



Exporters Association of Sri Lanka

RECOMMENDATIONS FOR A NATIONAL EXPORT STRATEGY (NEDEVS) 2016-2020 (March 2016)

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Context

Sri Lanka has been striving to reach and sustain an economic growth of around 8-10% per annum to enhance the income of its people and successive Governments have prepared development policy frameworks to achieve it. Although we did reach this level on two occasions we were not successful in maintaining it. Exports play a crucial role in sustaining growth at a high level as evident from the fast growing emerging economies in East Asia which recorded exponential growth in exports. The importance of exports is even greater for small nations such as Sri Lanka having small domestic markets. Sri Lanka's inability to retain an accelerated economic growth can therefore, at least in part, be attributed to the performance of the export sector.

Sri Lanka's Export performance has been weakening for some time and as a result the share of goods and services exports to GDP has declined from 32% in 2005 to 22.3% in 2014. Growth in Merchandise Exports in US\$ terms averaged only slightly above 7% during the decade. The main factor that has inhibited export sector growth is the basket of exportable products. Two products, Tea and Apparel continue to dominate the exports basket contributing to nearly 60% of total exports. The product concentration has in turn led to dependence on a few key markets; over 50% of the exports are destined to the USA and EU. A further feature that has led to the stagnation of exports is the degree of value addition in our products. Most of the Agricultural products are exported with little processing and the same goes for the industrial products. High tech exports from Sri Lanka was only 0.6% of total exports in 2013 whereas the high tech exports of competitor countries such as Thailand and Vietnam were around 15%-20% of their total exports in 2013.

The Exporters Association of Sri Lanka (EASL), operating under the aegis of the Ceylon Chamber of Commerce and consisting of 80% of exporters in Sri Lanka and twelve product association members believes that exports should receive greater prominence if the Government's export target of (*US\$20mn by 2020*) is to be achieved. The current macro economic situation in Sri Lanka, with declining external reserves, low exports growth, high trade deficit, high external debt and rising external debt service payments provides an opportune moment for this. Acceleration in exports growth would help to improve the macro economic situation and facilitate to improve the living conditions of the people through higher economic growth. Therefore EASL requests the Government to consider exports as a priority sector and drive it with commitment from the head of State and the head of the Government through a well formulated National Export Strategy (NEDEVS). The strategy should be compiled with inputs from relevant stakeholders. EASL has identified several cross cutting issues that need to be addressed to enhance the competitiveness and productivity of the export sector in Sri Lanka as well as some sectoral issues that have been raised by its association members to be taken into consideration in developing the national strategy. The issues have been placed under key themes and have been prioritised as high priority or medium. High priority items are the ones that are perceived as more important and need to be initiated within the year, but some of them may take a longer time span to take effect. Medium priority items are those to be initiated within a period of three years. These may include proposals of high importance but due to budgetary restrictions these have been placed under the medium priority list.

Proposal	Rationale	Recommendations	Priority Level
01. EXPORT POLICY / STRENGTHENING INSTITUTIONAL SUPPORT			
Export Policy and a National Export Development Plan Strong and consistent export development policies & a National Export Development Plan to guide the sectors with a follow-up mechanism	<p>The importance of Exports to achieve and sustain a high economic growth rate has been recognized by many successive governments. National Export Strategies have been prepared but those have not been supported with full commitment from the Government and rigorous implementation frameworks. This has resulted in the lackluster performance in exports with deceleration in export growth and fall in exports/GDP.</p>	Exports should be considered a priority sector with commitment from the head of state and head of the Government to drive exports.	H
		EASL strongly believes that consistency in policy is vital to attract new investments. Further, macroeconomic policies and other related policies should be aligned to export development. This should include a predictable and competitive exchange rate to encourage exports (as also highlighted in our budget submissions), managing inflation and containing it at around a low level as far as possible and sustaining low interest rates for exporters to access funds at competitive levels.	H
		Introduce a mechanism to monitor implementation progress of the NEDEVS and instances where progress is impeded, to develop alternate strategies to achieve identified targets.	H
		Once the NEDEVS is developed, to prepare a National Export Development Plan	

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		<p>identifying potential sectors, sectoral strategies and targets/timelines in consultation with relevant stakeholders. (The plan could be even integrated to the strategy).</p> <p>The Exporters Forum should be continued and conducted at a regular interval to address the issues encountered by exporters and to seek stakeholder views prior to introducing/ revising export related regulations. EASL deems that the process in resolving the issues raised at the forum should be expedited and be made more effective as, presently a long time is taken in sorting out most issues. EASL also proposes that all issues relating to exporters, including investment related matters be taken up at the same forum avoiding the necessity to organise/attend several fora.</p>	
Institutional Framework The Mission of the EDB needs to be completely revamped to align it with the Export Development Strategy. A review of the mandate/ parameters that guide the current executive functions of its several divisions to be examined against a	<p>The EDB was set up over 30 years ago as the executive arm of the Export Development Council of Ministers to drive exports. The global market has undergone significant transformations during the last 3 decades. EDB needs to be restructured to serve and guide</p>	<p>Reactivate the Export Development Council of Ministers, as the policy making body for Export Development.</p> <p>A case study of successful regional Economies such as Thailand, Malaysia and Singapore which are aggressively pursuing</p>	<p>H</p> <p>H</p>

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new model.	exporters to meet the current and emerging challenges in the global market.	their Export development programs should be conducted to identify strategies/programs that are relevant for Sri Lanka. Based on the findings, review and structure the mission of EDB to make it more relevant to current local & global conditions. Cadre requirements and budgetary allocations for EDB may have to be enhanced for the institute to play a more effective role.	M
		Harmonise the functions of the key institutes engaged in supporting exports (ex. SLECIC, DOC) with the Export Development Strategy.	M
		EASL recommended that the EDB and the BOI be brought under one Ministry in our submissions for Budget 2016 and appreciates the Government's initiative to implement it. We further propose that gradually all key institutions serving the export sector should be brought under a umbrella organization/ministry to ensure greater co-ordination and direction in driving exports.	H
		EDB should work in close partnership with	

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		the exporters to achieve the targets set in the national export development plan.	
02. MARKET ACCESS AND PROMOTION			
Aggressive promotion through Sector Institutions Support strategic campaigns towards achievable goals through macro planning which has quantifiable mapping to record that the programmes interface within the plan.	Efficient professional well-co-ordinated export promotional campaigns are necessary to create awareness and improve market access. Joint Apparel Association Forum's campaign of 'Garments without guilt' serves as a good example as it has sent a strong message both within and outside the country of the integrity of Sri Lankan Garment manufacture ethos. Similarly The Ceylon Chamber of Commerce embarked on a journey with the support of the WTO/ITC to "Improving the safety and quality of Sri Lankan Fruits and Vegetables".	It is recommended that sectoral promotion campaigns be encouraged and supported by the Government: <ul style="list-style-type: none"> • The plan needs to be integrated. • Mapping should be transparent and accessible perhaps on public portals of the BOI and EDB • The institutions must be held accountable • Consider the option to have a performance based reward system motivating public sector officials to go 'beyond the call of duty' 	H
Compliance with international standards Build capacity in institutions responsible for ensuring international standards to enable exporters to meet international/importing country standards in a cost effective manner.	Compliance with international and importing country standards is critical to be able to export and to be able to penetrate into high value, niche markets. The consumers are increasingly becoming more demanding and stringent on standard compliance. However, the facilities available for laboratory testing are limited and	Provide funds to relevant institutions including SLSI and ITI for capacity development (both Human Capital and Equipment) to upgrade their functionality to be recognized internationally and avail their facilities to exporters at a affordable cost. It is also important that capacity upgrading should be aligned to commercial requirements and international market	M

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	<p>procedures for complying with increasingly demanding standards and certification requirements are costly.</p> <p>Developing capacity of relevant testing and certification institutions and availing such facilities cost effectively to exporters will enable exporters to enhance their export capacities.</p>	<p>trends. Therefore views of the exporters as well as market intelligence reports on export markets should be considered prior to upgrading the facilities.</p>	
<p>Expand the current scheme providing financial assistance to obtain international standards to all exporters.</p>	<p>Meeting International Standards is imperative to access new markets and to retain existing markets.</p> <p>The current scheme in place with the Ministry of industry and the EDB is extended for specified sectors. By limiting the sectors the potential for a industry that is excluded from scheme can be wasted. The importance is to facilitate any industry to develop exports, irrespective of the sector. Besides, it is necessary to extend such facilities/incentives to indirect exporters as well since input quality has a significant bearing on final output quality.</p>	<p>To encourage overall exports and export product diversification, it is recommended that the current sector specific scheme in place with the Ministry of Industry and EDB, be extended to all export sectors and covering direct and indirect exporters. The qualifying criteria should not be based on</p>	<p>M</p>

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Facilitate integration into global supply chains	<p>Apparel and Tea have continued to dominate the merchandise exports of Sri Lanka constituting almost 60% of total exports. Diversification into higher value added technology intensive products has been very limited but should be aggressively pursued to enhance exports growth. Intermediate product trade is the fastest growing component of trade in Asia and Sri Lanka should explore means of integrating into these supply chains.</p> <p>The location of Sri Lanka provides an added advantage to integrate with the Asian supply chains but security risks as well as poor infrastructure constrained the country from exploiting its geographical advantage in the past. Therefore the service dimension of global value chains could also provide many opportunities for Sri Lanka to expand trade.</p>	<p>EASL proposes that the Government conduct research studies to identify supply chains that Sri Lanka could tap into. Based on the outcomes policies would have to be drawn and infrastructure developed to support the business sector to access the supply chains. Some of the areas that Sri Lanka could be competitive and venture into include supply of components for auto/electronic industries, provision of logistics services to reduce time and cost of transactions and encouraging large companies/MNCs to set up regional offices in Sri Lanka.</p>	H
Promote Export of Services	<p>Over the last decade the pace of growth in export of services surpassed that of goods. It specifically accelerated consequent to end of the war with</p>	<p>Globally, services exports are reported to account for below 25% of total exports. The potential for services trade is identified to be much higher but exports remains low due to lack of awareness of the potential.</p>	H

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	<p>growth in tourism. Other sectors that have shown promise include ICT, Financial Services, Logistics & Transport.</p>	<p>In Sri Lanka over 40% of services exports are from tourism and there is potential to expand much further and some of the products that can be developed under tourism are medical tourism, sports tourism and retirement homes.</p> <p>The NEDEVS should identify potential services exports, beyond the traditional areas, for which Sri Lanka has a comparative advantage. These could include encouraging international organizations to set up head offices in Sri Lanka and promoting Sri Lanka as a destination for the film industry. Once potential products are identified the infrastructure requirements, regulatory requirements, skills requirements and other requisites would have to be developed to facilitate export of services.</p>	
<p>EDB to identify new markets</p>	<p>Exports from Sri Lanka are dependent heavily on a few markets; USA and EU cover 55% of our exports. Exports to fast growing Asian markets, Africa and Middle East remain low. Exports should be expanded to the future growth centres in the world for Sri Lanka to accelerate the pace of growth in exports.</p>	<p>Based on our current range of goods and services exports and potential items for manufacture, research to be carried out to identify new markets to be pursued. EDB to research and analyse trade data to ascertain potential markets and liaise with Sri Lankan commercial attaches placed overseas, the Department of Commerce and relevant Trade Chambers/Associations</p>	<p>M</p>

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		to identify new markets. Once the markets are identified exporters to be encouraged to pursue such market opportunities and to be assisted to enter them.	
Pursue preferential trade agreements with countries for which we have export potential and obtain favourable trading conditions	EASL appreciates the steps taken by the Government to initiate FTAs with countries such as China and Japan, to help diversify export markets. This will improve market access by reducing tariffs and hopefully non-tariff barriers faced by exporters in the importing countries.	Preferential access to other countries should be sought after careful evaluation of potential for exports and accessibility to international supply chains. EASL urges the Government to consult the views of industry and trade prior to finalizing the negative lists and terms of the preferential agreements. This is also stressed for the proposed deepening of the FTA with India.	M
Synergize promotional activities of public sector promotional agencies	Since the funds available for promotion is very limited it is important that such funds be put to best use.	The promotional agencies should work closely with the private sector develop promotional strategies also and using market intelligence. Where possible the agencies should conduct collective promotional campaigns to enhance the effect of limited financial resources.	H
03. BRANDING			
Registration of trade marks Facilitate access to the Madrid System & Lisbon Agreement for the International Registration of Trademarks	Sri Lanka is a relatively low volume and high cost producer compared to many competitors in the region. Therefore it is essential to penetrate into low volume, high value niche markets	EASL welcomes the initiative taken by the Government to bring in access to Madrid agreement and would like to once again request the Government to progress the proposed application for membership of	M

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	<p>where Sri Lanka could be more competitive. Niche markets demand branded products. A critical enabler to protect brands and therefore the export market is the capacity to register trademarks.</p> <p>Registering a trade mark in a foreign country is costly and time consuming. At present, Sri Lankan companies have to submit applications to each country separately, bear the cost of translating documents, hiring lawyers, paying different amounts as fees. Further it could at times take 5-10 years to register a trade mark in another country.</p> <p>By becoming a member of the Madrid System and the Lisbon Agreement, the time and cost of registering a trademark abroad can be reduced significantly. The system offers trademark owners the facility of having their trademarks protected in more than 80 countries. The trademark owner will have to fill only one form, from their national office, in one</p>	<p>the Madrid and Lisbon Agreements.</p> <p>Concurrently, to be eligible for membership, the Human Capital as well as ICT capacity of the Intellectual Property Office of Sri Lanka has to be upgraded /improved and financial allocations to be enhanced to effect the capacity development.</p> <p>It will take about 3-5 years to accede to the agreements and complete all the formalities. It is estimated that accession to Madrid and Lisbon Agreements will facilitate in increasing the value of existing branded exports by about 5-10% within 5 years from the date of accession.</p>	M

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	language, paying one set of fees, in one currency, to obtain and modify an international registration. Madrid members have agreed to process the documents and register the trademark within a specified period of time. If applied outside the Madrid system, there is no specified time and it can take several years to get a trade mark registered.		
Encourage the development of Sri Lankan Owned Brands	To establish Sri Lanka as a Producer/Manufacturer/Processor of integrity, the next step would be to encourage the development of Home Grown Brands. However, brand development requires significant expenditure on product and market research and often a long payback period. Therefore a incentive scheme should be introduced for companies to engage in development of new brands.	It is proposed that incentives such as part funding of branding costs, providing financial assistance to register trademarks or providing advisory services for development/registration of brands be introduced to encourage development of made in Sri Lanka brands.	M
		A national branding program should be introduced by the Government whereby a brand mark is given for selected products and services that meet pre-defined criteria. The brand mark should be used to promote the country's image and gain recognition for Sri Lankan products. The success of such products will encourage other companies to also obtain the	M

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		national branding. Further, a national branding program will also facilitate to consolidate promotional activities.	
04. INVESTMENT PROMOTION			
Review and restructure the investment framework of the country to attract more FDI	<p>Sri Lanka established the BOI and the Export Processing Zones about four decades ago. However, Sri Lanka has attracted only a few export oriented FDIs. In contrast, UAE for example which set up EPZs around 1985, has over 15 such Zones and Jebel Ali Zone alone has over 7000 businesses/industries. Some of these zones are making exports exceeding US\$ 50 Billion per year, due to their investor friendly policies. Sri Lanka too can have a drastic change in our exports, if appropriate & consistent policies and facilitation support is introduced to</p>	<p>EASL strongly recommends studying the investment framework and policies adopted by successful EPZs in countries that have no comparative advantage and, thereafter, revise Sri Lanka's investment strategies to cater to requirements of existing and emerging industries for Sri Lanka. It is specifically proposed that the EPZs in UAE and Jabel Ali be covered in the study.</p> <p>There should be no disparity between local investors and foreign investors. Where ever possible greater priority should be granted to local investors and SMEs as</p>	H

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	<p>attract investors to our EPZs.</p> <p>Most of the industrial zones in Sri Lanka provide only basic infrastructure facilities to investors. As the country moves into more capital intensive high tech industries and to meet the stringent requirements of foreign buyers such as on minimising environmental pollution (some of the zones are not equipped with adequate waste disposal facilities), suitable infrastructure facilities should be available at the zones to attract investments for export oriented industries.</p>	<p>highlighted in our submissions for Budget 2016.</p> <p>BOI should have a one stop shop for investments. The investors are sometimes sent from pillar to post and investment approvals are unnecessarily delayed. For investments in regions, in obtaining land, even after clearance is received from BOI the Provincial Councils refuse to lease the land. These factors dissuade investors and drives them to invest in other countries that provide better investor facilitation services. Sri Lanka should develop the investor facilitation framework to enable investors to walk into the country and establish a business within the shortest time.</p>	
Encourage investment in Assets through a incentive scheme for a limited duration	<p>Most businesses in Sri Lanka, particularly SMEs, are heavily under-capitalized. These businesses rely on bank and other borrowings, thereby incurring high finance costs which affect their profitability and adversely impact</p>	<p>EASL recommended that a scheme on the lines of the EDISS scheme which rewarded performance on incremental exports with reimbursement towards building capacity, be considered. The scheme to be introduced for a limited duration of around</p>	M

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	<p>on cash flows.</p> <p>.</p>	<p>5 years, to resuscitate and fast track capacity building.</p> <p>Besides qualifying payment relief being allowed to invest in equity capital of the business, an EDISS type scheme will serve to incentivize investment in assets directly related to output e.g. Machinery/technology.</p>	
Government to aggressively encourage MNCs/ large investors	<p>In the current global context Multinational Companies (MNCs) play a significant role in production of goods and services in developing countries. They also dominate global marketing networks. Foreign investments are essential for the Sri Lankan economy to sustain a high growth rate and to access export markets and technology. Thus far FDI for export oriented industries have also been relatively low in Sri Lanka. In these circumstances, investments by a handful of globally reputed companies can pave the way for accelerated growth in exports and economic growth.</p> <p>This will also enable to expand the export basket.</p>	<p>Government to identify a few key potential export oriented foreign investors/MNCs and persuade them to invest in Sri Lanka. The invitation to invest may have to be made by the Prime Minister himself and thereafter all facilitation support would have to be extended expeditiously and continued in the post implementation period so that any issues that arise even during the operational stage is addressed to the satisfaction of the investors. Preferably, the investments should be in capital intensive/high tech sectors.</p> <p>Entry of a few key investors and provision of excellent investor facilitation services can have a snowballing effect in drawing further investors.</p>	H

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Removal of restriction on local sales of export oriented products	<p>Sri Lanka is currently having a large trade deficit. A measure to bridge the deficit would be to reduce the cost of imports. Local manufacturing companies should be permitted to have access to manufactured items ex BOI companies thus substituting the value of imports which can help reduce import costs.</p> <p>Export oriented BOI firms can help reduce the deficit by exporting as well as by substituting for imports. At present, the restriction of local sales to 10-20% prevents ability of these firms to sell to local Industries which need to import items - if the restriction is to be waived it would help reduce the deficit by using their production to substitute for imports.</p>	It is recommended that restrictions imposed on local sale of products manufactured for export be waived if such products are to substitute another imported input material.	M
05. ECONOMIC DIPLOMACY			
Promote Economic Diplomacy relating to Trade and Investment	Sri Lanka to use its high commissions and embassies in foreign countries to obtain county specific information from	Based on Economic diplomacy, each foreign mission should be entrusted to provide a report (at least every quarter)	H

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	the missions abroad.	<p>about the products and services that have export potential to the country, policies/regulatory changes relating to the product and other relevant information enabling the EDB and the exporters to pursue such export opportunities. The officials of the Foreign Ministry and the Department of Trade should be provided training on what information should be reported, possible sources etc prior to the overseas posting.</p> <p>The foreign missions should submit the reports to the EDB and the EDB should have a mechanism to share them within a short time span with the exporters, research institutes, and relevant Ministries/Government institutes for necessary actions and follow-up.</p>	
Strengthen commercial sections of Sri Lankan Embassies in selected target markets (e.g. India, China, Japan) by recruiting nationals of that country on short term contracts	<p>The experience of Sri Lankan exporters trading with India and experience of other country exporters that try to diversify exports from developed country markets to developing country markets show that even in instances where there is preferential access to a market, knowledge about the market, distribution networks, reliable business</p>	<p>EASL recommends that for selected countries (e.g. India, China, and Japan) where there is high export potential, to strengthen the resource base by recruiting appropriately qualified local staff to the commercial sections of the Sri Lankan embassies in these countries. (This is being done by foreign embassies operating in Sri Lanka as local staff have a wider</p>	H

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	<p>contacts, domestic regulations and domestic taxes are critical to enter and survive in these markets.</p> <p>Large companies have the means to hire consultants to do the required research for them. However, small and medium scale exporters mainly depend on the Commercial sections of Sri Lanka embassies to get this information.</p> <p>Therefore it is important to increase the capacity of these commercial sections to enable exporters to exploit the opportunities that open up with the FTAs. Most foreign embassies in Sri Lanka do this by hiring Sri Lankans as junior officers. These officers have the added advantage of knowing the local economy, culture and having the right networking etc. In countries like China, Japan, Vietnam, they will help overcome the language barrier as well. Further for large countries like India and China, it is important to have more than one officer.</p>	<p>knowledge of the ground situation). These commercial sections will become aware of opportunities. It will then be possible to produce regular updates on market trends, opportunities, taxes and regulations etc and these can be included in the report to be submitted by the mission.</p> <p>In addition, these employees can assist Sri Lankan exporters who have specific information requirements relating to products/services being exported by them.</p>	

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06. FACTOR MARKETS			
Labour reforms to improve competitiveness	<p>Owing to rising wage levels and scarcity of trained workers the labour force needs to be productively engaged to enhance the national output. However this is partly constrained by outdated labour regulations.</p>	<p>To enhance productivity the following labour reforms are proposed:</p> <ul style="list-style-type: none"> • Relax regulations where females cannot work at night through necessary legislative amendments • Relax restrictions on number of hours for a working week • Sri Lankan exports diversifying into new products require flexibility in labour regulations • Introducing legislative changes without stakeholder discussion should be halted and any legislative changes should be made only consequent to discussions with the employers and trade unions/employee representatives. • In imposing /revisions to minimum wages a realistic evaluation of cost against productivity and skills has to be made. 	H

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Training Offer training programs to school leavers	Shortage of skilled employees is a serious constraint faced by most export sectors and it is impeding expansion and growth.	School leavers can be a target for recruitment but may need to be relocated to be where employment opportunities abound. An option would be for them to be required to follow a regulated training program with a stipend being paid during the training. This can be a Public Private Partnership. The training programs should be developed in collaboration with the Private sector and more over training should not be focused on current requirements alone but should be based on requirements for future potential industries as well.	M
Land Enhance productivity of land	Various legislative enactments restrict the sale/mortgage/lease of land and in addition the procedures in obtaining a plot of land involve several institutions and long delays. As a result investors often find it difficult to get land for investment projects. Whilst this is mainly felt by the Agriculture sector, even industrial projects encounter difficulties in obtaining land as the plots available at the BOI/industrial zones are limited. Meanwhile there are significant areas which are idle/ underutilize in the	Idle or underutilized land in plantation and state sector to be made available to the private sector on long term lease to enhance productivity of land. EASL recommends that a land bank be created on lands available for investment, with details on; location, extent, accessibility, availability of infrastructure facilities, the type of investment for which the land is most suited/allowed and any other pertinent information to ease investors to select a land for investment.	H

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	plantation sector and with the state. These lands could be more productively used if a scheme can be developed to identify such plots and make available for private sector investors.	Streamline procedures to have access to leased land for commercial purposes.	
07. SUPPORT FOR SME EXPORTS / EXPORT FINANCE			
Expand the EDB scheme providing assistance to SME Exporters for own overseas marketing efforts	SMEs need to be strengthened as the backbone of the Economy. Limiting the scope of an SME to a maximum investment in fixed assets of Rs 30Mn is futile. The cost to create the necessary infrastructure within a small company venturing into exports is much higher in today's context. Besides, with the need for Sri Lankan exporters to move into higher value added/high tech exports, the initial investment becomes higher. Therefore the threshold needs to be adjusted to ensure that potential exporters within the SME category are encouraged to upscale their operations to strengthen their capability to access new markets without compromising investment and the ability to be compensated for their marketing efforts.	Recommendations: <ul style="list-style-type: none"> • Expand the scheme to cover all export products (currently it is restricted to non-traditional products and services) • Revise eligibility criteria for the scheme – Increase the threshold for investment in fixed assets to Rs. 60 million, from the current Rs 30mn and adjust other criteria such as turnover in alignment with the new threshold. 	M

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Setting up of an EXIM bank to support Exporters looking at new markets	Presently SMEs contribute to less than 5% to total exports. Poor access to finance is a critical bottleneck for development of SMEs, irrespective of whether they serve the local or international market. This is more acute for exporters and particularly, when entering new markets, the risk element is often greater and therefore, SMEs need assistance to access finance. The support advice and intervention of a Bank dedicated to Exports can fill this lacuna and encourage new ventures.	The EASL has been advocating for the setting up of an EXIM Bank to support exporters for many years and it was repeated in the EASL submission for Budget 2016. Successive Governments have agreed on its usefulness and a proposal to set up a EXIM bank is also contained in the Government's Budget Proposals for this year. We urge the Government to establish it as a independent institute, expeditiously as access to finance has been a long running issue.	H
Export finance: Expand the scope of SLECIC to enable them to provide 'short term buyers credit' to encourage product-market diversification by Small and Medium exporters	A key weakness in export structure of Sri Lanka is heavy reliance on few markets. Exports have been growing largely at the intensive margin, by selling more of the same products to the same markets. Penetration into new markets (or growing at extensive margin) remains low. Innovative financing instruments such as "short term buyer's credit" can assist small and medium exporters to penetrate into new markets. This is shifting risk from exporter to the buyer.	Expand scope of SLECIC to provide Short Term Buyers Credit For Example to expand exports from small and medium exporters of India to Singapore, EXIM bank of India provided 6 month credit directly to Mustapha, the importing company in Singapore. The EXIM bank will have the capacity to undertake a due diligence exercise on the Importer. If the Importer is established as a credit worthy borrower the repatriation of Export funds is monitored and guaranteed by the EXIM bank.	M

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	<p>In a buyer credit arrangement, the foreign buyer is being financed by the local bank on the condition that the buyer use those funds to buy from Sri Lankan exporters.</p>	<p>As a result of this facility, many small and medium Indian exporters have been able to export to Singapore. Most exporters from whom importer company Mustafa in Singapore buys Indian products today are not established exporters who would not have been able to secure 6 month credit facility from banks. Therefore without the support of EXIM Bank they would not have been able to export to Singapore.</p> <p>Since Sri Lanka does not have a EXIM Bank yet it is proposed that the scope of SLEIC be expanded to enable it to offer short term buyers credit. In addition the feasibility of this facility being offered by Commercial Banks should also be evaluated.</p>	
08. PROMOTE R & D AND HIGH-TECH EXPORTS			
Enhance the capacity of research institutes.	<p>EASL appreciates the initiative taken by the Government to encourage R&D by providing a triple tax deduction. Exporters are eager to make use of this facility to develop new and unique products niche export markets.</p>	<p>EASL urges the government to enhance the capacity of existing research institutes of the country by investing in technology, equipment and skills required to enable them to conduct research on higher value added/ higher technology products and</p>	M

Proposal	Rationale	Recommendations	Priority Level
	<p>However capacity constraints in Sri Lanka's research institutes impede progress.</p> <p>For example Sri Lanka accounts for over 90% of world Cinnamon exports. Research conducted in developed countries such as the United States has shown that Cinnamon has medicinal properties that can cure many diseases. If such properties can be extracted to develop new products it can help increase export revenue of Sri Lanka.</p> <p>As a result of failure to invest in R&D and develop value added products of an international standard, despite Sri Lanka being the leading exporter of Cinnamon, other countries that import Cinnamon from Sri Lanka are getting the best out of this product.</p> <p>This applies to many other natural plants found in Sri Lanka.</p>	<p>share such research with the private sector. Thereafter an identified firm/s can work with the research institute to develop new export products. This will enable Sri Lanka to widen its export basket and enhance export revenue streams.</p>	
Encourage greater collaboration among research institutes and the private sector	The spending on Research and Development in Sri Lanka is very low in comparison to competitor countries	To optimise on the current spending on research there should be greater co-ordination & collaboration among the	M

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	and its important to make best use of the limited budget. Private sector is not fully aware of the research outcomes and the capacities within the research institutes to take forward the research findings and commercialise them. On the other hand the institutes engage in research without adequate knowledge about the demands in the private sector and as a result the research findings may not be very useful for the private sector.	research institutes and with the private sector. The research institutes should closely work with the EDB/ foreign missions/ private sector in drawing up the research agenda so that the research conducted meets with commercial requirements, duplication among research work is avoided and the research outcomes/knowledge is shared with the private sector and other researchers to take them forward.	
09. TRADE FACILITATION			
Facilitate development of Agri exports	There is potential to increase Agricultural exports to niche markets but production is restricted due several bottlenecks such as significant lack of sustained high quality plant and seed material, protracted bureaucratic red tape in import of suitable material, insufficient availability of appropriate chemicals and fertilizer, no of levies at point of import etc.	To encourage Agricultural exports and processed products the following are recommended: <ul style="list-style-type: none"> • Facilitate importation of Raw Materials by simplifying, streamlining and declaring procedures publicly to facilitate legal and safe trade. • Exemption from import duty is negated by the number of other levies imposed on importation of raw materials and machinery. EASL recommends that other levies should be removed. However, due to fiscal constraints it is proposed that the levies be phased off 	M

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		<p>over the medium term.</p> <ul style="list-style-type: none"> National program to be implemented on the importance of producing safe food. 	
Ease administrative barriers to trade	Exporters face many administrative regulations and cumbersome procedures at several points, from starting a business to engaging in international trade. These factors reduce competitiveness and limit the potential for export expansion.	<ul style="list-style-type: none"> Need to look beyond Tax incentives to create an enabling environment (ex. EASL members have found that countries like the Singapore and UAE make it very easy to establish a company, whilst the start-up of a business in Sri Lanka is not as easy) Strengthen the commercial courts to expedite the resolution of commercial disputes. Simplify systems and procedures and bring the public sector institutions to a e-commerce platform EASL appreciates the initiatives taken by the Government to ease conduct of transactions through appointment of several high level committees. However, we wish to caution that too many committees can lead to waste of resources and time and recommend that multiple task forces on EODB under different Ministries/institutional heads should be avoided. 	•

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10. SECTORAL STRATEGIES TO ENHANCE PRODUCTIVITY			
<u>Agriculture:</u> Encourage Agricultural Productivity	<p>The lack of exportable quality products on a regular basis in sufficient quantities is one of the main problems that constrain the ability of exporters to increase their export volumes and earnings. This is particularly applicable in respect of all agriculture produce and the fisheries sectors.</p> <p>The investment in Value added products is also constrained by this aspect.</p>	<p>Launch the respective programs being recommended by sector specific Organizations to increase production of high quality primary products (e.g. fruits, spices, fish and other minor agriculture crops) for the export market.</p> <p>Enable the setting up of large farms for Agricultural export crops, particularly by releasing suitable land and encourage agro processing. Existence of large farms can help in overcoming the supply deficiencies such as shortage of volume, inconsistent supplies and poor quality produce. In addition, large scale farms adopt good agricultural practices which will gradually get disseminated to other farms leading to overall improvement of the agro sector.</p>	
<u>Rubber sector</u> Facilitate more research	<p>Research and development is critical to develop productivity and enhance value addition. The quantum of funding by the state for the Rubber Research Institute (RRI) for its research and</p>	<p>Increase budgetary allocations for the Rubber Research Institute to conduct research on new clones and to engage in demand driven research.</p>	

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	<p>development is grossly inadequate. We are too dependent on a few clones in the entire plantation sector and more clones of higher yielding varieties need to be developed.</p> <p>Further, shortage of labour is a major concern for the industry. While some research has been undertaken by Malaysia to mechanise the tapping process thus far they have not developed an accepted solution.</p>	<p>The industry proposes that the RRI engage in research to mechanise the rubber tapping function.</p>	
<p><u>Spices sector</u> Facilitate higher productivity</p>	<p>Productivity of all spices and allied products in Sri Lanka is comparatively much lower than in our competitor countries such as Vietnam and India. Given the restrictions in land availability, it is important to introduce systems and processes to improve yields and quality of the product to generate more export revenue from spices.</p>	<ul style="list-style-type: none"> • Rewards schemes and incentives based on productivity improvements should be considered for farmers and extension officers in the Department of Export Agriculture. • Develop high yielding varieties through department of Export agriculture and other public and private organizations that are in the field of Agriculture. • Regional plantation companies managing large extents of main agricultural crops such as tea, rubber, coconut and oil palm have now shown a keen interest to diversify their lands to export agricultural crops due to declining income from major crops. These companies should be encouraged 	

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		<p>to cultivate export agricultural crops, by providing subsidies/tax benefits where applicable.</p> <ul style="list-style-type: none"> • Grant tax benefits for training Cinnamon peelers, as one of the main reasons for poor land productivity in Sri Lanka is improper harvesting due to lack of trained peelers. 	
		<ul style="list-style-type: none"> • Regional Plantation companies and other interested growers should be encouraged, by providing tax benefits and financial assistance to establish certified product processing centres to meet the global demand for certified products • Allocate funds for research on product developments to market the export agriculture crop in value added form. • Cardamom output in Sri Lanka has declined due to non-availability of suitable lands for cultivation. Large quantities are illegally imported for domestic consumption. We recommend that import of cardamom should be allowed through issue of licenses periodically with a minimum Customs duty. The imports should be marketed 	

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		through weekly spice auction at the Ceylon Chamber of Commerce.	
<u>Spice Sector</u> Taxation issues		<ul style="list-style-type: none"> • TIEP scheme for import of Arecanut for re-export to India should be abolished in order to maintain Indo-Sri Lanka agreement in true spirit • Remove CESS on export agricultural crops and offer soft export financing to compete in the world market. • Remove BTT and Income Tax levied on the suppliers/ dealers who handle the export agricultural crops 	
<u>Cottage industries/ Artisanal products</u> Encourage cottage industries to be demand driven	The small and micro industrial activities such as Handicrafts, Pottery etc have increasing demand with growth in tourism. But some of the entrepreneurs do not have a understanding of the market requirements and due attention is not given to details such as finishing/quality. A conscious effort is needed to create awareness among the entrepreneurs on the customer requirements.	<ul style="list-style-type: none"> • Over the years there have been several product development initiatives - review the status of accountability and ongoing program evolving from this exercise. • Value added product development has to be consumer driven • Market Research should be undertaken by the EDB to identify potential markets, quality standards and communicate such to the training institutes. 	
<u>Electrical & Electronic Sector</u> Encourage local companies to become globally competitive	High capital investments required for obtaining international certification and new technology hinders the development of local companies to become globally	<ul style="list-style-type: none"> • Extend financial support to obtain certification, acquisition of new technology/machinery and R&D support (international patents) for products such as 	H

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	competitive.	Low Voltage products,Medium Voltage products etc., through budgetary allocations.	
Extend support to capture new markets	Exporters need Government support to capture new business opportunities	<ul style="list-style-type: none"> Provide platforms for making new business opportunities through match making programs, exhibitions, conferences etc 	M
Re-introduce a financial support scheme to encourage value added exports	Re-introduce a financial support scheme for value added exports to accelerate exports growth	<ul style="list-style-type: none"> Re-introduce a special export rebate scheme similar to the “Dhahas Diriya program” to encourage the value added exports 	H