An innovative market price gathering and dissemination service
Govi Gnana Seva, Sri Lanka

Harsha de Silva
e-development labs and LIRNEasia

Building New Partnerships in the Global Food Chain
29-30 June, 2005
Chicago, USA
Sri Lanka
WARTIME BUSINESS

Victoria's Secret's Secret? Hint: It's In the Indian Ocean

Sri Lanka's largest private company has overcome 20 years of civil war to become the lingerie chain's biggest supplier.

By Eric Ellis

Limited Brands, the Ohio company that owns America's most popular intimate-apparel brand, has long known that Victoria's Secret's best-kept secret weapon isn't sex, satin, or sauciness. It's Sri Lanka, the Indian Ocean island where the largest private company, MAS Holdings, has overcome 20 years of civil war to become Victoria's Secret's biggest supplier.

MAS has its own secret, and it's not just the low cost of operating in... Continue
Some salient points

• Independence in 1948; democracy since
• 65,000 km²
• 19 million people
  - Low growth rate, 0.8%
• USD 1,050 per capita income
  - Lower middle income country
• HDI is 0.74 (min 0 – max 1)
  - Thailand 0.76, Armenia 0.75, Indonesia 0.68, Bangladesh 0.47
Presentation structure

• Background to problem
• ICT role in solution
• The GGS pilot
• Lessons and challenges
• Way forward
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Poverty and agriculture

- In Sri Lanka, vast majority of all poor households depend on agriculture for their livelihood
  - Failed government policy
  - Lack of market participation
Causes and possible solutions?

• Irrigation, import policy, seed, fertilizer, R&D, extension services are all contributing...
  – Individual farmer cannot influence
  – Government to initiate change

• But, crop planning, produce marketing, credit and linking to the supply chain is critical
  – Individual farmer can change situation
  – Need tools
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Where does ICT fit in?

• Bridge information asymmetry in
  – Crop planning
    • Poor analysis of expected demand and supply
    • Little knowledge of possible forward contracts
  – Produce marketing
    • Little knowledge of spot prices and buyers
  – Supply chain management
    • Unable to link with large buyers and exporters
  – Agriculture credit facilitation
    • No platform for FSC (and using FSC for crop loans through collateralizing)
Some attempts around the world

• China
  – University of California study; prices via mobile phones → significant increase in farmer income

• Kenya
  – KACE using mobile phones for prices. Positive

• Peru
  – Huraal Network, mobile phones for prices. Positive

• But, Uganda…
  – Panos study found waste of resources as farmers not able to access the Internet
GGS

• An ICT intervention to reduce information asymmetry and thereby increase farmer income by
  – improving crop planning
  – increasing marketing efficiency
  – helping credit facilitation through FSC using multi-stakeholder partnerships

• Pilot project of eSri Lanka through ICTA Agency of Sri Lanka
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GGS pilot at DDEC

**DDEC Key strengths**

- **Perfect location**
- Largest wholesale market
  - 143 Traders
  - USD 300,000/day
  - > 500 trucks/day
- Successful
  - Private enterprise
  - Commission system

**Key weaknesses**

- Information asymmetry
  - No price display
  - Farmers unaware of best price to sell
  - Traders have network
  - Commission system
- Result → farmers do not get best spot price
  - No platform for FSC information exchange
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GGS pilot objectives

If produce already brought to DDEC market
  → Help farmer get best possible price

If produce harvested, but not brought to DDEC
  → Help farmer decide whether to bring to DDEC or not

If produce just about to be harvested
  → Help farmer decide whether to harvest today or tomorrow or day after

If not planted, or many days to harvest
  → Help farmer enter into FSC
Multi-stakeholder partnerships

• Government
  – Ministry of Rural Economy, M of Agriculture, ICT Agency, DDEC Trust, Central Bank of SL

• Private Sector
  – e-development labs, Interblocks, Dialog Telekom, Electroteks, CIC Agribusiness

• Civil Society
  – CARE International, Seva Lanka

• International
  – World Bank, USAID
Then: Information darkness
The GGS info-structure: DDEC

Several traders
PDAs across market
WiFi zone → VSAT

Bank FSC Systems
Insurance System

Financial Institution Interface

LkDG System

LkDG Connectivity Platform

Complete Govi Gnana System

DDEZ System Trader Interface

FCS interface

Application server

Procurement System
Buyers (Sathosa)
Buyer

HARTI PHI D Agr CBSL DCS

GGK System kiosk
Collectors
Farmers

Buyer Interface
Price capture at trade stalls
Price capture using PDAs
Servers and VSAT for dissemination
The GGS info-structure: DDEC

5 traders
3 PDAs across market
WiFi zone → VSAT
Then: Information darkness
Now: Valuable information!
Highest price and time

Lowest price and time

Best offer

Last traded price, time and stall number
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Dissemination outside DDEC

• Internet
  – www.ggs.lk
  – 200 rural telecentres end 2005 → snowball

• Telephone
  – 066 228 3180
  – 221 on Dialog Telekom (toll free from July 2005)
  – Calendars
  – 3m+ phones, 8m by 2008

• Pending radio and television
Welcome to GGS, an ICT solution to help farmers and traders improve efficiency in agriculture marketing. The first phase of GGS is now being implemented at the Dambulla and Meegoda Dedicated Economic Zones under the pilot project programme of the ICT Agency. GGS is also supported by Ministry of Rural Economy and the Central Bank of Sri Lanka.

**Spot price**
- Dambulla
- Meegoda

**Forward price**
- Under construction

GGS was conceptualised and now being designed by e-development labs. Interblocks is responsible for developing the software solution while PricewaterhouseCoopers Lanka is managing the pilot project implementation. The pilot is funded by ICTA with World Bank support.
FSC platform

• Govi Sahanaya programme
  – FSC introduced by CBSL in 1999
  – Certainty
  – Growing rapidly last year and a half
  – 71,000 FSC so far → but, less than 8% of 2003 paddy crop

• **Problem is dissemination platform**

• Solution is GGS: FSC platform, just implemented
Objective…

Source: CBSL
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• Way forward
General lessons

• Difference between e-concepts and implementing even a simple ICT 4 Development initiative
  – Farmers are not e-people

• Flexibility
  – From failed attempt → to projector on a rope

• Need long-term commitment
  – Learning curve is almost flat

• Stakeholders and authorities should see benefit
  – Telecommunications Regulatory Commission of Sri Lanka is threatening to make WiFi zone illegal unless fees paid and “license” renewed

• Vested interests
Not interested...
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Tell me more…
and more...
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Initial evaluations

• Comprehensive surveys among farmers, collectors and traders in April-May 2005
  - 385 sample of farmers
  - In the market and from farm communities around the DDEC
How do you find out market prices? (April-May 2005)

- GGS picking up, but most still don’t have independent information
Do you feel GGS helps you find out true prices? (April-May 2005)

- GGS is clearly important for the farmers to determine market prices…

Yes, 292, 77%
No, 86, 23%
Do you think you get the best price?  
(April-May 2005)

- But, a lot more remains to be achieved in terms of utilizing the GGS information to impact their income
How satisfied are you with GGS thus far? (April-May 2005)

- GGS has still not proven itself → many expectations from a small pilot: shows how important GGS is!
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Going forward

• Expansion and application elsewhere
  – Total DDEC and *all* key agricultural markets in SL and perhaps in other *similar* markets
  • Need capital finance!
  – Linking every farming community with wholesalers and exporters (virtual exchange)

• **Greater access to telephones, telecentres**

• Ensuring financial viability
  – Strengthening MSP on win-win (or lose-lose) basis to ensure sustainability

• Ensuring partners’ commitment
  • Partners will continue to commit resources as long as there is a benefit (financial or otherwise) to them
Do you have *access* to a telephone? (April-May 2005)

- Yes, 79, 25%
- No, 236, 75%

- GGS is constrained by the lack of telecommunications infrastructure → e-Sri Lanka to the rescue?
Going forward

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Acknowledgements

ICT Agency of Sri Lanka
The World Bank
USAID
Central Bank of Sri Lanka
Ministry of Small and Rural Industries
CIC Agri-business
Dialog Telekom
Care International
Govi Gnana Seva

already making a difference in farmers lives

Thank you. To be continued...

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