



CBI  
Ministry of Foreign Affairs of the Netherlands

# Sri Lanka seafood exports

## Quick scan of the EU market potential

Compiled for CBI by LEI Wageningen UR

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**Sri Lanka seafood exports**  
**Quick scan of the EU market potential**

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# 1 Introduction

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## 1.1 Background and rationale

The Asian region is a major supplier of fish products to the EU market. During the past five years in particular, the aquaculture sector in some Asian countries has become an important producer as well as exporter of white fish and shrimp. CBI is currently developing an integrated programme for the seafood sector in the Asian region. For the development of this programme, a good understanding of the supply and demand side of the industry is necessary. In order to decide on a programme to support further export growth of the seafood sectors of Sri Lanka and Pakistan, CBI has asked LEI to provide information on the sector in Sri Lanka.

## 1.2 Objective

The objective of this report is to investigate whether it is advisable for CBI to further analyse Sri Lanka's seafood sector and to set up a seafood programme in the country.

## 1.3 Approach

The research methods used are a desk study of available reports and data sources combined with several key stakeholder interviews with representatives of donors to the Sri Lanka's seafood sector.

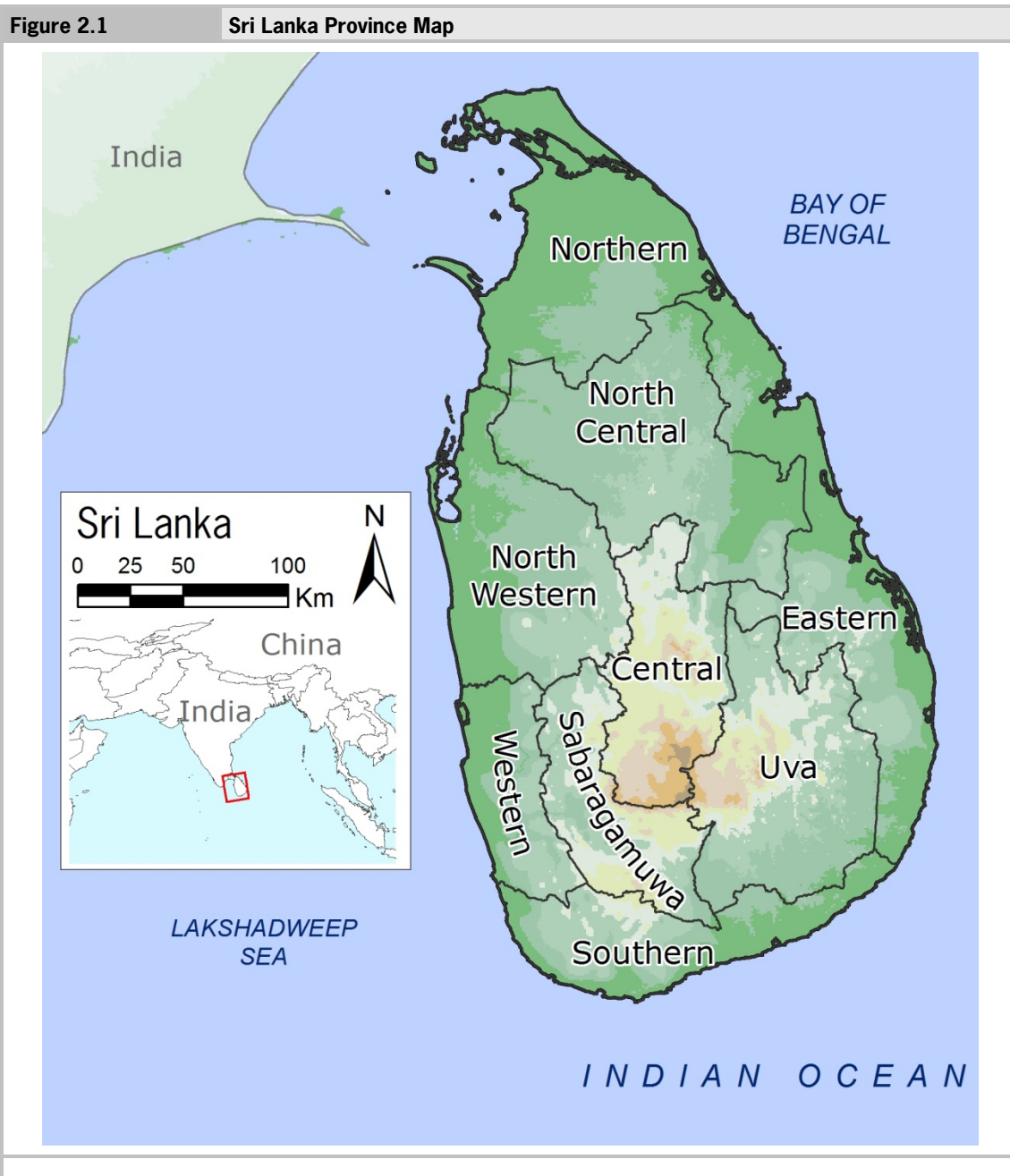
## 1.4 Structure

The next chapter describes the key characteristics of Sri Lanka's capture fisheries and aquaculture sector as well as the processing sector. Chapters three through six subsequently give an overview of export figures, the role and policy of the government, the main issues within the sector and the donors that are active in Sri Lanka's fisheries sector. Finally, chapter seven concludes with recommendations for CBI concerning the further analysis of the Sri Lankan seafood sector in view of the setting up of a seafood programme in the country.

## 2 Capture fisheries and aquaculture in Sri Lanka

### 2.1 Introduction

This chapter reflects on the key characteristics of Sri Lanka's capture fisheries and aquaculture sector. Figure 2.1 provides a map of Sri Lanka. The next section provides a general overview of the fisheries sector. The third section elaborates on the characteristics of the capture fisheries sector and the fourth section discusses the characteristics of the inland fisheries and aquaculture sector. The final section provides a short overview of the processing sector.



## 2.2 General overview of the fisheries sector

Capture fisheries is the most important fisheries sector in Sri Lanka. The country has a territorial sea of 21,500 km<sup>2</sup> and an Exclusive Economic Zone (EEZ) of 517,000 km<sup>2</sup>. Furthermore there are a total of 260,000 hectares of freshwater bodies in Sri Lanka. In 2011 Sri Lanka's total fish production amounted to more than 440,000 tonnes. In 2011 coastal fisheries have a share of 50% of total capture fisheries production, while 36% was caught by deep-sea fisheries. The remaining 14% comes from inland fisheries and aquaculture production.<sup>1</sup> In the period 2000-2004 the fisheries sector contributed between 2 and 3% annually to the country's GDP. After the 2004 tsunami devastation, this contribution decreased to less than 1.5%. The years following the tsunami, the fisheries sector had an annual share of 1-1.5% of total GDP. In addition, the fisheries production was heavily affected by the tsunami. In 2005 the total production was almost half of the production level in 2000 (Table 2.1). However, production levels gradually recovered in 2006-2011. About 650,000 people are employed in the fisheries sector, of which 150,000 in fishing, 400,000 in fish trading activities and 100,000 in associated service activities.<sup>2</sup>

| <b>Table 2.1 Fisheries production in Sri Lanka in 1999-2011 (tonnes)</b> |                            |                          |                                         |              |
|--------------------------------------------------------------------------|----------------------------|--------------------------|-----------------------------------------|--------------|
|                                                                          | <b>Marine fish catches</b> |                          | <b>Inland fisheries and aquaculture</b> | <b>Total</b> |
|                                                                          | <b>Offshore fisheries</b>  | <b>Coastal fisheries</b> |                                         |              |
| 1999                                                                     | 76,500                     | 171,950                  | 31,450                                  | 279,900      |
| 2000                                                                     | 84,400                     | 183,280                  | 36,700                                  | 304,380      |
| 2001                                                                     | 87,360                     | 167,530                  | 29,870                                  | 284,760      |
| 2002                                                                     | 98,510                     | 176,250                  | 28,130                                  | 302,890      |
| 2003                                                                     | 90,830                     | 163,850                  | 30,280                                  | 284,960      |
| 2004                                                                     | 98,720                     | 154,470                  | 33,180                                  | 286,370      |
| 2005                                                                     | 66,710                     | 63,690                   | 32,830                                  | 163,230      |
| 2006                                                                     | 94,620                     | 121,360                  | 35,290                                  | 251,270      |
| 2007                                                                     | 102,560                    | 150,110                  | 38,380                                  | 291,050      |
| 2008                                                                     | 109,310                    | 165,320                  | 44,490                                  | 319,120      |
| 2009                                                                     | 112,760                    | 180,410                  | 46,560                                  | 339,730      |
| 2010                                                                     | 129,840                    | 202,400                  | 52,410                                  | 384,670      |
| 2011                                                                     | 160,270                    | 220,990                  | 59,560                                  | 440,820      |

Source: NAQDA (2012).

## 2.3 The marine capture fisheries sector

As mentioned earlier, 86% of the fish is captured in coastal waters (50%) and deep sea fisheries (36%). The districts with the highest catches are presented in Table 2.2. Most of these districts (Matara, Negambo, Kalutara and Galle) are situated in the south-western part of Sri Lanka. This is also where most of the fishing harbours are based. Because of annual monsoons in East Sri Lanka (February - April) and South Sri Lanka (August - January) fishing activities have a seasonal pattern.<sup>3</sup> Sri Lanka has sixteen fishing harbours. Furthermore, there are 785 minor fish landing centres and 40 anchorages for fishing vessels. According to The Ceylon Chamber of Commerce most of the harbours have insufficient facilities to accommodate large fishing vessels for deep-sea fishing, and can only handle smaller fishing vessels.

<sup>1</sup> NAQDA, 2012. *Sri Lanka's annual fish production by different subsectors*. National Aquaculture Development Authority of Sri Lanka. Available at: [http://www.naqda.gov.lk/fish\\_production.php](http://www.naqda.gov.lk/fish_production.php)

<sup>2</sup> The Ceylon Chamber of Commerce, 2010. *Fisheries sector in Sri Lanka*. The Ceylon Chamber of Commerce.

<sup>3</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

| <b>Table 2.2</b> |                 | <b>Marine fisheries production per district and province in 2000, 2005 and 2007-2009 (tonnes)</b> |             |             |             |             |
|------------------|-----------------|---------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| <b>District</b>  | <b>Province</b> | <b>2000</b>                                                                                       | <b>2005</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> |
| Matara           | Southern        | 35,480                                                                                            | 17,090      | 48,460      | 47,810      | 44,180      |
| Negambo          | Western         | 34,540                                                                                            | 16,940      | 35,710      | 35,820      | 37,490      |
| Kalutara         | Western         | 33,140                                                                                            | 11,560      | 39,950      | 39,580      | 33,100      |
| Trincomalee      | Northern        | 13,540                                                                                            | 6,790       | 8,150       | 17,980      | 27,690      |
| Galle            | Southern        | 27,830                                                                                            | 11,210      | 17,820      | 14,800      | 24,930      |
| Batticaloa       | Eastern         | 9,860                                                                                             | 7,650       | 11,710      | 21,850      | 24,530      |
| Other districts  | -               | 109,290                                                                                           | 59,160      | 90,870      | 96,790      | 101,250     |
| Total            | -               | 263,680                                                                                           | 130,400     | 252,670     | 274,630     | 293,170     |

Source: The Ceylon Chamber of Commerce (2010).

In 2009 there were almost 50,000 fishing vessels in Sri Lanka. About 18,000 vessels for marine fisheries were not motorised while nearly 7,000 vessels were only used for inland fisheries. There were almost 25,000 motorised fishing vessels, but only 3,000 vessels are suitable for multi-day fisheries in Sri Lanka's EEZ. The number of multi-day vessels however is increasing. In 2006 there were only 2,400 of these vessels.<sup>4</sup> According to USAID, fishing activities in the EEZ of Sri Lanka could be expanded without overexploitation of fish stocks in this area. Sri Lanka's government also encourages the development of more multi-day vessels, and promotes the transformation of single-day vessels into multi-day vessels. The country has no fishing fleet that exploits fish stocks in international waters such as Japan, South Korea, Thailand and Taiwan. Because of annual monsoons in East Sri Lanka (February - April) and South Sri Lanka (August - January) fishing activities have a seasonal pattern.<sup>5</sup>

The most important marine captured species for the Sri Lanka are skipjack and yellow fin tuna. In 2009, skipjack accounted for 21% of the marine production volume while yellow fin tuna had a share of 15%. Of the production volume, 26% consists of other tuna species and marine species (called shore seine varieties), while prawns, crabs and lobsters account for 6%. The remaining 32% of the production in 2009 is undefined and probably consist of several smaller amounts of other species.<sup>6</sup>

## 2.4 The inland capture fisheries and aquaculture sector

Over the past twelve years production from inland capture fisheries and aquaculture faced a steady growth. In 1999 production was 31,000 while in 2011 it had almost doubled to 60,000 tonnes.<sup>7</sup> Recent production data for inland capture fisheries and aquaculture are aggregated and cannot be distinguished. In 2009 most of the inland capture fisheries and aquaculture are based in the districts of Anuradhapura and Polonnaruwa in the North Central Province that together had a share of almost 40% of the countries' production. In 2009 more than 46,000 tonnes of fish was produced from inland capture fisheries and aquaculture. In the last few years production volumes are growing.

<sup>4</sup> The Ceylon Chamber of Commerce, 2010. *Fisheries sector in Sri Lanka*. The Ceylon Chamber of Commerce.

<sup>5</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

<sup>6</sup> The Ceylon Chamber of Commerce, 2010. *Fisheries sector in Sri Lanka*. The Ceylon Chamber of Commerce.

<sup>7</sup> NAQDA, 2012. *Sri Lanka's annual fish production by different subsectors*. National Aquaculture Development Authority of Sri Lanka. Available at: [http://www.naqda.gov.lk/fish\\_production.php](http://www.naqda.gov.lk/fish_production.php)

| <b>Table 2.3</b> |                 | <b>Inland capture fisheries and aquaculture production per district and province in 2000, 2005 and 2007-2009 (tonnes)</b> |               |               |               |               |
|------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>District</b>  | <b>Province</b> | <b>2000</b>                                                                                                               | <b>2005</b>   | <b>2007</b>   | <b>2008</b>   | <b>2009</b>   |
| Anuradhapura     | North Central   | 6,690                                                                                                                     | 5,640         | 7,520         | 9,680         | 10,770        |
| Polonnaruwa      | North Central   | 4,870                                                                                                                     | 4,730         | 6,280         | 7,320         | 7,280         |
| Ampara           | Eastern         | 1,290                                                                                                                     | 2,270         | 3,250         | 5,240         | 5,430         |
| Puttalam         | North Western   | 6,495                                                                                                                     | 7,210         | 6,810         | 5,290         | 5,290         |
| Kurunegala       | North Western   | 2,178                                                                                                                     | 2,140         | 3,990         | 4,190         | 3,590         |
| Other            | -               | 15,177                                                                                                                    | 10,840        | 10,540        | 12,770        | 14,200        |
| <b>Total</b>     | <b>-</b>        | <b>36,700</b>                                                                                                             | <b>32,830</b> | <b>38,390</b> | <b>44,490</b> | <b>46,560</b> |

Source: The Ceylon Chamber of Commerce (2010).

About 57% of the production from inland capture fisheries and aquaculture consists of tilapia. Other important cultured species are carp (6%) and carp-related species such as catla (13%) and rohu (5%). Cultured freshwater shrimp account for 8% of the production volume. In 2011 most fish (85%) was captured in freshwater ponds and lakes while the remaining 15% was cultured. Most products are sold at local markets. Besides fish for consumption, ornamental fish are also cultured in Sri Lanka.

## 2.5 The seafood processing sector

Currently there are 29 processing establishments in Sri Lanka that have been approved by the EU to process captured fisheries. Only 6 processing establishments have also been approved to process aquaculture products. Out of these 29 processing establishments, 18 are located in the Western Province, while 10 processing establishments are based in the North Western Province. The Southern Province holds only one processing establishment. In Sri Lanka the Department of Fisheries and Aquatic Resources (DFAR), which is part of the Ministry of Fisheries and Aquatic Resources (MFAR) is the Competent Authority that is responsible for the issuing of EU health certificates. Seafood exporters are represented by the Sri Lanka Seafood Exporters Association (SEASL) and the Consortium for Development of Aquaculture. Both associations are not accessible by websites. However, both are listed in Sri Lanka's Export Development Board (EDB). Also, there is a Federation of Prawn Farmers and Exporters. Although not directly related to seafood, Sri Lanka also has an Exporters Association for Ornamental Fish Products (OFEASL).<sup>8</sup>

<sup>8</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

## 3 Export and import of seafood products

### 3.1 Introduction

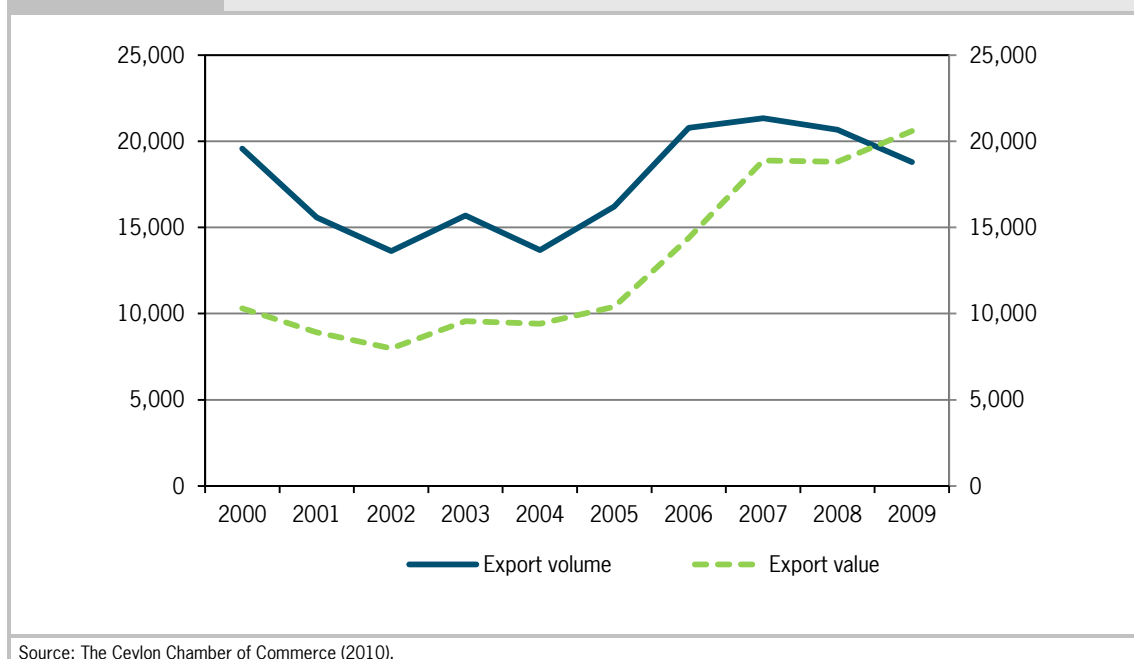
This chapter reflects on the export and import of seafood products of Sri Lanka. The next section provides an overview of the trend in the export volume of Sri Lanka's seafood export products, while section 3.3 elaborates on the different export product markets and categories. The final section discusses the import of seafood products of Sri Lanka.

### 3.2 Total export value and volume

The export value of Sri Lanka's seafood sector has increased from about LKR10,000m in 2000 to more than LKR20,000m in 2009 (€125-130m). Although the export value has increased, export volumes are fluctuating, and have been decreasing since 2007. No explanation for the decrease in export volume in 2008 and 2009 can be given. The average export prices for seafood from Sri Lanka show a positive trend. In 2009 the average export price was more than LKR1m per tonne of seafood.

**Figure 3.1**

**Total seafood export of Sri Lanka in 2000-2009 volume (tonnes) and value (1,000,000 Rupees)**



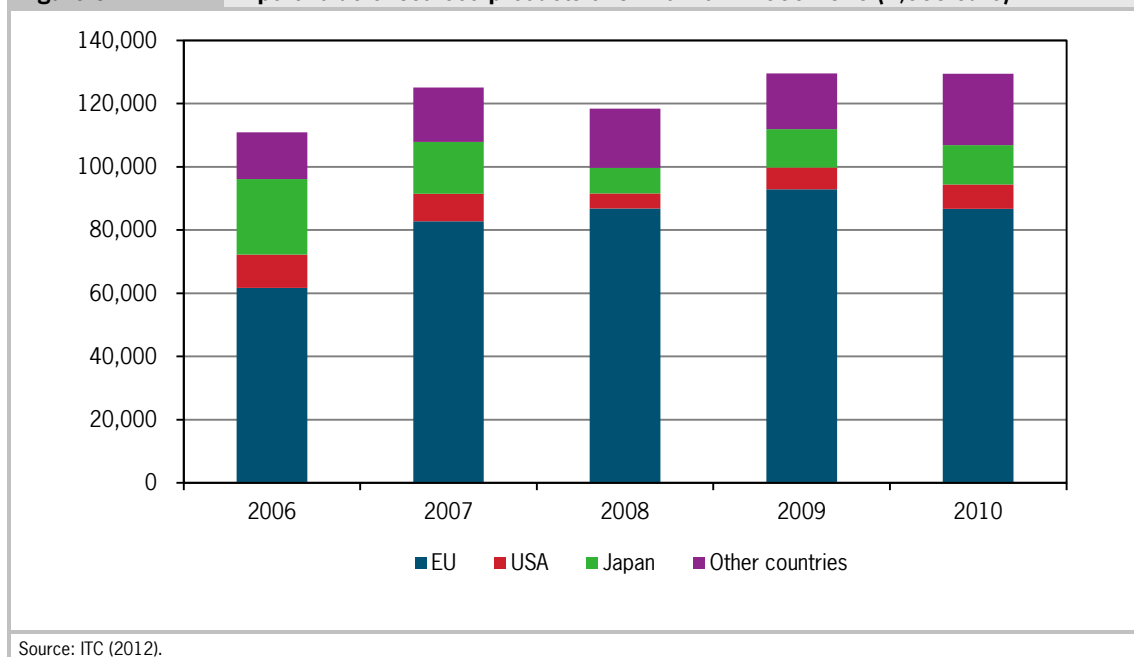
### 3.3 Export products and markets

Figure 3.2 provides information about the most important export markets for Sri Lanka. The EU is by far the most important export market. In 2010 67% of the export of seafood products went to the EU. Within the EU, the UK, France, Italy and the Netherlands are the main importing countries. Other countries that import a significant value of seafood products from Sri Lanka are Hong Kong, Singapore and Switzerland.

Nearly all seafood products that Sri Lanka exports are raw material or have been only primarily processed (gutted, filleted, frozen, et cetera). There are hardly any prepared or preserved products. Most

important exported products are frozen tuna (€29m in 2010), frozen shrimp and prawns (€9m in 2010), and frozen fish fillets and fish meat of undefined fish species (€49m in 2010). In particular, the production of frozen fillets and fish meat has increased sharply in the last three years. Because currently almost no prepared or preserved products are exported, there are opportunities for value addition by processing and exporting companies in Sri Lanka. Compared with other Asian countries the seafood sector of Sri Lanka is not export-oriented. In 2008 only 7% of the domestic production in terms of volume was exported.<sup>9</sup>

**Figure 3.2** Export value of seafood products of Sri Lanka in 2006-2010 (1,000 euro)



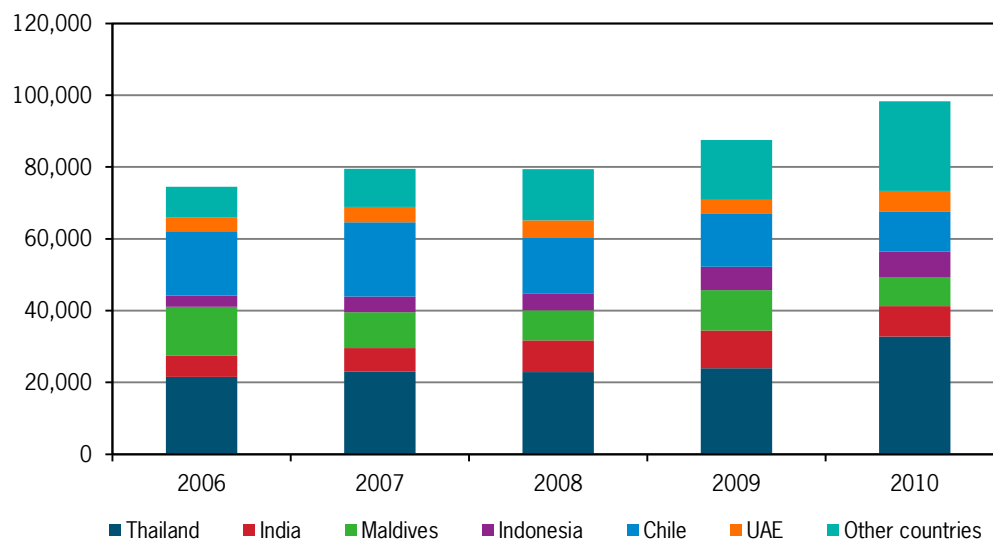
### 3.4 Import products and suppliers

About 80% of the fish consumption in Sri Lanka comes from domestic production; the remaining 20% is imported. In the period 2006-2010 imports of seafood products have increased from €75m to almost €100m. Thailand is the main supplier of seafood products to Sri Lanka. Also India, the Maldives, Indonesia, Chile and the United Arab Emirates (UAE) supply important volumes of seafood to Sri Lanka. In 2010 52% of the import value was dried or smoked fish, while 30% were prepared or preserved fish products (especially mackerel). The reason for the high shares of dried, smoked and preserved/preserved fish products as part of the total imports, is that these products can be preserved longer since refrigeration and cooling in Sri Lanka is expensive. Currently, Sri Lanka lacks processing establishments that can produce dried, smoked or canned seafood products, although in 2011 Sri Lanka's first fish canning factory was opened in Galle.<sup>10</sup> It is however questionable if the production of canned seafood in Sri Lanka can compete with Asian countries from which Sri Lanka currently imports these products.

<sup>9</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

<sup>10</sup> The Fish Site, 2011. *Sri Lankans to have own Maldivian Fish*.

**Figure 3.3** Import value of seafood products from Sri Lanka in 2006-2010 (1,000 euro)



Source: ITC (2012).

## 4 Role of Sri Lanka's government

### 4.1 Introduction

This chapter describes the institutional arrangement and policy documents related to the capture fisheries and aquaculture sectors in Sri Lanka.

### 4.2 Institutional arrangements

On a national level the Ministry of Fisheries and Aquatic Resources (MFAR) is the most important government agency for the seafood sector. Within MFAR the Department of Fisheries and Aquatic Resources (DFAR) has been appointed as the Competent Authority. Other important departments within MFAR are the National Aquatic Resources Development Agency (NARA) and the National Aquaculture Development Authority (NAQDA). NARA is the research agency of MFAR, while NAQDA is responsible for the development of inland fisheries and aquaculture in Sri Lanka. Another important organisation that falls under MFAR is the Ceylon Fisheries Corporation (CFC). CFC is a government-owned company that is involved in purchasing and selling fish, the production and marketing of ice, the provision of processing and cold chain facilities and the sales of by-products.

Other relevant government agencies in Sri Lanka are:

- National Institute of Fisheries and Nautical Engineering (NIFNE): providing courses in fisheries, aquaculture, marine and aquatic engineering;
- Industry Technological Institute (INI): working on fish product development;
- Agrarian Development Department (ADD): concerned with institutional organisation support for small-scale fishermen and farmers in rural areas;
- Mahaweli Authority of Sri Lanka (MASL): has a fisheries programme that is aimed at the development of fish ponds and tanks under its area of authority;
- Fisheries Cooperative Societies (FCS): provides service and support to fishing communities regarding small-scale credit, employment and welfare;
- The Ministry of Finance and Planning (MFP): formulation of the policy for the development of the seafood sector in 2010-2020;
- The Export Development Board (EDB) operates under the Ministry of Industry and Commerce and works on the export promotion for several sectors including the seafood sector.<sup>11</sup>

### 4.3 Policy documents

The national policy for the fisheries and aquatic resources sector for the period 2010-2020 in Sri Lanka has been formulated by the Ministry of Finance and Planning in 2010. The most important elements are listed below:

- Promotion of offshore and deep-sea fishing: increasing multi-day fishing fleet and the development of infrastructure facilities. By 2020 there should be 8,000 multi-day fishing vessels (currently 2,900), 45 manufacturing yards (currently 29) and 11 fishing gear factories (currently six).
- Reduction of post-harvest losses: the introduction of better fish handling techniques and the development of modern landing facilities. The percentage of post-harvest losses by 2020 should be reduced to 5% (currently 30%) and all fish handlers should be trained and skilled (currently only 10% is estimated to be skilled).

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<sup>11</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

- Promotion of ornamental fish, inland fisheries and aquaculture: the further development of inland fisheries and fisheries in reservoirs, tanks and ponds. The volume of inland fish production by 2020 should be increased to 130,000 per year (currently 43,000 tonnes), and the production of fingerlings must be 80m (currently 26m).
- Enhancement of processing and value addition: increasing the number of fish processing zones and storage capacity to reduce fish imports. By 2020, Sri Lanka aims to be almost self-sufficient and to only import 500 tonnes of fish (currently 75,500), and have 9 special processing zones (currently none).
- Expansion of foreign and local market for seafood products: increasing the quality of the exports. In 2020 the export volume must be 530,000 tonnes of seafood products (currently 18,500 tonnes), and all fish processing establishments must be certified and standardised (currently only 5% meets these requirements).<sup>12</sup>

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<sup>12</sup> Ministry of Finance and Planning, 2010. Vision for the Future, The Development Policy Framework for the Government of Sri Lanka. Ministry of Finance and Planning.

## 5 Issues related to fisheries exports and sustainability

### 5.1 Introduction

This chapter discusses some important issues for the seafood sector related to sustainability and the export potential. The next section provides information about the temporary withdrawal of the Generalised System of Preferences - Special Incentives (GSP+) arrangement by the EU. The third section elaborates on the territorial conflict in Palk Bay. The final section deals with the recent increase in fuel prices.

### 5.2 Temporarily withdrawal of the GSP+ arrangement by the EU

Until 2010 companies in the EU that imported seafood products from Sri Lanka benefited from the Generalised System of Preferences - Special Incentives (GSP+). This special trade arrangement is related to sustainable development and good government practices.<sup>13</sup> The GSP+ arrangement results in lower tariffs for products from Sri Lanka that are imported in the EU, compared with other countries in South East Asia such as Thailand, Vietnam, the Philippines and Indonesia. In 2010 the GSP+ arrangement was temporarily withdrawn by the EU because of several shortcomings with the implementation of three conventions of the United Nations (UN): the International Covenant on Civil and Political Rights (ICCPR), the Convention against Torture (CAT) and the Convention on the Rights of the Child (CRC). These Conventions are criteria for applying the GSP+ arrangement.<sup>14</sup> Although Sri Lanka still has the standard Generalised System of Preferences (GSP) arrangement, tariffs for products from Sri Lanka are higher, which leads to a decrease in the competitive position of the country on the International market. Seafood products are mentioned as a main sector that was hit by the decision of the EU.<sup>15</sup>

### 5.3 Territorial conflict in Palk Bay

Palk Bay connects the North Eastern part of Sri Lanka with Tamil Nadu, one of the most southern provinces of India. The area has rich fishing grounds and on both the Sri Lankan and the Indian side of the bay there are many fishing settlements. For many years there has been a conflict between fishermen of both countries that focuses on fishing rights and the territories within the areas. Tamil Nadu has a large trawling fleet that exceeds the carrying capacity of the Indian part of Palk Bay. During the conflict, fishing efforts of Sri Lanka's part of the bay were low. This provided an opportunity for the Indian fleet to cross Sri Lanka's international boundaries to exploit Sri Lanka's territories. The end of the civil war and the increased political stability resulted in higher efforts of Sri Lankan fishermen in Palk Bay. According to fishermen from Sri Lanka, Indian trawlers still fish in Sri Lanka territories and catch their fish and damage their gears.<sup>16</sup>

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<sup>13</sup> NARA, 2012, *Fisheries Outlook*. Available at <http://www.nara.ac.lk/12/fisheries%20outlook/index.html>

<sup>14</sup> EU, 2010. *EU temporarily GSP+ trade benefits from Sri Lanka*. Available at: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=515>

<sup>15</sup> EU, 2010. *EU regrets silence of Sri Lanka regarding preferential import regime*. Available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/888>

<sup>16</sup> REINCORPFISH, 2012. Available at : <http://www.reincorpfish.info/project-summary1/south-asia>

#### 5.4 Small-scale fisheries in the Northern and Eastern Provinces

A significant number of small-scale fishermen are based in the former conflict areas within the Eastern Province (the districts of Ampara, Batticaloa and Trincomalee). According to USAID in 2008 the Eastern Province accounted for 41% of the total number of marine fishermen and 19% of the total number of inland fishermen in the country. Because of the conflict, the fisheries sector in the Eastern Province has weak linkages with processing companies that export to the EU and other important export markets. Although some high-quality tuna is transported from the east to processing establishments near Colombo, a large part of the fish products is sold at local markets.<sup>17</sup> In the Northern Province the local fisheries sector often does not benefit from the fishing activities. Fish that is landed is often transported directly to processing companies without intervention of local cooperatives of fishermen and fish traders. Exporters that source material in the Northern Province are accused of abusing the lack of market information of fishermen in the North by purchasing material at rates below the market level. Now that the political situation in this part of Sri Lanka has been stabilised, there are opportunities to strengthen the fisheries sector and to support export activities in the Eastern and Northern Provinces.

#### 5.5 Increase in fuel prices

In February 2012, the government increased fuel prices. Fishermen protested for about two weeks and this resulted in a subsidy scheme that was provided by the government. Fishing boats that are registered with the District Fisheries Organisations were given a concession for diesel and kerosene. A subsidy of LKR12 per litre of diesel and LKR25 per litre of kerosene was granted. Also, the government has decided to provide a monthly fuel subsidy of LKR30,000 to multi-day fishing vessels (for a total of 3,858 multi-day vessels) and LKR18,000 for one-day fishing vessels (for a total of 953 vessels). Also 21,551 boats with kerosene operated engines receive a subsidy. Despite the concessions for diesel and kerosene, most of the fishermen believe that fishing is no longer a profitable business.<sup>18</sup>

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<sup>17</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

<sup>18</sup> Nishan Disnayake, 2012. E-mail correspondence.

## 6 International support of the seafood sector

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### 6.1 Introduction

Several International Organisations and donor agencies provide support to the seafood sector of Sri Lanka. This chapter provides an overview of the main projects in the capture fisheries and aquaculture sector in Sri Lanka and briefly describes the key projects.

### 6.2 The Food and Agriculture Organization of the United Nations (FAO)

The FAO has several on-going projects that are related to the seafood sector. Current and recently finished projects are:

- Regional Programme for Participatory and Integrated Agriculture, Forestry and Fisheries Development for Long-term Rehabilitation and Development in Tsunami-affected Areas (2006-2012);
- Support to Safety at Sea for Small-scale Fisheries in Developing Countries in West Africa and South Asia (2007-2010);
- Cooperation for the improvement for phytosanitary capacity in Asian countries through capacity building (2007-2011);
- The Restoration and Improvement of Fish landing centres with stakeholder participation in management (2008-2011);
- The Regional Fisheries Livelihoods Programme for Southeast Asia (2009-2013);
- Sustainable Management of the Bay of Bengal Large Marine Ecosystem (BOBLME) (2009-2014);
- The improvement of post-harvest practices and sustainable market development for long-line fisheries for tuna and other large pelagic fish species (2010-2012);
- Constructing ponds to cultivate freshwater fish to help poor farmer families generate a year-round income (2011-2012);
- Providing sustainable income sources along with enhancing food production for the fisherwomen in the Trincomalee district who have been liberated from a 30-year war (2011-2012).<sup>19</sup>

Furthermore, the FAO will be supporting the seafood sector with a Technical Cooperation Programme (TCP) on the handling of tuna and market promotion, and with the establishment of a freshwater prawn hatchery in Kahandamodara.<sup>20</sup>

Most of the projects mentioned above are related to capture fisheries. According to the FAO representative for Sri Lanka and the Maldives, however, the focus of FAO in the next five years will be more on the development of the aquaculture sector in Sri Lanka (both freshwater and marine aquaculture).<sup>21</sup>

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<sup>19</sup> FAO, 2012. *Field Programme Activities of Sri Lanka*. Available at:

<https://extranet.fao.org/fpmis/FPMISReportServlet.jsp?div=&type=countryprofileopen&language=EN&countryId=LK>

<sup>20</sup> REINCORPFISH, 2012. Available at: <http://www.reincorpfish.info/news-and-announcements?offset=40>

<sup>21</sup> Patrick Evans, 2012. E-mail correspondence.

### 6.3 Other International Organisations and donor agencies

Besides the activities of FAO, several other International Organisations and donor agencies are or have been active in supporting the seafood sector of Sri Lanka. The most important current initiatives are listed below:

- Asian Development Bank (ADB): From 2003 to 2010 the ADB together with MFAR has supported the Aquatic Resources Development and Quality Improvement Project (ARDQIP). The objective of the project was the promotion of market-driven sustainable management of the inland fisheries and the aquaculture sector in order to reduce poverty and to improve food security.<sup>22</sup>
- Sustainable Fisheries Partnership (SFP): SFP has developed a Fishery Improvement Project (FIP) in Sri Lanka to improve the long line fisheries on tuna (yellow fin and big eye tuna) in Sri Lanka. Other stakeholders involved in this project are the Sri Lanka Seafood Exporters Association and a number of retailers in the UK, such as Tesco, Sainsbury's, and Marks & Spencer.<sup>23</sup>
- Canadian International Development Agency (CIDA): CIDA contributed to the FAO programme about the Restoration and Improvement of Fish landing centres.
- Swedish International Development Agency (SIDA): SIDA has supported to the FAO programme on the Sustainable Management of the Bay of Bengal Large Marine Ecosystem.
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ): GIZ is funding a small pilot programme for pen and cage aquaculture for sea bass in Batticaloa.
- Korea International Cooperation Agency (KOICA): In the beginning of 2012 signed an agreement to support Sri Lanka with the development of the aquaculture sector in the coastal areas of Mannar and Kalpitiya.
- Japanese International Cooperation Agency (JICA): JICA is involved in a reconstruction project at the Jaffna College of Fisheries. The College was seriously damaged in the 1990s. JICA also equipped the facility with fishing materials, tools, training equipment, navigation equipment, and education materials.
- Norwegian Agency for Development Cooperation (NORAD): NORAD has a Match Making Programme (MMP) where knowledge and expertise from Norway is transferred to Sri Lanka. One of the Norwegian companies that participated in the MMP was the company Hobas that is involved in fish and shellfish farming. Technical knowledge is shared and equipment for aquaculture practices is currently built in Sri Lanka.
- WorldFish Center: The Fish Breeding and Genetics Group of the WorldFish Center together with NAQDA is working on the implementing a brood stock development project. The project started in 2007 and will be finalised in 2012.
- United States Agency for International Development (USAID): In 2008 USAID launched the Connecting Regional Economies Programme (CORE) that aims at improving the economic perspectives in the Eastern, North Central and Uva Provinces of Sri Lanka. As part of this programme, USAID conducted assessments of both the captured fisheries and inland and aquaculture fisheries sectors. The assessments include value chain studies with a special focus on the eastern part of Sri Lanka.<sup>24,25</sup>
- Centre for Marine Research (MARE): Together with CORDAID and LEI, part of Wageningen UR, MARE is currently exploring the possibilities to set up a project in order to support the fisheries sector in Northern Sri Lanka.

<sup>22</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

<sup>23</sup> SFP, 2012. Available at: <http://www.sustainablefish.org/fisheries-improvement/tuna/sri-lanka-tuna>

<sup>24</sup> USAID, 2009. *Marine Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

<sup>25</sup> USAID, 2009. *Aquaculture and Inland Fisheries Sector Assessment in Eastern Sri Lanka*. United States Agency for International Development.

## 7 Conclusions

### 7.1 Opportunities

Sri Lanka's current level of exports is low compared with other Asian countries. Furthermore, the share of total seafood production that is exported is low. The political situation in Sri Lanka has improved, which has resulted in increased activities in the fisheries sector in the North Eastern part of the country. During the coming ten years the government aims to strengthen the seafood sector by expanding the fishing fleet and increasing aquaculture production. As a result there are interesting opportunities to improve Sri Lanka's export potential. This holds for Sri Lanka in general, but especially for the Eastern Province, where the fisheries sector currently has a weak linkage with export markets. In order to do so Sri Lanka should not try to compete with large seafood producers but focus on more high quality niche markets for products such as tuna, other pelagic species and sustainably produced shrimp. There is an increasing demand in EU countries for sustainable products and Sri Lanka can benefit from this development by focusing on sustainable production. It appears that the current position of export associations is weak compared with such associations in other Asian countries such as Vietnam. It can be of interest to further investigate the position of export associations in the Sri Lankan seafood sector.

### 7.2 Risks

Although there are some interesting opportunities to improve the Sri Lanka's export potential, there are also a number of risks. A first issue is the level of sustainability in the seafood sector. The government aims at increasing the fishing capacity through increasing the fishing fleet. If the seafood sector is not developed in a sustainable way, this will result in an increased pressure on marine ecosystems and fish stocks. A second issue is the high number of International Organisations and donor agencies that are currently supporting the seafood sector in Sri Lanka, which can make it difficult for CBI to estimate the attribution of a CBI programme. A third issue is that although the political situation in the country has improved, there are still some unstable political factors such as the conflict in Palk Bay or the recent protests about the increase of fuel prices by the government. A fourth risk is that the effect of the withdrawal of the GSP+ arrangement on seafood exports is not yet clear. Finally, the competitiveness of Sri Lanka's seafood sector on the world market in general and more specifically compared with countries such as Thailand, Vietnam, the Philippines and Indonesia, is currently unclear.

### 7.3 Recommendation

Taking into account both the risks and opportunities of Sri Lanka's seafood sector, it is advised to invest in a more extensive seafood value chain analysis. Earlier USAID value chain studies were more general in nature and the objective of the proposed study should be to focus on specific seafood value chains. More specifically this study should address:

- The potential of value addition of processors and exporters;
- The position and functioning of export associations;
- Exporters that are currently not EU approved, but have the potential to access the EU market;
- Level of competitiveness of the seafood sector in Sri Lanka;
- Potential attribution of a CBI intervention compared with the activities of other international Organisations and donor agencies.

Based on a seafood value chain analysis that addresses these issues, CBI will be able to make a well informed decision whether to invest in a seafood programme for Sri Lanka.