>
<td>136098</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>155947</strong></td>
<td><strong>518904</strong></td>
</tr>
</tbody>
</table>

**Figure 12:** Resettlement of IDPs in Northern Province (Ministry of Resettlement 2014).

Thomas (2012: p. 76) identify three aspects in selecting a case study, first, the familiarity of the subject and the desire to know specifics on the subject (local knowledge case), second, the case provides a good example to understand the
subject or it represents a typical illustration of the phenomena (a key case) and third, the case provides an example of a contrasting view to prevailing norms (a special or outlier case). The first aspect could be viewed as mainly driven by personal and internal factors while second and the third aspects are largely underpinned by wider interests due to similarities or the unusual nature of the case that provides an opportunity to compare findings. Further, Chernotsky (1983) note a range of socio-economic and cultural factors are involved in locational decisions in case studies.

Yin (2014) states the ‘case’ involves two steps, defining the case and bounding the case. Defining the case could involve individuals, groups, communities or non-individuals such as entities. The bounding comprises deciding on persons to be included in the study, the geographic area and timeframes. Defining and bounding the case is expected to facilitate the scope of data collection and separate data in understanding the subject/ phenomena and the external factors/ context from the analysis. The case of Mullaitivu District fits well with the above and provides a typical case study (a key case) for researching a PWZ and supporting in-depth study for the following reasons.

1. It qualifies as a PWZ with sizable resettled IDP community. The last stages of the battles took place in the area and as such, this area was one of the most affected by the conflict. Mullaitivu District also has many widows, people with disabilities, victims and survivors due to the conflict, which are characteristics of post-war zones. Further, there are identified needs for durable solutions with many resettled IDPs in the area, which include 130,332 IDPs from 40,741 families, as at 31.12.2014 (Ministry of Resettlement 2014). High militarization, curtailed freedoms and lack of income generating opportunities that include employment and self-employment (United Nations 2009) further underpin Mullaitivu District as a post-war zone.

2. Mullaitivu district is experiencing widespread poverty. It has the highest poverty rate of 28.8%, compared to the national average of 6.7% (DoCS 2014). It is historically under-developed compared to large neighbouring districts such as Trincomalee and Jaffna.
3. There are many international and domestic institutions that are carrying out typical post-war interventions under GOSL oversight. Further, the area has many categories of stakeholders and power structures.

4. Accessibility to case study sites is a critical criterion for research (Walford 2001). The researcher has obtained written permission to carry out research activities in identified research sites.

5. PWZs typically consist of weak administrative structures, militarization and relative lack of governance. This had been expected to a degree in Mullaitivu District that tends to shape contextual agent–structure dynamics that affect the wellbeing of resettled IDPs and as such provide the legitimacy for researching the case study sites.

There are six Divisional Secretariat areas in Mullaitivu District namely Thunukkai, Manthai East, Oddusuddan (ODD), Maritimepattu (MTP), Puthukudiyiruppu (PTK), and Weli Oya. Figure 13 provides the Divisional Secretariat level resettlement in the Mullaitivu District.

<table>
<thead>
<tr>
<th>Resettled Divisional Secretariat Area</th>
<th>Resettled Families</th>
<th>Resettled Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thunukkai</td>
<td>3703</td>
<td>11611</td>
</tr>
<tr>
<td>Manthai East</td>
<td>2810</td>
<td>8925</td>
</tr>
<tr>
<td>Oddusuddan</td>
<td>5710</td>
<td>18796</td>
</tr>
<tr>
<td>Maritimepattu</td>
<td>12911</td>
<td>41190</td>
</tr>
<tr>
<td>Puthukudiyiruppu</td>
<td>12271</td>
<td>38621</td>
</tr>
<tr>
<td>Weli Oya</td>
<td>3336</td>
<td>11189</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40741</strong></td>
<td><strong>130332</strong></td>
</tr>
</tbody>
</table>

**Figure 13:** Divisional Secretariat level resettlement of IDPs in Mullaitivu District (Ministry of Resettlement 2014).
There are 624 Villages in Mullaitivu District: 36 in Thunukkai, 68 in Manthai East, 114 in ODD, 219 in MTP, 179 in PTK and 18 in Weli Oya. Further, the last battles of the conflict took place via ODD and PTK that ended in MTP so that these DS divisions have seen a large scale of destruction. Given the number of resettled IDPs and considering wider contexts, the MTP, ODD and PTK areas were selected for fieldwork. The respondents were categorised into five groups: current entrepreneurs, aspiring entrepreneurs, NGOs, CBOs, and government institutions. While the current and aspiring entrepreneurs were selected from resettled IDP communities, the officials of institutions had direct involvement/operations in PWZs either by providing administrative tasks and/or through interventions. All CBOs were active within their respective communities and remit. The selected categories provided primary data for micro and meso-level analysis in answering the stated research questions.

**Current and aspiring entrepreneurs:** Current entrepreneurs refer to resettled IDPs who were currently engaged in entrepreneurial activities (formal or informal). Entrepreneurial activity is defined as “enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets” (Ahmad, N. and Seymour 2008, p.14). Aspiring entrepreneurs refer to resettled IDPs who aspired to be entrepreneurs. Aspiring entrepreneurs had an initial idea or an intention in a specific activity, had preliminary contacts with the respective authorities or institutions to further their ideas or activities and were proactively seeking to establish an enterprise.

Current entrepreneurs and aspiring entrepreneurs were established by observation (where there is a running business), through conversations, documentation and via relevant institutions/organisations that had been in contact with respective individuals. A screening questionnaire was used primarily to enable purposive sampling in order to facilitate the face-to-face semi-structured interviews. Therefore, a limited analysis of the screening questionnaire data was conducted manually during fieldwork. In addition, the screening questionnaires captured qualitative and quantitative data. An interpreter facilitated communication in almost all current and aspiring
entrepreneur interactions. The observations were conducted in the form of photographs during fieldwork.

**NGO officials:** Face-to-face semi-structured interviews were used in capturing primary data. An interpreter facilitated communication in a small number of interactions.

**CBO Officials:** Face-to-face semi-structured interviews with office-bearers of CBOs were used in capturing primary data. An interpreter facilitated communication in almost all interactions.

**Government officials:** Face-to-face semi-structured interviews were used in capturing primary data. An interpreter facilitated communication in a small number of interactions.

All screening questionnaires and face-to-face semi-structured interviews were carried out by the researcher with the help of an interpreter where needed. The respondents were given an information sheet detailing the nature of the research and provided with additional verbal clarifications where needed. They were also briefed on anonymity and confidentiality as well as their right to decline to answer questions and withdraw from the study at any time. The screening questionnaires and interviews were conducted in their respective homes, legitimate business places or workplace. All the interviewees except for one signed consent forms and the respondent who did not wish to sign the consent form, citing security reasons, provided verbal consent and voluntarily participated in the screening questionnaire and the interview. The verbal consent and voluntary participation are considered sufficient consent.

**4A.4.2 An overview of funding allocation by development partners**

Since May 2009, development partners had directly mobilized US$ 187 million against a funding appeal of US$ 289 million (64.7%) to the Northern Province and the figure does not include national programs that included the Northern
Province and the concessional financing acquired through the World Bank and Asia Development Bank (GOSL et al. 2011). As of 22nd March 2012, Joint Plan for Assistant to the Northern Province (GOSL et al. 2012) state following requirements described across clusters, priorities and development partners (Figure 14, 15 and 16). However, it is important to note that development partners have considerably phased down their activities since 2013.

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Requirements (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil administration and national protection mechanisms</td>
<td>22,507,330.00</td>
</tr>
<tr>
<td>Education and sports</td>
<td>5,237,225.00</td>
</tr>
<tr>
<td>Food security, agriculture, livelihood</td>
<td>42,021,999.00</td>
</tr>
<tr>
<td>Health and nutrition</td>
<td>3,849,816.00</td>
</tr>
<tr>
<td>Mine action</td>
<td>28,626,500.00</td>
</tr>
<tr>
<td>Security</td>
<td>609,411.00</td>
</tr>
<tr>
<td>Shelter / NFI / Permanent housing</td>
<td>39,632,058.00</td>
</tr>
<tr>
<td>WASH</td>
<td>4,993,431.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>147,477,770.00</strong></td>
</tr>
</tbody>
</table>

**Figure 14:** Requirement per cluster.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Requirements (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humanitarian</td>
<td>121,503,842.00</td>
</tr>
<tr>
<td>Life-saving</td>
<td>25,364,517.00</td>
</tr>
<tr>
<td>Not specified</td>
<td>609,411.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>147,477,770.00</strong></td>
</tr>
</tbody>
</table>

**Figure 15:** Requirement per priority level.
Figure 16: Requirement per development partner.

### 4A.5 Data analysis

Qualitative research typically produces large amounts of textual data that can be analysed using categorised thematic frameworks (Pope et al. 2000) which lead to the identification of patterns and connections within the thematic framework (Renner and Taylor-Powell 2003). To this end, Jirwe (2011) recommends the advantages of computer software such as NVivo in analysing qualitative data; however, Pope et al. (2000) also highlight the importance of skill, vision and integrity of researcher in conducting high quality qualitative analysis. The conclusions derived from the analysis needed to be supported by the data, which will determine the ‘rigour’ of the research study (Male 2015)
and use of codes in generating meaning could help in deriving admissible conclusions (Miles and Huberman 1994).

The fieldwork produced a database of 111 CESQs, 18 AESQs, together with 16 interviews from current entrepreneurs (CESIs), 14 interviews from aspiring entrepreneurs (AESIs), 10 interviews from NGO officials, 8 interviews from CBO officials and 13 interviews from government officials.

The 16 CESIs included 11 males and 5 females, 6 from ODD, 5 from PTK and 5 from MTP. Here, 5 were engaging in retail activities, 6 in manufacturing, 2 in construction, 2 in tailoring and 1 in poultry. The 14 AESIs included 9 males and 5 females, 3 from ODD, 5 from PTK and 6 from MTP. Three of them aspiring to engage in retail trade, 6 in manufacturing, 2 in services, 1 in tailoring and 2 in poultry. The 13 interviews with government officials included 11 males and 2 females, 5 at senior level, 4 at middle management and 4 at the village level. All NGO officials that were interviewed are males, 6 at senior level and 3 at middle management that had direct responsibilities and face-to-face interactions with beneficiaries. The 8 CBO interviews involved 3 males and 5 females, 1 from a rural development society (Male), 5 from women rural development society and 2 from fisheries society.

The demographic data captured by 111 CESQs and 18 AESQs are shown in Appendix 2. Overall, there were 129 screening questionnaires and 61 semi-structured interviews totalling 190 interactions with respondents during the fieldwork. The interviews were translated and transcribed into English as required, where the process took the language path of either; Tamil to Sinhalese and then English, Sinhalese to English or English. Textual data were coded using NVivo to the thematic framework (Appendix 1), which was theory and data driven. Further, parts of screening questionnaires were coded to the thematic framework using NVivo and other parts were manually analysed as required. Furthermore, photographs were used as observatory evidence that facilitated analysis.
4A.6 Research limitations

The main method of data collection of the study was face-to-face semi-structured interviews. The method heavily depends on lived experience and the worldview of respondents, especially based on a traumatised period of their lives. This may result in a ‘filtration of data’, in which the respondent may choose not to share or be reminded of certain events. The individual interviews deprived the researcher of the opportunity for cross-checking data in real time when compared with techniques such as focus groups. Teijlingen (2014) suggests that respondents could be influenced by the interviewer’s appearance or prejudices, stereotypes and perceptions that they have regarding the interviewer. This was evident at one time when a respondent confronted the researcher for being a Sinhalese (Section 4B.6). However, such influences are unavoidable when conducting interviews in social research (Holstein and Gubrium 2008): Gillham (2005: p.168) notes that real-world research interviews are untidy and complicated and states ‘therein lies the fascination of this style of research’. Using focus groups could have provided a platform for ‘group voice’ to be heard, although this limitation is mitigated to an extent by interviewing CBO officials to bring the collective voice and collective agency forward.

In balance, the focus of this thesis tends towards individual entrepreneurship rather than collective entrepreneurship through collective action. While it emphasises the importance of synergies that could be gained through collective action, it merely acknowledges that, empirically, individual entrepreneurs outnumber collective entrepreneurs in PWZs. Barriers to entrepreneurship in PWZs are somewhat different in nature for individual entrepreneurship and collective entrepreneurship and there is further scope to evaluate these dynamics. Moreover, the research study only looked at the micro-level and meso-level dynamics and not macro-level aspects of entrepreneurship-poverty dynamics in PWZs.

The research study did not look at the political dimension although it tends to have a wider impact on entrepreneurship and on reducing poverty, which are
main strands of the thesis. The political dimension is related to militarization, governance and inclusion and the shaping of institutional structures and tends to define agency-structure relationships, which are interlinked to entrepreneurship and poverty reduction efforts. As Parsons (1995, p.218) states ‘although economic factors structure the agenda of what is possible, the political process determines how the possible is perceived, realised and implemented’. While acknowledging the importance of the political dimension to the subjects of this thesis, this dimension was abandoned, after much deliberation, considering the resource limitations, capability limitations and risk factors (Chapter 4B). Many respondents indicated the importance of political dimension, which confirms the potential for further research into this area of study.

Entrepreneurship is not for everyone; becoming an entrepreneur is not that everyone can do or be willing to do. However, this research study established that being an entrepreneur allows people in poverty to escape poverty traps as well as earn an income that supports lifestyles that they value. Further, the entrepreneurs were able to participate constructively in their respective communities through positive contributions. It is important to note there are advantages of being an entrepreneur which allow increased levels of choice and the ability to live lives they have reason to value, even in constrained post-war contexts.

Despite the limitations, it is believed that the research study achieved rigour and robustness through its methodical research approach, transparent data collection methods which followed ethical guidelines and computer aided-data analysis. This was further complemented by reflexivity, which is discussed at length in the following chapter.

4A.7 Summary of the chapter

The discussion has clearly outlined the ontological and epistemological position of the analysis, supported by the research path taken. Within a qualitative
approach, the case study method was considered best suited in answering ‘how’ and ‘why’ questions in the real-world context (Yin, R. K. 2012; Yin, Robert K. 2003). Here, the chosen research instruments are believed to provide the greatest advantage in collecting primary data in answering research questions. Overall, the discussion provided the justification for the research path and aimed to bring integrity, clarity and transparency in collecting and analysing data. The data collected using screening questionnaires and semi-structured interviews were analysed using a computer and manual methods in a systematic approach, designed to provide validity and reliability throughout the methodology. To this end, the next chapter intends to provide further insight into the process of collecting data in PWZs.
CHAPTER FOUR - B

Doing fieldwork in post-war zones

4B.1 Introduction

Previous chapters have highlighted the volatile nature of PWZs, with a relatively high degree of associated risks for resettled IDPs involved in economic activities. Given these complex contexts, the overall objectives of this chapter are twofold: first, to illustrate the difficulties in collecting and analysing primary data in PWZs, thus offering transparency and the possibility of replication; secondly, to provide an insight into managing risks for researchers who venture into PWZs to carry out fieldwork. In doing so, the chapter attempts to capture the researcher’s experience in collecting empirical evidence for the thesis in PWZs and to support the validity and reliability of collected data. In addition, the discussion provides insights into the ethical challenges in carrying out fieldwork in PWZs.

4B.2 Empirical issues: Research in modern post-war zones

Compared to non-conflict areas, the risks faced by researchers in modern PWZs have increased, leaving researchers to face many hurdles while putting themselves at the risk of significant harm. In addition to the overall risk management plan, further risk analysis must be carried out on an ongoing basis to accommodate the changing nature of the fieldwork context that could (in an instant) result in spikes in risk levels. In this situation, researchers are expected to be flexible with their risk management plan during fieldwork, in order to access situations and make swift decisions in times of volatility.

In situations like those in PWZs, there are very specific issues that researchers face. As a result, there are many responsibilities placed on researchers to communicate with supervisors and bring information forward. The partnership has to be sufficiently flexible and capable of providing the best support and advice available. Supervisors, as the first point of contact during fieldwork,
need to be open to this broader discussion, up to the point where, if it exceeds their own knowledge base, they are prepared to say so and consult external experts who have specific knowledge. This will further help the ethics committee in their inherent responsibilities of providing overall oversight and due diligence during the life of the research project.

4B.3 Scenario planning

One way to manage risks is to proactively plan for possible scenarios by anticipating events that could place researchers at risk (Daniels and Lavallee 2014). The involvement of experts who have specific knowledge is invaluable at this stage, where researchers need to ask, ‘what if?’ questions until they are fully satisfied that all identifiable scenarios are covered and answered. The objective here is to first eliminate or avoid risks where possible or if that is not possible, minimise the risks posed to an acceptable level for all involved. For example, the researcher avoided carrying out fieldwork in the Keppapilaw village in MTP. The Keppapilaw village, which the military described as a model village, is a place where people were involuntarily settled after confiscating their land to build the joint military headquarters. The military in large numbers is involved in conducting many activities in the village and it was decided to avoid doing fieldwork in this village because of the risk posed to the researcher was considered too high. Doing fieldwork in the Keppapilaw village would have placed the researcher in harm’s way, brought unwanted attention as well as compromising the whole fieldwork process.

Most parts of the risk management process consist of ‘minimising’ factors because of the inability to avoid or eliminate risks. Incorporating some form of approval by an authority, such as by a government department will greatly reduce risks to researchers by bringing some form of legitimacy to the fieldwork (Appendix 3). However, identifying an institutional authority that has ‘actual’ power in PWZs can be difficult. The reason for this is there are many power brokers who operate alongside the public administration apparatus who have different agendas and have indirect authority over civilian matters. It is highly
likely that the in the presence of political parties, military and paramilitary forces those are active and operate beyond the remit of law. For example, the researcher had the prior approval of the Divisional Secretary to do fieldwork in MTP. However, he was aggressively confronted by an army colonel on the first day of fieldwork during a discussion with a senior administrative officer at the Divisional Secretariat. The army colonel barged into the office and the researcher was blamed for not letting the military know about his presence in the area and was accused of being biased (towards Tamils, who are an ethnic minority in Sri Lanka) within the first few minutes of the interaction. The researcher was blamed for not being willing to tell the army’s side of the ‘story’ of the conflict, even though the researcher insisted the fieldwork was about entrepreneurship and poverty and had nothing to do with the ongoing war crime probe by the United Nations. Here, the overestimation of the power of civilian administration at the planning stage has resulted in failing to fully grasp the presence and power of the invisible administration by the military apparatus that runs parallel to the civilian administration. Understanding power relations at research sites and getting access to these channels will reduce the overall risks, though the downside is that such attempts may compromise the data collected, through the unwarranted influence of power brokers (Section 6.5).

Anticipating possible events is important in proactive scenario planning in order to formulate possible responses. For example, it was anticipated that there would be interventions by the military in some shape or form at some point in time during the fieldwork. It was decided that the information disclosed to military personnel at these encounters would have to be situation specific after taking specifics into account, such as the place, time, and the ranks of the personnel and the nature of involvement. The limited disclosure of information is obviously not to do covert research, as demanded by ethical guidelines, but to ensure researcher safety. It is important to understand that researcher safety is paramount, and in this respect the adherence to the ethical framework is situational (Woon 2013) and these situations not be labelled or viewed as ‘unethical research’. For example, the researcher left out the part that the fieldwork is linked to a United Kingdom university when military personnel stopped and confronted him at Puthumathalan village. At this point, the
researcher was told that the Tamils who live in the area have relatives abroad who send money to them so there was no need for research hence no need for fieldwork or my presence in the village. The researcher had to insist on the permission letters obtained from Divisional Secretaries of MTP and PTK to carry out fieldwork and convinced them that the scope of research was only about ‘businesses’ and ‘poverty’. Puthumathalan area was part of the ‘no fire zone’ where the last battles took place and belong to MTP and border the PTK divisional secretariat. The area is guarded by the military around the clock and such encounters were anticipated. As a result, it was decided to wait until the permission was obtained from the bordering PTK Divisional Secretariat to carry out fieldwork, as a safety precaution to minimise risks.

In another instance, the researcher continued a semi-structured interview when military intelligence personnel from a nearby army camp in Alampil village in MTP started monitoring from a distance. Such situations were anticipated, and it was pre-decided not to engage with the military unless they approached first. Although the situation did not escalate further, the semi-structured interview was carried under immense emotional pressure amid the possibility of arising physical danger. However, it was important to note that the interview was carried out with the full consent of the respondent at this point, where the respondent was well aware of the situation. Such surveillance and intimidation have become normal and the villagers have become accustomed to surveillance and intimidation, which have become part of their everyday life.

The general approach when managing high-risk high-volatile settings (i.e. a situational danger) is to take a passive stand, where researchers are advised to take a step back to calm and assess the situation (Nilan 2002). However, some circumstances may demand that researchers have to recognise and interpret situations in a very short time and take an active stand than the preferred non-aggressive passive stand (Castellano 2007). Taking a passive stand may not always be possible and researchers may have to stand their ground in order to achieve the preferred outcome. For example, when two non-commissioned rank military personnel who were armed and in civilian clothing confronted the researcher in ODD, the researcher insisted that he wanted to talk to their
commanding officer when the conversation started getting out of hand. The researcher noticed that the two military personnel were carrying duffel bags and understood that they were on their way home on leave. They too did not want the situation to be dragged on, which may have prevented them going on leave. Demanding to call the commanding officer placed the military personnel at a situational disadvantage and they left the area allowing the researcher to carry out the fieldwork. However, it is important to note that the confrontations in PWZs often take place with armed personnel and researchers could benefit from knowing the ‘limits’ of the situation when managing risks and de-escalating hassles and confrontations to provide the best outcome.

The drawback of having a defined plan in place and a proposed possible course of action is that it tends to be perceived as rigid and researchers may decide to follow it to the letter. The situations in PWZs are dynamic and may well have changed from the time of planning. Therefore, the risk management process could be viewed as ongoing, which indicates the need to retain flexibility. Most of the responsibility at this point falls within the remit of researchers who are in the field and have the situational understanding and thus the greater responsibility to assure personal safety and the safety of others involved. Here, ignoring ground realities or underestimating them will increase the risks. Therefore, being able to adapt to the situation and change the plans in place accordingly is important on an ongoing basis and the proposed plan in place needs to be flexible enough to accommodate the volatile realities of PWZs. For example, it was planned to conduct fieldwork activities until 8 pm but it was observed that villagers deserted the roads and public places by early evening. People living in the area did not deem it safe to be in public places when darkness fell and the researcher, in this case, adjusted the working pattern to suit ground realities where fieldwork was restricted to daylight time as much as possible. It is generally perceived that the fieldwork conducted during daytime is considered relatively safe (Kenyon and Hawker 1999).

In another instance, it was found that the planned water ration to be carried, 1 litre, was not enough and had to be increased to 1.5 litres due to the fluctuating
temperature that had risen from 35 to 42 degrees Celsius. Further, having a ‘fixed’ plan, in this case, the quantity of water, may not suit individual requirements if many people are involved, so the flexibility of the plan in place is vital to accommodate personal needs and changing contexts. In another instance, the researcher came across information about public demonstrations on 18th May regarding the sixth anniversary of the end of the conflict, which had the potential to be violent. Although the police took out a court order to prevent any demonstrations in Mullaitivu, the Chief Minister had called for a remembrance event in Mulliwaikkal, a place where the final battles took place. By taking account of real-time information and the context, the researcher managed to conduct fieldwork beforehand in this area, avoiding potential risks.

4B.4 Unpredicted events

Once the ‘eliminate’ or ‘minimise’ elements of the risk management process have been identified, researchers will be aware of what to do and where and how to access help when adverse events happen. However, anticipating and planning for all possible scenarios is not humanly possible due to the high volatility of post-war contexts. As a result, occurrences of unexpected events are bound to happen and most decision-making in such events tends to happen under fear and duress. Decision making in fearful and spontaneous circumstances usually demands quick responses based on emotions and the decisions based on emotions tend to be misleading (Evans, J. and Curtis-Holmes 2005). Therefore, researchers could benefit from being aware of emotional decision-making and attempting to avoid this. However, the researcher may find it difficult to make rational decisions under pressure, irrespective of prior planning and experience. For example, while driving late one evening, this researcher came face to face with two adult wild elephants and a calf on the main road, an event that was both unplanned and unanticipated. In a fearful state where the researcher was alone and in darkness, the situation could have produced clouded judgment or no judgment at all (a frozen state). This would have placed the researcher in a confrontational position with the wild elephants in a matter of seconds. It is
known that the elephant parents protecting their offspring to be aggressive and become spontaneously violent. Although the researcher managed ‘flight’ on this occasion, unharmed, the lesson here is to recognise that when feeling emotional, one is not at one’s best in making decisions. Therefore, it is recommended to postpone decision-making when fearful or in a state of duress, where possible, in order to accommodate a rational decision-making process and avoid emotions clouding judgement.

4B.5 Exit strategies

The ground realities in PWZs are ever changing and could turn for the worse in no time. The risks posed to researchers may exceed an unacceptable level and researchers need to retain the ability to leave the situation and possibly the PWZ at a short notice. Having pre-identified risks that are unacceptable and act as ‘red lines’ will aid the researcher’s readiness to flee the area when such events occur. It is important to be alert all the time and assess situations proactively in order to make rational decisions. Not taking a decision to leave the area may put lives at risk; thus, it is prudent to incorporate possible evacuation strategies in advance. To this end, researchers are always encouraged to have a ‘plan of escape’ (Belousov et al. 2007) before setting out for fieldwork. This may include possible pre-identified escape routes, contact persons and communication procedures. Having multiple escape plans will provide researchers with a range of options at their disposal to limit risks and provide the best chance of escape.

4B.6 Emotional risks

For ease of discussion, physical and emotional risks are discussed separately though it is important to note that they are interrelated where there is the possibility of both, physical and emotional harm taking place at the same time. Although some associations occur at the same time, some may go well beyond the period of fieldwork. For example, the emotional harm that occurred during fieldwork may lead researchers to ‘self-harm’ later; therefore, restricting
emotional harm to the time span of fieldwork is problematic. Emotions can be described as follows:

“Affective responses (such as joy, sadness, pride and anger), which are characterised by loosely linked changes in behaviour (how we act), subjective experience (how we feel) and physiology (how our bodies respond)” (Gleitman et al. 2011: p.490).

Emotions are considered as 'risks' when they are negatively affective to researchers and otherwise tend to take back stage due to their intangible nature, as well as the beliefs that demand researchers to distance themselves from the data collected (Widdowfield 2000), which suggest an apparent detachment of researchers’ emotional context. This attitude is in part due to considering emotions as ‘problems’, and therefore tends to protect the research project rather than the researchers (Hubbard et al. 2001). Here, problems of emotions are viewed considering protecting the integrity of data rather than considering the emotional traumas arising in the process of data collection. To this end, Punch (2012) argues that emotional traumas are frequently unavoidable during fieldwork and form part of the research process. Further, it is acknowledged that there is an emotional cost of undertaking fieldwork in qualitative research (Bloor et al. 2008). This stresses the need to incorporate a proactive approach to emotional risk analysis, although; mainstream research has frequently avoided or placed less emphasis on the need to acknowledge the presence and importance of emotional risk management in the overall research process (Lund 2012; Paterson et al. 1999; Sluka 1990).

Modern conflicts have become increasingly violent, with many casualties. The effects on the victims often go beyond the conflict period, where victims find themselves in a long-lasting struggle to overcome and heal physical as well as emotional wounds and traumas. Therefore, researchers who are engaging in fieldwork in PWZs must accept that they will inevitably come across victims of the conflict such as the wounded, the disabled, rape victims and relatives who have lost their loved ones. The stories they share with researchers will unavoidably be stressful and researchers may find themselves experiencing
the same pain by proxy (Bloor et al. 2010). Failure to recognise the importance of emotional harm, in the beginning may overwhelm researchers and potentially compromise the whole research process (Sanders et al. 2014). Having early recognition of potential emotional harm will place researchers at an advantage when it comes to managing and coping with emotional risks and accessing help.

The respondents and the people in PWZs may not consider researchers as neutral, altruistic and friendly (Goodhand 2000; Sluka 1990), due to bitter experiences and widespread distrust in such zones. There is a potential to open up old wounds, be targeted as perpetrators and being accused of having hidden agendas against them. For example, the researcher was confronted by a respondent saying that the researcher is a ‘Sinhalese’ who bombed them and destroyed everything they had. After doing all that, now you are coming to ask how they are doing. Then she started crying, crying loudly until her mother came and consoled her in a situation where silence is probably a coping strategy of traumatised individuals. For her, the researcher was the face of evil that destroyed everything they ever had and the researcher had opened up old wounds. The mere presence of the researcher had created a negative situation. The researcher did not feel good at that time partly because of sympathy towards the respondent and partly by been accused of something that the researcher was not responsible for.

Though these situations are emotional to both sides, arguably, they help to understand and interpret data collected in a ‘genuine’ way in the specific context, which is the reality of the context. In many instances, the researcher came across victims of violence, injured and disabled by participants in the conflict, who had ‘stories’ to tell. Respondents were vivid in recounting their information and sometimes they were eager to share their horrific stories. These emotionally charged cumulative discussions have the potential to overwhelm researchers and have a long-term impact. The ability to anticipate and understand the emotions of respondents whilst becoming familiar with the background of specific PWZs will help researchers to cope with their own
emotions, which may be negative and harmful and could benefit from accessing help of professionals, when needed.

4B.7 Race and gender in fieldwork

Social research is a complicated process especially in fieldwork settings where researcher and researched are in verbal and non-verbal communication, which shape the interaction. For example, factors such as language, ethnicity, gender and culture have a role in the discovery of knowledge and the extent of the fact-value relationship is essentially subjective (Sharlin 1974). Schutz (1954; 1962) points scientific inquiry differ from natural sciences and social sciences because respondents in social sciences are active and sense-making people that interact with each other. The discovery of knowledge is a collaboration between researcher and researched and discussing values such as researcher interactions could help bring transparency to the research process. This is important because of the interactions taking place on two levels, first at the individual level by researcher and researched (interpreting the world by themselves) and second as a collaboration between researcher and researched (interpreting the world as a partnership) in the knowledge discovery process. These value interactions such as ethnicity and gender are unavoidable in social contexts as stated by Davydova and Sharrock (2003: p. 357),

"The disintegration of the fact/value dichotomy also means that the idea that the social context can itself be described independently of normative considerations is an illusion".

Gender and race play a key role in fieldwork and could have a wide-ranging impact on data collection. Some of the related issues are access to research sites, maintaining suitable relationships with stakeholders and how the researcher is viewed by stakeholders. Access could affect in two ways, first, there will be no fieldwork without access to research sites. Second, the conditions that the entry is granted possibly define the way data is collected,
type of data and how the findings are viewed. For this study, the researcher was granted unprecedented access without any pre-conditions by local civil administrators. The access was negotiated at a personal level by the researcher and granting of access had little to do with the researcher being a male and of Sinhala ethnicity due to the professionalism of Tamil local civil administrators. However, not getting permission from local civil administrators would not necessarily halt the fieldwork because researcher could have obtained permission from upper levels of civil administration, which are dominated by Sinhalese and will override the local authority. This could also have been obtained without any preconditions though permission through local administrators seems to be the most ethical way of gaining access and build credibility with respondents. A letter from a ministerial head office in Colombo may have widened the distrust between the researcher (Sinhalese) and the Tamil respondents, especially at the grassroots level. Although, this may not be the case with government and NGO officials, gaining access through local administrators certainly helped fieldwork because they were personally known by residents and officials.

Maintaining suitable relationships is challenging in post-war zones due to stakeholders who have opposing views. For this reason, the researcher could be viewed differently by stakeholders, sometimes at extremes and expected to take sides by default. Here, the researcher is a Sinhalese who is viewed differently by the military and respondents. By default, the military appeared to be wanting the researcher to take their side and anything other than this is viewed as acting against them and being non-compliance. It could go as far as betraying the Sinhalese in general. This also means that Tamil researchers may find it difficult to gain access, conduct fieldwork without preconditions and do independent research. For example, when confronted by a senior military officer, this researcher was able to contact commanders in Colombo and get introduced by highest level where a Tamil researcher may not have this opportunity/ personal contacts. However, benign a Sinhalese is not necessarily given a free hand. This was apparent when the researcher got to know that the CID had visited respondents to verify the nature of research, constant
surveillance and intimidation that was forced upon the researcher. Still, being a Sinhalese provided a certain level of safety that a Tamil researcher would not have had.

Trust is an important factor during fieldwork and being a Sinhalese can turn into a double-edged sword where respondents had a cautious approach. Sinhalese, in general, was viewed as oppressors, not been impartial and frequently viewed as ‘other’. For example,

“Outsiders would come and invest in Tourist Hotels, shopping malls, restaurants etc. People in this area have no other choice than working for them” (GOV 5: Government officer).

“Ethnic Tamils have land issues. If you go toward Kokilai and Nayaru where generations of Tamils cultivated land are now been taken over by the government under the pretext of Mahaweli development scheme. Tamils have deeds for these lands but now these lands are given to Sinhalese” (GOV 5: Government officer).

“If we [Tamil] accidentally forget our licence or insurance when we ride motorcycles, they [Sinhalese Police officers] will not give us a chance to produce them later. They will just fine us. How can we respect the law or officers?” (CESI 12: Current entrepreneur).

“Divi Naguma people come here and just give us garden plants to plant. Not only me, but the whole village is expecting them to do more and assist us more. We see on TV that Divi Naguma has assisted so many things in Colombo, but we are getting neglected. They care only for some people [Sinhalese]” (AESI 12: Aspiring entrepreneur).

Building trust with respondents is complex and a time-consuming process (Kobayashi 1994; Nojonen 2004) and the challenge was to establish trust in a short span of time. Communication seems to be a core factor in establishing trust and when the respondents gradually got to know the researcher, they quickly kept their differences to a side… at least momentarily and opened-up with vivid details. They were keen to share information. In general,
respondents, especially at grassroots were forthcoming with information and when it is not possible, this was clearly stated. The researcher having an open and honest conversation and providing clear and precise details when queried by respondents helped to alleviate the mistrust and build relationships. Being a ‘listening ear’ in a non-judgmental way also helped to build rapport with respondents.

Researchers have less control over ascribed aspects such as gender and this was clear during the fieldwork. Being a male undoubtedly provided an advantage during the fieldwork when considering safety. A female researcher would have faced more difficulties especially in militarized contexts where they could be seen as an easy target, increasing safety risks. Risks, in general, appeared to be higher for females as noted by many respondents,

“We are still living with fear. We feared the Army but now we are getting used to them” (AESI 10: Aspiring entrepreneur).

“I am all alone and feel scared in the night, so I hold onto my two children and sleep” (AESI 11: Aspiring entrepreneur).

“These situations bring a lot of problems to vulnerable women in this area such as widows. Women cannot take care of the kids, they don’t have money and there is no any other way to find a living either, so they don’t have another choice than submitting themselves to men [Prostitution]” (AESI 13: Aspiring entrepreneur).

“Widows and their children are vulnerable. I cannot give you specific details, but we have forwarded these to relevant government authorities [referring to sex-for-aid incidents]” (NGO 01: NGO Official).

The context could be potentially risky for females especially if they were engaging in ‘different’ activities such as research, which draw attention from gatekeepers. Therefore, female researchers could benefit from an extended
safety protocol that includes training, cultural awareness and negotiating access to gain approval from relevant authorities prior to fieldwork. It is noted uncovering spousal abuses by female researchers likely to bring them harm due to perceived subordination by a male (Arendell 1997; Paterson et al. 1999), which further increase safety risks in PWZ contexts. It is suggested that female researchers interacting with a lone male frequently place them in danger and could end by victim-blaming conditions especially when there are no witnesses to the incident (Klob 2017; Ross 2015). Therefore, awareness of risks involved alongside a comprehensive risk management plan is necessary at the pre-fieldwork stage. Here, the discussion is not aimed at discouraging female researchers or to suggest there is no place for them in PWZ research but to help understand the need for a robust safety protocol and know the risks involved before embarking on fieldwork.

There are some advantages of including gender and race dimensions especially in collaborative partnerships (Rummery 2012) such as fieldwork. For example, A female researcher from the Tamil community could have helped in power relations and add value in cultural embeddedness with grassroots level respondents. The respondents would have been more comfortable talking to a female researcher in post-war contexts that could have improved conflict sensitivities and cultural sensitivities during interactions. As such, there are different strengths and weakness to the research process that bring different understandings and perspectives when looked through race and gender dimensions that could only be managed to a certain level. This is because, at a personal level, individual researchers have only minimal control over aspects such as race and gender.

**4B.8 Summary of the chapter**

Cohen and Arieli (2011) query the validity of research conducted in less than optimal conditions, citing the requirements of scientific research, such as being systematic, reproducible, reliable and valid. As shown above, conducting fieldwork in PWZs is particularly challenging in terms of access, collecting data,
meeting ethical requirements and the interpretation by embedding the context in which the data is collected. As a result, overcoming these challenges largely rests upon the abilities of researchers in meeting requirements (especially ethical ones) and sound decision-making, where prior awareness of contexts can positively contribute to the research study and researcher safety. Further, discussing challenges and limitations helps in establishing transparency, which is critical in establishing validity. By doing so, the discussion supports the premise that conducting valid fieldwork is possible in high-risk and less than optimal contexts. Moreover, recent PWZs are becoming extremely violent and researchers working in these areas face an increased level of risks which could be life threatening. The importance of anticipating the occurrence of negative events and proactively planning for such scenarios to ensure researcher safety is paramount when conducting fieldwork in PWZs.
CHAPTER FIVE
Livelihoods and entrepreneurial dynamics in Sri Lankan post-war zones

5.1 Introduction

As noted in the chapters so far, Sri Lankan post-war zones (PWZs) face significant challenges and one of these is the presence of high levels of poverty. The poverty reduction strategies involve diverse stakeholders with different responsibilities and boundaries between them. In such contexts, the definitions, interpretations and understandings are inherently complex, which affects the intervention process. Such challenges and complexities were highlighted in Chapter 1, which argued for the place of this research study. One way of understanding poverty and economic development is the Capability Approach (CA) (Sen, A. 1999), which looks at the capabilities and functionings that enable freedoms. This was explored in Chapter 2, which also discussed the role of individual and collective agency and the importance of development partners in the intervention process. It concluded that achieving durable solutions to resettled IDPs and local economic development (LED) could be realised through the participatory process of facilitating agency. In understanding poverty, poverty traps have drawn a considerable debate and Chapter 3 established the role of entrepreneurship to address poverty traps. The theoretical underpinning of poverty traps was discussed at length, alongside barriers to market entry and innovation. Building on these theoretical foundations, this chapter intends to provide a descriptive account of the presence of internal poverty traps along with livelihood and entrepreneurial activity in Sri Lankan PWZs, thus linking theory to PWZ contexts.

The discussion begins with providing an account of the government of Sri Lanka’s (GOSL) strategy in rebuilding livelihoods at the end of the conflict, with contradictory objectives, which achieved mixed results. It highlights over-reliance on the low-productivity and high-risk agricultural sector in Mullaitivu District and argues for deagrarianization of the local economy. This is to bring true livelihood diversification to local economies. The discussion proceeds to
examine the presence of internal poverty traps in PWZs, as acknowledged in Chapter 3, and identifies traditional practices by resettled IDPs as a key poverty trap that keeps people at subsistence level. It is argued that traditional practices and resistance to change are the results of either informed choice or lack of choice arising from the aftermath of the armed conflict. Some people are aware of alternatives but still willingly engage in the traditional low-productivity agricultural sector, while some engage due to the lack of capability. Further, it argues that the behaviour of GOSL is aimed to keep resettled IDPs under control, who are mostly from the Tamil ethnicity, which challenges the commitment to achieving durable solutions.

The discussion continues to suggest that entrepreneurship could address three critical needs facing PWZs: the need for real diversification of traditional livelihood activities, where over 90% of economic activities take place in agricultural and fishing sectors, the need for employment creation and LED. It argues that entrepreneurship could help to achieve this by deagrarianization of the local economy. To this end, the discussion is associated with mainstream discourse, where the widely accepted reason of being pushed into entrepreneurship is the lack of employment opportunities. However, in PWZs, it is also about the lack of ability to be employed. For example, a disproportionate number of the disabled are either unable or not given the opportunity to be employed. It is further established that, apart from structural and strategic barriers, some groups such as females and widows face social barriers to becoming entrepreneurs, where the armed conflict has had an opposite effect to what might be expected: rather than reducing such barriers, they have strengthened. Finally, the discussion identifies emphasises the pitfalls of informality that emphasise the need to enable formal entry and the transition of semi-formal enterprises to become formal enterprises, while acknowledging that most of the enterprises in PWZs are at a semi-formal stage.
5.1.1 An overview and recent developments of Mullaitivu District

Mullaitivu is a relatively new District created in 1979 that belongs to the Northern Province and is surrounded by Kilinochchi, Mannar, Vavuniya and Trincomalee Districts. Almost all the population in the district lives in rural settings and has approximately 50/50 ratio between male and female population (DoCS 2014a). The distribution of ethnicities in the district are 9.7% Sinhalese, 85.8% Sri Lanka Tamils, 2.5% Indian Tamils and 2% Sri Lanka Moor while distribution across religions are 8.9% Buddhist, 75% Hindu, 2% Islam, 9.8% Roman Catholic, 4% other Christians and 0.3% belongs to other religions (DoCS 2014a).

The district has a land area of 2,517 km², which is 3.8% of total land mass of Sri Lanka and has 70km of beachfront (MDS 2018), an underutilised natural resource that has the potential for development to benefit the district. Mullaitivu District is traditionally dominated by agriculture and fishing sectors, which was severely damaged by the conflict. After May 2009, GOSL and development partners took the steps to re-establish these sectors where 90% of economic activities are taking place in agricultural and fishing sectors by 2012 (GOSL et al. 2012). The trend has continued uninterrupted under GOSL’s active encouragement wherein 2018, Rs. 318 million is diverted to promote these sectors in 4 stages (Maloney 2018), overlooking the perils of over-reliance in these sectors.

In terms of poverty, Mullaitivu District has managed to reduce the poverty headcount of 28.8% in 2013 (DoCS 2015b), which was the highest poverty rate in the country at that time to 12.7% by 2016 (DoCS 2017b), the 2nd bottom place of poverty in the country. However, the neighbouring district of Kilinochchi, which is also a PWZ has fallen from 2nd bottom in 2013 that had 12.7% of poverty headcount (DoCS 2015b) to the bottom place in 2016 with 18.2% of poverty headcount demonstrating the fragile nature of post-war economic recovery and poverty reduction.
5.1.2 Brief life stories from the field (anonymized)

Anushka is a Tamil Hindu and 30 years of age. She has three children, a girl 13 years and two boys 5 and 8 years old. She runs a coconut mill in her village and since her husband is working abroad, she is looking after the children and managing the business on her own. They were displaced multiple times during the conflict and sheltered in Weerapuram Camp in Vavuniya at the end of the conflict. They were resettled to their place of origin in 2010 and lived in a temporary hut for a year without access to water or sanitation because their house was partly destroyed by the conflict and the rest was demolished by the military. They received housing assistance after a year of resettlement, "One of the NGOs gave us Rs. 325,000 and we got Rs. 300,000 pawning my jewellery. All jewellery is mine and I couldn’t still get them back (from the bank) because we only pay the interest. I had savings of Rs. 100,000 in the Bank of Tamil Eelam (defunct at the end of the conflict) and lost it all ".

Anushka earns about Rs. 20,000 a month from her rudimentary mill, which is plagued with safety hazards by any standards such as exposed belts and children running around when the mill is in operation. She acknowledged it is very dangerous to use the mill and aware of the need for upgrading. When asked about external help, she said she could benefit from help to manage her stress and highlighted the need to provide fortified food for school children by GOSL.

Devadhani is a 40-year-old widow with three children, girl of 17 years and two boys aged 10 and 15 years. They were repeatedly displaced during the conflict until permanent resettlement in 2012. She is a Tamil Hindu and the local Catholic church had helped her to secure some external livelihood assistance. She received assistance from an international NGO to start a business as a group, which included another two widows. Devadhani acts as the leader of the group/ business. She splits the day by helping the fisherman in the morning to sort out the catch and mend fishing nets and, in the evening, working on her business, which earns about Rs. 2,500 a month. She is also a recipient of Rs.
1,500 from Samurdhi (social security). The equipment and the training they have received as a group is basic with little opportunity to upscale. She noted, “We collected all our income in a till, we didn’t count to see the amount we have in that till for all 3 months and when we did, it was enough to buy a bicycle”.

The income of three months that they have collected as a group in a till was enough to buy a bicycle, which they now use to deliver their produce. This seems like a moving story, but the reality is the group had only earned a negligible income for three months of their effort and the business is facing an uncertain future. The NGO involved in the activity has clearly let them down by only providing basic equipment, minimal training and not sufficiently engaging in due diligence such as providing projected income before the start of the intervention. When asked about the future, Devadhani stated “when we grow this business, we are going to help out to start a local nursery (preschool)”.

5.2 Livelihood activities in post-war zones

As noted previously, the Mullaitivu District was the district most affected by the conflict, with multiple displacements taking place during the conflict. Many suffered the loss of loved ones, assets, access to resources, livelihoods and freedoms due to the armed conflict and ongoing militarization. Moreover, the widespread devastation to infrastructure and civil administration has warranted that development efforts should start from a point ‘zero’ within a fast-tracked timeframe under intense pressure and scrutiny from the international community. GOSL began the resettlement process as early as 2010 and resettled most of the IDPs at their place of origin. However, some could not be returned to their place of origin, due mainly to (a) some areas being declared high-security zones with no access, (b) the presence of unexploded ordnance (UXOs) and ongoing mine clearance (c) occupation of private properties by the military (d) proximity to military installations. As a result, the post-war situation requires GOSL to provide suitable land to IDPs who are unable to return to their place of origin and interventions to provide resources, enhance capabilities and facilitate an enabling environment.
The overall GOSL response of post-war economic development had three stages, relief, recovery and reconstruction (RRR), and consisted of rapid resettlement, de-mining, humanitarian assistance, restoration of civil administration, infrastructure and livelihood, as well as early recovery activities such as ensuring water, sanitation and shelter (GOSL et al. 2011). The prioritised objectives were to bridge the gap between relief and recovery and move towards sustainable economic development through creating livelihood opportunities with the aim of achieving durable solutions for resettled IDPs. The joint RRR response, which included GOSL, UN agencies and NGOs (international and local), was coordinated through the Presidential Task Force (PTF). The mandate of PTF was to provide strategic direction and authority (MFA 2016). The PTF prioritised livelihood interventions, stating:

“Communities will be supported to move beyond subsistence production, to value-addition production, capital-creation, livelihood training, market linkages, and robust private sector engagement. The sector will also focus on developing livelihoods skillsets at the local level, through vocational and other livelihood training. Livelihoods assistance will also support returnees to start-up small micro-enterprises through the provision of micro-credit and training” (GOSL et al. 2011: p.34).

The livelihood responses have brought mixed results due to the internal contradictions when operationalising the strategy. On the one hand, it aims to move beyond subsistence production while promoting small start-ups and microenterprises through microcredit, which in effect maintains subsistence. It has been argued that although microcredit helps microenterprises and the people live in poverty to a certain extent (Christensen et al. 2010; Yunus 2007), it increases the informal sector (Buckley 1997), traps entrepreneurs in subsistence enterprises without the scope for scale-up (Haynes et al. 2000; Schoar 2010) and results in individuals and families being trapped in poverty (Bateman and Chang 2012). GOSL has overlooked the limitations and barriers that concern push entrepreneurs, resulting in entrepreneurs staying small, continuing subsistence living and merely enlarging the informal sector (Picture
1). Further, the overall RRR response indicates that it largely overlooked the depth and presence of poverty traps that hinder LED in PWZs.

Picture 1: A small-scale enterprise.

The livelihoods of Mullaitivu District mainly consist of the agriculture, livestock, fisheries, forestry and SME sectors. Agriculture, as crop cultivation, remains the main economic activity where 80% of income generating activities takes place (MDS 2012). The main crop of paddy (rice) is cultivated under irrigation schemes, which are fed by seasonal rainfall. However, agriculture is susceptible to environmental aspects and has suffered due to intense rainfall, flash floods, frequent droughts and run-down irrigation systems, leaving resettled IDPs vulnerable (GOSL et al. 2012). Further, the conflict has contributed to declining crop yields and food production. The forestry sector, which is linked to the agriculture and livestock sectors, benefits communities through agro-forestry-livestock activities that produce fuel wood, timber and raw materials, which supplement income.

The fishing sector is the second largest and includes 10% of economic activities in Mullaitivu District, particularly in the Maritimepattu and Puthukkudiyiruppu DS divisions (MDS 2012). The district is resourced with 70km of beachfront, four lagoons and several inland irrigation tanks (reservoirs) that are used in subsistence fishery activities. The conflict had severely
damaged the fishing sector by prohibiting access to the sea and damaging capital assets such as equipment, boats and nets. Further, interviews with fisheries CBOs indicated that livelihoods of fishing and related activities were restricted in the post-war period for reasons such as not having capital assets (boats and fishing gear), Indian fishermen fishing in Sri Lankan territorial waters, over-fishing, unsustainable fishing practices and interference by the military. These constraints have left the fishing sector largely at subsistence level, with critical gaps that need long-term intervention. The analysis also exposed planning and coordination gaps within the RRR response. For example, there were frequent overlaps of interventions by development partners, especially at the beginning of the resettlement process, overestimating the possible impact of interventions and implementing strategies with a limited understanding of the contexts, as evidenced by these statements:

“These boats were donated by NGOs, two families share one boat. The others get nets to catch shrimps. We were expecting to get some income from these boats but these fishermen do not get sufficient income to pay us or to cover their daily needs. They do not catch enough fish at least to cover their fuel expenses. This is a complete failure now” (CBO 5: CBO officer).

“The money was given to them on the condition of repaying by fixed instalments in spite their monthly income. This has now become a huge liability on these people. There is a massive conflict between the beneficiaries and the society [CBO], as the beneficiaries are not in a position to repay but the society insists on repayments. Some of the selected beneficiaries were not actually needy people. So, the people who do not get selected, are not happy and it affects the harmony of the community as they think they are the ones who are actually entitled. Also, when the current beneficiaries who are due to repay are not paying, then it creates problems between the current and potential beneficiaries” (GOV 1: Government officer).

The natural resources such as the long coastal belt remain unexploited for opportunities such as tourism and recreational activities. The lagoons and inland irrigation tanks that could be used for development of aquacultures such
as prawns (for local and export markets) and tilapia (a popular local fish type) farming remain unexploited or underutilised. As a result, there is a need for a comprehensive fisheries development plan including aspects such as technology, resources, access to markets, support structures (for example, fish breeding, processing for value addition) and freedoms (for example, no military restrictions, fishing rights) in order to capitalise on opportunities.

“Under the government leadership, sector partners (NGOs) will aim to support small scale rural based producers of chicks in order to boost poultry numbers and re-stocking of poultry in the region. Promoting and scaling up similar alternative income generating activities will not only empower and provide an income to vulnerable households (particularly women headed households) but, in the long term, will contribute to the government’s poverty reduction strategy” (GOSL et al. 2011: p.33).

Livestock has been a traditional economic activity that is mostly conducted alongside agriculture, to provide a supplementary income (Mikunthan 2010). The sector mainly produces meat and milk as raw materials, which leaves the district without value addition and includes poultry, cattle, buffalo and goat farming. Farmers have regularly lost animals due to the conflict along with animal shelters and grazing lands, where some lands are not accessible due to the presence of UXOs in the post-war period. For example, government authorities have identified over 11,000 stray cattle that were medically assessed and ear tagged after the end of the conflict. Apart from promoting poultry farming though providing chicks and small coops, RRR has recognised the need for improved breeds and capacity building through collective action, such as milk collection networks and building milk collection centres. However, the sector remains at the subsistence level. For example, the government efforts to provide chicks have largely failed and the surviving poultry farming remains small at subsistence level (Picture 2).
As stated, Mullaitivu District is mainly agriculturally based and the small industries were severely affected by the conflict. The government-owned tile and brick factory was the only large industry that existed in the pre-conflict period, which is in a state of disrepair (Picture 3).

Under RRR, the PTF directed a standard livelihood package of Rs. 35,000 (£185) to many beneficiaries at the time of resettlement. The amount given typically fits within the budget of one water pump or a small chicken coop, and even this small-scale assistance has seen a gradual decrease while assistance for SMEs remains neglected. For example, in 2013 the Divisional Secretariat of

Picture 2: Livelihood assistance - Chicken coop.

Picture 3: A section of Oddusuddan tile and brick factory in a state of disrepair.
Mullaitivu provided livelihood assistance to 5 beneficiaries of livestock, 30 beneficiaries of SMEs and 39 beneficiaries of agriculture, averaging Rs. 30,000 (£160), Rs.11,300 (£60) and Rs.16,700 (£90) respectively (DSM 2014). This indicates that although RRR had recognised the need for action, the assistance for livelihood remained small with limited outreach while SME assistance remained micro and neglected. Chambers and Conway (1992) argue that it is possible to achieve small-scale economic synergy even at low economic levels. The argument here is the existence of opportunities that could be exploited locally, resulting recirculation of income. However, this has not materialised in Sri Lankan PWZs.

![Small-scale industries](image1.png)

**Pictures 4 and 5:** Small-scale industries (metal lathe workshop that uses three-phase electricity and CDMA telephone and a rice/grinding mill that runs on a diesel engine due to not having electricity).

After the resettlement of IDPs, some entrepreneurs started small-scale industries such as manufacturing of leather products, rice/grinding mills and workshops (Pictures 4 and 5), without much external assistance. Some pre-conflict industries such as handlooms and fishing boat manufacturing had disappeared due to the conflict. Moreover, lack of infrastructure such as electricity in many parts of PWZs remains a major challenge for industrial development. Overall, it was evident that there is scope for furthering SMEs in facilitating LED that will bring long-term benefits to PWZs.
5.3 Internal poverty traps in post-war zones

As previously noted, the poverty traps are discussed in a non-linear manner, due to the separation of poverty traps into two categories for further clarity. The separation clarifies the extent of poverty traps and strategizing interventions between entrepreneurship and poverty traps (Figure 6). In terms of internal poverty traps (Section 3.5.3), the findings suggest that high fertility, illiteracy and child labour traps are relatively less prevalent in their direct forms. However, these traps pose substantial indirect challenges to PWZs. At the aggregate level, Sri Lanka has a low fertility rate due to high contraceptive prevalence rate, which results in spacing and limiting births (De Graff and Siddhisena 2015). The conflict has resulted in both adult and child deaths, as well as female-headed families in PWZs, which could affect the population. However, many did not have access to family planning services and education during the conflict. These social changes have resulted in a less direct prevalence of the high fertility trap but it can be envisaged that there will be a need to fill the gaps in family planning services and education created by the conflict, which may have long-term ramifications in the post-war period. This was made evident by the following quote:

“There are a lot of disabled persons and war widows. Their life has become a question mark especially if they have two or three children. There are teenage pregnancies mainly because of lack of education and lack of knowledge in sexual health. They have become vulnerable and some tend to exploit them” (NGO 1: NGO Officer).

Additionally, the deaths and disabilities of parents and their economic inabilities created by the conflict have resulted in some children living with relatives, thus increasing the number of family household members, which indirectly results in a situation equivalent to the high fertility trap in some instances. Here, the family household is described as two or more individuals who are related by birth, marriage or adoption that share a residence (McFalls Jr 2003). The adoption of children from the immediate family has not attracted much attention in poverty trap literature, although this is important in post-war contexts.
The conflict and the multiple displacements have resulted in the destruction of the educational system and children missing out as well as falling behind in educational level when compared with children in non-conflict zones. The collapse of educational infrastructures, which include human resources, have placed children in PWZs in a position of future disadvantage in their socio-economic activities. For example, a large number of children have displayed a high level of learning deficits and have failed to achieve a minimally acceptable standard of literacy (GOSL et al. 2012), at a time where the country’s aggregate primary school participation was 98% for males and 97% for females between 2008 to 2012 (UNICEF 2013). Furthermore, the educational infrastructure is under-resourced and there are children who attend schools without meals, stationery and necessities such as footwear, indicating large inequalities. These future socioeconomic disadvantages are a potential source of conflict and poverty. Further, aspects such as rehabilitation, reintegration, psychological and social support of ex-child carders are not materialised as envisioned in GOSL’s post-war policy response. Therefore, there is a need for capacity building and further research into education and a post-war transition nexus that could underpin peace and prevent poverty.

“Now we have other social problems such as child abuse and domestic violence at a higher level. The main reason for this is illegal liquor. Some people produce and sell illegal liquor to make money and the rest of the men spend their earnings on illegal liquor, which affect the economy as well as family harmony. This has caused a lot of family conflicts, social problems and economic problems” (GOV 13: Government officer).

“In this area, even though the husbands are alcoholics, the mothers somehow take care of the children and the family” (AESI 3: Aspiring entrepreneur).

There was no evidence uncovered to support the presence of child labour in its direct form during the fieldwork. For example, none of 111 current entrepreneurs indicated children (age below 15 years) were involved in business activities nor were they observed during fieldwork. This could be
because of the parents'/guardians' understandings of the importance of child education that led them to encourage the children to attend schools. In screening questionnaires, all parents/guardians who had school-age children stated that their children attended school regularly and the children's education remained a top priority, where many wished their children could secure employment rather than engage in entrepreneurship once they leave school. However, the conflict has created an environment that places children in harm's way and makes them vulnerable to maltreatment. Hadi (2000) argues that child labour and child maltreatment are interrelated and one of the ways preventing children's vulnerabilities is to provide livelihood opportunities to adults/parents to increase their income. Therefore, child labour and child maltreatment are an extension of economic development issues (Basu, Kaushik and Van 1998) that entrepreneurship could help to solve. It was found that child maltreatment has become common in PWZs due to alcohol addiction of parents and domestic violence resulting in part from the traumas of armed conflict. Traumas have translated to family conflicts and more often children have been at the receiving end. Another contributory factor is adults, especially males, feeling powerless. As stated by a respondent:

"Just after I came here, I was taken for rehabilitation when Mahinda was president. I spent months in the rehabilitation centre, and it was not useful. Once released, they would call us for meetings and we participated. Meetings are held in army camps and we are scared to express ourselves. We cannot speak up because we were treated as still arrested even though we are released. Only their people [army officers] will talk and we do not have the freedom to express ourselves" (CESI 7: Current entrepreneur).

Further, nearly 7,000 children were recruited by the LTTE as child carders of whom some underwent a GOSL-sponsored reintegration programme at the end of the conflict (UNICEF 2009). These children are known to have trouble with finding friends, lack confidence, struggle with relationships and trust as well as having limited future prospects when finding employment (IRIN 2010). The armed conflict and carrying weapons have indirectly criminalised a section of children even after reintegration, which curtails employment opportunities,
where becoming entrepreneurs may seem as the only livelihood option for them. In addition, over 10,000 ex-LTTE cadres underwent GOSL sponsored disarmament, demobilization and reintegration (DDR) programme after the end of the conflict. However, the indirect criminalization of these rehabilitated adult combatants has made it difficult for them to find employment, even after receiving vocational training, leaving them with limited livelihood opportunities. The analysis suggests indirect criminalization occurs in two forms: the stigma attached to ex-LTTE cadres and the continuation of military interventions to their private lives through ongoing surveillance and intimidation. This criminalization has resulted in the curtailment of enterprise activities and access to non-conflict zone markets.

The inability to find employment has pushed resettled IDPs into traditional low productivity agrarian-based livelihoods without recourse to increase their income while current and aspiring entrepreneurs face chronic access to finance. For example, only 18% of rehabilitated ex-LTTE cadres had received bank loans (Thalpawila 2015), which suggests the vocational training directed to increase livelihood opportunities under DDR has severe shortcomings. This is echoed by a respondent,

“The rehabilitation program for ex-LTTE carders is a near failure conducted directly by the military. This was, in a way, a prison sentence than a rehabilitation, that cadres were ripped off their identity by getting orders from their arch enemy, learning Sinhalese and been abused, to say the least. They probably came out of rehabilitation hating Sinhalese more and with little skills to earn a living” (GOV 1: Government officer).

The indirect criminalization extends to the community level, where a systematic process is in place for the communal humiliation of resettled IDP Tamils. The communal humiliation occurs in many forms and include psychological humiliation (such as not being allowing to honour the dead), visual humiliation (such as constant military patrols by the victors of the conflict), limiting access to resources (such as fishing rights) and the treatment of Tamils as second-class citizens through ‘war tourism’ by Sinhalese (Pictures 6 and 7).
Pictures 6 and 7: War museum (left) and a sculpture (one of many) of a golden soldier holding an AK47 rifle in one hand and the lion flag from the other that symbolise victory.

Such activities constrain trust and the celebration of the victory at the expense of Tamils limits reconciliation and peace-building processes. This suggests that the GOSL, together with the military, on one hand help to improve livelihoods of resettled IDPs while on the other hand systematically punishing Tamils for supporting the LTTE and subjecting them to exploitation. For example, not having free and fair access to resources such as fishing has made them prolonged victims. It appeared to be that illegal fishing activities had political patronage, where the senior government officials running the civil administration in the PWZs had become helpless. The overall context has limited hopes and aspirations of resettled IDPs while giving little future security. Moreover, prolonging exploitation rewards the people who have power over them. These findings suggest that the two main ethnicities that were involved in the armed conflict still resent each other, which could be the grounds of future armed conflict.

The exposure to the conflict has adversely affected mental health of resettled IDPs. Miller and Rasmussen (2010) argue that issues with mental health and
psychosocial status in post-war settings occur due to direct exposure to the armed conflict (trauma), daily stresses caused or worsened by armed conflict and daily stresses unrelated to the armed conflict. The stresses could include poverty, malnutrition, loss of loved ones, disabilities and loss of material conditions that affect their capabilities. This is confirmed by,

“People’s psychosocial part is important and need to be addressed. The government is focusing on development and reconstruction part and not looking at psychological aspects. There are about 3000 differently abled [disable] people in Mullaitivu and about 5000 widows. I do not have exact figures but there are many women headed families. These people have mentally suffered. There is a need for psychosocial programs to rebuild lives. Livelihood is also suffering because of this. That is why people are unable to recover from mental depression even after five years. I am also one of them. I lost one of my sisters” (NGO 4: NGO officer).

This suggests the need for individual level interventions to address individual traumas (caused by direct exposure to armed conflict) and stressors as well as community level (collective) interventions to address community level traumas and stressors. The need for an integrated intervention arises because, in part, the exposures to armed conflict as well as daily stressors are experienced by resettled IDPs as a community. It is evident that current resources on improving mental health are overwhelmed in PWZs and many individuals are without access to support, meaning there is a chronic need for capacity building and intervention in improving the mental health of resettled IDPs.

Subsistence livelihoods are widespread in PWZs, in part due to the continuation of pre-conflict livelihood activities into the post-war period and to the non-integrated approach of external interventions by GOSL and the development community. It appeared that GOSL has missed a vital window of opportunity to diversify livelihood, especially when whole communities starting from ‘point zero’. The analysis suggests that the current interventions are not sufficient and in need of a medium to long-term strategy, that halts the enlargement of subsistence and helps transform the local subsistence
This could help disadvantaged resettled IDPs to build resilience and act as a potential market for entrepreneurs to transform local economies that could bring long-term advantages. The high dependency on subsistence agriculture that is susceptible to natural environment as well as low productivity is frequently trapping them in poverty, which warrants income diversification in terms of deagrarianization. It is evident that lack of market access, transport, the soil type that limits crop diversity, seasonality, access to irrigation, climate and high costs of raw materials are resulting in agricultural activities remaining at subsistence level. Furthermore, the armed conflict destroyed investment crops such as coconuts that would generate consistent long-term income.

A solution to escape subsistence agriculture is to achieve economies of scale through technologies such as machinery, high crop yields, diversification of crops and collective action. However, gaining long-term advantages is contingent upon enhancing capabilities in order to improve and diversify of current livelihoods. The deagrarianization of local economies may further alleviate the need for more land, as well as farm erosion, desertification (through slash and burn practices), seasonality of income and provide a respite for landowners who do not have access to their land. Moreover, diversification of agriculture-based activities, currently 80% in the Mullaitivu District (MDS 2012), has wider implications, such as building the resilience of local economies, improving the space for entrepreneurs and bringing durable solutions to resettled IDPs.

The traps of farm erosion and overfishing are evident in Mullaitivu District arising from overuse and misuse of resources. Considering that about 90% of economic activities take place in the agricultural and fishing sectors, the effects could be severe in future, reinforcing the need for diversification. Some initial preventative measures could be to increase awareness of farmers in avoiding erosion and preserving farmland, preventing overexploitation of sea resources and educating the younger generation through information and assistance. Unlike farm erosion, the conservation and management of fish harvests are more likely rest upon macro-level coordinated action by the Sri Lankan and Indian governments (due to Indian fishermen fishing in Sri Lankan waters),
which people could influence through collective action. However, while the farm erosion trap could be overcome by actions of local people, GOSL and the development community, the co-management of fisheries requires micro and macro-level actions that involve a foreign government, which complicates matters such as collaboration, decision making, power, responsibility and implementation policy.

“People are not interested; their mind is set. They want to stick with the traditional methods, just cultivate and sell the harvest. Even if there is no water, they are only interested in agriculture. They do not consider value addition to products and methods to increase their income” (GOV 12: Government officer).

Traditional practices by resettled IDPs act as barriers to LED. The failure to adopt new methods, technology and knowledge and their resistance to change have trapped people in low-yielding economic activities and poverty. For example, Palmyra based (palm tree) products have declined due to lack of innovation and have seen their market shrinking from a mass market to a niche market. Producers were unable to capitalise on their unique position of the raw materials only being available in the PWZs to boost competitiveness, due to the continuation of old production methods and product ranges.

There is some evidence of resistance to change in terms of attitude towards traditional practices, although the matter is somewhat complex in the post-war contexts. The risks involved in the adoption of innovation are viewed as ‘high’ by resettled IDPs and doing what they have always done seems to be a logical choice, even at subsistence level. The armed conflict and subsequent post-war period had consumed all or most of the assets of the resettled IDPs and it was not considered rational to invest their limited resources in unfamiliar, unproven (to them) techniques. Further, the conflict had constrained their capabilities and ability to gain capabilities in the post-war period, resulting in trapping them in traditional practices without choice. The empirical evidence indicated the availability of livelihood opportunities is severely limited while the ‘costs’ of the conflict have restricted hopes and aspirations, suggesting that resistance is not entirely due to people’s attitude.
Debt bondage traps (Smith, S. 2005) are one of the major traps faced by the resettled IDPs. The reasons for this included loss of assets (movable and immovable), lack of savings, unfavourable loans (from formal and informal sources), lack of income, lack of planning and management, bad investments and notably the GOSL housing policy toward resettled IDPs (described below). The most common way of borrowing was pawning jewellery, which in many instances resulted in the loss of collateral, due to inability to keep up repayments. The main reasons behind debts (borrowings) were threefold; paying off debt accrued during the conflict period, to maintain livelihood, and house construction. As described, the armed conflict resulted in multiple displacements, loss of assets and loss of livelihoods that pushed people into debt, where lack of income and livelihood opportunities in the post-war period has further pushed people into deep debt, which exposed them to the cycle of poverty. The rising indebtedness has threatened LED and raised the risk of intergenerational poverty. However, the evaluation suggests that entrepreneurship has provided a way out of debt traps. As stated by an entrepreneur who was also disabled by the conflict:

“I have given employment to a few people here so that they have a proper income. I think it is a service I have provided to the community and to the country. When I started, it was very difficult, but I am out of that situation now, I earn enough to provide for my family. I no longer have to be in poverty” (CESI 3: Current entrepreneur).

This suggests that successful entrepreneurship is instrumental in escaping debt traps through income generation as well as creating an enabling environment so that others could escape poverty. Such examples could be positive incentives in promoting entrepreneurship to reduce poverty. While it helps entrepreneurs to expand their activities, they could be role models for the community at the same time, which are in short supply in PWZs. The above response links two crucial elements to entrepreneurial success: the individual ‘self-made’ motivational component and the entrepreneurial space (Figure 5).
that enables success. Moreover, increasing the level of entrepreneurial activity is likely to encourage inward investments (Figure 4) that will facilitate LED.

“We offer Rs550,000 for one house but the cost of building a house is much higher, roughly about Rs800,000. The size of a house is quite small according to the housing plan, and people change the plan by adding extra sections, which puts them in deeper trouble. They also prefer to use better materials. In all these cases, beneficiaries must top up the cost. These people are already affected, lost their properties and with no income and fall into more debt because of this house constructions. At the end, they go for bank loans, pawned jewellery, sell other assets and got into more debt. Some of the people who have bought vehicles under lease end up losing the vehicles as they can’t pay the leasing instalments after constructing the house” (GOV 13: Government officer).

“We received Rs.550,000 to build the house and that is how we got into trouble. We had to pawned jewellery because money received was not enough to complete the house. Many people still have not completed their houses. I pawned jewellery and completed the build but I could not keep-up with loan interest and lost all jewellery” (CESQ 38: Current entrepreneur).

The RRR response of GOSL in the rebuilding after the virtual destruction of housing stock in PWZs was to provide returnees with a housing grant to either repair a small number of houses that survived or rebuild new houses. The grant for rebuilding was given in tranches and was set at Rs.350,000 at first, which was increased to Rs.550,000 later and the programme was labelled ‘owner driven’, meaning GOSL expected returnees to bear part of the cost and labour of constructing the house. The blueprint for the house provided by GOSL consisted of approximately 500 square feet (46m²), though the beneficiaries were allowed to deviate from the plan. Many respondents agree that the real cost of building the house to the GOSL provided blueprint would be approximately Rs.800,000, without the cost of owner driven-labour and the deviations (they were only allowed to increase the square footage or make modifications) that many beneficiaries opted for, which increased the cost.
Beneficiaries used their savings, pawning jewellery and taking loans that pushed them into deep debt to finance these additional costs.

Some reasons reported behind beneficiaries deviating from the blueprint and the increased costs included: the original blueprint was considered too small, the blueprint for the roof construction was considered non-traditional and not suitable for the hot climate; the use of higher quality materials; increased cost of raw materials through inflation and the house being seen as a social symbol. Although these beneficiaries have better quality housing in the post-war period, it has also resulted in the loss of assets, long-term debt, and intergenerational poverty, while re-enforcing and creating poverty. Therefore, it could be argued that GOSL’s intentions are misplaced at best and the GOSL-sponsored housing programme has had a crippling effect on resettled IDPs, of whom the majority are Tamils. This is because it is reasonable to accept that GOSL’s knowledge of the presence of poverty traps (to an extent), lack of livelihood opportunities and income generating capabilities of IDPs while deliberately underestimating costs of construction that place resettled IDPs at a long-term disadvantage. The owner-driven strategy has directly forced beneficiaries to forgo income during the construction, which curtails their ability to repay debt. Furthermore, the failure of the housing assistance programme to recognise that some may need additional resources, (Figure 3) such as widows, widowers and disabled, has placed them in an unfair condition. Therefore, it is reasonable to state that GOSL has used home ownership in a punitive way by acting in a discriminatory manner, such that the owner driven housing assistance programme has resulted in reasonably predictable negative consequences that have placed resettled IDPs at a long-term disadvantage.

5.4 Deagrarianization of local economy

The analysis of the internal poverty traps stresses the need for income diversification in PWZs and how deagrarianization could help in rooting LED (Bryceson 1996; Rigg 2006). Here, deagrarianization is described as a process of, (i) economic activity reorientation (livelihood), (ii) occupational adjustment
(work activity), and (iii) spatial realignment of human settlement (residence) away from agrarian patterns (Bryceson 1996, p. 99). It is argued that non-farming activities typically have a positive effect on income and wealth and offer a way out of poverty (Barrett, Reardon et al. 2001). This appeared to be the case for Mullaitivu where the local economy is dominated by agriculture and fishing, which has serious drawbacks.

“We don’t have a proper market for our products, as I said earlier, we can’t sell our products for a better price. Lorries only go to Kilinochchi and Vavuniya. If lorries come here to buy paddy, they pay very low prices. Control buying price of 1 kg of paddy is Rs50.00 but here we can’t sell for that price. It’s the same with cashew nuts. Our problem is finding buyers for our products.” (CBO 6: CBO officer).

“There is a problem of marketing. People cannot get the proper price for their produce. For example, businessmen coming from outside the district let’s say from Dambulla pay a lower price. Prices are low during the harvest season” (NGO 3: NGO Officer).

“World Bank has allocated 24 million for irrigation work, but mending the broken canals is not included in that project. If they are not repaired, water just flows out without going through the canals when they let the water out from the dam. Repairing the lake is not useful when the canals are broken” (CBO 6: CBO officer).

“This area is next to the sea and soil is covered with sand. So fishing is the only available livelihood here. In our community, if people did not pursue proper education, they are stuck with fishing” (GOV 5: Government officer).

Some of the drawbacks noted are market access, extreme price fluctuations, lack of infrastructure such as consistent irrigation and poor soil conditions in some parts of the area undermine the agricultural base local economy. As 80% of the local economic activities are taking place in the agricultural sector (MDS 2012), specialization does not necessarily provide a competitive advantage and the drawbacks had made the local economy vulnerable (GOSL et al. 2012).
“Technology needs are there. All areas are agriculturally based apart from Maritime Pattu. People do traditional agriculture. There are a lot of new technologies that should flow to ground level. Farmers could do crop rotation without every time doing paddy farming” (NGO 3: NGO Officer).

“Vegetables we cultivate here are different, we only cultivate the vegetables that grow in our soil. But these farmers from other areas can grow other kinds of vegetables such as Carrots, Beets etc., which have more demand. So, when those vegetables are sold here, people from these areas prefer to buy them than the vegetables which grow here” (CBO 4: CBO officer).

“When the dry season comes, we run out of the water. But these plants need water and it is a must” (GOV 2: Government Officer).

“They have a water problem, people in one area use gravity water and the other side lift irrigation. It is difficult to cultivate when there is no water. These days it rains but during the dry season, we don’t even get enough drinking water” (CBO 4: CBO officer).

“Another challenge is that people tend to follow traditional things like farming and the whole community get into trouble when in the off-season, droughts or floods. People lose their main income source in this period so they should diversify their income sources. They could use small scale production as an additional income source” (NGO 1: NGO Officer).

There is also the lack of skills, technology know-how, planting similar crops that have limited demand, severe weather patterns and engaging in traditional practices that call for further local economic diversification. Enlarging an already oversized exposure to agriculture increases risks and limit the ability of people to escape poverty. Although economies of scale favour specialization, opportunities to achieve such specialization in the agriculture-dominated local economies in PWZs are limited (although possible) due to the stated weaknesses. However, this not to suggest that enterprise development could not occur within the agricultural sector and merely emphasises the over-
reliance on relatively high risk, low productivity agricultural activities in the Mullaitivu District that require diversification.

Chukwuezi (1999) suggests the need to develop non-farm activities through enterprises (especially SMEs) as an alternative in areas dominated by the agricultural economy. The deagrarianization process is described here as households increasingly engaging in non-agricultural activities through SMEs to supplement their income (Pedersen 1994), where Njeru (2003) argues that entrepreneurship is directly or indirectly related to the diversification of the local economy. The analysis indicated that the current pattern of non-farm activities in Mullaitivu District is characterised by a low level of diversity, and by informality, with limited capacity to create decent employment. Some of the barriers to deagrarianization include lack of access to capital and technology, supporting institutions, infrastructure and skills and knowledge. Further, traditional practices, risk averseness, limited purchasing power, and negative perception of entrepreneurship limit deagrarianization. This suggests that barriers to deagrarianization are similar to barriers to entry, as discussed in Section 3.3.

A large part of the success of deagrarianization is likely to rest on access to established markets and networks by the PWZ entrepreneurs. However, the major thrust of diversification of local economies needs policy initiatives at macro-level, led by GOSL and development partners willing to replace agriculture as the dominant current strategy and provide a greater role for entrepreneurship in LED. The embedding of entrepreneurship as a key component of LED is likely to provide positive outcomes in livelihood diversification in PWZs that are over reliant on agriculture.

5.5 Entrepreneurial dynamics in post-war zones

World Bank (2010) states there were approximately 18,000 enterprises operating in Sri Lanka in 2010, of which 91% were SMEs. Most of them are
located in the commercial capital of Colombo and suburbs, mainly due to the historic and organic growth of the industrial base. This has resulted in relatively few SMEs operating in rural areas, offering fewer opportunities to scale up as well as hindering enterprise start-ups, due to entry barriers that create unfavourable conditions (Shaw 2004). The screening questionnaire and interview data with current entrepreneurs indicated that many entrepreneurs in PWZs had received a relatively less structured education (Below GCE O/L), were pushed into entrepreneurship and did not want their children to be entrepreneurs. It was found that these entrepreneurs were seeking higher educational levels for their children that would help to secure employment, carrying prestige, a stable salary and a pension, perpetuating the risk averseness and low social status of entrepreneurs. This also explains the rent seeking behaviour of entrepreneurs in PWZs, which tends to contradict the view of Schumpeterian entrepreneurship. The variability of monthly income is one of the main factors that discourage entrepreneurs. Among these, the link between education and entrepreneurship stands out, suggesting that entrepreneurship is for the ‘less educated’.

Out of 111 entrepreneurs, 98 provided their approximate income per month on the CESQ. Of the 13 entrepreneurs who did not provide it, eleven did not wish to provide this data, one did not know the income and one entrepreneur stated a loss. The average income of the entrepreneurs was approximately Rs.25,000 per month, where 90% of the group earned an income above the poverty line. The poverty line in Mullaitivu District for 2015 was Rs.3,848 (DoCS 2017a), while 37% entrepreneurs earned above Rs.30,000 per month, clearly underlining the role of entrepreneurship to reduce poverty in PWZs. However, even though the above average income generated by entrepreneurs enabled them to escape poverty, they were less successful in gaining social status and changing negative perceptions. The analysis indicated the attitude toward entrepreneurship in PWZs is negative and carries low economic (due to the unpredictability of income) and social status, which is a major barrier to enterprise development and LED.
“There were three women who received electrician training and they are not doing anything now. They were unable to go out and do electrical works because of cultural barriers” (NGO 6: NGO officer).

Many women, especially widows, are faced with cultural barriers that limit their interactions and mobility that set bounds on individual conversion factors (Figure 3). People sometimes view dressing differently, interacting with men and travelling to other parts of the country as not conforming to cultural traditions or at the extreme end, as evidence of engaging in prostitution. The individual reputational damage may have generational consequences, causing harm to family reputation and passing it on to children. Furthermore, some occupations such as electrical work, plumbing and commercial driving are viewed as ‘reserved for men’. What emerges is that there are social barriers (apart from the barriers discussed in Section 3.3) for entrepreneurs that are galvanised in the aftermath of the armed conflict and have become substantial. This goes against the tendency that having a large number of widows and experiencing a long-term armed conflict may result in softening of social barriers. These social restrictions curtail economic activities and deter women from becoming entrepreneurs, which have severe repercussions in PWZs where there are disproportionate amounts of female-headed households.

“People have to interact with opposite sex at their work places and at [skill training] workshops. Sometimes, especially when they are married women, their husband’s start suspecting and it becomes a problem for them. Even my husband did not like me going to lectures and workshops and keep on questioning me. I earn more than him so he has a problem with that [as well]. This creates problems at my home” (CESI 4: Current entrepreneur).

This further highlight the social barriers faced by women in developing their capabilities and be successful. The women have become not only victims of the armed conflict; they have become victims of their own success in a male dominated society where women’s agency is suppressed. Therefore, the success of empowering women’s agency depends not only on focusing on women, but it also depends on the cultural change in men, which warrants
gender-sensitive external interventions. For example, educating men on equal opportunities is likely to have favourable outcomes internally within households and externally at the community level.

The analysis of the interviews with entrepreneurs indicated they face severe competition from entrepreneurs from non-conflict zones. This is because entrepreneurs in non-conflict zones were less affected by the armed conflict and well-placed to capitalise on opportunities created by the sudden increase in demand due to, access to new markets, resettlement (increase in population) and the increase of purchasing power (which typically fizzles out) due to humanitarian aid. The overall lack of capabilities of entrepreneurs from resettled IDP communities further hinders their ability to compete. Porter (1997) suggests cost leadership strategy and creating of value propositions in overcoming competition: this involves a combination of quality (utility and not perception, such as brand) and price that is more suited to the local markets. While this allows PWZ entrepreneurs to be market followers and serve market niches (Dibb et al. 2006), it will further supplement the low purchasing power of the economic base. However, this is an ‘entry level’ proposition, which is time and place bound, meaning it may not be suitable for non-conflict zone markets and at a time when the PWZ’s markets start maturing. The value-driven quality-price combination could achieve by taking advantage of strategic and structural conditions (Section 3.3), where the value is created through differentiation and price by using social networks, economies of scale and absolute cost advantages. For example, producing soap and detergent powder for the local laundry market faces less regulation and statutory barriers (as opposed to processing food), needs relatively fewer skills and could benefit from an abundance of low-cost labour to achieve economies of scale and absolute cost advantages. Here, there is a possibility to access markets and enlarge the customer base through social networks. The strategic barriers such as brand perception are overcome by creating utility and ‘no-frills’ activities, such as standard packaging that further help to reduce cost. The availability of relatively low-cost labour could further facilitate LED through the encouragement of inward investment, subject to a favourable entrepreneurial space.
People in PWZs are pushed into entrepreneurship mainly due to the lack of availability of employment opportunities as well as the lack of ability to engage in employment such as disabilities. As two disabled entrepreneurs stated:

“I cannot do any other job. I lost my right arm because of the war on 31.02.2004 by a shell. No one gives jobs for disabled” (CESI 7: Current entrepreneur).

“I cannot travel far so I started this business at home. My leg was injured by a piece of shell on 9.4.2009” (CESQ 35: Current entrepreneur).

Entrepreneurship may be the only viable option of livelihood for disabled people when there are no dedicated safety nets or support, suggesting the reasons behind people with disabilities becoming entrepreneurs is ‘push’ factors (Section 1.8). While disabled entrepreneurs face similar entry barriers as non-disabled entrepreneurs, they experience such barriers to a more severe level and find them more difficult to overcome. For example, disabled entrepreneurs face limitations on access to formal finance, protecting assets and operational aspects of their enterprise. Furthermore, they are faced with personal challenges to overcome such as mental health traps (Section 5.3), placing further obstacles as non-visible disabilities. This suggests that about 40,000 people with disabilities, of whom 80% are estimated as maimed in PWZs (IRIN 2015) are more likely to face labour market disadvantages, as well as disadvantages in self-employment, which warrants disability-sensitive interventions. The ability to overcome barriers and become successful entrepreneurs will help such disadvantaged groups to escape poverty, gain social status and change the culture in the process. It will also provide equal access to resources and opportunities to a segment otherwise largely overlooked. Therefore, when considering the scale of the barriers and a disproportionate number of disadvantaged groups in PWZs, the entrepreneurs in PWZs could be labelled as ‘disadvantaged entrepreneurs’ who need special recognition.
“I was a day labourer and used to do some fishing and salt making. I was poor and ate tapioca for all three meals. My current financial position is good. I can maintain the loans from the income I get” (CESQ 75: Current entrepreneur).

As stated above, many entrepreneurs under study earned an income above the district’s poverty line, created employment and had the ability to repay debts/loans. They further displayed qualities of social responsibility by being sensitive to the natural environment and engaging in charitable activities. Further, the majority stated that being entrepreneurs enabled them to provide for their families and escape poverty. Data from the screening questionnaires and interviews also indicate that becoming entrepreneurs had enabled them to have a way of life they valued, and they believed their enterprises would help them to support their family in the future. It is clear that entrepreneurship had enabled them to acquire economic capabilities, which helped them to escape poverty and contribute to LED, thus becoming ‘agents of change’ (Section 1.10).

5.5.1 Entrepreneurial space

The importance of SMEs to economic development and poverty reduction in Sri Lanka was highlighted in Chapter 1. The contribution of SMEs to GDP rose from 40% in 2010 to 52% in 2011 and this upward trend is expected to continue (Jayasekara and Thilakarathna 2013). SMEs, which include micro enterprises, is defined as a combination of employees–turnover matrix (Figure 17) and the national policy framework for SME development (SMEPF) recognises SMEs as the backbone of the Sri Lankan economy (MIC 2015).

<table>
<thead>
<tr>
<th>Description</th>
<th>Criteria</th>
<th>Medium</th>
<th>Small</th>
<th>Micro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Sector</td>
<td>Annual turnover (Rs. Mn.)</td>
<td>251-750</td>
<td>16-250</td>
<td>Less than 15</td>
</tr>
<tr>
<td></td>
<td>No. of employees</td>
<td>51-300</td>
<td>11-50</td>
<td>Less than 10</td>
</tr>
<tr>
<td>Service Sector</td>
<td>Annual turnover (Rs. Mn.)</td>
<td>251-750</td>
<td>16-250</td>
<td>Less than 15</td>
</tr>
<tr>
<td></td>
<td>No. of employees</td>
<td>51-200</td>
<td>11-50</td>
<td>Less than 10</td>
</tr>
</tbody>
</table>

**Figure 17:** Defining SMEs in Sri Lanka (MIC 2015).
The goals of SMEPF are to provide broad policy directions, identify challenges and set out broad intervention strategies and it has six policy intervention areas (Appendix 4), of which enabling environment takes prominence. The strategies aim to design and enforce SME-friendly laws and regulations, improve outreach services, improve infrastructures, such as common service and business incubation centres, promote public-private sector dialogue and create awareness of natural environmentally-friendly technologies, practices and opportunities. For the purpose of supporting SMEs, the GOSL states that:

“The government in supporting enterprises will give preference for the committed, capable and interested entrepreneurs with a reasonably good track record. In this regard, the policy of ‘picking the winners’ will be adopted in giving preference for supporting entrepreneurs” (MIC 2015: p.4).

Given the GOSL’s selection criteria that are underpinned by the notion of ‘survival of the fittest’, it is reasonable to believe that PWZ entrepreneurs are unlikely to benefit from GOSL-supported national mechanisms, due to their limited capabilities and a short record of accomplishment, if any. What this shows is that SMEPF’s indirect discrimination toward PWZ entrepreneurs and the GOSL’s stance may indicate an abandonment of responsibility. Although SMEPF has recognised the need for regional balance, i.e. inclusive regional growth, it has ignored the very foundation on which it was built, resulting in its failure to recognize PWZs as special regions that need separate attention. Such discriminatory practices arising from the national policy are likely to result in PWZ entrepreneurs, of whom the majority are ethnic Tamils facing long-term disadvantages. Therefore, the way that SMEPF is implemented may increase inequalities that exist within regions than resolving them.

Entrepreneurial activities are subject to the external structural issues, where having a favourable space for entrepreneurship is likely to increase entrepreneurial activity (Section 2.4.2). The enabling environment that derives from the structural factors and conditions of agents is important in entrepreneurs discovering and capitalising on opportunities (Section 3.2).
“Just after the war ended, I participated in a programme which involved both private and public sector. They presumed as the war is over these areas will be developed and bloom again. However, this has not happened. I guess this is because of the insecurity, private sector feels that they should not take the risk of expanding their businesses to these wars affected areas” (NGO 9: NGO officer).

Inability to demilitarize and having a non-friendly business environment has increased the perceived and actual risks in undertaking enterprise activities in PWZs. This has weakened inward investment, resource mobilization and development of labour skills (Section 2.4), which limits LED, resulting in the presence of only one large enterprise in Mullaitivu District. Large firms bring higher efficiencies and superior technology while the employment created help in increasing purchasing power (Wennekers and Thurik 1999). The presence of roadblocks, routine military patrols and stop-and-searches has contributed to uncertainty and a fear driven environment that has hampered entrepreneurial activity, highlighting the need to enhance the entrepreneurial space. For this, de-militarization, civic friendly policing and establishing a civilian-led administration are essential components in bringing transparency and governance to facilitate entrepreneurial space. The unfavourable business environment has caused entrepreneurs to start like-for-like enterprises, re-starting the same businesses in the post-war period as a survival strategy, resulting in less diversification, innovation and LED. The overall risk averseness displayed by entrepreneurs further suggests that the underlying motivations are ‘push’ factors.

“We had to bribe the police and do things for them and it is a struggle. We have not given big amounts as bribes, but small amounts such as Rs500, Rs1000. These are all unofficial acts; they come, take from us and go. We had to support police or otherwise there will be problems” (CESI 2: Entrepreneur).

“Officers are only interested in helping people who can bribe them, if you have means to bribe the officials then you can find a way to climb higher. But people
like us who are incapable of offering any bribes get nothing” (AESI 13: Aspiring entrepreneur).

The PWZs are further complicated by extensive corruption and exploitation taking place that curtails entrepreneurial activity. The predatory behaviour by authorities when granting permits to conduct businesses, resource extraction or as a way of exercising power (military and police power) has severely affected the ability of entrepreneurs to operate freely, while increasing costs that lower profitability. Such action has also resulted in asset-stripping of entrepreneurs and acting as indirect taxes on businesses. The consequences could be long-lasting and catastrophic for entrepreneurs. The alternatives for entrepreneurs are to comply with the status-quo and adopt coping strategies for subsistence, implying failure and driving them into poverty (Davies 1996). The opportunity to create effective institutional structures in the post-war period has been allowed to slip away by officials to make personal gains who see resettled IDPs as providing easy pickings. The powerless entrepreneurs have become victims of unlawful actions by authorities find themselves paying bribes (itself a barrier) to overcome barriers. Further, the widespread predatory behaviour by the public sector has ramifications in finding durable solutions to resettled IDPs, where corruption has become one of the biggest threats to post-war communities, limiting not only LED, but also peace building and reconciliation.

“We have plenty of army and police around us but still thieves come. Next door shop was broken in” (CESQ 19: Current entrepreneur).

Many entrepreneurs stated they were fearful of the alarming rate of burglaries taking place in a highly militarized setting. The thefts, which mostly occur at night, resulted in the loss of assets, with a high negative impact. The inability to bring perpetrators to justice and enforce basic rule of law is an indication that the burglaries taking place in these highly militarized zones could be systematic. This exposure to vulnerability that should be preventable in the current contexts implies that GOSL has been unable to balance security and development needs. Furthermore, not having a favourable space prevents pull entrepreneurs from investing in PWZs (inward investment), which typically acts
as an entry barrier. The security concerns in PWZs have had relatively little attention in the literature on barriers to market entry (Section 3.3). The unfavourable space prevents bringing in resources and technological knowhow and creating much needed employment in PWZs. Given the current context, a logical first step could be to enable ‘good enough’ standards that foster entrepreneurship in PWZs. For example, GOSL could aim for a step-by-step approach in establishing basic security and rule of law to facilitate a conducive space for entrepreneurs, as a starting point. Such an approach is logical given the scale of challenges.

5.5.2 Resource constraints

The entrepreneurial resources base includes tangible and intangible capital that store value and facilitate action (Light 2004). The freedom to access these resources is crucial in developing existing enterprises, new business development and innovation. Therefore, success rests upon having access and maximising the returns from the limited resources available to entrepreneurs in PWZs. The analysis indicated that the most important tangible resources for enterprise activities are access to finance followed by infrastructures, such as electricity, transport and technologies (Chapter 6), and responsible use of and access to available natural resources such as land, sea (Section 5.2) and water (Section 5.2 and 5.3). The analysis also indicated that lack of access to information and markets (which is linked to transport and technologies) constrains enterprise activities.

The analysis indicated that the finance available for PWZ entrepreneurs has four main characteristics: the majority comes from informal sources, comprises small amounts/ microfinance, is short-term and involves high interest rates. Five main sources of finance are shown in Figure 18, and it was found that many entrepreneurs use a combination of sources to conduct enterprise activities.
Most of the initial capital was sourced through pawning jewellery, savings and through informal sources such as family and friends. Once started, some entrepreneurs had managed to acquire stock through trade credit, which helped the cash flow of the business. There was a range of formal financial institutions present in the area; however, some entrepreneurs were reluctant to do transactions with banks, mainly due to two reasons. The first reason was the chronic lack of access to formal financing, due to strict conditions imposed by formal public and private sector financial institutions. The second reason is that many participants had lost savings and jewellery that were deposited with the LTTE-owned bank (Bank of Tamil Eelam) at the end of the conflict, due to the collapse of the bank and eventual disappearance of its assets, resulting in lack of trust in formal banking institutions.

“Accessing finance seems to be a problem. Two people who have government jobs should sign as guarantors in order to obtain a loan. These rules have to change” (NGO 6: NGO officer).

The inability to access finances in an adequate and timely manner has restricted entrepreneurs in exploiting commercial opportunities. Despite the presence of many public and private formal financial institutions, the restrictive terms imposed on PWZ entrepreneurs have trapped them into raising finance
from informal sources as high interest short-term loans, which increase costs and risks simultaneously. This has also resulted in an inability to keep up with repayments and eventually losing collateral (mostly pawned jewellery) and weakening the socioeconomic status of the entrepreneurs. What this denotes is that developing formal financial institutions (infrastructure through RRR response) is not in itself adequate and enabling access at favourable terms is equally important in improving entrepreneurial activity and enabling LED. Moreover, many of the entrepreneurs were financially illiterate: for example, had no accounting system and were unaware of the concept of ‘current accounts’. However, most entrepreneurs displayed an understanding of risks, such as loss of capital, fluctuating income and safety in the work place.

The financial assistance received through external interventions by way of grants and loans (mostly by NGOs and CBOs) was small (micro-finance) with limited scope and sometimes ended in consumption, resulting in not achieving the intended objectives. The reasons behind this are, the amount of money received was too small to capitalise on available opportunities and a lack of control by donors to direct recipients to the earmarked activities. The typical micro lending amount of Rs.35,000 was not enough to capitalise on opportunities or generate an income that would help an individual or a family. The businesses that had started through micro-lending, such as poultry, had failed, mainly due to the small scale of the business that did not generate enough profits. Although such businesses provided a small respite for families, they failed in providing medium- to long-term positive impact. To this end, the discussion supports the notion of financial assistance being provided together with non-financial assistance, and while there is a need for access to formal finance, this alone is not a enough condition to increase entrepreneur activity and reduce poverty. The analysis highlights the need for entrepreneurial education, training, and access to formal financing by entrepreneurs at favourable terms in a sufficient and timely manner, which justifies an integrated approach to external interventions.
5.6 Innovation and arbitrage in post-war zones

As explained, barriers to market entry and barriers to innovation are interrelated and the resource-based approach is more suited in discussing innovation (Piatier 1984) (Section 3.4). To this end, some of the barriers faced by PWZ entrepreneurs have been identified, such as access to finance, unfavourable entrepreneurial space, lack of infrastructure, information, market access and capabilities as well as cultural aspects. The negative consequences of the armed conflict have affected entrepreneurs, where some indicated loss of hope and aspiration causing mental issues curtailing innovation. Further, the discussion noted the barriers arising from the demand side, such as low income and low purchasing power. The small size of the market and low purchasing power means there is less need for innovation. What this suggests is the limited capacity and scope of PWZ entrepreneurs to innovate in a meaningful manner to an extent indicated in Section 3.4. However, this does not mean there is no reason to innovate or that entrepreneurs in PWZs are unable to innovate, but opportunities and the way entrepreneurs go about capitalising on opportunities need to match prevailing entrepreneurial capabilities and market conditions. This is further supported by the limited number of innovations originating from PWZs and their failure to materialise in a substantial manner.

“Woman found a new way to make papadum with vegetables last year in Puthukkudiyiruppu. She received the second-place prize from the president but still faces challenges in marketing” (NGO 3: NGO Officer).

Innovations as products, services and ideas that are new and have a commercial value (Amabile 1988; Martins, E. and Terblanche 2003) have the perception of taking place on a ‘world’ or ‘national’ stage (Section 3.4). However, such scale of innovation is rare or hard to come by in Sri Lankan PWZs. Therefore, entrepreneurs could focus at the village to provincial level and at best country level, shown as a need–capability driven multi-level innovation route (Figure 19), which emerged from the analysis of the primary data.
Such a focus could enable entrepreneurs to identify the opportunities of the immediate area to match with their capabilities, which could benefit them straightaway with the resources and capabilities at their disposal. This also offers the prospect of driving the innovation as capabilities build up. However, this is time sensitive, as innovation becomes vulnerable to theft and imitation and the need for intellectual property rights arises. Further, such a market-based approach may not be an innovation per se (it may be a product, service or an idea has been around) meaning the innovativeness is only applicable to a specific market at a given time.

Most of the entrepreneurial activity that takes place in PWZs falls under arbitrage, where, through the local knowledge, entrepreneurs capitalise on small pre-existing gaps that go largely unfulfilled by competitors. Some of the characteristics of entrepreneurial activity in PWZs are, largely conducted by sole owner managers or with the help of the immediate family, less technologically intense and localised. This is in part supports Kirzner’s (2009) approach to entrepreneurship, while the analysis points to the inability of the PWZ entrepreneurs to engage in meaningful innovation where capitalising on price differences by being alert appeared to be the logical course of action.
Here, the disadvantages of offering similar products and services are overcome by being price competitive, an indication that PWZ entrepreneurs are not ‘creators’ or ‘innovators’ as Schumpeter envisioned. The main implication here is recognising this ‘as is’ will help in directing external interventions that promote entrepreneurial activity in enabling LED. Recognising PWZ entrepreneurs as largely ‘reactive’ rather than ‘proactive’ provides a base for further research, which could be helpful in fostering entrepreneurship in PWZs. The differentiation is important because of the policy interventions would be appropriate according to the task at hand, to facilitate innovation, arbitrage or both in a targeted manner.

Westlund and Bolton (2003) argue that ‘trust’ is part of the ‘resource endowment’ of entrepreneurs and the absence could act unfavourably for innovation as well as individual and collective enterprise activity. However, Portes and Landlot (2000) found external interventions directed at building social networks in a situation of lack of or non-existence of trust are more likely to end in failure. The reasons for this include free-riding by some members (Section 3.4.2) and the weakening or collapse of communitarian structures when external assistance ends, which highlights the need to build on the existing level of trust as a long-term objective. However, despite the risk of failure, it will be worthwhile to build new networks in order to enhance the resource endowments of entrepreneurs in PWZs.

“What else can we do? We have to live and survive somehow. When the fights were going on, lots of civilian were killed. We were walking over dead bodies of civilians. All the leaders were better off; they could survive in the bunkers. Poor people like us only sacrificed” (AESI 14: Aspiring entrepreneur).

The last stages of the conflict forced IDPs to travel from one ‘safe zone’ to another under heavy bombardment, finally being trapped in an ever-shrinking area where they were forced to take defensive cover at all costs. During this time, the IDPs had little food, shelter and medicine, and some traded essential items such as baby milk powder at enormous prices. Furthermore, IDPs were unable to assist each other when injured and recover dead bodies due to
continuous shelling and shootings leaving them to fend for themselves. The overall environment created in the last stages of the conflict has resulted in the loss of trust among IDPs, which they have carried into the post-war period where they hardly trust each other. The situation has deteriorated due to the predatory behaviour of public officials (Section 5.5.1), where people experience widespread corruption, exploitation and nepotism even within some CBOs that was designed and implemented to enrich trust and cooperation.

The efforts by the civil administration and development partners have been successful in establishing trust and cooperation to an extent through CBOs. However, the homogeneity within the network, where many CBOs are organised along the lines of sex (WRDSs), race (many are Tamils) and Language (many only speak Tamil) which limits potential. Nevertheless, this analysis does not suggest a complete absence of trust and cooperation in Sri Lankan PWZs but merely emphasises the need for designing interventions to that facilitate foundations of CBOs to establish their sustainability.

Entrepreneurship, which includes individual action, as well as collective action, takes place in complex social networks as a ‘business proposition’ with a degree of trust in PWZs. For example, many entrepreneurs strongly agree that they must be alert in order to prevent people taking undue advantage, displaying a deficiency of trust. However, these entrepreneurs extended credit to sell goods with the expectation of recovering it only as a tactic to attract customers, where most of the entrepreneurs viewed this as ‘helping’ of communities. Although selling goods on credit helped the people live in poverty to an extent, the motives behind such actions were largely to make profits and not the altruism of entrepreneurs. The entrepreneurs also tended to surround themselves with immediate family, who they presumed could be trusted, as a defensive mechanism to widespread distrust. Less cooperation is exhibited in contexts where there is a void of trust, which is ‘absolutely crucial’ in business networks (Casson and Della Giusta 2007), and such deficiency of trust in PWZs hinders entrepreneurship.
5.7 Formalising of informal enterprises

The ‘informal economy’ refers to all economic activities that are, in law or in practice, not covered or insufficiently covered by formal arrangements (ILO 2012). The term informal economy is preferred to that of the informal sector, because of its ability to accommodate the diversity that exists within employees and economic units. The ILO (2014b) argue that the low levels of skills, education, experience requirements and the lack of regulations and protection for the people who are engaged in the informal economy fuel poverty, inequality, discrimination and low quality employment. It is further noted that the informal employment created in the informal economy also creates unsafe working environments, long working hours, fewer prospects for advancement, curtailing of social mobility and more prone to physical and financial risk than their counterparts who participate in the formal economy (Amaral and Quintin 2006; ILO 2002; McGahan 2012).

In Sri Lanka, around 60% of total employment is created in the informal economy (DoCS 2017c; ILO 2009). The fact that SMEs that comprise 91% of all enterprises and contribute 52% of Sri Lankan GDP stresses the urgent need for formalising them. Three key aspects of differentiating formality, (a) registration of the organization and/ or (b) accounts-keeping practices and/ or (c) having 10 or more regular employees were discussed in Section 1.6.1 along with the drawbacks of policies of tax exemptions. Another contributory factor is the SMEPF that does not mention bringing SMEs to formality (Appendix 4), thus indirectly enlarging the informal economy. Not linking SMEPF to formalising SMEs appeared to be a policy oversight by GOSL that warrants attention. Further, there is also the need to close the loophole of exemption of filing tax returns for businesses that generate less than Rs.500,000 of income per annum and calling for filing tax returns to be compulsory for every business.

Enterprises in Sri Lankan PWZs operate as semi-formal (Figure 20) as opposed to informal enterprises. This differentiation is absent from the wider Sri Lankan enterprise discourse, although it is relevant in policy implementation and directing external interventions in order to bring formality.
As shown in Figure 20, there are no formal arrangements in the informal stage of the businesses that operate in the informal economy. However, almost all enterprises in PWZs have obtained a licence to conduct their enterprise activities by paying a fee to the Pradeshiya Sabha, which is considered compulsory. Further, some have obtained a business registration certificate (BRC) by opting to register their businesses at the divisional secretariat. The obtaining of licences has provided entrepreneurs with a form of legitimacy, while BRC has created a legal entity, allow entrepreneurs access resources, open business bank accounts and carry out activities under the business name. The obtaining of a licence and BRC has placed enterprises technically as neither being formal or nor informal but places them in a semi-formal state.

Most of the interviewed entrepreneurs who have only paid the licence fee considered themselves as ‘registered’, while some were not aware of the need to obtain a BRC and its costs/benefits, indicating a lack of awareness of the business registration and formalisation process. The amount of disaggregated data on enterprises needed for examining policy and intervention processes in enabling transition is limited and the adoption of different definitions by different government departments complicates this. For example, the Department of Census and Statistics adopts a criterion of number of people engaged in business activity to define SMEs and includes ‘employees, self-employed’.
persons, employers, active partners and unpaid family workers who are engaged in the economic activity’ (DoCS 2015a: p.4). Here it states that, at the national level, approximately 42% of firms engaged in economic activities do not have a BRC, which illustrates the scale of the task in enabling the transition.

The data from the screening questionnaire and interview with current entrepreneurs suggest there are three key reasons for not paying EPF and ETF at the Department of Labour: the lack of a legal requirement for the self-employed to pay such contributions, evasion of responsibility by entrepreneurs and lack of awareness by both entrepreneurs and employees. The reasons for not filing tax returns are that annual income is less than Rs. 500,000, evasion of responsibility, lack of awareness and belief that the semi-formality has provided legitimacy, eliminating the need for formality. What this highlights is the need for awareness and a sense of citizenship among entrepreneurs, alignment of policy and linking entrepreneurs with the Divisional Secretariat, Department of Labour and the Inland Revenue as strongly as they are connected to the Pradeshiya Sabha, thus, bridging the gaps between institutions. This could possibly be achieved by the empowerment of the Pradeshiya Sabha that could act as a ‘one stop shop’ where almost all the enterprises have perceived that they are ‘registered’. There is a possibility some administrative functions could be delegated to Pradeshiya Sabha’s to facilitate the transition.

5.8 Summary of the chapter

The destruction caused by the armed conflict resulted in the GOSL starting development activities from a ‘point zero’, while resettled IDPs were also beginning their livelihood activities from a ‘point zero’. The development activities and the IDP resettlement process began as early as 2010 under the unified RRR response coordinated by the PTF (and later transferred to the respective District Secretariats), which prioritised livelihood interventions. The external interventions by GOSL and development partners in terms of
livelihoods achieved mixed results, mainly due to the conflicting objectives of the strategy and promoting traditional livelihood activities without real diversification. The standard Rs.35,000 grant was too small to capitalise on commercial opportunities resulting in enlarging subsistence living. Traditional livelihoods were dominated by the agricultural and fishing sectors, accounting for 80% and 10% of economic activities, respectively (MDS 2012), which continue to play an important role in the post-war period. The dominant livelihood sectors are characterised by low productivity, labour intensity, susceptible to weather, seasonal, and generating low incomes. Given these reasons, the discussion emphasised the need for deagrarianization of the local economy. However, this goes counter to most interventions by GOSL and development partners that have encouraged traditional practices.

Numerous poverty traps are present in the PWZs. Here, the emerging theme is that some poverty traps are indirect and hard to envisage while others are aggravated directly by the aftermath of the armed conflict. For example, although high fertility traps are restrained now, they have the potential to become a challenge in the future, while maltreatment of children has become a vast problem, due to the consequences of the armed conflict. Moreover, ex-LTTE child and adult cadres face difficulties in finding employment due to indirect criminalization from continued military surveillance and the stigma attached to them. This has also resulted in limiting PWZ entrepreneurs’ access to non-conflict zone markets. The analysis suggests that the DDR programme had shortcomings, leaving rehabilitated cadres with no employment and few skills that drive them into the traditional low productivity agricultural sector, with heightened hatred towards Sinhalese, which could be a source of future conflict. The indirect criminalisation has also included Tamil communities being subjected to communal humiliation by the military, through intimidation tactics, limiting access to resources and by Sinhalese civilians, through ‘war tourism’ that limits equity of resettled IDPs.

In particular, the research identified the continuation of traditional practices as a trap that keeps people in poverty and a barrier to LED. This has curtailed innovation and the risk-taking aspects of entrepreneurship that are regarded as
vital in entrepreneurship discourse. The engagement of traditional practices and resistance to change has two facets: the tendency to operate in the ‘comfort zone’, therefore staying in the low yielding agricultural sector and the change to becoming a high-risk activity for resettled IDPs because of the conflict. Moreover, the conflict has limited their livelihood and psychological capabilities, as well as preventing resettled IDPs from gaining new capabilities in the post-war period.

Debt bondage is one of the major traps in PWZs where the ‘owner driven’ housing strategy by GOSL has trapped resettled IDPs in poverty and further exposed them to intergenerational poverty. The GOSL intentionally underestimated the costs of building the houses to blueprints given by them and legitimated the action by labelling the housing assistance as ‘owner driven’. They also only allowed deviations to scale up the square footage of the blueprint, while not accounted for the inflation that considerably increases the cost of raw materials over the course of construction. Furthermore, the costs were calculated using cheap raw materials that pushed beneficiaries sourcing high quality raw materials at their own expense.

Overall, the owner driven housing project has resulted in ‘asset stripping’ of beneficiaries, where they have resort to drawing on savings, pawning jewellery and borrowing under unfavourable terms from informal sources of finance that trap them in long-term debt. It could be argue that, these effects were relatively easy to envisage on GOSL’s part and that it could be concluded that the 90% of people who are Tamils in the district (without Welioya Divisional Secretariat) (NPC 2013) were subjected to systematic discrimination by GOSL’s housing strategy, irrespective of the fact that it provided better housing at resettlement. Here, the research study provided an example of ‘lessons learnt’ in post-war development, which could assist in future interventions.

It has been argued that it is possible to gain small-scale economic synergies at the low economic level and the need to deagrarianization of the local economy. To this end, the discussion highlighted the positive role that entrepreneurship could play in meeting three critical needs in PWZs: livelihood diversification,
employment creation and LED. Here, it was shown throughout the chapter that aspiring and current entrepreneurs faced similar structural, strategic and social barriers in PWZs, which further illustrates the need for external interventions.

The analysis indicated all most all enterprises are SMEs and entrepreneurs are relatively less educated, which supports the notion that entrepreneurship is for the less educated, where it is not usually been the first choice as a livelihood activity. The social stigma and the unpredictability of income attached to entrepreneurship have resulted in entrepreneurs experiencing low self-esteem, so that they encourage their children towards public sector employment. Although most entrepreneurs have been able to achieve an income of well above the district poverty line, they were unable to convert it to change the negative perception towards entrepreneurship. Therefore, a logical step could be interventions in building the self-esteem of entrepreneurs.

The PWZ entrepreneurial space posed many challenges to the entrepreneurs that limited entrepreneurial activity. The SMEPF which is geared to promote SMEs is underpinned by a strategy that has had unintended consequences for PWZ entrepreneurs, and which needs change. The SMEPF has failed to recognise PWZ regions as in need of special attention and has acted counter to its objective of bringing regional equality. Moreover, there is no reference to bringing formality to many SMEs that are in a semi-formal state, which could be considered as an oversight. The non-friendly business environment resulting from militarization and the predatory behaviour of public officials, has limited entrepreneurial activity, inward investment, mobilization of resources and, consequently, LED. Furthermore, this has critically affected trust among resettled IDPs, limiting their ability to be entrepreneurial.

The analysis indicated that entrepreneurs raise most of their finances using informal sources under unfavourable terms, resulting in increased costs. The terms required in providing business loans by formal financing sources appeared to be beyond the reach of PWZ entrepreneurs, which acts as a barrier to market entry and survival. In addition, the micro-finance received from external interventions was not adequate to capitalise on commercial
opportunities and ended up being used in consumption. Given the context, it was argued that what constrains entrepreneurs in accessing formal finance is not the lack of financial infrastructure, as GOSL’s strategy envisioned, but the PWZ entrepreneurs’ lack of access by demanded collateral.

The analysis made clear that entrepreneurs in this PWZs are unable to engage in innovation as described by the mainstream discourse. Therefore, a multilevel route to innovation that matches the ‘need-capability’ of markets and entrepreneurs is proposed. However, this ‘innovativeness’ is only applicable to specific markets, and thus may not be an innovation per se. The finding also supported the fact that most of the entrepreneurs were capitalising on localised arbitrage opportunities by being alert. Therefore, the majority of PWZ entrepreneurial activity does not fit the Schumpeterian description of entrepreneurship as ‘creative destruction’.

The discussion on livelihoods and poverty traps suggests that many resettled IDPs are experiencing powerlessness and their abilities constrained. The aftermath of the armed conflict has hindered their capabilities and utilization functions, as posited by the CA (Figure 3). Therefore, policies and practices that are underpinned by the CA are urgently needed in bringing sustainability to livelihood activities, reduction of poverty and finding durable solutions for resettled IDPs.
CHAPTER SIX

External interventions as capability development in Sri Lankan post-war zones

6.1 Introduction

The previous chapter looked at livelihood activities in post-war zones (PWZs) and the constraints faced by entrepreneurs and emphasised the role that external interventions could play in enabling freedoms of agents. Here, it was emphasised that entrepreneurship could help people to escape poverty traps and bring real livelihood diversification, which, in turn, could facilitate local economic development (LED). The focus of this chapter is to further investigate poverty traps and examine capability enhancement through external interventions as a way of capacity building of resettled IDPs.

There are five arguments put forward in this chapter. The first is that solutions for external poverty traps mainly depend on changing structural conditions in order to empower agency. As such, there is a need for interventions; however, current intervention strategy is mainly focused on changing the conditions of agents, which highlights the disconnect in intervention strategy. Furthermore, the hostile conditions in PWZs have contributed to development partners taking the easier route of changing conditions of individuals rather than structural conditions that are perceived to be harder to change. The second argument is that, although there are legitimate security issues in PWZs and a role for the military, the Government of Sri Lanka (GOSL) has failed to strike a balance between security-development needs. Here, GOSL has been an unwilling partner, while the ongoing parallel administration run by the military has compromised collaboration, which has come at the expense of the freedoms of resettled IDPs, rendering them powerless. As a result, ethnic conflict continues in the post-war period even after the ending of the armed conflict. Third, there is a governance gap in terms of exploitation, legitimacy, and militarisation of public space, which highlights the weaknesses of GOSL’s relief, recovery and reconstruction (RRR) response. This is further highlighted by its inability
connect most of its efforts to long-term development. The fourth argument is based on the role of development partners in promoting co-production in PWZs, which links collaboration, governance and management (Durose and Rummery 2006). Here, the discussion highlights the gaps between best practices and timing of interventions and brings attention to the overlap of boundaries within RRR. This has disconnected the relief and development stages while the missing links have resulted in GOSL becoming dependent on development partners in the implementation process. Attention is also drawn to the complexities involved in the assessment of external intervention, which is considered paramount. The fifth argument for promoting entrepreneurship, citing its benefits for resettled IDPs. Here, the discussion highlights the importance and strength of collective action in becoming entrepreneurs and escaping poverty, as well as pointing out weaknesses of collective action in PWZs, which mainly result from institutional arrangements. In this regard, there is a need to change the possibility space (Section 2.4) of entrepreneurship and align interventions that require building the underutilised resource of collective action in bringing LED to PWZs. The discussion continues to strengthen the links between entrepreneurship and reducing poverty in PWZs while firmly grounding this thesis in a theoretical as well as a practical framework.

6.2 External poverty traps in post-war zones

The importance of identifying external poverty traps was discussed at length in the Section 3.4.2. To this end, the analysis identified the presence of under-nutrition and illness, low skills, uninsurable risks, lack of information, mismanagement of common property, lack of capacity for collective action and powerlessness as traps in PWZs. Further, the analysis suggests geography acts as a poverty trap alongside the dependence that arises from the individual and structural conditions. It also indicated the existence of the underlying causes of the armed conflict carrying on into the post-war period.

“Our people have given up fishing and found labourer work in Vavuniya [nearby district]; the others are actually starving as they don’t have any income.
Usually, they somehow find one meal a day with a lot of difficulties” (CBO 5: CBO officer).

“Because we were very poor, my children were malnourished, and they are very small in size even now. There were no medical facilities and no clinics to take them [during the conflict]” (AESI 13: Aspiring entrepreneur).

Under-nutrition, as insufficient or imbalanced consumption of nutrients (Jayawardena 2014; Sujendran et al. 2015), is potentially caused by household food insecurity and inadequate health services. The protracted conflict made resettled IDPs vulnerable to food security during the conflict and the current economic status has prevented them from achieving food security in the post-war period. Further, the inaccessibility to health services during the conflict (Section 5.3) potentially exposed IDPs to infectious diseases and they had little access to adequate treatments and the systematic preventative vaccinations that their counterparts had in the non-conflict zones. The decades of disadvantages in food and health have made resettled IDPs vulnerable to illnesses, where many children appear physically small compared to children in non-conflict zones. The ongoing household food insecurity has made children attending schools while starving, which hinders their educational attainment. It was argued in Section 1.9 that children born during the conflict in conflict zones were fundamentally disadvantaged. The disadvantages did not cease at the end of the conflict and the trajectory has continued to some extent in the post-war period, with children of the resettled IDP communities facing disadvantages once they enter the labour market, depriving them of opportunities. From the parents’ point of view, they feel powerless in meeting basic needs and display a diminished level of agency, which emphasises the need for external interventions in building capabilities. To this end, the CBOs that had been set up to gain synergies through collective action appeared to be as powerless as the resettled IDPs, mainly due to collective action exercised by weakened agents tending to be weak. As a result, there is a need for a two-pronged strategy: simultaneously building capabilities of agents and capabilities of CBOs to harness the benefits of collective action.
The link between skills and poverty has been well established, and education, technical and vocational training are vital components of economic development and poverty reduction, which provide the means to generate an income; (Chaudhry et al. 2016). However, in terms of these Sri Lankan IDPs, only 11% had above O/L education, and they had virtually no marketable skills, computer knowledge or vocational training at the end of the conflict (Godagama 2013). This illustrates the urgent need for skills development for youths and adults who face disadvantages. Such efforts need to be conflict-sensitive in order to accommodate people who have different sets of needs and abilities. Further, skill development among entrepreneurs may help in eliminating the perception that 'entrepreneurship is for the less educated' (Section 5.5) and help in building self-esteem. The overall benefits of acquiring skills are twofold: prospective employees will match the labour market demand, which increases productivity and entrepreneurs will engage in innovation and arbitrage, increasing the freedom to achieve (Figure 3). However, the results of both the screening questionnaire and interview data suggest the presence of the following barriers to skills development:

a) Cultural aspects: Some sections of the community such as women and particularly widows face direct and indirect obstacles in gaining skills. In terms of entrepreneurs, there is a lack of trust and unwillingness to delegate others to look after the enterprise while attending training and workshops.

b) Mobility: Vulnerable groups such as people living with disabilities face mobility barriers, as there is generally a lack of disabled-friendly transport and spaces. This is relevant due to the presence of a disproportionate number of disabled in PWZs. Moreover, women have relatively less mobility than men, for cultural as well as safety reasons.

c) Opportunity cost: People are unable to forgo a day’s income to attend training, due to their current economic status. Further, some skills development programmes that charge money are unaffordable.

d) Lack of demand: Due to lack of employment opportunities, there is limited need for people to gain skills, while the lack of skilled labour prevents inward investment, which acts as a self-enforcing cycle.
e) Psychological barriers: Some entrepreneurs are content with the current arrangements and do not consider skill development as important, while the small size of the typical enterprise in PWZs does not demand a high level of skills. Furthermore, the screening questionnaires and interviews with some of the current entrepreneurs indicated that their experiences of armed conflict have limited the aspirations.

The analysis pointed to the interdependence of interventions and the complexity of barriers, which have overlapping boundaries. For example, policies and interventions for skill development could be linked to youth unemployment, employment creation via current entrepreneurs and inward investment, as well as the formalising of the informal economy and, thus, warrants careful planning. This is because when people living in poverty are charged money for skills development and there is no guarantee of employment, it limits participation as well as forcing them to continue to engage in traditional agricultural sector thus, widening inequality.

*Picture 8: Entrepreneur with multiple physical injuries.*

The uninsurable risk traps can be categorised into two groups: life insurance and crop insurance, as 80% of the economic activities are taking place in the agricultural sector (MDS 2012). The analysis suggests that for both categories, uninsurability stems from agents as well as structural conditions. Some respondents stated their inability to afford insurance premiums, citing low income while there was a loss of hope for some, due to the experiences of the
conflict; thus, they did not see the need for insurance. The scale of losses suffered has limited their desire for life, and some showed survivor’s guilt. Further, the intense physical injuries and disabilities that have resulted from the conflict have rendered a section of resettled IDPs disqualified from life insurance or subject to the inclusion of clauses that undermine the policies (Picture 8). The unavailability of a range of insurance options for agriculture, due to the reluctance of insurers (Esham and Garforth 2013; Heenkenda 2016), has resulted in difficulties in access, lack of awareness and limited benefits, when available, which together prevent wider adoption of insurance in Sri Lankan PWZs. Therefore, it could be argued that the overall socioeconomic status of resettled IDPs has left them with few risk mitigation options, exposing them to adverse shocks that reinforce poverty traps.

“Challenges are the lack of relevant technical knowledge and skills. Our district is backwards oriented when it comes to technical knowledge, skills and communication methods” (GOV 11: Government officer).

“I have a mobile phone and do not have a radio or a TV. I get information when I go out to work” (AESI 3: Aspiring entrepreneur).

It has been argued that information and communication technologies are an important part of economic development and help in the convergence of income with improved quality of life (Cecchini and Scott 2003; Forestier et al. 2002). In this context it implies that, as a large amount of economic information is available in digital format (Britz 2004), not having access to such information traps people in poverty. This analysis suggests that information poverty in PWZs arises mainly due to insufficient language proficiency, lack of technical knowledge, and supporting infrastructures such as electricity, the internet and financial incapability to afford devices. Many respondents indicated they only know the Tamil language, which is a minority language, indicating a personal level deficiency. This is complicated by the lack of formal education due to the conflict (Section 5.5) which has inhibited skills and knowledge, thus generating community level deficiencies. The financial incapability and lack of infrastructure raise issues concerning the affordability and availability of
information. What this suggests is that, even when information is available in PWZs, the economic opportunity it provides tends to be small and localised. This leaves them with only small arbitrage opportunities, illustrating the substantial limitations of entrepreneurs’ capabilities. As such, there is a need to change agents’ and structural conditions simultaneously.

**Pictures 9 and 10:** Abandoned community wells with notices declaring the soundings are cleared of UXOs.

The mismanagement of common property and collective action traps are intertwined (Section 3.4.2). The importance of common property and collective action in building post-war communities is a key element in bridging gaps between individual capabilities and resources as well as LED (Fearon et al. 2009; MacKenzie 2009). However, the common property becomes mismanaged, underutilised and is sometimes abandoned, due to disputes between individuals and groups (micro-level disputes) and differences with sponsors and regulators, such as NGOs and government officials (micro-meso level disputes), (Pictures 9 and 10).

“I visited a bakery, which is funded by an NGO. It is highly equipped and was given to a WRDS. They were also given a vehicle. They were complaining that
they do not have enough customers. With all the facilities, they were complaining about fewer customers” (NGO 9: NGO officer).

“There is a community centre that we were given but the army is using it as a civil office now. We have written to all the authorities, but we did not get any response yet. We do not have a place even to conduct a meeting” (CBO 7: CBO officer).

The main sources of disputes appeared to stem from: furthering individual interests, lack of coordination, issues of responsibility and authority, sub-standard interventions and arbitrary actions. Despite the importance of the resources such as water that have a daily impact on livelihoods, there is still the risk of communal property falling into disrepair due to patterns of usage (Pictures 9 and 10), where wells usually get abandoned in monsoon seasons. The situation has been exacerbated by the lack of skills and management in place at the time of commissioning common property, where beneficiaries were unable and unprepared to cope with the challenges they faced, in part due to the shortcomings of external interventions. Furthermore, the confiscation of the common property appeared to be limiting collective action, suggesting that these traps result from structural conditions that acted as a barrier to the capabilities of resettled IDPs. This also highlights the already weak agency in influencing structural conditions in PWZs and the negative impact on collective action arising from militarization. However, this goes counter to the conventional wisdom that prevails in PWZs, which tends to shift the responsibility and blame towards individuals who have little control over such matters.

“At the start, the group work together in harmony but after a short period, the whole team effect fails as they can’t work together. Then the group members will leave the group gradually one by one and the programme will cease to exist” (GOV 12: Government official).

“We have experienced failure in our group programmes because it is very difficult to socialise a diverse group. There are too many differences. We
believe that the individuals can be more successful as they will own the business. It is the responsibility and risk they are willing to take to develop their own business. There is no one to take the ownership or responsibility when it is a group” (NGO 7: NGO officer).

This brings attention to micro-level disputes, such as the free-rider problem that requires precautions in avoiding individual interests prevailing within the collective action (Olson 1971) and the lack of trust in PWZs, (Section 5.6). However, many disputes could have been avoided by micro-meso planning and building trust among members as a component of external interventions. The development partners have paid less attention to the importance of building trust when providing group interventions in enterprises, where the sole focus appeared to be profits. The link between trust and profit within the network was overlooked in many group interventions. Therefore, gaining synergies using the common property and collective action presents fundamental challenges that need overcoming in PWZs. This further highlights the differences between disputes arising from high-value resources such as oil and minerals that are possible sources of conflict (Section 2.8) and low-value resources, such as the use of a common building, which have typically receiver less attention.

“Even if we do not mine sand, army or police will make us to mine sand by force, put them in our tractor, and produce us to courts after taking photographs. Then, we are in trouble. They do that to us to take revenge. They just want to make a name for themselves and get promotions. They should not be bothering innocent people like us and put us in trouble. Our biggest problem is these rules and regulations and the law, which is used against us. We are trying hard to progress ourselves. When things happen like this, we cannot survive” (CESI 2: Current entrepreneur).

“Most of the GNs do not maintain proper notice boards. When they want help from the villagers, they will come in search for us, but they would not inform us about any opportunities. They do not maintain a good rapport with the poor people in this village. Also, we have to waste so many hours going to them, they will only talk to us once they finish all their work. Every place is like this
including the hospitals. I have personal experience of this happening. I was asked to come to doctor’s home for better treatment [private practice]. The reason for them to request to come to home is to charge money from us. When I went, he charged Rs800 from me. Only innocent and poor people go to government hospitals. But this is what they do here. It is quite sad what is happening, and we are helpless” (AESI 8: Aspiring entrepreneur).

Power is described as ‘ability of individuals and or groups to make their own interests and concerns count, even when others resist’ (Giddens 2004: p.420). This is a two-faceted process, the power to produce and contour: such as inequality, subordination, marginalisation and the power to shape the meaning of representation (Newman, J. and Clarke 2009). The structure is in a relentless process of concealing power in different forms, where it tries to rephrase and create perception through labels such as ‘empowerment’ and ‘participation’. The Sri Lankan PWZs are experiencing the phenomenon where in principle, GOSL is underpinning its authority and legitimising its actions through enabling access to state services, while, in effect, participation is restricted and freedoms are curtailed to an extent that makes people powerless. What this suggests is that the level of power that individuals or groups can exercise will be a determinant factor of whether their own interests are achieved and concerns count; thus, power as a capability is a vital factor for achieved functionings. Ibrahim (2006) argues that power relations of individuals and communities are an important factor in establishing the five main freedoms (Section 2.3) that will determine individual and collective actions as well as agent-structure relationships. The fragile nature of post-war contexts where people have limited power has allowed opportunities for misuse of public office and resources and corruption by those in positions of authority. To this end, Philp (2008: p.320) points out that corruption is a major obstacle in post-war contexts and that reducing it is a high priority, stating that;

“In complete chaos, there is no corruption. For corruption to exist there must be forms of office and positions of trust and responsibility with rules and norms, and these must form part of a ‘to some degree’ intelligible and hegemonic system of order and rule”.

199
The fragility of post-war contexts provides opportunities for corruption in which, even if it is noticed, there are few checks and balances to halt it. Once the primary defences against corruption, especially the structures of law and order, are breached, the contexts become dysfunctional, which consumes the capacities and making them powerless and the resettled IDPs become ‘free for all’ for exploitation. However, Nye (1967) argues that there are benefits of corruption for economic development, such as capital formation, cutting red tape and entrepreneurial incentives. Citing Schumpeterian entrepreneurship, Nye (1967) argues that corruption favours private incentives and the personal characteristics associated with entrepreneurship, where minorities can use corruption to overcome discrimination. However, such arguments are flawed in post-war contexts, in that they go counter to values, create winners and losers and are disconnected from the ground realities where resettled IDPs becoming further victimised. Corruption acts as a form of asset stripping and analysis also suggest corruption limits governance capacity (Section 5.6) and entrepreneurial space (Section 5.5.1). Though, there may be some short-term respite for entrepreneurship, it is important to note entrepreneurs’ unwillingness to participate in such activities. The argument is once the agents are discontented with corruption, the costs outweigh the benefits if any, therefore, corruption in any form is counterproductive to economic development. What this calls for is the need for external interventions in not only promoting livelihoods, but also bringing transparency and accountability to the institutional structures that are in place for public service delivery. The analysis clearly demonstrates that mass proliferation of power without accountability has curtailed the voices of resettled IDPs, limited choice and restricted control over their lives, as well as posing a threat to achieving durable solutions.

6.3 Isolation in post-war zones

Interviews with entrepreneurs, CBO and NGO officials indicated that resettled IDPs live in a relative physical and social isolation from other parts of the
country that limits the social networks and integration, which are important in addressing the underlying causes of the armed conflict.

“Some are not been to Colombo and they do not have contacts. There are less communication and no market linkages [with Colombo]” (NGO 6: NGO officer).

“Students were backwards, and vulnerable as a result of the war. When we took them to Colombo, they were scared to get off the bus” (NGO 9: NGO officer).

The majority of Tamils in Northern regions traditionally had little contact with the Sinhalese, stemming from divisive politics (Joshi 1996; Voorde 2005), and language, ethnicity and territory (Kearney, Robert N. 1978), which distanced them from the large economic hubs, such as Colombo. The physical distance and the sociocultural distance contributed to a form of segregation that constrained networks and trust. This has limited the mobility of resettled IDPs and the potential to gain benefits through networks. The post-war period has also seen resettled IDPs with low income and wealth, low skills, disabilities, carer responsibilities and cultural barriers (Section 5.5) that have constrained mobility. Mckenzie and Rapoport (2007) suggest that wealth is positively related to economic opportunities and economic migration, which lead to a reduction in inequality. However, the stigma attached to the LTTE’s past (Section 5.3) is likely to limit the mobility and economic opportunities of resettled IDPs. What this suggests is that, for resettled IDPs, economic migration and linkages to economic hubs are not necessarily natural options and need deliberate efforts in creating networks and economic opportunities.

6.4 Interventions in post-war zones

According to Chopra and Hohe (2004), interventions in post-war settings are two-pronged, reinforcing the status quo and building on it or replacing what exists with a new order, as social engineering. However, both approaches are not without pitfalls. Although communities may recognise the need for
interventions in PWZs, there is the possibility of thinking that their culture is under attack (again) and becoming unresponsive. This is reflected in the response:

“Attitude of the publics should be changed in a way that they follow our instructions and work together to develop this area” (GOV 5: Government officer).

Therefore, it is vital to bring community participation into the intervention equation (Section 2.7) and have a long-term view on the impact. Imposing interventions on people is not only likely to meet with resistance, make them powerless and cause the interventions to eventually fail; it also runs the risk of solidifying the underlying causes of the ethnic conflict.

Throughout the thesis, the need has been argued for external interventions in bringing LED to PWZs. However, one of the main criticisms levied is that interventions have created a state of dependency among beneficiaries. The concerns are that beneficiaries may not be motivated to find livelihoods; they will purposely reduce their abilities to qualify for transfers (Siyoum et al. 2012) and transfers may result in negative purchases such as alcohol (Shepherd et al. 2011), which goes counter to self-resilience and empowerment.

“This type really annoys me. They got water pumps, bicycles, Rs25,000 (£125 for each family) in cash, groceries, dry food, toilets, houses and wells. These people have got all that they want but still unable to make any income on their own” (CBO 6: CBO officer).

“The thirty years of war has created a culture that gave all sort of assistance to people free of charge. Now they do not want to be entrepreneurs or look into other sources of income. Some have used to receiving assistance and have become lazy” (NGO 1: NGO officer).

Dependency is typically associated with long-term interventions leading to the ‘dependency syndrome’ (Brandstetter 2004). Citing this, development partners
have taken the short-term view for most interventions, resulting in limited outcomes and disconnection between stages of the RRR response. The analysis indicated a degree of dependency among resettled IDPs, although it also exposed the contradictions within this view. Firstly, not all resettled IDPs received every form of assistance available to develop dependency syndrome, as claimed to justify short-term interventions. Secondly, almost every respondent agreed that there was a critical lack of employment and livelihood opportunities in the PWZs; thus, not entirely engaging in economic activities was not out of laziness or dependence. Thirdly, the transfers received were small and formed only a portion of what was required to meet their needs. The fourth reason is that the low productivity agricultural and fishing sectors coupled with fewer livelihood opportunities generated relatively low income, such that asking for relief could not be interpreted as dependency syndrome. Furthermore, the interview data indicated that many development partners had considerably scaled down interventions at the time of fieldwork and many interventions had been short-term, without much consideration of the long-term needs of PWZs. Given these reasons and considering the widespread consequences that PWZs have seen due to the conflict, it would be fruitful for development partners to recognise the necessity for long-term interventions without being fearful of dependency syndrome.

The ‘dependency’ perception has contributed to mistrust and hatred among resettled IDPs and the officials at the frontline. One of the reasons behind this is the inability of stakeholders to differentiate interventions between the relief, rehabilitation and development stages (Section 2.6), which complicates the objectives and outcomes of different interventions. Furthermore, the augmentation of local economies by intervention transfers (Gibson 2005; Moss et al. 2006) which help in creating opportunities, even at a small scale, has largely gone unnoticed. The augmentation of local economies has helped many entrepreneurs to earn an income well above the district poverty line and to escape poverty (Section 5.5) while avoiding state welfare safety nets such as Samurdhi. For example, housing construction has created employment for masons and carpenters while creating opportunities for entrepreneurs, such as hardware stores. However, the screening questionnaire and interview data from
current entrepreneurs indicated that some entrepreneurs who were on state welfare benefits received them illegally, where it is reasonable to believe this happens with the full knowledge of the respective GNs.

“I have loans from a bank and from WRDS [Women Rural Development Society] and paying instalments every month from the income of the business. I also use the income for day to day expenses and children’s education” (CESQ 70: Current entrepreneur).

Over two-thirds of the entrepreneurs stated they did not need external assistance, suggesting that they had achieved durable solutions in terms of livelihood needs, lending credibility to the proposition that there is a role for entrepreneurship to reduce poverty in PWZs. The entrepreneurs who currently had debt, stating the non-essential nature of external assistance, showed their confidence in meeting future financial needs and paying off debt. Moreover, the many entrepreneurs who stated that they needed external assistance resorted to interventions of ‘access to finance as loans under reasonable terms’ for expansion of entrepreneurial activities and not as handouts. Further, the screening questionnaires of current entrepreneurs revealed a small proportion of entrepreneurs who were undecided about their need for external interventions, suggesting that they were in a transitionary period of becoming self-resilient, thereby bringing further credibility to the role of entrepreneurship.

“The kinds of bombs they used with poisonous fumes killed many people. I do not know the exact type of bombs, but they are a prohibited kind. Many children were killed; it was a narrow escape for me too. It was a very difficult time and I still carry the rage” (CESI 16: Current entrepreneur).

“There are a lot of land issues related to land ownership and land titles in this area. So, first, we must sort those problems and finalise the ownership of these lands” (GOV 13: Government officer).

“Root causes of the conflict were the belief that the minority was neglected and thrown to a lower status by the majority. The government should be careful not
to make the minority feel the same again. They should not be neglected or isolated and most importantly discriminated. Despite all the political efforts and policy changes that have been brought in, they still feel that they are treated as second-class citizens in the country” (NGO 9: NGO officer).

The analysis of interview data of all five groups of respondents (Section 4A.4.1) indicated the continued existence of underlying causes of the conflict in the post-war period that complicate the use of the concept ‘post-war’. Therefore, it is an approximate representation of an imaginary ‘free from conflict’ perspective and implies only a degree of normalcy without the armed fighting. While this non-armed struggle continues, the ‘winner takes all’ situation has limited the legitimate entitlements of resettled IDPs such as access to resources, markets and networks, which restrict their capacity to operate. The right to freedoms is directly affected by the current status-quo, which undermines their capabilities and achieved functionings. The situation is unlikely to change without external interventions. Without corrective and preventive measures to change the institutional structures, it is likely to continue the isolation of resettled IDPs and inhibit agency, which will act as a barrier to achieving peace, reconciliation and a just society. Here, consideration of conflict sensitivity is essential in interventions in, while the embedded conflict prevention components have been largely lacking in the RRR response, creating a void.

The RRR response that is designed around the ‘rescue-relief-rehabilitation’ model (Sayer 1995) could have brought early attention to development needs (Section 2.6). Here, the challenge is not only inclusion and participation but also creating a sense of belonging and respect for resettled IDPs who faced a comprehensive military defeat at immense costs at the hands of Sinhalese. The analysis indicated that the Tamils’ political ideology is strong, still intact, and not defeated at the end of the armed conflict. Therefore, it is important to recognise the fact that the post-war space needs a much broader approach that is transparent and just, in which LED is only one component of a larger response.
6.5 Collaboration in post-war development

At the time of resettlement, people have resorted to some form of livelihood activities at a very low-income generation level. The critical factors in bringing long-term economic development are the leadership and the capacity of the post-war state (Ohiorhenuan and Stewart 2008) that occupies the command and control position, in this case, the GOSL. Here, the collaborative approach to LED in PWZs was essential due to the scale of needs that resettled IDPs face and the inability of the GOSL alone to meet such demands in a timely, efficient and effective manner. The absence of institutional structures at the end of the conflict and the lack of capacity placed GOSL in a position where it depended on collaboration and bringing development partners and other stakeholders to RRR response. On the other hand, GOSL faced intense pressure from the international community, in a way left little room for GOSL to reject the involvement of development partners in the PWZ development process. Therefore, it could be stated that GOSL was an unwilling participant in collaborative efforts.

Furthermore, the reasons behind the reluctance of GOSL to engage in a collaborative approach included the need to exhibit a sense of normalcy, avoid criticisms and the fear of interference by foreign governments (Cox et al. 2014). The international development partners have maintained pressure on GOSL and weakened its position, such that GOSL has resorted to compensate for this through the military, which has suppressed freedoms. Given the circumstances, there are three main challenges in bringing LED: bringing legitimacy to institutions, the involvement of the public in decision-making and embedding accountability in the institutions involved (Skelcher et al. 2008). Legitimacy, as formal authority to act (Giddens 2004), has occurred in two forms in PWZs: under civil administration and military administration at the beginning of the resettlement. However, this has subsequently changed to a form of informal administration by the military that runs parallel to civil administration and undermines the authority of the civil administration.
“We are bound to be visited by intelligence agencies if donors visited the area that creates stress for us. They do not come in the uniform and sometimes come wearing shorts and claim they are such and such persons. This happens when we have community meetings as well. There will be at least two intelligence personals from the CID or the military at community meetings. So, people are not forthcoming to discuss their needs. We had to inform the military if foreigners visiting the area” (NGO 1: NGO officer).

The distrust among stakeholders and the parallel military administrations have limited the capacity of resettled IDPs in participating and decision-making, while hindering the collaboration that is essential in bringing development to PWZs. The interference has destabilised an already weak civil administration, creating exploitative opportunities that effectively limit accountability by officials who place people at the receiving end. However, this is not to say that lack of accountability and the exploitative environment exist only because of the military intrusions into civilian affairs, although this has contributed to the situation. Therefore, the analysis suggests that including limits on ‘security concerns’ by the military in the post-war period and not justifying a long-term parallel administration could benefit PWZs. As a result, the paradox for the GOSL is to balance the formal and informal legitimacy dynamics in enabling collaboration as a starting point. This is important because of the complexities and interdependence of agent-institutional arrangements in collaborative networks, which are likely to decide the way that development policies are formed, negotiated and implemented, thereby deciding the timing and the nature of PWZ development (Ettlinger 2003; McGuire 2000). The negotiations, as an on-going process, and the ability to negotiate between agents and institutions are needed to tilt towards resettled IDPs in finding durable solutions.

“We get instructions to conduct training programmes and we do our best to prepare and conduct them, but the people are not interested. When NGOs conduct any training programmes, they will also donate funds. People prefer programmes conducted by NGOs to programmes conducted by the government” (GOV 3: Government officer).
It is essential to communicate and coordinate between interveners a lax collaboration may produce negative effects. The tendency to compare the tangible and immediate benefits of interventions, such as equipment and money, may create a phenomenon of competition between the institutions engaged in interventions. The result is a building up of preferences that typically undermine government interventions and their legitimacy. Further, this may result in duplication of activities and delaying outcomes. Here, it is important to develop the capacity of agents and of the government, preferably simultaneously, which has the primary responsibility for the wellbeing of the people. Aron (2003) highlights the possible need for new institutions in post-war contexts to ensure oversight, due to the pre-conflict institutional framework being unable to meet the requirements of the altered setting. However, the resources for the required new institutions are hard to come by from resource trapped post-war governments, as well as running the risk that the new institutions may become vulnerable. For example, a new institution set up to combat widespread corruption runs the risk of becoming corrupt itself.

6.6 Security and economic development in post-war zones

The LTTE controlled nearly one-third of the land mass (MOD 2011) at the beginning of the Mavilaru humanitarian operation (Picture 11), becoming a significant adversary to GOSL. As a counter-measure, GOSL escalated military recruitment, and implemented militarization as the operation continued and areas fell under GOSL control. The proactive recruitment that swelled the size of the Sri Lankan military changed the dynamics once the conflict ended. For GOSL, the challenges from a military point of view were mainly two-fold: demobilization, disarmament and reintegration (DDR) of ex-LTTE cadres and deciding the role of the military in the post-war period. Overnight, the battle-hardened victors were left without a battle, in large numbers, and downsizing the military in the short-to-medium term was not a practical option for GOSL, for an array of reasons. This left GOSL deciding that the military should have a larger role in development work in the immediate post-war period. The involvement of the military in the affairs of civilian administration had already begun by way of managing welfare centres where IDPs were housed (Section
1.3). The implementation of development policies in PWZs is dependent on the security conditions and any interference by the military is bound to produce difficulties at the time of implementation. This is because the priorities of these institutions are different: ‘security’ for the military and ‘development’ for civilian administrators.


Considering security as establishing a secure and safe environment (Rathmell 2005), PWZs are challenged by the balancing act of security and development needs where the security needs have taken priority. However, this is not without merit as one respondent stated:

“It is very depressing to think about the past. He [husband] was captured as he was an LTTE member. Those days all of us were LTTE members, I was too. I left them after my children were born” (AESI 14: Aspiring entrepreneur).

Many civilians in conflict zones (now post-war) who are ethnic Tamils willingly or unwillingly supported and had links with the LTTE during the conflict, which posed a threat or concern for the military. This resulted in blurring the boundaries between civilians and the LTTE on one hand and LTTE cadres
becoming ex-LTTE cadres on the other hand, calling into question the
description of ‘civilians’. Some military personnel viewed ‘civilians’ as legitimate
targets, due to their role with the LTTE during the conflict, where they carried
weapons and engaged in active combat in civilian clothing, which spilled over
to the post-war period suggesting that the ‘rage’ is mutual (Section 6.2).
However, this is not to say that there is no legitimate role for the military in
PWZs. For example, there was some LTTE activity in the post-war period to
destabilise the economy and bring about a revival of the LTTE (Jeyaraj 2017).
However, by prioritising security needs and considering isolated incidents, the
Sri Lankan post-war environment has continued to be militarised and on a mild
war footing, even 6 years after the end of the conflict. As argued, the kind of
environment resulting from this has curtailed the capabilities of resettled IDPs
and functionings achieved. This has also led to limiting freedoms that are
considered as fundamental entitlements. As a result, the fragile post-war
context has created opportunities for people who hold power to exploit resettled
IDPs for their personal gains, as well as to realise objectives such as keeping in
check Tamils who once supported terrorism.

One of the challenges in the development of PWZs is to find the right balance
between security needs and development needs, although this is much harder
to come by. This is due to the involvement of opposing agendas as well as by
virtue of the military holding the upper hand in the context, thus limiting the
authority of the civilian administration. Therefore, while the agents have
become the ultimate victims of the context, to an extent, the civilian
administration could also be a victim of the situation, which warrants attention.
The current situation that depicts a tacit authoritarian centralisation than a
functional and representational democracy highlights the need for security
sector reforms (Kurtenbach and Wulf 2012). The argument here is to recognise
the interlink between security and development and establish a dialogue
between stakeholders in shaping interventions to enable development (Ball et
al. 2003). Such dialogues are essential in modelling agent-structure
relationship and empowering agency. However, this is unlikely to occur without
political and military resolve.
6.7 Socioeconomic governance in post-war zones

The discussion has stressed the importance of socioeconomic governance (Sections 2.5 and 2.6) as well as highlighting the existence of a governance gap in terms of exploitation (Section 5.5), legitimacy (Section 6.3) and militarization of public space (Section 6.4) that negatively affects capabilities and functionings of resettled IDPs. Here, the importance of GOSL in bringing sustainable development and durable solutions to resettled IDPs is emphasised, drawing attention to the underlying weakness of GOSL and its RRR response. To this end IFAD (1999) emphasises that accountability, transparency, the rule of law and participation are important aspects of governance.

“The roof tile factory is now closed [Picture 3]. This is because of the current owner is a politician. If this factory starts functioning, it will affect the supply of all his other factories, so he bought the factory and closed it. It was a place about 300 people worked. Also, the previous market place we had is now being used by the army and the CID” (GOV 5: Government officer).

Accountability is a result of delegation of authority, which brings the challenges of empowerment, control and oversight (Mulgan 2000; Philp 2001). The analysis indicates that accountability regarding state affairs is lacking in PWZs and resettled IDPs have become weak to act individually and collectively in holding the state to account. The prevailing status-quo has not called for a decisive obligation for public officials to justify their actions. The situation has been aggravated by the inconsistent major policies, which are typically altered or halted altogether by the change of ruling political parties. As well as undermining ‘national policies’, it has restricted the enabling environment and weakened institutional structures, providing space for authoritarian elements. Accountability is partly dependent on institutional design and frequent policy changes have adversely affected accountability mechanisms (Aaronson 2016). Therefore, there is an urgent need for capacity building in bringing accountability to state affairs. However, accountability could encompass development partners and CBOs, due to their essential nature in post-war
development. What this means is the need for a spectrum of interventions in terms of capacity building in institutional structures that involve micro-, meso- and macro-level institutions and the possible involvement of international level actors.

Here, the development partners could consider a balance between accountability and collaboration in involving national stakeholders (Ernstorfer et al. 2007) and the efforts could aim for ‘good enough’ governance (Section 5.5.1) as a starting point, which takes the transitionary and conflict-sensitive nature of the process into account. Taking a transformational view of establishing governance in PWZs is likely to produce better results than trying to establish ‘good governance’ that does not necessarily take contextual realities in to account. Aiming too high might hinder the process and could meet with severe resistance. For example, the military need not feel that they are under siege, as that could further complicate the process. A gradual step-by-step process towards establishing good governance is key in current contexts where stakeholders could appreciate small changes in the positive direction in providing space for economic activities to take place, which would presumably meet relatively less resistance from people with power. The acceptance of establishing good governance as a long-term objective in PWZs is important to avoid artificial creation of a governance gap.
Key aspects of transparency are the ability to access information by stakeholders when required, as well as voluntary forthcoming of information by respective institutions. Transparency helps in understanding and monitoring the mechanisms of the state budgetary, regulatory, procurement and decision-making processes that support efficiencies in resource allocation and reduce waste and corruption (Graham et al. 2003; IFAD 1999). The research suggested there is a lack of transparency in PWZs, where sometimes it could be associated with an intentional disregard of governance. At times, officials have deliberately opted to ignore best practices, which undermine their remit. For example, an intervention by GOSL and development partners that included two international governments and a multilateral organisation declared open a rice mill costing around £12 million (Pictures 12 and 13), which was touted as a ‘success’. However, the mill was not operational and the machinery was still in polythene wrapping at the time of the fieldwork, which was after two years of its ceremonial opening. The operators were unable to commission the machinery due to not having electricity. The need for electricity as a critical component could have been identified at the planning stage of this large-scale intervention, which could have brought long-term positive outcomes. Further, there were

Pictures 12 and 13: Non-operational rice mill that cost approximately £12 million.
visible signs of poor workmanship, showing a lack of accountability and transparency of the process.

**Pictures 14 and 15**: A disused mini-lighthouse and fish landing centre.

Another example is the disused mini-lighthouse and fish-landing centre (Pictures 14 and 15), which was declared open two years before the fieldwork and carries three plaques in three different languages bearing the names of the President, Minister and Deputy Ministers of Fisheries and Aquatic Resources Development and a leading development partner, as well as logos of two sovereign governments. The communities were unable to use the mini-lighthouse and landing centre, due to lack of electricity and lack of road access, aspects that could have considered at the planning stage.

Providing access to the state information flow incurs costs to the government, which is already resource strapped, and could require both the costs and benefits of information sharing to be established. However, the link between access to information and its specific economic benefits is yet to be established (Gil-Garcia et al. 2007). There is also the need to establish the quality of data, timeframes and mechanisms to access information by the public. This is because Right to Information Act (RTI) is still at early stages of implementation.
(GOSL 2016) and its application of clauses to deny access to information is yet to be seen. Further, there is the need to safeguard privacy, commercial secrets and limits negative outcomes. Establishing and specifying these are challenging for inexperienced public officials, while the already hostile PWZ environment could pose considerable obstacles. The strengthening of agency in PWZs could help transparency by enabling stakeholders to demand access to information; thus, it is vital to create awareness among the public and media of their rights and make full use of RTI.

“People from outside [South] come and catch fish using illegal methods. They use high beam lights and banned fishing nets. If this continues to happen, the sea will be out of fish stock. We have complained to the Fisheries department and they did not take any action. These people come here armed” (CBO 5: CBO officer).

“I came from Bussa [a place where rehabilitation program was held] and every Sunday I have to go to TID [Terrorism Investigation Department] office. I was an LTTE cadre and with them for about 7 years. I did not get any [livelihood] support from the military when I was released” (CESQ 43: Current entrepreneur).

Delivering socioeconomic justice before matters come to the judiciary is important, where the legal system has to be viewed as a matter of last resort. It is indispensable to have a just legal system and implementation of rule of law for people to live fulfilled lives and benefit from economic opportunities. The analysis suggests that the inconsistent application of rule of law has affected the livelihoods and freedoms of resettled IDPs and added obstacles to participating in civilian lives. The extended monitoring further indicates the failure of the DDR programme and the prevailing distrust continues to be used as a justification for militarization. Not having a livelihood support structure in place at the time of release could result in the poor reintegration of ex-LTTE cadres into the civilian life. It has been argued that without the rule of law, security of post-war communities tends to be uncertain (Ohiorhenuan and Stewart 2008), although it appeared to have the opposite effect in Sri Lankan
PWZs, where by attempting to ensure security through extended surveillance, the rule of law has been compromised. This is a further indication of the failure of GOSL to achieve the right balance between security and development needs. Additionally, the challenge in terms of corruption (Section 6.2) is not the lack of law but the implementation of it. As argued, once the institutional system is compromised, the current strategy of retraining a small number of public officials may not be adequate. What this stress is the need for reforms and the importance of the GOSL’s commitment to developing PWZs. The argument could be extended to include the resettled IDPs who need a shift in their thinking. Here, the use of ‘people from outside’ indicates the broader underlying tensions that exist in the post-war era, which is mainly drawn on geographical and ethnic lines and comes at the expense of the ‘other’. The reconciliation needs a shift in the attitude of people, although the current discriminatory activities in PWZs do not help in implementing these efforts.

The value of participation is discussed at length in Sections 2.2, 2.3, 2.5, 2.7 and 2.8. In terms of policymaking, it involves three levels: the information flow, consultation and active participation (Komito 2005; Macintosh 2004; OECD 2001). The first level is a one-way information flow that includes the government voluntarily providing information to the public or making it available on demand. At the consultation, the government receives feedback from the stakeholders who they pre-identified, thus creating a two-way information flow. The level of active participation involves citizens engaging in decision making and policy making, an advanced two-way information flow and actions that empower agency.

“Generally, the trend has to be changed. People should receive more information and awareness and should be free to come out with ideas especially in this region so they can go out and access opportunities” (NGO 2: NGO officer).

“I think the government mechanisms are still not in order in the district. Some business people are not aware of the departments and the legal requirements. Only a few departments are functional” (NGO 4: NGO officer).
The analysis suggests that the participation process is minimal at best and has a top-down approach to policymaking and implementation (GOSL et al. 2011; Saparamadu and Lall 2014). The context requires a shift of power to enhance participatory governance. However, this does not dismiss some advances in its LED efforts, such as the establishment of CBOs. Nonetheless, it is notable that there is a high level of influence and inputs by the development community, mainly NGOs, in the policymaking and implementation process in PWZs. What this means is the absence of power and freedoms for communities in shaping matters that have direct implications for them. Here, GOSL could provide the leadership needed in giving a ‘voice’ to resettled IDPs in shaping their future and developing their capacity to engage. However, this requires a broader political consensus, as noted, desire and recognising the urgency by GOSL. In essence, the government is an integral part of the governance process that cannot be substituted nor outsource its responsibilities; thus, the way forward is through reform of the institutional framework that places the government at the leadership. Undermining the role of GOSL by development partners is likely to produce adverse results.

“Thank you for coming and asking questions. This gave me the opportunity to talk to someone about our situation; poverty we [community] live in” (CESQ 8: Current entrepreneur).

Both, intrinsic and instrumental values are important in promoting individual and collective agency (Fukuda-Parr 2003). In terms of CA, Robeyns (2003a) points out that only ‘ends’ such as wellbeing have intrinsic importance, while capabilities to function are of instrumental value (Figure 3). To this end, the ‘voice’ could have instrumental as well as intrinsic value. Referring to intrinsic value, Appadurai (2004) argues that the voice provided by participation gives cultural capacity and capacity to aspire, which is fundamental in CA. This suggests voice is a capability of the agent that affects wellbeing. Here, sharing details of their plight could be liberating and providing the space to do so could go a long way in achieving durable solutions and reconciliation. Further, the prevailing instrumental value-driven interventions, where many interventions involve providing physical resources, could benefit from considering intrinsic
values at the planning, implementation and evaluation stages. This could also provide an exit point for external interventions that go beyond economic significance. For example, having the freedom to choose a livelihood that they value and leading a life without the need for further support could be a pivotal point in achieving durable solutions while incorporating values such as diversity and citizenship into interventions could help reconciliation.

6.8 The role of development partners in post-war development

Kindness and Gordon (2001) suggest interventions are a legitimate way of achieving broader social objectives that benefit wider audiences and stress the need for them to be sustained. The main thrust of the overarching intervention strategy has been centred on the RRR response that aimed at achieving durable solutions for resettled IDPs. The idea here is to cooperate and coordinate with GOSL, development partners, grassroots organizations and beneficiaries in providing a coherent and integrated intervention programme. In doing so, it is underpinned by the concept of co-production, a link between beneficiaries and service providers, which highlights their involvement in the intervention, policy and empowerment of agency. Co-production involves citizens partly producing services and arrangements and parties mutually agree on the outcomes of the collaboration, thus considering recipients as active participants. The concept has a clear micro-level focus on individuals and groups in enabling agency, which will play a part in shaping institutions (Brandsen and Pestoff 2006). As stated,

“Service provider and service user that draws on the knowledge, ability and resources of both to develop solutions to issues that are claimed to be successful, sustainable and cost-effective, changing the balance of power from the professional towards the service user. The approach is used in work with both individuals and communities” SCDC (2011: p.3).

Boyle and Harris (2009) insist that ‘consultation’ alone does not constitute co-production and, properly utilised, co-production has the capacity to help with
equal participation and sustainable services and resources. Therefore, it is important to note conversations at the grassroots level by development partners alone do not constitute co-production. Ostrom (1996) argues that citizens have an active role to play in affairs that affect them and could gain synergies through the process. Ostrom further notes that delivering services is relatively difficult without the active participation of agents. This demonstrates the interlinks between the types of external interventions, such as policy, training and networks, and the levels of interventions, such as household level, CBOs and local government institutions, which have a cumulative effect on each other (Brandsen and Pestoff 2006).

“The main reason behind failures is due to lack of coordination between NGOs and the government that created problems. There were similar activities by different NGOs in the same Grama Niladhari (GN) division where some activities were duplicated” (NGO1: NGO officer).

“We have to face some challenges like coordinating with government stakeholders especially the Divisional Secretary and the government staff. There were some mechanisms at the district level, but this is not operational now. We used to have a joint NGO coordination meeting every month” (NGO 5: NGO officer).

Co-production demands coordination, a collective dialogue, in order to be effective (McCall and Rummery 2017; Needham 2008). However, the interview data from all categories of respondents indicated a gap between best practices and the timing of interventions at the implementation level. What this expose is the ambiguity between different stages of the RRR response and the different understandings and capacities of the development partners and GOSL. These separate agendas and differences have resulted in the development partners and GOSL largely working in silos, even though having a grand overall strategy. Moreover, the coordination previously taken up by PTF is currently carried out by the District Secretariat, which added to compartmentalization.
The transition of RRR responsibilities from PTF to the District Secretariat, where coordination between divisional secretariats, development partners and other stakeholders are expected to take place has not happened as envisioned, thus creating a vacuum of guidance. This vacuum has contributed to compartmentalization and a mostly one-way involvement, where people have become passive beneficiaries. As a result, even where there are some elements of co-production, the participation by people is limited at best, and thus could be characterised as a ‘low’ level of participation. Many CBO officials complained that their voices went unheard when it came to implementing interventions, indicating a low level of co-production. Therefore, the requirements are two-fold: first, to improve the coordination between GOSL and development partners and second to identify methods to increase individual and collective participation. While this promotes empowering agency, it could also help in intervention efficiencies and sustainability when the external support has ended. Further, the lesson that can be drawn is to eliminate the leadership vacuum at transition points between the GOSL institutions that have the overall responsibility and are the ultimate authority.

“We get the funds for these programmes mainly from INGOs” (GOV 13: Government officer).

“At the beginning of each year, government allocate money for us. However, we actually receive a lower allocation, as the government reduce it for various reasons. We cannot run our programmes without money, so we must reach for NGOs” (GOV 7: Government officer).

“We are expecting them to assist us with any programme which will help us to reduce poverty. However, they are approaching us with their pre-planned programmes, which may not what we need now. That is a problem” (GOV 8: Government officer).

Moser (1995) argues that the three-tier strategy of infrastructure expansion, social sector expansion and safety net measures targeted at poverty reduction and increasing wellbeing is dominated by the government, which is in a
command and control position (Section 2.5.1). However, the interview data from the government officials revealed that the government in PWZs is dilatory and exhibits ‘dependency’ on development partners for the local development. During the fieldwork, government officials could not proceed without mentioning the oversized role of development partners, which indicated a shift of power and responsibility in activities concerned with supporting livelihood and wellbeing at micro- and meso-level.

Moreover, it appeared that GOSL is possibly using the military to balance the power differences arising from interventions by development partners in their favour and keep development partners in check; thus, the involvement of the military goes beyond ‘security’ needs for GOSL. Hoglund and Orjuela (2011) state that the military has gained a prominent role in overall Sri Lankan civil society and Pannilage (2015) also suggests the military has been given a free hand in many areas of national life. In terms of GOSL’s dependency, the analysis indicated that the lack of resources and capacity of GOSL in meeting the needs of resettled IDPs are main reasons for over-reliance on its development partners. The dependency of the government has not received much attention, because the narratives in PWZs are shaped to shift the negativities of dependency towards resettled IDPs (Section 6.2), thus giving GOSL a justification for not allocating resources to PWZs while not attracting attention to own dependency. Further, the dependency has place GOSL at the receiving end, to an extent where the development partners have shaped the policy implementation process. This has further contributed to allegations being levelled at development partners, especially NGOs, for having own agendas, and to creating distrust, friction and negative publicity in the South of the country that fuels the ethnic conflict and undermines the work of the development partners.

According to Sweeney (2008), there are two types of assessment of interventions in PWZs: assessing the environment that shaped the conflict and assessing the intervention itself. Sweeney (2008) argues that conflict assessment tends to get priority over assessing the intervention, due to peacebuilding and conflict prevention goals being prioritised over development
objectives. Further, assessing the outcomes and impact of interventions is relatively challenging in PWZs. Firstly, there are no universally accepted standards for outcomes and impact assessment. Different interventions with diverse resources, beneficiaries, timing and objectives that extend beyond the subject of economic development complicate this. The interventions focused on LED may have cross-disciplinary impacts that inherently make them harder to assess. Secondly, the long-term conflict has prevented research, and availability of primary and secondary data (Section 1.9), leading to a lack of understanding in establishing baseline data, where the restrictive post-war context further impedes the efforts. Establishing baseline data is important because it helps in setting the intervention objectives, enables necessary changes as the intervention proceeds and can be used to compare conditions in the impact assessment when the end-line data is available. The third challenge is establishing impartial data, as the data tend to reflect the political, ethnic interests of the stakeholders. What this shows is the difficulty of understanding contexts as they are, which has a knock-on effect on implementation, monitoring and evaluation of interventions, thus clouding the interpretation and reporting of data. As this thesis argues, context is paramount in LED although understanding and embedding it to interventions is a complex task with little clarity. Thus, establishing boundaries between successes, failures, and lessons learnt in interventions is problematic.

6.9 Promoting entrepreneurship in post-war zones

The limited entrepreneurship interventions by GOSL and its development partners are mostly led by skill development, training, business planning, micro-financing and creating market linkages, where most of the efforts are directed at changing conditions of agents with little scope for developing the structural conditions that enable entrepreneurship. The analysis indicated that the interventions directed at entrepreneurship were aimed at three categories: individuals, small groups and CBOs. The individual interventions were discussed at length in Chapter 5. Small group interventions that typically have 5 to 10 members share characteristics between those of individual entrepreneurs and collective entrepreneurship. In terms of leadership, profit sharing, resource
allocation and management of enterprise activities. Overall, the interventions that were focused on entrepreneurship were relatively small, short term and received little attention compared with other traditional livelihood interventions, due mainly to the lack of understanding of the contribution of entrepreneurship to poverty reduction and LED in PWZs.

“As it was a business plan training programme, we made the plan and once we made the budget, we realised that it will be a loss to us. Then they [NGO] asked us to reduce the price of coconut [main raw material] and increase the price of coconut oil [finished product] and redo the budget. So, it was a fake budget from the beginning and the plan was wrong. However, we started the business as there was money given but we ended with a loss. With all the hard work, we did not earn a single cent. We just gave it up and now all equipment is kept aside” (AESI 14: Aspiring entrepreneur).

“Earlier we operated the mill, but it was a loss. There was no electricity, so we had to use a diesel engine, it was costly and together with maintenance, we faced losses” (CBO 6: CBO officer).

The importance and challenges of individual and collective entrepreneurship were discussed in Chapters 2 and 3. Although it is typically difficult to establish successes and failures in interventions, as mentioned, it is somewhat clearer to identify winners and losers of enterprises. Here, the limitations of collective action are regularly credited to the inability of agents (Flache and Macy 1996; Macy 1991; Meinzen-Dick et al. 2004), although analysis suggests that this is not necessarily the case in PWZs. Many weaknesses that undermine the collective capabilities and functionings achieved result from structural conditions, where the agents have little influence in changing them. While this has the tendency to discredit of wider collective action, the failures resulting from structural conditions have kept people away from engaging in collective action and gaining synergies. This is because there is a perceived fear of losses in engaging in collective action. The result is a further weakening of the capabilities of resettled IDPs that prevents achieving durable solutions. The analysis indicated that individuals and groups are more likely to overcome
barriers arising from individual circumstances when compared with barriers resulting from structural conditions (Picture 16). For example,

“Partners [business] are widows and from families that have handicaps. I am the leader and we work as a group. Partners do not have a fixed time to work and they work around other needs that need attention. On average one partner earns about Rs. 9,000 a month” (CESQ 75: Current entrepreneur).

**Picture 16:** Building skills, self-confidence and competitive advantage through interventions on collective action.

This highlights the potential of collective action (where individual entrepreneurship is embedded) and the need for interventions that enable people in achieving the lifestyles that they chose and have reasons to value. However, this is contingent on the efficiency of the interventions, which are mainly provided by development partners, as stated. Therefore, the successes of interventions tend to be associated with development partners getting the strategic process right by assessing the intervention itself as argued by Sweeney (2008). What this illustrates is not the deficiencies of the concept of collective action but the shortcomings of development partners and the GOSL in their intervention process, implementation difficulties and lack of foresight.
Encouraging collective action through the creation of favourable ‘possibility space’ could help entrepreneurship to flourish in PWZs, help the expansion of local markets and encourage inward investment (Figure 5). To this end, the analysis suggests Sri Lankan PWZs entrepreneurial space (Section 5.5.1) belongs to the less possible segment. By understanding this, the interventions could be formulated accordingly to enable the transition from less possible to the more possible segment of the spectrum in a targeted and effective manner. The point here is to understand the actions necessary in making the transition and to have a feasible set of outcomes relative to the contexts. This will allow managing expectations of stakeholders and ensuring an orderly transition between stages that helps entrepreneurs achieve their full potential. For example, interventions could be targeted on establishing ‘good enough’ governance (Sections 3.5.1 and 5.5.1) in Sri Lankan PWZs after considering ground realities, as well as managing expectations of the intervention outcomes. Understanding the possibility space is likely to provide a practical standpoint to interventions with the potential to create a meaningful measure of interventions.

“We provide small loans for poultry, agriculture and to start a business. However, we know sometimes even if they name these as purposes, they use the money for their other needs. We do not fuss about the purpose as long as they repay [the loan] on time” (CBO 8: CBO officer).

CBOs in PWZs are mostly aligned to provide microfinance and affiliated support to its members for traditional fisheries, agriculture and livestock activities, while entrepreneurial activities remain small and are not prioritised. The main reasons behind this are the experience gained in traditional livelihood activities and that the small endowment that CBOs usually have is not adequate in providing meaningful loans for enterprises. As such, there is a tacit understanding between CBO officials and members that the end-use of the loan rest at the member’s discretion, which does not require evaluation and monitoring. Further, the analysis indicated a lack of capacity within CBO officials in evaluation and monitoring, as well as mentoring entrepreneurs when providing small-scale interventions. What this suggests is that although CBOs
played a positive role in contributing to enterprise activities and poverty reduction, they were unable to achieve their full potential due to lack of physical and human resource capability. CBOs have proven their ability to positively contribute to their communities and operate within a space with less capital. Given the contexts, collective action stemming from CBOs is a valuable resource that remains underutilised.

6.10 Summary of the chapter

The analysis has explored the ability of people to gain capabilities to achieve lifestyles that they value and the role of external interventions in terms of GOSL and development partners in facilitating this. The discussion first identified the external poverty traps in PWZs that constrain the capacity of agents. Although the reasons for external poverty traps arise from the individual as well as structural conditions, it was argued that these poverty traps mainly resulted from structural conditions in PWZs. Therefore, solutions for escaping external poverty traps require structural changes, where the limited capacity of agents in PWZs is unable to attain or influence at a meaningful level. However, many interventions are directed at changing the conditions of agents and pay less attention to changing structural conditions. The separation of poverty traps as internal and external helps in understanding the direction of the current intervention strategy by GOSL and development partners in PWZ contexts, which could facilitate future interventions in a targeted and successful manner.

There are synergies to gain by engaging in collective actions, although when less empowered agents undertake such actions, they typically produce weak results. Furthermore, a requirement for collective action is a democratic space where people can organise, which is in short supply in PWZs. What this highlight is the limiting of space by structural conditions, which are a direct restraint on people gaining capabilities. Collaboration is essential in enabling LED, although GOSL was an unwilling partner from the outset. The level of command and control position that GOSL assumed had long-term repercussions for stakeholders in terms of operationalising the RRR response.
The establishing of power through a military administration has resulted in resettled IDPs as well as development partners continuing to face challenges, whose credentials and existence have been questioned, thus limiting the progress of LED and leading to the continuation of ethnic conflict. Moreover, many intervention efforts under the RRR response have been short to medium term and not sufficiently linked to long-term development goals. Here, the actions of GOSL prioritised policy design rather than operational aspects and thus the policies implemented have been imbalanced. While the discussion highlights the dysfunctionality of interventions in PWZs, it also underpins the notion of the limited progress that has been made over the past years, which is unlikely to bring durable solutions to resettled IDPs in near future and supports a comprehensive and collaborative approach in bringing LED.

GOSL had legitimacy issues, which led to the armed conflict (Choudhry 2010; Kubota 2017). These have extended into the post-war period, mainly due to the way conflict ended, the behaviour of public officials, dependence on and indifference toward development partners. What this means is that while there were initial reasons for the undermining of GOSL’s legitimacy in the pre-conflict period, these have been exacerbated by new reasons and the dynamics in the post-war period, where GOSL resorted to an over reliance on the militarization of PWZs. The situation has been further complicated by the inability of GOSL to define the role of the military in the post-war period, resulting in public space becoming militarized. Further, the discussion clearly argues for the need of governance in PWZs as an essential criterion for enabling the agency and suggests aiming for ‘good enough governance’ as a starting point.

Mainly one-sided interventions focused on changing the conditions of individuals are inclined to avoid structural change, indicating an unwillingness or lack of understanding of entrepreneurial space by development partners. Here, drawing on previous chapters, this chapter called for development partners to take a balanced approach to interventions, where both agent and structural conditions receive due attention. The discussion also explored the possibility space of entrepreneurs in attracting inward investments as well as enabling entrepreneurship locally. The expectation is that targeting agents as
well as structural conditions could help in tipping the balance towards the ‘more possible’ segment in the entrepreneurial possibility space spectrum. By enabling the possibility space of entrepreneurship, resettled IDPs could choose to be entrepreneurs to escape poverty while providing benefits to wider communities. Furthermore, interventions could be deployed aimed at capacity building of individuals as well as the collective level, where attaining synergies will be dependent on the capacity of agents in determining the structure in which they are embedded. However, this is a complex process, because it is likely to be easier to intervene in changing the circumstances of individuals than changing structural conditions in PWZs in a situation where public space been compromised. Here, the risk to development partners could be considered to be relatively less when supporting conditions of agents than of the structure, leading development partners to take the easier path. Further, it is important to note that while there is the possibility of micro-level interventions in changing the conditions at the individual and collective level, changing structural conditions is more likely to need macro-level efforts, which are typically difficult and time consuming.

The missing links between the stages of RRR mean that GOSL has missed a vital window of opportunity in bringing durable solutions to resettled IDPs. Further, GOSL has underutilised the possible capabilities of CBOs. CBOs have largely been left with little help apart from some administrative support by GOSL, where development partners directed the limited resources that CBOs received. A small number of CBOs, which received adequate tangible and intangible resources, continue to be successful. What this indicates is the strength of collective action and that the weaknesses of CBOs are more likely to come from structural elements in PWZs, which need addressing in order to achieve their full potential.
CHAPTER SEVEN
Discussion, Conclusions and contributions of the study

7.1 Introduction

The main aim of the research study was to explore the role of entrepreneurship for poverty reduction in post-war zones (PWZs). To this end, the final chapter brings together the theoretical frameworks and empirical evidence to draw conclusions and highlight the contributions made by the study. The framework developed for the study provided a focus for collecting data and the actual analysis and enabled the role of entrepreneurship to be understood as a process embedded in the context (Section 3.7). It was evident there is a positive role for entrepreneurship in poverty reduction in PWZs which requires deliberate efforts in fostering the entrepreneurial space. The systematic analysis also facilitated policy suggestions towards promoting entrepreneurship in reducing poverty in Sri Lankan PWZs. The discussion explored the negotiation and relationship between agents and the structure in post-war contexts which is vital for improving livelihoods and facilitating interventions. This chapter is structured into three sections: the research objectives are revisited, then the study’s contributions are identified, followed by concluding remarks.

The use of Sen’s Capability Approach (CA) as the overarching theoretical framework, together with the concept of poverty traps, placed entrepreneurs from resettled IDP communities at the centre of the study. This is in order to understand their capabilities and achieved functionings in gaining lifestyles that they have reason to value, thus providing a pivotal point in achieving durable solutions with respect to livelihoods. The analysis looked at interventions in building capacities at the micro- and meso-level as well as outlining agent and structural conditions that affect entrepreneurship and poverty. The CA was well suited to this study as a theoretical framework, due to its ‘agency’-oriented view, in this case, entrepreneurs and their capacities to shape their own destinies, as well as the capacity to help others. The entrepreneurship is
captured here as ‘individual’ and ‘collective’, thus highlighting similarities and differences. The works of Rodrigues-Pose further supplement this by bridging the gap between micro- and macro-levels when discussing economic development in PWZs in a localised context. Furthermore, the discussion reinforced the suggestion that efforts of the government of Sri Lanka (GOSL) in infrastructure and institutional building, as well as security and governance, have largely been unable to meet the needs of PWZ development. This has left resettled IDPs vulnerable and without durable solutions whilst fostering the continuation of the ethnic conflict in the post-war period. Here, the missing links between the relief, recovery and reconstruction (RRR) stages and the inability to bridge the response to long-term development was identified as a contributory factor to the continuation of disproportionate poverty in PWZs. Without external interventions, this status quo is unlikely to change.

7.2 Research objectives and further discussion of the findings

This section intends to revisit the key research question of ‘what is the role of entrepreneurship in poverty reduction in post-war zones?’ which has two sub-questions,

1. What are the entrepreneurial dynamics in overcoming poverty in post-war contexts?
2. What is the role of external interventions in promoting entrepreneurship as a poverty reduction strategy in post-war contexts?

The objective here is to bring theory and empirical evidence to a single platform to formulate a coherent argument of the research study in addressing the stated key research questions.

7.2.1 First research sub-question

*What are the entrepreneurial dynamics in overcoming poverty in post-war contexts?*
The objectives were to understand the possibility of resettled IDPs to become entrepreneurs and escape poverty and, by doing so, to understand the barriers to entrepreneurship in PWZs. Here, the research study aimed to explore the existence of poverty traps in order to understand the role entrepreneurship could play in providing an escape from poverty traps to contribute to reducing poverty in PWZs.

The discussion argued for a market-based approach to poverty reduction through entrepreneurship, by enabling people living in poverty to earn an income and obtain social standing, thus allowing them to escape poverty traps. Here, the ‘market-based approach’ was synthesised as active ‘producers’, as stated by Schumpeter and Kerzner, and not as ‘consumers’ of large corporations, which segments people living in poverty under the bottom of the pyramid (BOP) (Section 3.2.3) approach. The discussion claimed that, for people living in poverty, becoming entrepreneurs, could be a route to overcoming poverty and having a sustainable livelihood, leading to fulfilling lives as well as making a positive contribution to local economic development (LED) and helping the wider post-war communities. However, the LED and benefits to the wider community may not necessarily be arrived at through altruistic actions of entrepreneurs, because Schumpeterian, as well as Kirznerian entrepreneurship, is largely embedded in profit maximization and individualistic action. For this reason, it is possible to view entrepreneurship driven by exploitation of commercial opportunities and resources to maximise profits as likely to create poverty rather than reducing it. However, the research study established the positive role of entrepreneurship; primarily through people living in poverty escaping poverty by becoming entrepreneurs and the possibility of breaking out of the cycle of generational poverty and at a secondary level, contributing to wider communities through the potential to create employment and contributing to LED. Although these employment opportunities are largely at a low economic output level in the informal economy, they are created in areas where poverty is localized (Section 1.7) with a chronic lack of employment opportunities; thus, they contribute positively to LED. To this end, the discussion highlighted the ‘citizenship’ among
entrepreneurs (Section 5.7) and the ‘governance’ on GOSL’s part (Section 6.5) that could help in enabling entrepreneurial space. Further, the entrepreneurs demonstrated their ability to strike a balance between profits and social goals with a diverse social consciousness. Many entrepreneurs were environmentally conscious and contributed monetarily to community activities, schools and places of worship, which demonstrated their benevolence and the ability to contribute positively to communities in which they were embedded.

The analysis showed that many entrepreneurs in PWZs are driven by individual profit motives in accumulating wealth. However, the derived benefits to communities they operate are largely beneficial, as noted. The potential impact entrepreneurs could create is long-term and benefits LED. Thus, the entrepreneurial activities undertaken by individuals go beyond profit maximization to benefit communities. Here, the key is to achieve the balance between profits and social impact in entrepreneurial interventions where entrepreneurs have a leading role in LED. For this to happen, entrepreneurs must claim their place within the community (Section 5.5), while GOSL provides policies and conducive space for entrepreneurs to flourish. This entrepreneurial possibility space is likely to decide the entrepreneur's ability to engage in innovation and arbitrage in capitalising on commercial opportunities. However, it was found that innovation under current mainstream definitions is largely out of reach for entrepreneurs in PWZs, which leaves them with small, localised arbitrage opportunities. To this end, the discussion suggested an alternative approach to thinking of innovation (Figure 19) in which entrepreneurs in PWZs could supplement entrepreneurial activities.

Overall, this warrant building capabilities of current as well as aspiring entrepreneurs in enabling them in ‘achieved functionings’ (Section 2.3.1) that facilitate ‘choice’ thus highlighting the need for capacity building. However, Naude (2011) argues that ‘choice’ for entrepreneurs is ambiguous, because entrepreneurial activities may not be always valued for push entrepreneurs and they may lose their agency by being pushed, which is central to the capability approach (CA). For example, push entrepreneurs choose entrepreneurial activities, not because of ‘choice’ but the lack of it, such as lack of employment
opportunities, thus leading to the absence of agency. However, resettled IDPs choosing the best livelihood option available for them at the time does not necessarily mean there is an absence of agency, as Naude (2011) claims, but rather a less empowered agency. This is because the research study demonstrated the entrepreneurs’ resolves and ability to attain achieved functionings in constrained contexts, resulting in notable income, self-resilience, escaping poverty traps, ending generational poverty, easing pressures on state welfare such as Samurdhi, facilitating LED and contributing to the wider community.

Empowering agency through capacity development is unlikely to materialise only by embarking on infrastructure and institutional development, as GOSL envisioned. However, this is not to undermine the importance of the limited reconstruction of infrastructure and local institutions that have taken place in the post-war period, which itself has capacity building needs. The challenge is to understand the uniqueness of PWZs and formulate responses in terms of policy and practice, accordingly. This is because contextual factors tend to affect agent and structural conditions disproportionately in PWZs, thus it is argued for embedding an element of conflict sensitivity into external interventions. However, such efforts need to arise without compromising the legitimacy of GOSL. This is because GOSL being the ultimate authority, has the responsibility and accountability for its citizens.

Based on the role of entrepreneurship in reducing poverty, Figure 21, which emerged from primary data analysis and discussions in Chapters 5 and 6, provides a framework for enterprise development in PWZs. This is derived by overlaying the outcomes of the literature reviews onto entrepreneurship, poverty and CA, as shown in Figure 6.
Figure 21: Framework for enterprise development in PWZs.

The discussion underlined the role of entrepreneurship in facilitating change, which in this context is reducing poverty in PWZs. To this end, the analysis identified four main components in facilitating enterprises in PWZs: namely, access to finance, semi-formal to formal transition, support programmes and institutional capacity building. The framework intends to provide a depiction of target areas that need addressing in order to reduce barriers, provide favourable entrepreneurial space and claim the rightful social status of entrepreneurs, which, together, will have a wider positive impact on poverty-stricken communities.

The nexus of education-entrepreneurship has worked against entrepreneurs in gaining social status and entrepreneur as ‘aspiring to be’. The notion of entrepreneurship for those less educated implies education will give the ability to acquire public or private sector employment, which suggests that becoming an entrepreneur is not the preferred option. Entrepreneurs wishing and
encouraging their children to gain a good education, gain public sector employment and preference to keep their children away from entrepreneurship further confirms this. This secondary nature of entrepreneurship could limit the number of future entrepreneurs and inhibit LED. Low social status and unpredictable income have further contributed to the negative perception towards entrepreneurs in PWZs. Overall, the interviews with entrepreneurs indicated risk averseness and rent-seeking behaviour of entrepreneurs in PWZs.

Given the current contexts in PWZs, co-production by resettled IDPs remains at a low level and it is unlikely to increase without external interventions. There is a likelihood of GOSL viewing action of development partners with distrust and as a challenge to authority. Further, the status-quo of the predatory behaviour of public officials are likely to resist facilitation of any co-production which act against their self-interest. Here, the leadership required for co-production that emerges from resettled communities is likely to label them as ‘terrorists’ or ‘terrorist sympathisers’, thereby limiting participation. As such, successful co-production is largely dependent on structural conditions that need addressing, suggesting that current efforts by development partners require strategic re-thinking.

The concept of entrepreneurship continues to be an important part of livelihoods of resettled IDPs in Sri Lankan PWZs. Most entrepreneurs can generate an income of well above the district’s poverty line, attain a lifestyle that they value and acquire economic capabilities that enabled them to escape poverty. The freedoms they have gained by engaging in entrepreneurship have enabled their capacity to look after their families, meet needs, pay off debts, and engage in charitable activities. Furthermore, most entrepreneurs believe that their enterprise will enable them to meet future economic and social needs, indicating that there is a positive outcome of been an entrepreneur in Sri Lankan PWZs, thus answering the first research sub-question.
7.2.2 Second research sub-question

What is the role of external interventions in promoting entrepreneurship as a poverty reduction strategy in post-war contexts?

The objective was to understand interventions with respect to entrepreneurship and identify gaps in order to support a more precise and targeted approach.

Economies that are emerging from a conflict face humanitarian and resource challenges in the immediate period of the end of the conflict, where, typically, weak governments are not capable of meeting the challenges demanded in the post-war period (Castillo 2008; Collinson et al. 2010; Heathershaw and Lambach 2008). This is complicated in Sri Lanka by having non-conflict and post-war economies existing in parallel in the same country. As a result, policy responses need to differ in their scale and nature, due to the destruction of infrastructure and institutions, collapsed livelihoods, deep inequalities, human losses and sufferings that are typical in PWZs. Further, PWZs differ from non-conflict zones in terms of socioeconomic aspects, which need recognition.

Given these unique contexts and the inability of the respective governments to meet the required needs of citizens, development partners have legitimate grounds for intervention (Section 2.5) in establishing long-term wellbeing of post-war communities, in the Sri Lankan case, resettled IDPs in PWZs. To this end, the development community organized interventions jointly with GOSL under a unified RRR response, which was coordinated by the Presidential Task Force (PTF) at first and later delegated to respective District Secretariats to provide coordination and leadership.

The RRR response has followed the mainstream three-stage linear model in developing post-war economies (Section 2.6), described as relief-recovery-rehabilitation (Patrick 2001) or rescue-relief-rehabilitation (Sayer 1995), a derivative of a three-tier strategy (Section 2.5.1) of infrastructure expansion, social sector expansion and safety net measures (Moser, C. 1995) designed to formulate social policy and poverty reduction in non-conflict zones. However, although this is not necessarily an inferior intervention strategy, the over
simplification and linearity have missed the linkage between the stages leading to long-term development goals that could help in bringing durable solutions and wellbeing of resettled IDPs.

The analysis indicated that barriers to entrepreneurship and poverty traps arose from structural conditions as well as conditions of individuals. However, interventions by development partners under the RRR response has mainly taken the path of changing the conditions of agents. While acknowledging the importance of such action, the lack of contextual understanding and applying ready-made frameworks of development has resulted in development partners’ interventions taking the path of least resistance, resulting in missing a vital window of opportunity to change structural conditions. This lack of focus has contributed to the constraining of entrepreneurial space, absence of independent checks and balances, lack of a coherent and coordinated long-term strategy and a ‘specific’ post-war development approach, resulting in unintended consequences, such as lack of trust and legitimacy challenges between resettled IDPs, development partners and GOSL in interventions.

Further, the main efforts of livelihood interventions are focused on seasonal and low productive traditional practices that lead to reinforcing rather than breaking the poverty cycle. Furthermore, enterprise interventions remain minimal in PWZs when compared with other types of livelihood interventions, resulting in entrepreneurial interventions taking a backstage and missing a vital opportunity for income diversification, which further supports the notion of development partners taking of the easier route in interventions.

The militarised post-war contexts have severely restricted the operating capacities of development partners while the lack of resources by GOSL has made them an unwilling collaborator in PWZ development. This has resulted in a tense relationship between resettled IDPs, development partners and the GOSL. The interview data clearly indicated GOSL’s challenges in balancing security and development needs that have restricted the entrepreneurial space, and restrained development partners, the local civil administration and resettled IDPs restricting from exercising their freedoms. Overall, the contexts have resulted in the limited empowerment of individuals, while mostly transferring
‘responsibility’ of poverty and ‘ownership’ of interventions to beneficiaries. This has caused interventions to collapse when the support of development partners ended, thus questioning the sustainability of interventions. What this highlights is the importance of institutional arrangements to enhance the capabilities of agents in bringing LED to PWZs where the status quo needs change. Further, the relatively small number of interventions directed at developing entrepreneurship and enterprise activities had limited impact especially about financial assistance.

The study demonstrated that the ready-made one-size-fits-all microfinance intervention policy under the RRR response had little scope for providing vital capabilities to entrepreneurs. The inability of agents to utilise available resources was viewed as a ‘fault’, which shifted the responsibility towards resettled IDPs. While there are some indications of efforts in integrating PWZ economies into the wider national economy, the efforts to link them to the international economy are clearly lacking. However, both markets need increasing the competitiveness of PWZ entrepreneurs, which is absent from current intervention strategies.

The over reliance on the agricultural sector could benefit from diversification. This requires a possible shift from current intervention strategies focused on traditional practices to deagrarianization of the local economy (Section 5.4). The departure from traditional practices may face stiff resistance to change by resettled IDPs and need suitable ‘labelling’. In terms of entrepreneurship, some immediate areas of focus for interventions could be to enabling access to finance, encourage financial planning and management, developing skill sets, self-confidence and self-esteem, which will contribute to the competitiveness of entrepreneurs (Figure 21). Developing language skills will enhance market access and assist in entrepreneurs achieving full potential. This could be supported by focusing on good-enough governance in the short to medium term, which will liberalise the entrepreneurial space for economic activities to take place and attract inward investments.
The lack of steering and coordination between development partners and GOSL in implementing interventions has resulted in some individuals and groups becoming excluded from the process and contributed to the deterioration of trust among resettled IDPs. For example, widowers were excluded as a vulnerable group, while the point-based system adopted for housing assistance excluded some families, such as older couples, from receiving housing assistance. Both the resettled IDPs and GOSL have placed many expectations on development partners in bringing LED, where a large degree of responsibility has been transferred to them despite the GOSL having the ultimate responsibility. Such perceptions at the grassroots level have led GOSL to deflect responsibilities away from itself and transfer them partly to ‘external’ actors and to resettled IDPs themselves. The lack of steering and coordination has also resulted in restraining co-production, which inhibits governance (Section 6.6).

Good governance depends on factors such as the perceived legitimacy and acceptance of the government and its commitment to improving the wellbeing of citizens, deliver justice, public services, policy and equitable conduct (Landell-Mills and Serageldin 1991). To this end, GOSL has fallen short of providing adequate accountability, transparency, access to information, rule of law and enabling of the agency. Given the current contexts and considering the scale of ‘good’ governance, it is logical to aim for ‘good enough’ governance in PWZs that will result in creating a possibility space for entrepreneurship, which is time critical. Creating a conducive possibility space is vital in rooting economic activities (Simmons 2012). However, this is unlikely to materialise without interventions by development partners directed at changing agent as well as structural conditions simultaneously in a situation where the GOSL has displayed a lack of commitment as well as the lack of capacity. However, this need not come at the cost of undermining the legitimate authority of GOSL.

While it is important to recognise the efforts of development partners, it appears they have been complicit in promoting sub-standard enterprise activities with limited evaluation and support mechanisms, as well as interventions that did not meet minimum regulations, placing entrepreneurs in direct confrontation
with government officials such as Public Health Inspectors. In some instances, development partners have failed in providing business planning assistance that included forecasting of profits and losses, and enough equipment and training, leading to entrepreneurs facing financial and other losses. Many interventions have led to the enlargement of informal economy with no intention of or systems in place for them becoming formalised. Therefore, while on the one hand GOSL and its development partners expressed the intention to formalise the informal sector (Section 1.7.1), on the other hand, both actors were willing partners in the expansion of the informal sector, which exposes the contradictory nature of the interventions. To this end, this study found many enterprises to be in a semi-formal state, which is different from the mainstream discourse of informal to formal transition, and thus may require different policy responses in enabling formality. While bearing in mind the difficulties in formalising the semi-formal sector, especially in PWZs, it seems that GOSL has lost another window of opportunity to formalise enterprises that were essentially starting ‘new’ from the start of the resettlement process and from a ‘point zero’, where nearly everything had to be rebuilt from the ground up.

7.2.3 Key research question

The key research question; ‘What is the role of entrepreneurship in poverty reduction in post-war zones?’ demanded an empirical investigation into entrepreneurship and poverty dynamics in PWZs. Here, the concept of the entrepreneur as an ‘agent of change’ and poverty as poverty traps was explored within the overarching framework of the CA, that places empowerment of individuals at the centre of economic development (Figure 6). The CA as an overarching framework serves better because of its individualistic approach, which reflects entrepreneurs as well as poverty at individual and household level. However, CA also retains flexibility in the contribution to collective action and understanding collective capabilities that appreciates social commitment (Dreze and Sen 1998) fitting well with the purpose of the study. Here, the discussion explored how entrepreneurs’ function individually and collectively in PWZs, the barriers they face in terms of
market entry and innovation and links between entrepreneurs and the external factors such as entrepreneurial space and the importance of capabilities to enable functionings in escaping poverty. Escaping poverty was further explored with respect to poverty traps and the structural conditions of poverty leading to outcomes as shown in Figure 6. Therefore, the contributions of this research study add to the literature on entrepreneurship, poverty reduction and LED in PWZs as well as offering practical solutions, where the findings could directly facilitate policy and direct interventions at the grassroots level.

CA pointed to capabilities of entrepreneurs who are severely restricted in PWZs and many are arising from the wide-ranging structural conditions. From the beginning of resettlement, IDPs did not benefit from dedicated enterprise assistance and any financial assistance received towards this was small. The skill development activities for entrepreneurs did not necessarily take the opportunity cost, prevailing social issues involved and conflict sensitivities, which hampered the participation that prevented them from gaining skills. Further, structural factors had negatively affected the capabilities of the entrepreneur in terms of access to finance, markets and distribution channels. Lack of supporting infrastructure, lack of mechanisms for technology and knowledge transfers, corruption, predatory behaviour of public officials and militarization of the civilian space has resulted in further limiting the capabilities of entrepreneurs. These structural issues have resulted in increasing risks of enterprise activities, lowering profitability, limiting freedom of movement and speech, asset stripping, limiting access to resources and above all loss of hope and aspirations of entrepreneurs. As a result, entrepreneurs are prevented from using their existing capabilities and gaining new capabilities that prevent them from achieving their full potential, leaving them powerless and curtailing entrepreneurial space.

The evidence gathered as primary data led to the conclusion that there is a positive contribution by entrepreneurs in reducing poverty and there is a wider positive impact on communities where the entrepreneurial activities are taking place in PWZs. Furthermore, over two-thirds of the entrepreneurs reported no
need of external assistance, suggesting they have achieved durable solutions in terms of livelihood, bringing credibility to the proposition that there is a role for entrepreneurship to reduce poverty in PWZs. This also demonstrates entrepreneurship is a pathway to achieve durable solutions for resettled IDPs and thus warrants credible intervention strategies. The inclusion of a credible entrepreneurship strategy at the start of the resettlement process would have brought positive results to the post-war development plan. The contributions by GOSL and development partners have largely been small-scale, sporadic and focused on changing conditions of agents with few interventions to change the structural conditions that negatively affect entrepreneurship or address poverty traps. Although many principles of poverty reduction largely remain the same, these resettled IDPs had to start from a ‘point zero’, due to reasons stemming from the armed conflict. This was evident from the respondents’ frequent references to large-scale destruction and having to start from a point of ‘zero’. Therefore, this warrants a more contextual understanding of PWZs in promoting entrepreneurship and reducing poverty, which could recognize and accommodate the needs of resettled IDPs and, in return, could facilitate achieving durable solutions. To this end, there are enormous barriers and traps in PWZs and resettled IDPs need acquiring capabilities to overcome these barriers and traps. It is important to note that entrepreneurs, like resettled IDPs, are unable to overcome these hurdles by themselves and need external assistance.

The sparse external interventions have placed beneficiaries under disproportionate responsibility without the required capabilities in overcoming barriers and escaping poverty. Based on the deflective nature of responsibility, in part originating from the officials engaged in development activities, the interventions have largely treated beneficiaries as passive receivers, self-serving and perceived as dependent; thus, development partners mostly avoided long-term interventions. The analysis indicated that improvement in targeted interventions could be achieved by taking the contexts and a long-term view into account (Picture 18). Given the context, the development partners have been largely unsuccessful in recognising and differentiating behaviours by some beneficiaries that are the results of ‘need’ rather than ‘greed’. However,
this is not to suggest that there is no personal responsibility by resettled IDPs and entrepreneurs in facing barriers, escaping poverty or serving their communities, but rather to highlight the lack of capability and the vulnerability resulting from their weak agency. Therefore, the study sheds light on the post-war context of lack of freedom to achieve and lack of freedom to choose between valued functionings by agents in the economic development framework (Figure 3).

The analysis indicated that one of the reasons for the semi-formality of businesses is the possibility for entrepreneurs to legitimately conduct enterprise activities without becoming formal. This is in contrast to the mainstream understanding of informality results from the absence of policy, regulation or implementation (Hart, K. 1973; Webb et al. 2009). In the Sri Lankan context, enabling enterprises’ transition to formality requires macro-level efforts, which were discussed at length in Sections 1.7.1 and 5.7, followed by a proposal of a policy response in the following section. The rethinking of entrepreneurs who are engaged in semi-formal enterprises as ‘employees’ seems counterintuitive, although it could bring long-term benefits to entrepreneurs and LED in PWZs as well as across the country. The main advantage here is that the proposed policy response could be achieved within the existing regulatory framework through relatively little change. Considering entrepreneurs as wage-earning employees in formal firms runs counter to theoretical definitions of ‘entrepreneur’, although it is important to note that practical solutions that have positive outcomes are vital in formalising enterprises in Sri Lanka.

7.3 Implications for policy and practice

One of the challenges of policy recommendations is to distinguish between cause and effect interactions between macro-, meso- and micro levels in order to formulate respective recommendations at the appropriate level. For example, this research study was conducted at meso- and micro-level; therefore, it is logical that the recommendations suggested being at an appropriate level in order to be effective. Nevertheless, some findings call for macro-level
interventions (for example, Appendix 4); this is to note some of the causes of barriers to entrepreneurship and poverty traps arise from the macro-level thus needs recognition at the appropriate level. Any mismatch of cause and effect and policy recommendations arising from different levels is likely to be ineffective, and therefore this requires careful consideration. After careful analysis, following recommendations were suggested considering agent-structural condition and enhancing capabilities to enable functionings of resettled IDPs and entrepreneurs within.

As stated, GOSL’s main post-war development strategy, RRR, was found to have achieved mixed results. This appeared to be mainly due to its inability to link interventions to long-term development, failure to derive the benefits of entrepreneurship and lack of consideration of poverty traps. Unfortunately, this window of opportunity has closed for GOSL and its development partners in achieving durable solutions for resettled IDPs. However, capabilities are an important part of agents’ ability to escape poverty traps and the data clearly demonstrated that entrepreneurs by themselves could not acquire the required capabilities. Thus, there is a need for continued support and long-term interventions. Here, CBOs could play an important role in enabling collective action, although they too face substantial barriers and lack of capabilities. Therefore, it is recommended that external interventions to enhance capabilities should be two pronged: aimed at enhancing individual capabilities of entrepreneurs and aimed at enhancing the collective capabilities of groups and CBOs in facilitating collective action, which could occur simultaneously, for better effectiveness. It is also important to note the need for institutional capacity building within the civil administrative structure at meso-level (Figure 21).

The RRR response had a disproportionate focus on traditional livelihood activities and placed very little emphasis on promoting entrepreneurship thus missing a vital window of opportunity for deagrarianization of PWZs. The analysis found that many resettled IDPs depended on one source of income, such as seasonal farming or seasonal fishing, without diversification of income. Furthermore, these activities have low productivity and carry relatively high risk,
thus tending to expose people to poverty. For example, prices tend to fall during harvest seasons, while crops are susceptible to frequent droughts and flooding. Although this setting needs a change for people to escape poverty, current policies and interventions have not paid much attention to deagrarianization of local economies while low productivity and seasonal traditional livelihood activities continue to be promoted. The importance of real diversification of local economies has not gained much attention from GOSL and its development partners. Therefore, the current intervention strategy needs re-direction to enable LED. The discussion clearly indicated entrepreneurship as a promising way forward in facilitating deagrarianization. However, this will encounter stiff resistance from the resettled IDPs, due to their preference towards deep-rooted traditions, even though the inability to change is likely to curtail economic synergies, poverty reduction and facilitating LED in PWZs.

Although the reasons for some poverty traps stem from structural conditions, many interventions by GOSL and development partners were predominantly directed at individuals, which needs rectifying. Further, the main reason behind debt bondage traps in the post-war period appeared to be the GOSL-sponsored housing policy that deliberately underestimated the cost of housing construction by naming it ‘owner driven’ without due consideration of the long-term negative impact on beneficiaries. By doing so, resettled IDPs have been exposed to generational poverty, constraining their ability to gain capabilities and limiting of functionings, which warrants urgent corrective action at macro-level. Moreover, this also marks a clear departure from the mainstream discourse that democratic sovereign governments have the citizen’s wellbeing at their core, which is not necessarily the case for GOSL, in terms of resettled IDPs. The housing grant and subsequent debt trap in PWZs have clearly indicated that sovereign governments do not necessarily have the interest of all their citizens at heart.

There are context-specific as well as common barriers to entrepreneurship between post-war and non-conflict zones. Moreover, similar barriers could differ in scale, placing PWZ entrepreneurs at a substantial disadvantage.
Without targeted interventions these entrepreneurs are likely to face such disadvantages in the long term. To this end, it should be noted that the majority of PWZ entrepreneurs are ‘push’ entrepreneurs and have a different starting point (‘zero’). As a result, the capacity building requirements are different when compared with those of ‘pull’ entrepreneurs or with ‘push’ entrepreneurs from non-conflict zones. This suggests entrepreneurs from PWZs have different conversion factors (Section 2.3), which means they are at a disadvantage and require more resources in order to capitalise on opportunities and develop competitiveness. As stated, these ‘push’ entrepreneurs are unable to do this by themselves. Therefore, policy actions and interventions need to differ between non-conflict zones and post-war zones.

Targeted interventions to build capacities of entrepreneurs (Figure 21) could bring long-term benefits in facilitating LED. The overall aim of capacity building as developing capabilities on one hand and conducive space on the other is integral to entrepreneurs achieving valued functionings, which lead to wellbeing and wider benefit to communities. Here, access to finance, essential infrastructure, information and markets remains challenging for entrepreneurs. Among these, access to finance from formal sources in a timely and enough manner with favourable terms remains a substantial barrier for entrepreneurs, thus forcing them to depend on internal sources that limit economic activity (Figure 18). It is important to note that microfinance is not a solution in Sri Lankan PWZ contexts due to the amount of finance being too small to capitalise on commercial opportunities in a meaningful manner. Further, the conflict has hardened cultural barriers, contrary to popular belief that communities emerging from conflicts typically experience softening of social restrictions, especially for women. This needs to be acknowledged when empowering women entrepreneurs.

It appeared from the analysis that innovation under its current mainstream definition is beyond the reach of entrepreneurs in PWZs and this needs to be reflected in intervention strategies. Entrepreneurs could benefit from thinking differently when it comes to engaging in innovation to capitalise on opportunities (Figure 19). Further, entrepreneurs could benefit from the
establishment of a mechanism to access national and international markets while safeguarding the rights of innovators for the limited innovations originating from PWZs. The opening of the possibility space for entrepreneurship could enlarge the scope of innovation; if this continues to be closed, the ability to innovate by PWZ entrepreneurs will continue to be limited.

In terms of the process of formalising enterprises in PWZs, the majority of them go through a semi-formal transitionary stage, whereas the mainstream literature discusses transition as from informal to formal (ILO 2014b; Williams, Colin and J. Nadin 2014) without any recognition of this semi-formal stage. Therefore, the policy could reflect the transition as from semi-formal to formal where interventions could be adjusted accordingly in order to facilitate the process.

The entrepreneurial space is severely restricted, a further indication needing of interventions targeting structural conditions, such as a dedicated SME policy for PWZs. Having a distinctive SME policy for PWZs will help to accommodate challenges faced by entrepreneurs who have somewhat different needs and capabilities compared with those in non-conflict zones. A dedicated policy could also accommodate special incentives such as tax reliefs and grants to entice inward investment (Figure 4). Sri Lanka already has the required expertise in the form of three long-established export-processing zones, which have a dedicated enterprise policy (Abeywardene et al. 1994). Without a dedicated enterprise policy for PWZs, it would be very difficult to bring parity between regions in terms of LED and inclusive growth. Further, the capacity building of entrepreneurs and the capacity building of entrepreneurial space need to occur simultaneously for entrepreneurship to flourish.

For GOSL, there are five options for formalising the semi-formal sector under the current structure (Section 1.6.1). These include: (a). Facilitating enterprises to increase income over Rs.500,000; (b) Facilitating SMEs to accommodate over 10 employees (Figure 17); (c) Passing legislation for compulsory enrolment with the Employees Provident Fund (EPF) and/ or Inland Revenue (d); Compulsory account keeping and (e); Changing the definition to include
enterprises that are registered with Divisional Secretariats, which already have BRCs. Out of these, passing legislation to oblige the self-employed to enrol with the EPF appeared to have long-term benefits for entrepreneurs. However, this means recognising ‘self-employed’ as ‘employed’, a core concept already adopted by the directors of limited liability companies (CBSL and DL 2005). The funds available in the EPF could act as collateral for loans as well as entitle entrepreneurs to a retirement benefit. This social security safety net is likely to be favourable in transforming the prevailing negative perception of entrepreneurship. However, the process, information and advice need to be accessible at the grassroots level to entrepreneurs as well as user-friendly. This may require some tasks to be transferred to the Divisional Secretariat or Pradeshiya Sabha, to provide better accessibility for the entrepreneurs. Given the already established connectedness, Pradeshiya Sabha seems like the logical choice, which could act as a one-stop shop for entrepreneurs. However, since District Secretariats currently issue BRCs, they already have the expertise and thus could be better fitted for the task. Further, the benefits of such a policy would go beyond PWZs to the wider national economy, where it could benefit most entrepreneurs in the country.

Militarization has worked against PWZs in terms of entrepreneurship and LED by curtailing entrepreneurial space, inward investment and resource mobilization. The fear-driven environment is detrimental to enterprises, participation and has a negative impact on trust, transparency and governance. While understanding that there are legitimate security concerns, de-militarization is essential for LED in PWZs. The extensive corruption and exploitation taking place by predatory behaviour of public officials result in resettled IDPs feeling powerless. Given the scale of this problem, transparency and governance are a matter of urgency where GOSL and development partners could focus on achieving ‘good enough’ governance as an immediate objective. This transformational process of establishing governance appeared to be more suitable to Sri Lankan PWZs, where rapid changes are problematic and could potentially hinder wider development activities.
The effects of armed conflict have undermined trust and networks, an important aspect of an entrepreneur’s capital that form part of their capability set (Figure 3). The trust among resettled IDPs has greatly eroded mainly due to the way last battles took place and the conflict ended. This needs to be considered in interventions, along with conflict sensitivity. In terms of interventions, there is a separation between resettled IDPs, development partners and GOSL, where they appeared to be working in silos within the RRR grand strategy. This separation acts as a barrier, which limits potential synergies and agency. This issue could be addressed by deploying methods to improve co-production that will help in ownership and sustainability of interventions while providing voice and power to resettled IDPs in matters relating to their lives. Such action could further prevent GOSL’s tendency to shift responsibility towards resettled IDPs and its dependency on development partners in delivering development activities.

Collective action could benefit from a rethink of the CBO structure, which is mainly differentiated by gender. The analysis indicated that cluster-oriented CBOs are more successful in achieving their respective remit. Having a clustered approach is likely to increase access to support and opportunities for CBOs, while interventions could be more specific and prioritised. These external supports and structures are a vital link in collective action achieving its full potential.

Overall, the research study has helped to enlarge the data and information base of Sri Lankan PWZs and provided a voice to resettled IDPs otherwise going widely unheard, thereby facilitating future policies. Furthermore, the study has helped to develop a more evidence-based policy that will consider the context in enabling targeted interventions.

7.4 Implications for research

The PWZs are somewhat restricted for researchers and accessing them for research studies is constrained. This results in limiting the primary data
available for policy and decision-making. To this end, the research study is capable of directly contributing to augmenting the empirical database of PWZs. In addition, this research study demonstrated that, with careful planning, it is possible to safely conduct fieldwork in high-risk contexts.

The mainstream understandings of entrepreneurship are dominated by individuals being entrepreneurial rather than collective entrepreneurship, where Reich (1987) argued that the transferability of individual entrepreneurship to collective forms is not straightforward. The study pointed to challenges in collective entrepreneurship in constrained contexts. As such, the research study illuminates a potential avenue for further research into collective entrepreneurship in groups and CBOs operating in PWZs. This is because entrepreneurship as innovating, risk taking, opportunity seeking or a combination of these is destined to be different to some degree between individual and collective entrepreneurship, which merits further investigation.

7.5 Contribution of study to knowledge

This study offers many contributions to knowledge. The literature on Sri Lankan PWZs is relatively limited and this study has substantially contributed to the enlargement of literature and provides an insight into the lives of resettled IDPs. By doing so, it has provided a platform for the ‘voice’ of resettled IDPs, as well as for officials who are engaged in development activities. The study acts as a roadmap for development professionals and researchers who are in pursuit of knowledge in bringing economic development to PWZs. Further, the study helps in filling the knowledge gap of the mainstream three-tier intervention strategy of post-war development by providing empirical data that highlight the limitations of the linear model and the importance of linking interventions between tiers to long-term development at the start of the development process. The research study has also emphasised the missing links between resettled IDPs, development partners and other officials who are engaged in development activities, in terms of coordination, participation and co-production, which is a substantial challenge in PWZs. Furthermore, the
discussion adds to the existing literature on poverty traps in PWZs and has helped to increase the evidence base.

The study has highlighted barriers to entrepreneurship in PWZs and brought attention to the entrepreneurial space, which is severely restricted by the status quo. Here, the study concluded that militarization constrains entrepreneurship in PWZs and also contributes to the predatory behaviour of public officials. Further, it was seen that public officials have used prevailing vulnerabilities to their advantage through corrupt practices that can place entrepreneurs at long-term disadvantages in terms of livelihoods, growth prospects, opportunities, costs, competition and asset stripping. Therefore, stopping the predatory behaviour of opportunistic public officials is a key factor in post-war governance and economic development.

The study recognised that innovation under mainstream definitions is unlikely to occur in PWZs and suggests an alternative view of innovation in exploiting opportunities and gaining competitiveness by entrepreneurs in PWZs. The main resource constraint for entrepreneurs is their lack of access to finance and the current effort through microfinance is not sufficient to allow them to engage in entrepreneurial activity. Although microfinance is hailed for entrepreneurship and poverty reduction (Bakhtiari 2011; Montgomery and Weiss 2005; Yunus 2007), the adaptation of a 'one size fits all' policy for facilitating post-war development has had limited outcomes. The research study clearly indicates that microfinance is not the way forward for promoting entrepreneurship in PWZs. This is in part due to Sri Lanka being a lower middle-income country; the commercial opportunities present reflect this and need adequate finance to capitalise. Further, entrepreneurs typically start from a ‘point of zero’, and therefore need more resources. Entrepreneurs in PWZs have different conversion factors that require relatively more resources when compared with their counterparts in non-conflict zones. Promoting entrepreneurship in order to reduce poverty and LED could benefit from facilitating access to finance in an adequate and timely manner under favourable terms.
Many studies that link entrepreneurship and economic development have emphasised the positive contribution it brings to productivity, reducing poverty and improving wellbeing (Baumol and Strom 2007; Bruton et al. 2015; Holcombe 1998; Hoselitz 1952). However, the contribution of ‘push’ entrepreneurs to economic development is contested in the literature (Acs 2006; Amoros and Cristi 2011), citing informality, limited employment created, deficits of decent work and inability to scale-up, which has favoured pull entrepreneurs for economic development. Nevertheless, the research study clearly demonstrated:

a) The ability of push entrepreneurs to escape poverty and create employment.

b) Push entrepreneurs contribute positively to their respective communities, and

c) Push entrepreneurs are engaged in economic activities where pull entrepreneurs are unwilling to operate, especially via inward investment in places such as PWZs.

Therefore, it could be concluded that ‘push’ entrepreneurs positively contribute to economic development in PWZs. The entrepreneurs’ contribution to employment generation and skill transfers through learning by doing demonstrates that the altruism of entrepreneurs is not necessarily a binding factor in LED. However, there is the possibility of benevolence by entrepreneurs that gives them the unique ability to be charitable. This is in contrast to the debate where the ability of entrepreneurship born of ‘individualism’ to contribute to communities is doubted (Brenkert 2002; Harris, J. D. et al. 2009). Furthermore, the study clearly demonstrated the ability of ‘push’ entrepreneurs to escape poverty, halt generational poverty and release stresses on social safety nets, which supports their positive contribution to economic development.

The current discourse of transitioning informal enterprises to formality is no longer valid in Sri Lankan PWZs. Here, most of the enterprises are in a stage of semi-formality, therefore, need more understanding of how to enable the
transition from semi-formal to formality. This is complicated by the fact that some enterprises are registered at the Pradeshiya Sabha, some at the Divisional Secretariat and some at both institutions. There is further ground to explore semi-formality in terms of cost-benefits for entrepreneurs, which could facilitate regulation on one hand and on the other hand encourage subscription by entrepreneurs to become formal. This approach could reduce the cost of enforcement of policy for GOSL in regularising enterprises. However, without regulations and enforcements, the subscription is unlikely to materialise.

Further, Sri Lanka is in the process of transforming itself from a lower middle-income to an upper middle-income country (Peiris 2014) and knowledge of and attention to semi-formal enterprises will help in facilitating the required structural shifts of the economy.

The mainstream literature discusses livelihood strategies in Sri Lankan PWZs as ‘diversification’: the need for generating income from different activities that tend to promote agriculture (Burchfield and Gilligan 2016; Korf, B. 2004; Mattsson et al. 2017). This is despite agriculture contributing 80% of income generating activities (MDS 2012), while its susceptibility to weather and seasonality and typically generates low income. Therefore, the study suggests the need for a change of strategy and discourse from ‘diversification’ to ‘deagrarianization’, which will help in real diversification of income of resettled IDPs and facilitate sustainable LED. This is important because diversification within the dominant agricultural sector has been unable to meet the required LED, thus influencing a change in the strategic direction of ongoing interventions. Therefore, income diversification could benefit from being viewed as deagrarianization (and not as promoting cash crops or providing chicken coops), which will enable people to gain skills that support inward investment and increase choices for people living in poverty.

Establishing ‘good’ governance could be overwhelming for many governments at best of times, where, typically, weak governments could benefit more from aiming for ‘good enough’ governance (Brinkerhoff and Johnson 2008; Evans, M. 2012; Grindle 2007). Further, ‘good governance’ dominates the current efforts in governance (Bene et al. 2016; Goodhand and Walton 2017;
Lecamwasam 2016), which is somewhat out of reach and over-ambitious to Sri Lankan PWZs. Therefore, the efforts here could benefit from establishing ‘good enough’ governance, a transformational process that accommodates the current realities of PWZs. This re-conceptualization could help manage expectations, prioritisation of tasks and facilitate a realistic roadmap. Some key aspects that came to light are widespread corruption and militarization that were hostile to enterprises and wellbeing of resettled IDPs and, therefore, warrant reforms, especially in civil administration, enforcement of rule of law and demilitarization. This could facilitate transparency, accountability and a favourable context for rooting LED. Taking a gradual approach in establishing governance is expected to face relatively less resistance from predatory public officials especially when it involves changing of institutional arrangements and behavioural conditions of public officials.

The contribution of the study has wider implications beyond the boundaries of Sri Lankan PWZs. The people who experience poverty are likely to be concentrated in conflict-ridden countries in years to come. For example, there was 40.8 million conflict related IDPs at end of 2015 of whom 8.6 million were displaced between January to December 2015 (IDMC 2016). Here, countries such as Yemen, Iraq and Syria accounted for more than half of the newly displaced people, indicating the mammoth task ahead in developing economies once they become post-war. Due to the ongoing scale of destruction in these countries (Cakmak and Ustaoglu 2015; Nimmo 2016), the indication is that the development task is likely to begin at ‘point zero’, as in the Sri Lankan context. In this scenario, emerging government structures tend to be weak, complex and in need of external assistance by development partners. Further, the emerging institutional structures are more likely to have the characteristics of Sri Lankan PWZs in terms of corruption, legitimacy, trust, participation, mismanagement and risks. There is also the likelihood of parallel administrative structures and challenges of balancing security-development needs with the potential of new conflicts breaking out. Once these IDPs get resettled, they are more likely be in a similar situation to resettled IDPs in Sri Lanka where lessons learnt from this research study could act as a blueprint for reducing poverty through entrepreneurship, which is proven to be positive and a way forward.
The discussion here can help development partners to integrate and coordinate their interventions, as well as helping to improve targeting, to maximise the effectiveness of interventions.

7.6 Concluding remarks

The nature of the wide-ranging elements of entrepreneurship and poverty has led to a diverse set of insights that have driven the debate from mental health to a discussion of farm erosion. However, there is a connectedness within the chapters and an overlap of boundaries of subjects highlighted by linkages between seemingly unrelated issues that are essential in understanding poverty in PWZs. The theoretical arguments are complex and sometimes offer conflicting scenarios, where external interventions focus on individuals, possibly leaving them in dependency traps and external interventions that are the focus of collective action leading people to pursue individual objectives in a context that is hostile to both, individual and collective actions. However, such complexity was expected given the highly contextualised subject matter, which adds further challenges when the discussion is theory- as well as data-driven. For example, entrepreneurship and militarisation, which are seemingly unrelated subjects, have considerable overlaps in Sri Lankan PWZs and have been discussed accordingly.

The overarching post-war development programme led by GOSL has achieved mixed results. PWZs provide a unique window of opportunity for countries to get things right after a conflict at the time of resettlement. Although the priorities are humanitarian concerns in this stage and urgent by nature, it is important not to overlook long-term development goals, which need recognition at the beginning of development programmes in order to achieve durable solutions. However, this requires government commitment, resource and institutional structures that place wellbeing of citizens at the centre of economic development. Furthermore, many interventions in PWZs are short-term and tend to have taken the path of least resistance, which warrants a strategic rethink in order to incorporate long-term interventions.
Although the conflict has resulted in destroying infrastructure and public and private property, loss of lives, injuries, disabilities, loss of livelihoods, distrust, disproportionate poverty and long-term disadvantages in PWZs, the resettled IDPs have displayed a remarkable resilience in the face of adversity. However, they face an uphill struggle and without external assistance, might become trapped in long-term and intergenerational poverty. In this situation, the external assistance offered could benefit from an integrated strategy that involves wider stakeholders, with a long-term vision in bringing LED to PWZs. PWZs in the post-war period need to be treated as a special circumstance and have a dedicated policy within the national framework that recognizes the scale of the tasks ahead, which the RRR response did not necessarily address. The majority of such actions, through coordination, implementation and establishing a conducive environment, rest with the institutional framework of the GOSL in facilitating entrepreneurship to reduce poverty and achieving durable solutions for resettled IDPs. As Sen (1999: p.142) points out:

“Individuals live and operate in a world of institutions. Our opportunities and prospects depend crucially on what institutions exist and how they function. Not only do institutions contribute to our freedoms, their role can be sensibly evaluated in the light of their contributions to our freedom”.

Further, entrepreneurship has contributed positively to LED and has demonstrated a promising way to reduce poverty. Therefore, entrepreneurship is an essential livelihood option that needs to be treated accordingly when interventions are strategized in PWZs. The small-scale entrepreneurs have proven their resourcefulness, as well as the ability to be successful in times and places where their large-scale peers are unwilling to operate. Therefore, entrepreneurship found in hostile contexts such as in PWZs could be considered as a productive form of entrepreneurship that contributes to small-scale economic development.
Bibliography


Kindness, H. and Gordon, A. (2001) Agricultural marketing in developing countries: The role of NGOs and CBOs. UK: Natural Resources Institute, University of Greenwich.


### Appendices

#### Appendix 1

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Appendix 2

Demographic data of current and aspiring entrepreneurs collected by 111 CESQs and 18 AESQs.

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Appendix 3

A permission letter to carryout fieldwork

Mr. NPA. Saminda Gunasingam
Postgraduate Researcher,
4S31, School of Applied Social Science,
University of Stirling, FK9 4LA, Scotland, UK.

Permission to carry out Field Research in Puthukudiyruppu Division

This refers your letter dated 29.04.2015 on the above subject,

The permission is given to conduct above research in Puthukudiyruppu Divisional Secretariat area and you are kindly requested to submit a copy of your findings through this research.

Please contact Mr. Rajathurai Thileepan, Assistant Director of Planning, Puthukudiyruppu, and Divisional Secretariat for further information related to your research and his mobile no is 0776256273.

I. Prathaban,
Divisional Secretary,
Puthukudiyruppu.
Appendix 4

National policy framework for SME development (MIC 2015)

**Policy vision**
Create a significant number of globally competitive, dynamic, innovative, technologically driven, eco-friendly and sustainable SMEs that contribute significantly to national economic development.

**Policy mission**
Stimulate growth of SMEs to produce world-class products that can compete locally and internationally with supportive enabling environment and intervention of technology transfer, entrepreneur culture and skills development, access to finance, market facilitation and research and development.

**Policy objectives**
Support start-up SME enterprises, strengthen the existing enterprises and extend nursing programmes for potentially viable sick SMEs.