



INDUSTRY STRATEGIES FOR RIO 20+.....

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Abstract

FT Quote

“ Whilst Sri Lanka is driving toward a strong economic agenda it is important to be environmentally responsible...especially the banking industry that that has invested Rs. 4.3 billion only on above the line advertising. Maybe with below the line the overall spend can be as high as 10 billion rupess”

When the Bankers association asked me to pen a thought on ‘Towards the sustainability of the Banking sector’, I felt it was an opportune moment to share the key Industry Strategies that the country has sketched out and His Excellency announced it to the world at the Rio 20+ conference. After all the banking industry provide finance to the SME sector of the country that accounts for over a seventy percent of GDP in the country. Separately, the SME sector also contribute to eighty percent of exports proceeds to Sri Lanka hence, they will be the best to advocate this good practice when administering the finances.

1. Sri Lanka – Less developed but less polluted

Sri Lankan Economy has experienced accelerated growth from a 20 billion dollar economy in the 1990’s to be a 59 billion dollar economy as at end 2011, our geographic landscape has yet maintained its prestiness and natural beauty that many of our neighbour like India or Pakistan could not preserve. Some can argue that Sri Lanka’s economy should have been a 100 billion dollars by now and that Sri Lanka’s development has been retarded due to the war. However, one can also make the insinuation that due to the development not been so rapid the pollution levels are reflective at a low ebb as per the below table that was recently published by the UN report on climate change where we register a MtC02 emission of a low 11.5.



Carbon Dioxide Emissions

Country	Total Emissions (MtCO2)	CO2 Emissions (Per Capita)
China	5007.1	3.8
India	1342.1	10.6
Pakistan	125.6	0.8
Sri Lanka	11.5	0.6
South Asia	7.0	1.3
World	2.0	4.5

(Source; UN Human Development Report)

Hence it is fair to say that against the backdrop of economic engines in the Asian region like China, India & Pakistan, Sri Lanka will emerge as a '**Less polluted country**'. It is a positioning opportunity that is fast emerging for our beautiful little country in the backdrop of the Apparel Industry saying 'The 1st Ethical Sourcing destination and the Tea Industry being tainted as the 1st Ozone friendly Tea Nation of the world which are all on this theme of Cleanliness and less pollution.

The challenge is if we get together and recognize this emerging new positioning that has happened due to an industry led strategy than a Nation Branding initiative. But is it definitely a new positioning that can differentiate Sri Lanka from the rest of the destinations in the Asian region.



2011

The Big Spending Categories

		Total - Rs '000
	Grand Total	56,767,006
1	Telecom Services	7,146,305
2	Banking Services	4,386,813
3	Milk Powder	2,455,398
4	Finance And Leasing	1,846,016
5	Paints	1,453,663
6	Biscuits	1,386,048
7	Insurance-general	1,104,879
8	Aerated Soft Drinks	1,022,115
9	Malted Food Drinks	1,020,775
10	Insurance-life	968,804
11	Institutes/higher Education	964,998
12	Tea	922,352
13	Toilet Soap	774,980
14	Creams/lotions	748,667
15	Hospitality	736,667
16	Noodles	731,771
17	Vehicles	675,207
18	Super Markets/deptt.stores	651,147
19	Toothpaste	633,537
20	Jewellery/gems	633,152
21	Telecom Instruments	618,740
22	Baby Toiletries	609,487
23	Yoghurt	599,502
24	Washing Powder	588,293
25	Shampoos/conditioners	563,674

(Source: Marketing Research – March 2012)



2. Key Strategies for Sri Lankan Industries

In this background let me give a brief overview of the current strategies that are in play:

1. Tea Industry

The objective is to increase Value Addition in Tea Exports by Identifying New Markets while promoting Sri Lankan Tea and there by achieve the following:

- Increase export volume of value added tea to specialized markets (USA, Canada, Japan & EU).
- Make access to new markets in South America, Australia etc.
- GI Registration of Ceylon Tea, Seven Regional Tea Names & Ozone Friendly Ceylon Tea
- Enhance value of Ceylon Tea - Guarantee of Ceylon Tea as the most environmentally friendly, and highest quality tea in the world

2. Packaging Industry

The objective is to enhance the quality of packaging - specially export products in order to capture the international market and there by achieve the following:

- Increase the quality standards, consumer acceptance and the demand for the local packaging
- 50% import substitution for packaging materials for main industries
- Develop packaging materials using locally available raw materials
- Develop cognitive skills of technical grade employees of Packaging Industries
- Setting up of a fully-fledged packaging development center

3. Spice Industry

The objective is to establishing Centralized Cinnamon Processing Centers and there by achieve the following:

- Increase the value addition of cinnamon from current value adding portion of 1 % out of total production /1.5 – 2.0 % out of total exports, upto 5 % of total production and 10 % of total exports
- Establishment of 10 Centralized Cinnamon Processing Centres in Galle and Matara Districts
- Uplifting of value added cinnamon production
- Double the production of cinnamon through mechanization and peeling twice a year
- Capture of higher market share from top spice markets viz. Europe with HACCP and ISO standards

4. Food and Beverage Industry

The objective is to increase and improve the quality of processed food made in Sri Lanka to increase the volume of processed food export and supply safe & high quality for the domestic market created by booming tourism industry and there by achieve the following:

- Drive 20 food processing industries to obtain internationally recognized food safety and hygiene certificates (ISO 22000, HACCP, GMP) each year over the period of 5 years
- Supply the total demand of skilled technical grade employment in food processing industries by 2015
- Food safety and hygiene certification programme and incentives for obtaining same
- Establish training facility and technology transfer centres at universities (those who offer Food technology degrees)

5. Die and Mould Industry

The objective is to develop a local Die & Mould industry to save all other industry needs and there by achieve the following:

- Increase of market share of Die & Mould from 20% to 45% by end of 2015
- Strengthen the Die & Mould Facilitation Center and stablish research unit within the Center
- Strengthen the university,industry and government linkages

6. Wood and Wood Products Industry

The objective is to develop and strengthen the wood based industry in Sri Lanka and there by achieve the following:

- Removing barriers heavily affected to the industry.
- Improvement of technology transfer

7. Boat Building Industry

The objective is to develop competitive boat building and ship repairing industry in Sri Lanka to international standards and there by achieve the following:

- Set up dedicated industrial park for Boat Building and ship repairing Industry in Trincomalee.
- Development areas – Marina, Boat Building Park , Launching Bay, Ship repairs, Dry Dock up to 150 Tons, Floating Dock approximately 500 MT



8. Rubber Products Industry

The objective is to improve current competitiveness status of Sri Lanka Rubber Based Manufacturing Industry and to capture 2% share of the global market for rubber products and there by achieve the following:

- Improve the quality of manufactured rubber products
- Develop a high quality, productive and committed workforce for the rubber sector
- Benchmark and adopt global quality standards and best manufacturing practices

9. Pharmaceuticals Industry

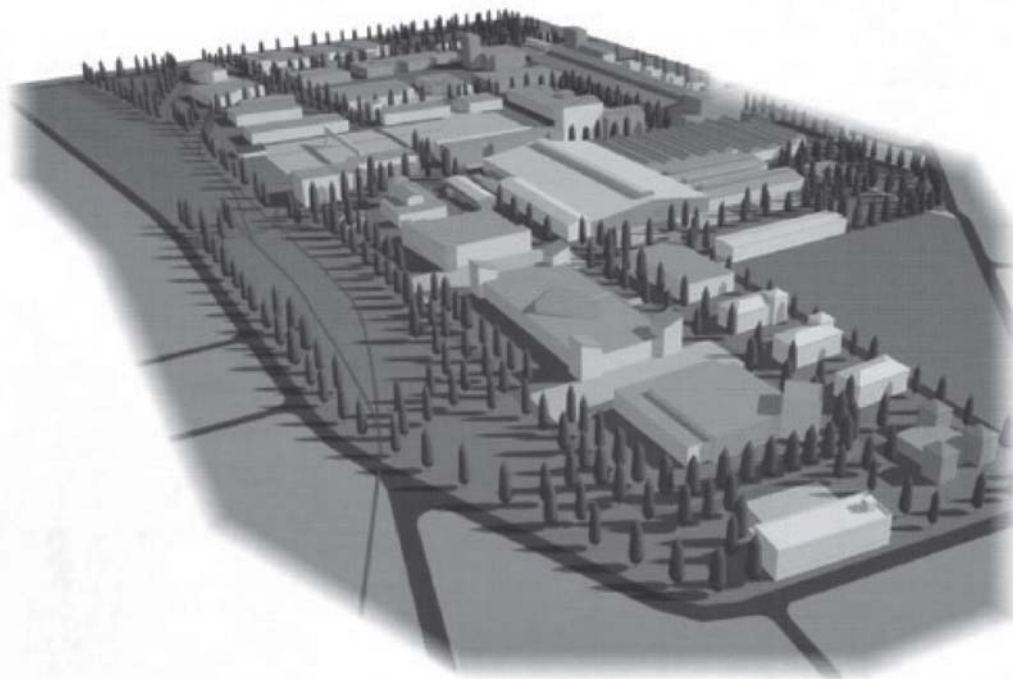
The objective is to increase the market share by 15% of the local pharmaceutical manufactures to 25% in 5 years and there by achieve the following:

- Increase the Rs. Value of the local manufactures market share from Rs.4 billion to Rs.18 billion
- Obtain a larger share of DHS tenders and encourage local manufactures to increase private sector market share
- Accelerate depreciation for investment in the pharmaceutical industry as extended to the IT industry earlier.
- Training of personnel/improvement of Technology & Information
- Expanding services of the independent Analytical Laboratory

10. Leather Products Industry

The objective is to build up image as a producer and supply of quality leather and there by achieve the following:

- To supply the total requirement of finished leather to the Leather Footwear and miscellaneous Leather Goods Industries
- Capacity building
- To increase direct and indirect exports from U.S. \$ 3.28 million in 2009 to U.S. \$ 25 million by 2015
- To extend the duty free import facility to tanners for import of leather
- Relocation of tanneries
- Leather city development programme



The Atchchuvely Industrial Zone in Jaffna will be model Green Industrial Estate in Sri Lanka

11. Electrical and Electronics Products Industry

The objective is to capture US\$ 2 billion worth market share in electronic products by 2020 and there by achieve the following:

- Tax concessions to private sector precision plastic and metal component manufacturers
- Development and modernization of education and Research & Development
- Establish design service providers in Electronic Circuit Design, Die and Mould Design, Rapid Prototyping and strengthen them. Contribution of Rapid Prototyping Facilities
- Establish Support Industries capable of manufacturing precision plastic and metal components for the electronic industry
- Promotion and support for Technology Parks, cooperating closely with educational and R&D centers



12. Footwear Industry

The objective is to Increase the export from to US \$ 17mn - 50mn by 2015 and there by achieve the following:

- Upgrade the technical knowledge of work force
- Image Building and recognition to the industry locally & internationally
- Market Development - Position Sri Lanka in the international market as a quality footwear producer
- Establishment of Leather & Footwear Design & Development Institute.
- Develop common facilities for SME's - Setting up of the fully fledged footwear clusters in the Districts of Gampaha, Colombo, Kurunegala, Jaffna, Kandy

13. Ceramics Industry

The objective is to ensure the continuing supply of Raw materials and reduce cost of production and there by achieve the following:

- Develop a Ceramic Raw Materials base and support industries
- Capture new markets
- Assist raw material mining industry
- Increase yield through enhanced productivity
- Improve the production processes to improve productivity and lower cost of production

3. Ensuring Sustainable Development

Whilst accepting these Industry specific strategies that is going through continuous development, below are some of the overriding strategies that can be followed to make Sri Lankan Industries sustainable:

1. Addressing Regional Disparities

Disparity of available infrastructure facilities between regions, particularly between the Western/North Western Province and the other regions has been a main reason for the concentration of industry in the Western part of Sri Lanka, and is one of the main projects to be implemented. There are 20 industrial estates which are currently fully operational, while 7 estates are in the process of being completed, and a further 6 are proposed. In the estates currently operational, 255 industries are in commercial operations employing 13,855.

2. Smooth functioning of the existing Industrial Estates by upgrading the infrastructure facilities in the existing Industrial Estates



3. Economic Sustainability and Good Labour Standards in Industries

By ensuring inclusive and broad-based industrial development, the industrial sector can contribute strongly towards poverty reduction, and enhancing living standards. A key element of this is ensuring that industrial sector workers are given a suitable working environment and necessary rights and protections.. This must continue, especially as competition based on cost gradually becomes difficult for Sri Lanka. In order to stay globally competitive, and attuned to trends in international consumer markets, Sri Lankan industries must greatly leverage its green and ethical credentials, positioning our manufacturing sector not just as a ‘factory floor’ to the world, but as a ‘green, clean and ethical manufacturing hub’.

4. Environmentally-Friendly Industrial Development

Many developed countries are now faced with a severe challenge of environmental degradation and pollution due to their rapid industrialization over the last century. These, as well as Newly Industrialised Countries (NICs) are beginning to realise the importance of ‘greening’ their industries in order to be more environmentally sustainable. Sri Lanka too, going in to this new phase of industrial development, needs to place strong emphasis on strengthening the green credentials of her industrial base. Our industrial policies should be aligned with the global imperative on reducing per-capita emission levels and advocate obtaining certificates such as Forest Stewardship Council (FSC)’s certificates to ensure the forest resources are managed to meet ecological needs, as well as encouraging more industrial undertakings to obtain UNFCCC certification in order to credibly trade on the carbon credits market.

Conclusion

Whilst accepting that Sri Lanka must spruce up the Industrial development agenda it is also important that we do not pollute the environment so that we preserve the positioning as the cleanest country in the world. To achieve this end it is very important that we become environmentally sustainable.