

QUALITY MANAGEMENT: LINKING TPOs AND NSBs FOR EXPORT SUCCESS

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1. Introduction

1.1 Sri Lanka- Sri Lanka is a small island in the Indian Ocean, close to the southern tip of India. Total area is 65,610 sq.km. Present population is 20.2 ml. Average life expectancy at birth is 70 years. Literacy rate is 90.8 per cent. GDP is around US. \$ 41 billion and its composition is made from agriculture 12.1%, industries 28.4% and services 59.5% in 2008, and has been growing 4 to 7% annually, during the last decade. Per capita GNP is US \$2,014. Rupees and cents are the local currencies and one US\$ is equivalent to Rs.115.24.

1.2 Exports- Small domestic market and resource base force the economy highly depend on foreign trade, export and import. In 2008 export and import represented 25% and 38% of the GDP respectively. Therefore, development of the economy is mostly depending on foreign trade, particularly exports. In 2008 our total export is US \$ 8,137 million. Our main export products are Apparels, Tea, Rubber and Rubber products, Coconut and Coconut based products, Fruits and Vegetables, Spices, Gems and Jewellery etc,. Our main export markets are U.S.A, U.K, Italy, India, Belgium, Germany, United Arab Emirates, Russian Federation, France and Japan.

1.3 Institutions for Export Development- Understanding importance of development of exports, to achieve the country's economic development objectives, institutional infrastructure for development of exports has been established during the last two decades. At present it consists of number of institutions, some are sector specific and others are general. Sri Lanka Export Development Board is the premier national TPO. Department of Commerce is also come under this category, but their focus is mainly to the trade agreements etc. Sector specific institutions are Sri Lanka Tea Board, Coconut Marketing Board, Department of Export Agriculture and Gems and Jewellery Authority. In addition to that Chambers and Exporters' Associations are also doing Trade Promotion activities.

2. The Role, Structure and Scope of the Organization

2.1 Sri Lanka Export Development Board (EDB)- EDB is the premier state organization for promotion and development of exports and was established in 1979 under the Sri Lanka Export Development Act No.40. The board of management comprised sixteen members, including Secretaries of Ministries involved in development areas and CEO of the Board of Investment and six members from private sector.

2.2 Role of the EDB- As the national body responsible for the promotion, development, and facilitating of Sri Lanka's exports, the EDB provides know-how and assistance and facilitate the effective coordination of all state and private sector organizations, associations, industries and manufacturing enterprises and individuals involved, in exporting our products and services to markets all over the world.

2.3 Structure & Function of the EDB- Chairman is the CEO of the EDB, who is assisted by Director General and Additional Director General, supported by following functional divisions, each headed by a Director.

2.3.1 Policy & Planning Division - is making recommendations with a view to creating a favorable policy environment which is conducive to export expansion through private sector participation, and also preparing National export strategies and monitoring implementation of them.

2.3.2 Product Management Division- is responsible for improving the export performance of selected industrial products and services through integrated development programmes which include development activities in supply, technology, packaging, quality assurance, product marketing and training.

2.3.3 Export Agriculture Division-is responsible for improving export performance of agricultural, fisheries and aquatic products through integrated development programmes which include supply chain management, product adaptation, technology development, packaging development, advisory services, market promotion and training. The division is also responsible for the establishment of producer/exporter linkage at rural level to increase rural income while ensuring steady supply of quality produce to exporters.

2.3.4 Marketing Division- is responsible for conducting market research/surveys and formulating and implementing market promotional and development programmes and also organizing presidential export award scheme.

2.3.5 Services Division-is responsible for assisting exporters to resolve problems/issues and working with other relevant organizations to improve and simplify the procedures involved in trade and also conducting of training programmes on trade procedures.

2.3.6 Trade Information Division-is responsible for providing up-to-date and value-added information on trade and other related business activities for export enterprises and organizations.

2.3.7 TradenetSL Division- is the e-Commerce arm of the EDB, is responsible for providing total e-Commerce solutions to the exporters to explore global opportunities using electronic business tools and to sell their products and services via internet through fully automated online payment system.

2.3.8 Small &Medium Enterprise Development Division- is responsible for implementing export development programmes to assist the development of export oriented SMEs at national and provincial levels.

3. Quality Management Needs of exporters & EDB

3.1 Increasing Need:-Issues such as product quality, environment considerations and social aspects have become non tariff barriers in international trade in the recent past because of the health and environment legislations of the importing countries and also the increasing execution of environmental and social standards by market forces such as super market chains and consumers. Quality and environmental certification systems requested by international markets are different from product to product and obtaining these certifications is involved high cost.

Having understanding this scenario, following initiatives and programmes have been implemented by the EDB to address this requirement.

3.2 Initiatives & Programmes of the EDB

3.2.1 Identifying Infrastructure Deficiencies: - National Export Development Plan discussed this issue in detail and recommended to establish institutional infrastructure required to address this issue strengthen of exiting institutions and also creating new institution for Accreditation of certification institutions. Accordingly, in 2005 Sri Lanka Accreditation Board was established.

3.2.2 Information on Quality Standards and Systems- Number of seminars was organized on quality standards and systems of particular market or product sector with the resource person from international agencies. In addition to that, this subject is included as a topic in the most of the training programmes /workshops/seminars organized by the EDB.

3.2.3 Capacity building

- a) EDB partly financed SLSI to obtain accreditation from an international accreditation organization for the following certification programmes provided by them.
 - ISO 9001 Quality Management Systems Certification Scheme
 - ISO14001 Environmental Management Systems Certification Scheme
 - Codex Alimentarius based HACCP Food Safety Certification Scheme
- b) EDB has implemented a programme to assist producers and exporters of agriculture products to obtain quality standards such as GAP,GMP,HACCP,ISO22000, Globalgap, etc.
- c) To facilitate the issuing of Organic Certification, National Organic Certification (Guarantee)Ltd has been established in collaboration with EU and GTZ.
- d) Financial assistance is given Ayurveda industrialists and Kitul Jaggery produces to obtain quality certifications.
- e) Exporters of sea foods to EU were assisted to obtain HACCP Certificate for their processing plants.

4. Services of the EDB

4.1 Information & Advises

- a) Providing of information and advises on the products, markets, foreign buyers and prices, costing and pricing of products, incentives and trade related procedures etc.
- b) Providing of business Library Services
- c) Dissemination of Trade related information through monthly publication of Expo News, Apanayana Puwath,
- d) Publishing of Exporters' Directory annually.

4.2 E-commerce Services:- Providing of E-commerce Services such as on-line trading, trade statistics, buyer searches, web publishing, Internet/e-mail connections

4.3 Seminars, Workshop and Trainings

- a) Organizing seminars/workshops/ awareness programmes on a markets/ a product / an export related subject.
- b) Organizing training programme on Export Import procedures and Operational Aspect of International Trade and Packaging.

4.4 Market Development

- a) Audio/Visual support for Export Promotion
- b) Organizing multi product market development and promotion programmes- overseas
- c) Organizing buyer seller meeting and contact promotion programme
- d) Assisting Exporters own market efforts - overseas
- e) Facilitate participation in Trade Fairs held locally
- f) Promotion of Sri Lankan products through Trade Promotion Officers, Trade Centres - overseas

4.5 Market & Supply Development:-Product specific supply and market development programme.

4.6 Supply Development

- a) Assistance for Technology upgrading of foundry industries
- b) Integrated Agriculture model projects
- c) Assistance for establishing a quality management system for Agriculture products.
- d) Assistance for SMEs to obtain SLSI Quality certification

4.7 Other Services

- a) Providing of recognition by way of registration of Exporters and recommending indirect exporters to commercial banks to open foreign currency accounts.
- b) Presidential Export Awards
- c) Resolving problems/issues of the Exporters.

5. Goals of the EDB & National Priorities

5.1 Goals of the EDB over the next 3 years

- a) Increase total export by 15% annually.(Present rate is 12%)
- b) Increase export to existing markets by 10% annually.
- c) To attract 3 new buyers from key markets annually.
- d) To develop selected exporters' exports by 20% annually.

5.2 National Development Priorities of Sri Lanka

- a) Increasing the GDP growth rate in excess of 8% annually during the next 3 years, and thereafter 9-10% till 2016 to achieve per capita GNP US \$ 3960 by 2016. Target average growth rate for sectors are Services- 9-10%, Industry - 8-9%, Agriculture 4-5%
- b) Equitable development in the country with special emphasis on the less developed Region
- c) Keep the unemployment rate at present level of 7% or less.
- d) Reduction of poverty level from 23% of population at present to 10% within next 3 years.

5.3 Their Alignment

It is obvious that strategic vision of the EDB over the next three years is not totally deference with the national priorities, but to greater extent both are align. This situation is more clearly shown when we examine target national growth rates of the sectors, such as Agriculture, Industry etc.

6. Priority Sectors of the EDB

6.1 Priority Sectors:-Considering supply and Market potentials, EDB has selected number of priority product sectors. Responsibility of developing each priority sector is assigned to a designated officer or officers. Some of them are Apparel, Ceramics, Gems and Jewellery, Rubber and Rubber products, Fruits & Vegetables, Spices, Floricultural Products, Coconut Products and IT Services etc.,

6.2 Special services given:- Advisory committees are appointed for each sector consisting representatives of relevant state institutions, associations and expert individuals in the private sector. Integrated supply and market development programmes to develop these sectors are formulated by these advisory committees.

7. Relationship between SLSI & SLEDB

7.1 Present Position:- There is no very strong closely netted relationship between two organizations. Officers of both organizations work together in committees which are officially appointed for formulation or implementation of programmes, projects, etc. There are SLSI officers in some of our advisory committees and also as resource persons of our training programmes.

If we need to get service of SLSI officer, official request has to be made. This is not difference from the way we adhered to for obtaining services of other state organizations. During the period of 2005 to 2007, both institutions come under one ministry, and at that time relationship between two institutions was somewhat closer but not different .

7.2 Constraints for Close Relationship:- Policy makers of the government have not identified importance of linking these two institutions for effective use. As a result, up to now no measures have been initiated for this.

Two institutions, from their inception, have been come under two different ministries, except few years. Within the existing government rules and regulations, establishment of close relationship between two organizations, in this scenario, is very difficult.

Focuses of the two institutions are quite different, SLSI to technical aspects and SLEDB to commercial aspects, professional and academic back ground of the employees are also largely different.

8. Potential future relationship between SLSI and SLEDB.

8.1 What should be done?

- a) Some effective measures has to be initiated to educate policy makers, including higher officers of the two institutions, on the importance of establishing effective working relationships at every level and maintaining same for the betterment of both organizations.
- b) SLSI officers, at present, are in some of the advisory committees of the EDB. However EDB officers are not in any committee of the SLSI. This mechanism has to be used to strengthen the relationship between two institutions by appointing officers of both institutions to their respective committees.
- c) Chairman or Director General of the EDB has to be a member of the director board of SLSI vise versa.
- d) Both institutions have to come under one ministry.
- e) Websites of both institutions have to be linked
- f) Trade development authority or Council has to be established linking all trade related institutions, including SLSI to provide effective and efficient services to the business community.

8.2 Areas Most Potentials for Corporation:- Food processing including beverages, Fruits & Vegetables,

8.3 Benefits

8.3.1 Ability to work proactively:- SLEDB is the national Trade Promotion Organization. SLSI is the national standard organization. Customers of both are same, but they fist encounter with EDB. As national TPO, EDB has close link with International Trade Promotion Agencies, same way, SLSI has with International Standard bodies. Formulation of international standards is a long process and it takes substantial time. During this period,

number of discussions and exchange of views on critical criteria of the new standards are taken place. Obtaining this information through SLSI, before the new standards come into force, EDB proactively readjust existing programmes or introduce new ones to prepare exporters to face the coming challenges. This way EDB can improve their services.

If the SLSI and other service providers of the quality certification are not equip to provide emerging new requirements, EDB and SLSI jointly work together for capacity building with sourcing resources form the Treasury and respective international agencies. By this way when the need will be arisen, facility would be in place, and keep the SLSI in a better position to serve customer.

At the same time, in the standard formulation process, when the views and observations are exchange among the NSBs, SLSI will be in the better position to represent local exporters.

8.3.2 Advisory and Information Services:- Quality of these services offered by both institutions will be improved.

8.3.3 Training Function:- Training function of the both institutions can be improved by expanding subject coverage and increasing quality.

8.3.4 Development of New Programmes:- Both institutions would be able to develop new programmes focusing to selected sectors with collaboration of other stakeholders such as financial institutions, in cost effective and bankable manner.

9. Conclusion

As a small island nation, our economic priorities and ambitions could only be achieved through development of exports. With liberalization of trade, market access expanded, but barriers are ever increasing from quality front. We have no options, except adhering and complying with them. Therefore, we have to prepare our enterprises to face this change. In this scenario to provide effective trade facilitation services in cost effective and efficient manner, working relationship at every level of SLEDB & SLSI is very important.