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Empowering women in the value chains of spice and coir industries

September 13, 2015, 6:41 pm



By Dharshani Premaratne

Over the years, spice and coir industries in Sri Lanka have built an international reputation in supplying of premium high quality products to the world market. While cinnamon, cloves and pepper are top spice exports, coir fibre pith, coir-based brooms and brushes, and molded coir products are the country's main coir-based exports. However, both lack the supply capacity to meet the world market demand. Insufficient raw material and labour shortage are some of the reasons. At the

same time a number of other barriers hinder the flow of exports. While some of the barriers are domestic, others are imposed by the importing countries.



Spices and coir are also amongst the few industries in the country with a high female participation rate. In these industries, women are predominantly involved in labour-intensive activities and they are highly concentrated in the upstream ends of the chains. In the case of cinnamon, for example, women are engaged in harvesting to bundling of cinnamon quills, as shown in the Figure. Given that the female labour force participation is as low as 30% in Sri Lanka, it is important to develop these industries and thereby increase the participation of women. A recent research carried out by IPS attempted to identify difficulties faced by spice and coir

exporters in accessing potential regional markets in South Asia. Reducing or removing barriers to exports could not only help increase spice and coir exports but also further women's participation in these industries.

Lack of testing capacity

At times spice and coir exporters have reported that they face undue delays in obtaining certificates because of inadequate testing capacity of local standards institutes. Exporters claim that it can take up to 2-3 weeks to obtain certain certificates. At the same time, some of the local labs are not equipped to carry out tests and issue international certificates required by buyers abroad for specific products (i.e. geotextiles, cinnamon oil). As a result, exporters have to obtain such testing reports/certification from countries like USA and Germany.

Testing capacity of laboratories in the country needs to be upgraded. Also, they need to improve the efficiency in the delivery of their services. Further, testing capacities, which are currently unavailable in the country, need to be established to cater to the growing demand of markets abroad. Strengthening the domestic testing infrastructure will result in reducing the costs borne by exporters; for instance, demurrage and other costs entailed in clearing products at the port as a result of delays in submission of test certificates can be reduced.

Difficulty of SMEs to qualify for tax-free raw material imports

Unlike large players in the industry, small-medium scale exporters find it difficult to meet the requirements to qualify for tax-free imports for export manufacturing. The minimum investment threshold to qualify for tax incentives for small and medium scale enterprises ranges from Rs. 25 to 50 million and above. More flexible criteria for SMEs to qualify for tax-free imports of raw material can provide an incentive to encourage investments into export-oriented industries.

Inefficiencies in certain government authorities can cause long delays in the export process and as a result exporters can incur significant costs, as elaborated by one of Sri Lanka's largest exporter of coir-based products: "I can remember CDA (Coconut Development Authority) took 20 days to issue a certificate that could have been issued within 10 days. And the container had already arrived in Australia and the customer could not clear the container because of the certification."

Much of the inefficiencies within institutions are reportedly caused by attitudes of officers-in-charge. In

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this respect, the attitudes of government officials, who are responsible in providing services to traders, need to improve and become business-friendly.

Ad hoc regulatory changes have also caused operational difficulties. For example, owners of some coir yarn mills, which have been in operation for over 100 years, are now faced with new environment laws due to their locations becoming residential areas. They find it unfair by them as they have been there before the houses were built, and hold the municipality and housing development authority responsible for allowing houses to be built in the vicinity of the business. Exporters feel that regulations need to be flexible and provide them with a grace period to adhere to the changes, especially for industries or companies with good business records.

(Dharshani Premaratne is a Research Officer at the Institute of Policy Studies of Sri Lanka (IPS). This article is based on an ongoing research study by IPS: 'Products with Regional Trade Potential and Associated Non-Tariff Barriers, with special focus on Women Owned and/or Led Micro, Small, and Medium Enterprises (WMSMEs) - A Case of Sri Lanka'. The study is led by UNDP Asia-Pacific Regional Centre (APRC) with funding from AusAID. To view this article online and share your comments visit the IPS Blog Talking Economics <http://www.ips.lk/talkingeconomics/>).

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