Products with Regional Trade Potential and Associated Non-tariff Barriers, with Special Focus on WMSMEs: A Case of Sri Lanka

Institute of Policy Studies of Sri Lanka
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Outline

• Objectives
• Background
• Methodology
• Preliminary Findings
• Barriers Identified
• Recommendations
Objectives

1) Identify constraints faced by WMSMEs in SL in operating & expanding business including issues related to accessing regional markets: NTBs/ trade facilitation linked barriers

2) Provide policy & programme recommendations to ease/manage the constraints
Background

**SMEs in Sri Lanka**

- No clear definition of SMEs in SL
- In Sri Lanka SMEs account for:
  - 80 - 90% of the total number of enterprises in Sri Lanka
  - Contribute 30% in terms of value addition
  - Account for 32.7% of the employment from Agricultural sector, 26.3% of the employment from Industrial sector, 41.0% of the employment from Services sector

  *(NEDA, 2009)*
Background

Women and MSMEs

• Women labour force participation in SL is one of the lowest in the region (30 %)

• Women participation can be increased – attract more into labour force (employees) & encourage women to be entrepreneurs (employers)

• Only 8.8% of the firms in the country have a ‘Female Top Manager’ & only 26.1% of the firms with female participation in ownership.
  *(The World Bank, 2011)*

• Gender biasness against women is common in the SME sector
  *(The National Policy on Human Resource and Employment)*

• Majority are micro-enterprises that operate informally & they tend to be grouped in particular sectors such as food processing & textile
  *(Staermose, 2009)*
Background

*Sri Lanka’s Trade with SAARC - 2013*

**World Exports**

- 2001: 4,000
- 2002: 5,000
- 2003: 6,000
- 2004: 7,000
- 2005: 8,000
- 2006: 9,000
- 2007: 10,000
- 2008: 11,000
- 2009: 12,000
- 2010: 13,000
- 2011: 14,000
- 2012: 15,000
- 2013: 16,000

**SAARC Exports**

- 2001: 2,000
- 2002: 3,000
- 2003: 4,000
- 2004: 5,000
- 2005: 6,000
- 2006: 7,000
- 2007: 8,000
- 2008: 9,000
- 2009: 10,000
- 2010: 11,000
- 2011: 12,000
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- 2009: 11,000
- 2010: 12,000
- 2011: 13,000
- 2012: 14,000
- 2013: 15,000
### Background

#### Top 10 SAARC Exports and Imports - 2013

<table>
<thead>
<tr>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pepper, pepper and capsicum</td>
<td>Petroleum oils, not crude</td>
</tr>
<tr>
<td>Cruise ship, cargo ship, barges</td>
<td>Cements, portland, aluminous, slag, super sulfate &amp; similar hydraulic</td>
</tr>
<tr>
<td>Insulated wire/cable</td>
<td>Medicament mixtures (not 3002, 3005, 3006), put in dosage</td>
</tr>
<tr>
<td>Animal feed preparations, nes</td>
<td>Woven cotton fabrics, 85% or more cotton, weight over 200 g/m2</td>
</tr>
<tr>
<td>Cloves (whole fruit, cloves and stems)</td>
<td>Cars (including Station Wagon)</td>
</tr>
<tr>
<td>Woven cotton fabrics, 85% or more cotton, weight 200 g/m2</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
</tr>
<tr>
<td>Waste and scrap of paper or paperboard</td>
<td>Motorcycles, side-cars</td>
</tr>
<tr>
<td>Natural rubber, balata, gutta-percha etc.</td>
<td>Trucks, motor vehicles for the transport of goods</td>
</tr>
<tr>
<td>Fibre-board of wood or other ligneous materials</td>
<td>Fabrics, knitted or crocheted, of a width of &gt; 30 cm (excluding warp knit fabrics)</td>
</tr>
<tr>
<td>Other nuts, fresh or dried, whether or not shelled</td>
<td>Cotton yarn (not sewing thread) 85% or more cotton, not retail</td>
</tr>
</tbody>
</table>
Methodology

Overview of Research Design

- Research questions
  - Primary data
    - FGDs
    - KII
  - Secondary data
    - Documentation
  - Content analysis
    - Answers to research questions
Methodology

Product Selection

Stage 1: Consultation with National Enterprise Development Authority (NEDA)

- Handloom
- Crushed & reed products
- Coir Based Products
- Spices
- Cut Flowers/ Foliage
- Kithul Trickle
- Processed food (Jam, cordials, dehydrated fruits)
- Handicrafts (coconut shell based, wood based, Palmyra)
- Ornamental fish
### Methodology Cont.

#### Product Selection

**Stage 2:**

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Product Description</th>
<th>Current Exports to SA (US$)</th>
<th>Indicative Potential to Export to SA (US$)</th>
<th>Indicative Potential to Export to SA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0904</td>
<td>Pepper &amp; Capsicum</td>
<td>43,104,000</td>
<td>27,361,000</td>
<td>38.83</td>
</tr>
<tr>
<td>0907</td>
<td>Cloves</td>
<td>12,659,000</td>
<td>5,676,000</td>
<td>30.96</td>
</tr>
<tr>
<td>0906</td>
<td>Cinnamon</td>
<td>3,586,000</td>
<td>3,207,000</td>
<td>47.21</td>
</tr>
<tr>
<td>5702</td>
<td>Coir floor coverings</td>
<td>30,000</td>
<td>504,000</td>
<td>94.38</td>
</tr>
<tr>
<td>5308</td>
<td>Coir Yarn</td>
<td>354,000</td>
<td>226,000</td>
<td>38.97</td>
</tr>
</tbody>
</table>

Source: Trademap
Methodology Cont.

• **Stage 3:**
  • Advisory Committee Consultation
  • Composed of:
    • National Enterprise Development Authority (NEDA)
    • Export Development Board
    • Department of Export Agriculture
    • Chamber of Small and Medium Industries of Sri Lanka
    • The Spice Council of Sri Lanka
    • The Ceylon Coir Fiber Exporters’ Association
    • Women's Chamber of Commerce
    • UNDP
Methodology

Product Selection

- **Spices** (Pepper, Cloves and Cinnamon) & **Coir** (Coir Floor Coverings & Coir Yarn)
  - High trade potential to SA
  - High involvement of women
Methodology Cont.

Site Selection

- Spices
  - Matale- Pepper
  - Kegalle- Cloves
  - Ahungalle- Cinnamon
  - Galle- Cinnamon

- Coir
  - Kurunegala
  - Galle
  - Batticaloa
Preliminary Findings

• Women are highly concentrated at the lowest level of value chains

• Higher levels of the value chains are mainly male-dominated

• Poor bargaining power of women at the lowest level of value chains (price/ quality)
  • No specific buyers

• Poor/Lack of understanding of their own potentials & capabilities

• Poor/Lack of understanding of market potentials (clove, pepper)
Preliminary Findings Cont.

• Poor knowledge on product quality standards (cinnamon, coir)

• Difficulties in meeting required quality standards (cinnamon, clove)
  • Mostly home-based
  • Limited investment capacity of MSME

• Most of the Micro/small level producers are not satisfied with the price they get for their product

• Most MSMEs are not direct exporters but market through intermediaries
Barriers Identified

- **Information Gap**
  - Market information: Price, Buyers, Input suppliers, Value-chain
  - Available services: Financial and Non-financial

- **Poor Networking**
  - No/limited trade related associations
  - No/limited women membership/ participation in trade related associations

- **Limited participation in trainings & skill development programmes**
  - Due to time constraints and family obligations

- **Difficulties in handling certain activities of the production process for women**

- **Social Concerns**
  - Poor recognition (cinnamon)
  - Low interest among the younger generation (coir)
Recommendations

Policy
• Government involvement in determining prices.
• Government approved/operated collecting centers.
• Introduce unique quality standards for products.

Programme
• Awareness Creation (market information, available services).
• Establishing trade-related associations/ co-operatives at village level for women.
Thank You

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