



Impact of EPZs on Poverty Reduction and Trade Facilitation in Sri Lanka

Chandana Karunaratne
Research Officer, Institute of Policy Studies of Sri Lanka

Purpose of Study

EPZs and Poverty Reduction

EPZs and Trade Facilitation

Focus on Sri Lanka



Methodology & Data Collection

Primary data

- Surveys conducted among EPZ workers
- Focus on collecting numerical data

Primary data

- Depth interviews conducted among managers and directors of EPZ firms
- Focus on collecting qualitative data

Secondary data

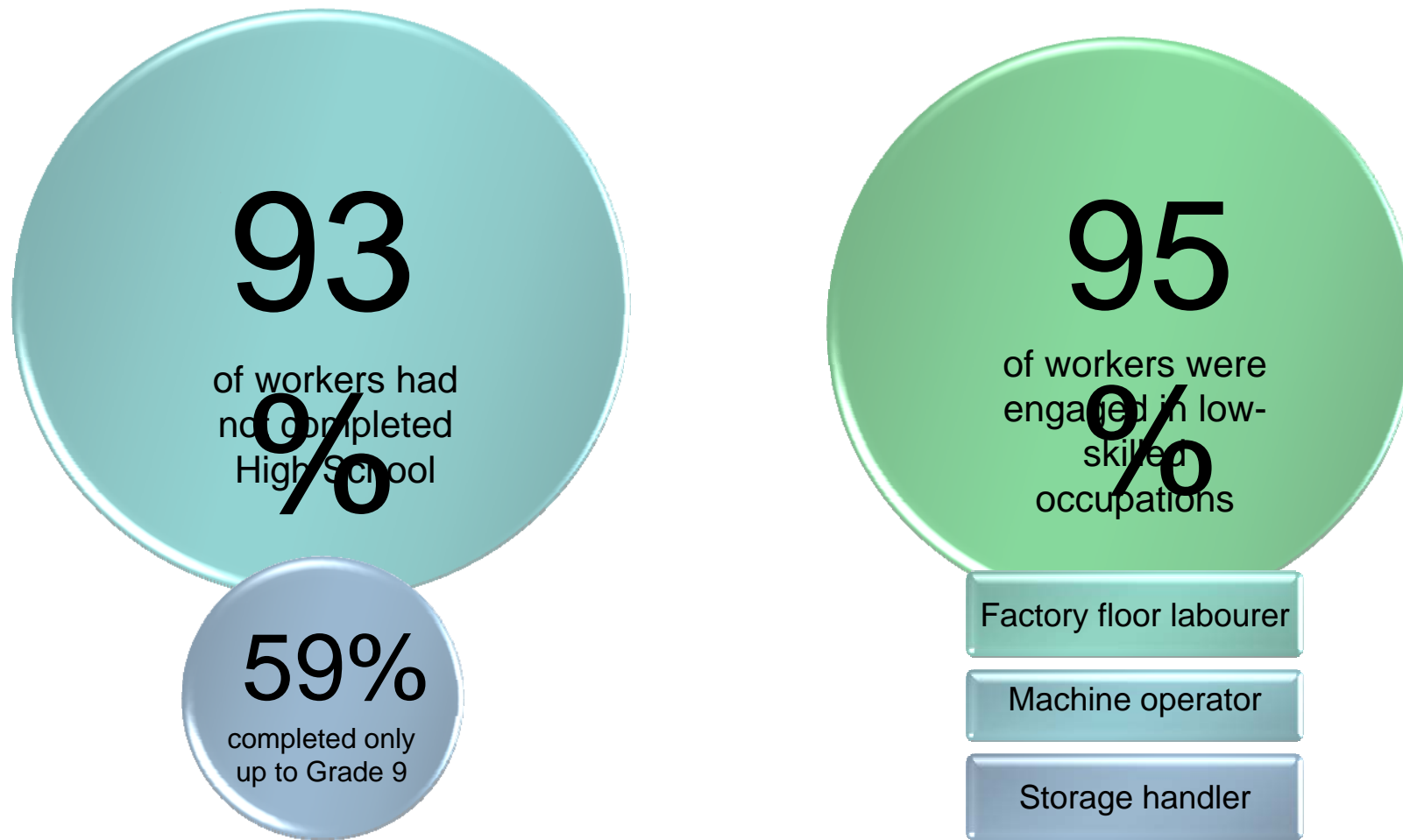
- Data from Board of Investment of Sri Lanka from 2012
- Covering all EPZs across Sri Lanka



Impact of EPZs on Poverty Reduction

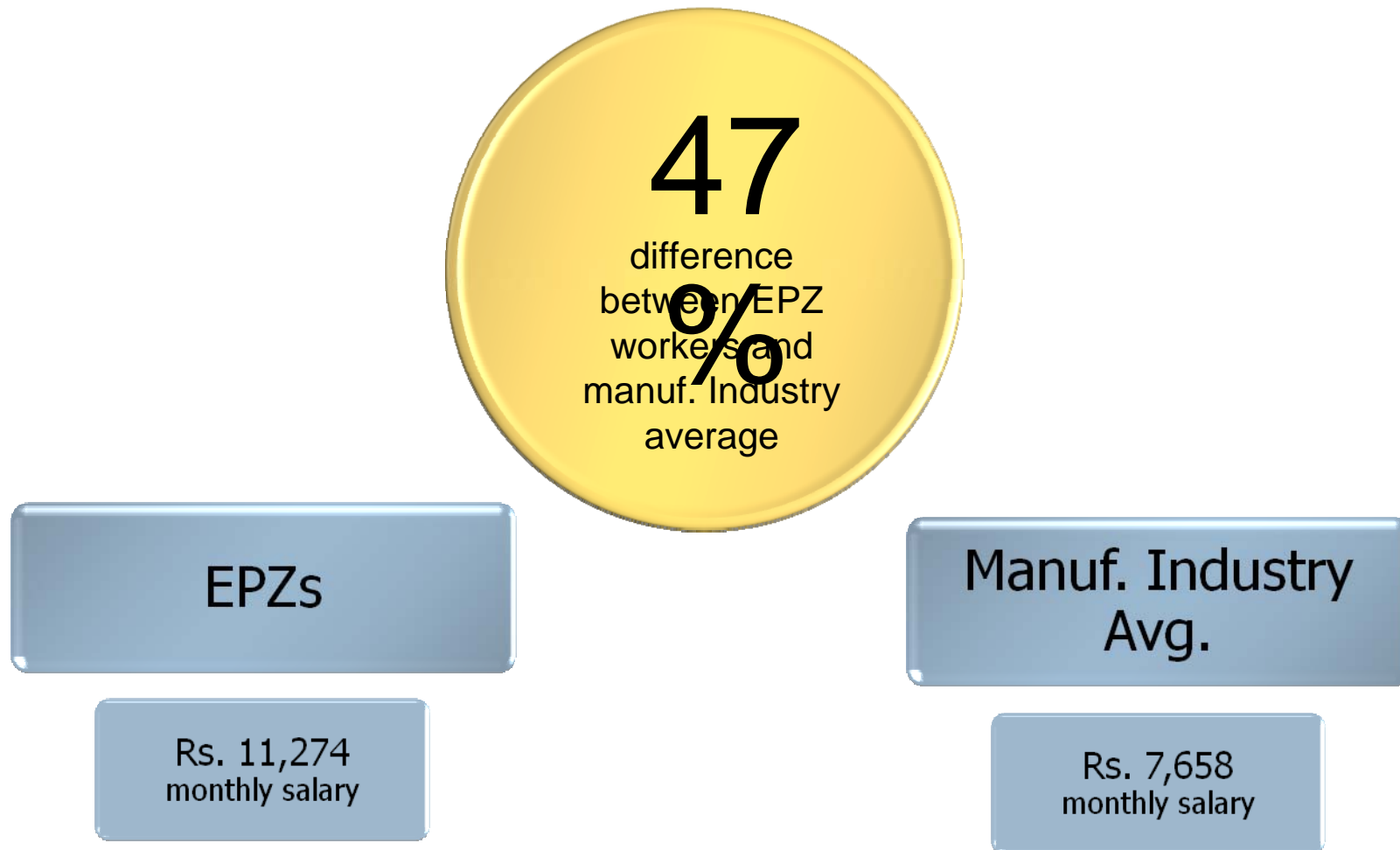


Education and Occupation



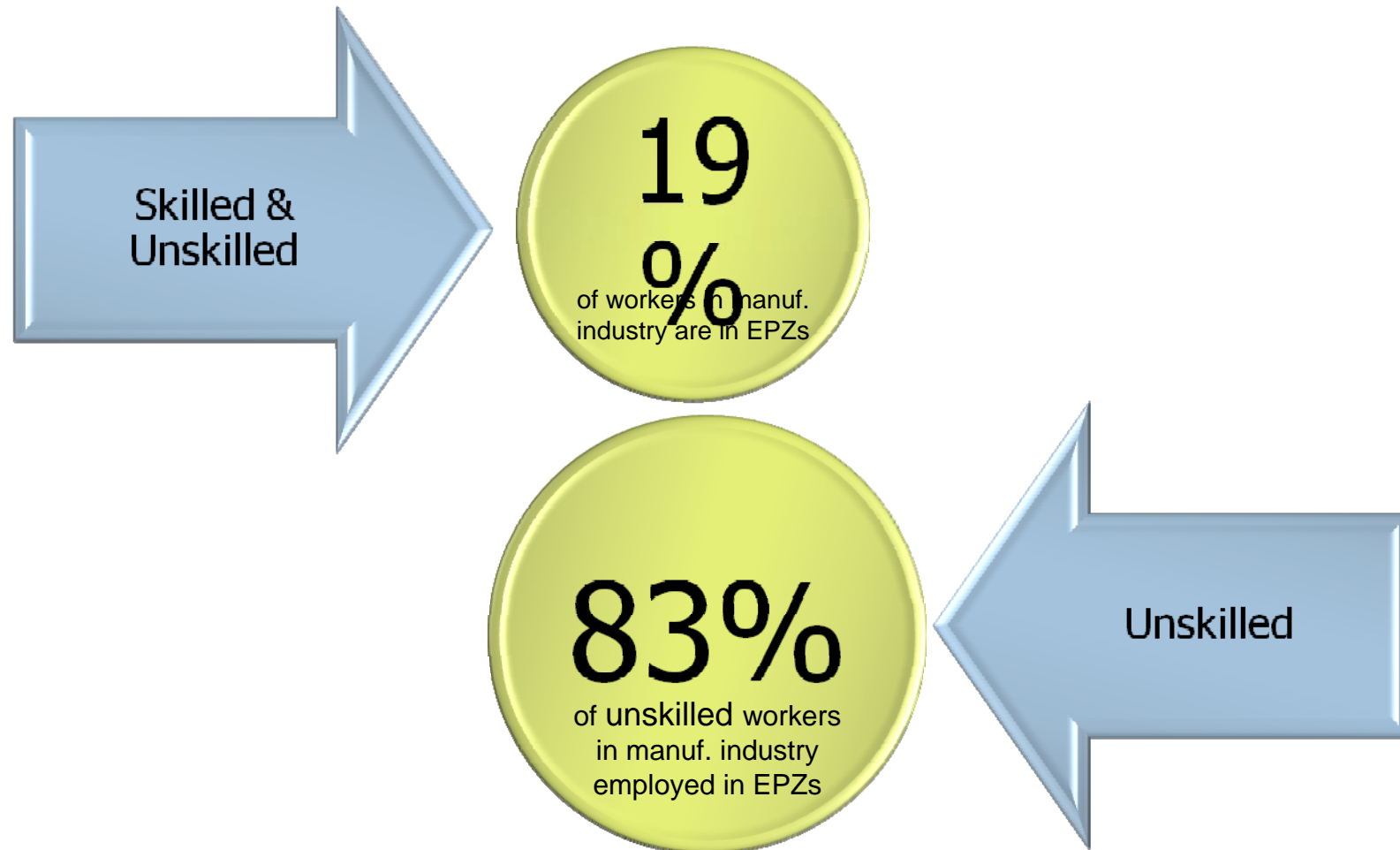
► Source: Surveys conducted by authors.

Salary Benefits for Unskilled Workers



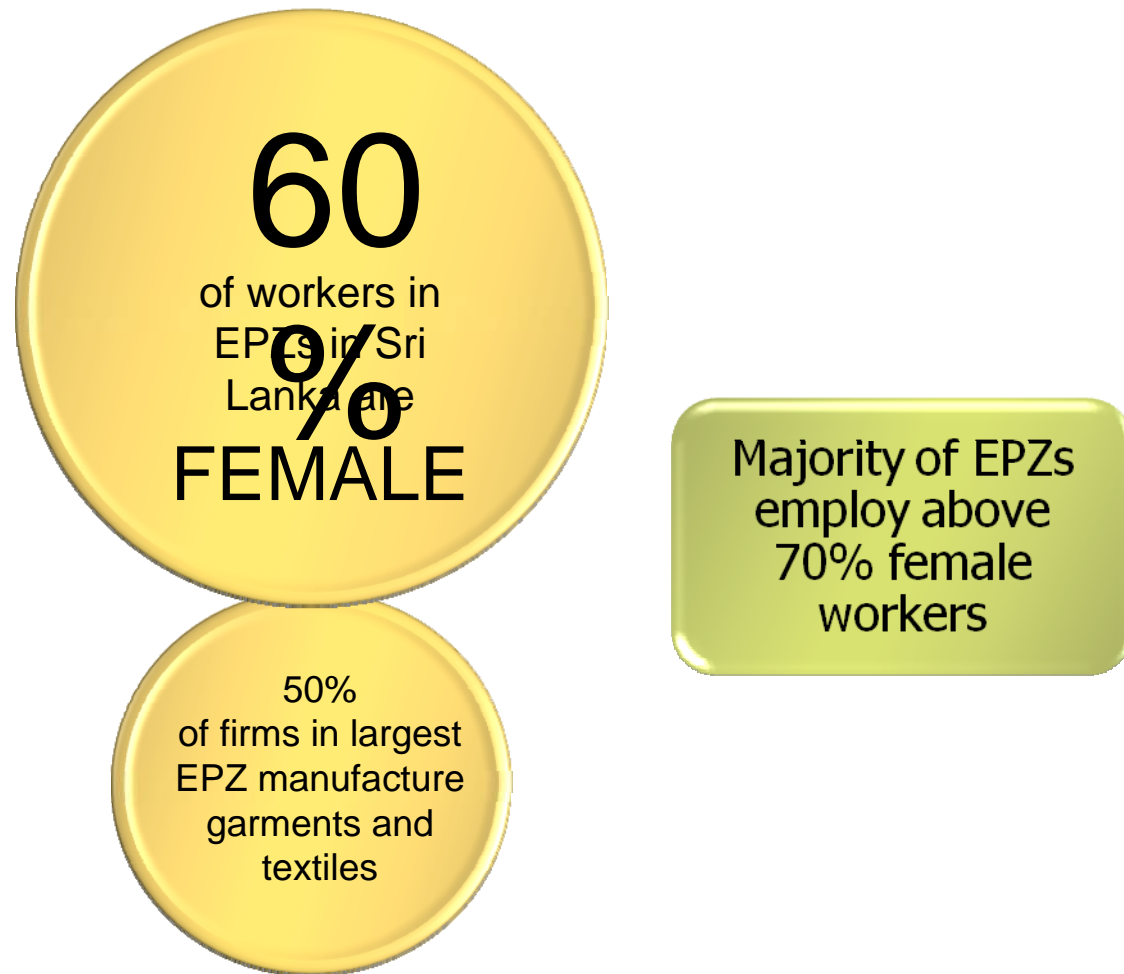
► Source: Surveys conducted by authors and data obtained from *Annual Survey of Industries*, 2010, Dept. of Census and Statistics of Sri Lanka.

Prevalence of Unskilled Workers



Source: Surveys conducted by authors and data obtained from *Annual Survey of Industries*, 2010, Dept. of Census and Statistics of Sri Lanka.

High Proportion of Female Workers



Training Programmes

On-the-job
Training

Machine operating

First aid

Dyeing techniques

► Source: Interviews conducted by authors among low-skilled workers in EPZs and managers and directors of EPZ firms.

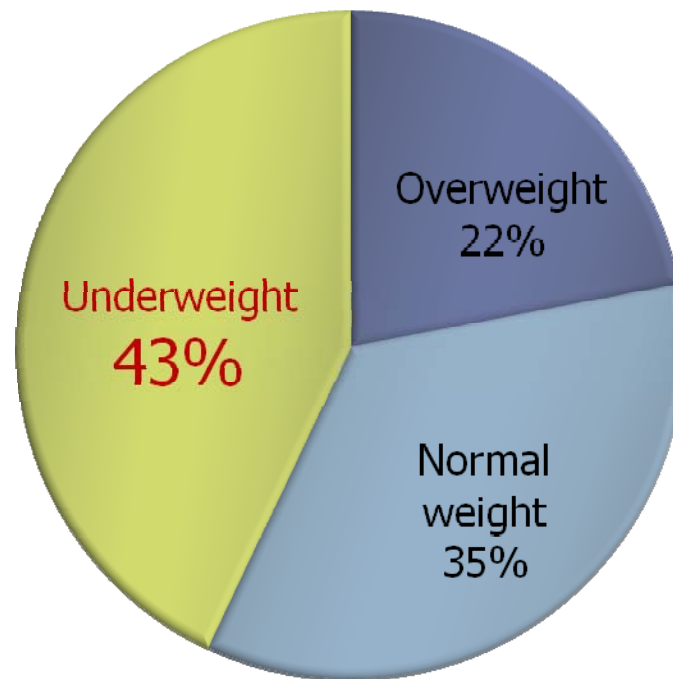
Duration of Employment

High turnaround of employees



Nutritional Intake

Distribution of BMI among Workers



53% of workers reported spending **30% or less** of monthly income on food

Impact of EPZs on Trade Facilitation



Key Areas of Impact

Tax Incentives &
Duty Removals

Backward &
Forward Linkages

Simplifying
Customs
Procedures

Tax Incentives & Duty Removals

General Incentives

5 year tax holiday on profits

Tax-free dividends

Limited import duties

Special Incentives

5 – 20 years
tax holiday on profits

Concessionary tax
rates

Tax-free dividends

Import duty
exemptions

Source: Interviews conducted by authors and Peiris, Sharmila and Shyamali Ranaraja, 2001, "Promoting Social Dialogue and Freedom of Association in EPZs in Sri Lanka: The Role of Workers' Councils," *Labour Issues in Export Processing Zones in South Asia: Role of Social Dialogue*, International Labour Organisation.

Backward and Forward Linkages



Source: Interviews conducted by authors and Board of Investment of Sri Lanka, 2012.

Simplifying Customs Procedures

BOI firms

13

Import
declaration
forms required

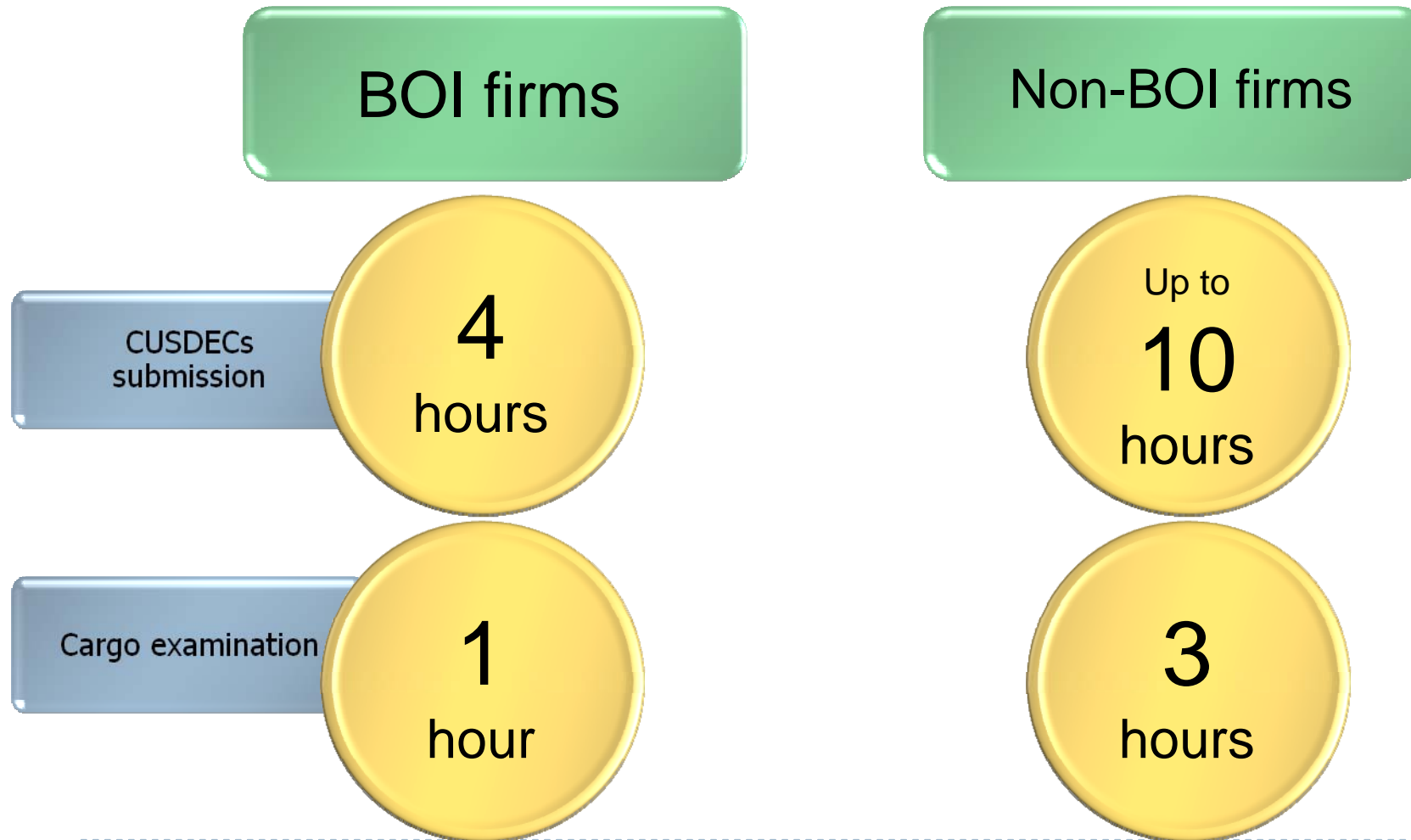
Non-BOI firms

17

Import
declaration
forms required

Import license
required

Reducing Time Taken for Importing & Exporting



► Sources: Interviews conducted by authors and Taneja, Nisha, John Arnold, and Pallavi Kalita, 2011, *Report of Sri Lanka Trade Logistics Results from TTFA Survey*.

Conclusion

Important employment generator for unskilled workers and women

Inadequate nutritional intake for many employees

Backward and forward linkages offered

Customs procedures simplified and shortened

