

An institutional environment and its involvement in coconut oil value chain

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1. Introduction

Coconut oil is the most widely used domestic cooking oil in Sri Lanka (WHO, 2020) which has steady demand exist throughout the year. Sri Lankans footmark on global coconut production is still momentous has been the fourth largest coconut producer (EDB, 2020). However, coconut oil manufacturing showed a notable declined in 2020 due to drought and supply chain disturbances, which increased importation significantly (Central Bank of Sri Lanka, 2020). These market analyses suggest the need of formulating new strategies and policies to capture the optimal market share and uplift both local and global competitiveness.

Institutions are established based on formal and informal laws, which are the mechanisms monitoring and enforcing (Campbell, 2004) the industry. According to (Dollar & Kidder, 2016) economies with better institutional framework have a strong participation in both local and global value chains while economies with weak institutions have only a small role. As a coconut oil supplier in a developing country Sri Lanka should have to adopt upgrading strategies in order to improve their position in the value chain by capturing more market share compared to rivals. Literature highlights that upgrading potentials influence by local institutions and strategies that generate both positive and negative impacts for chain participants (Mitchell & Coles, 2011; Rossi, 2013). Therefore, this study aimed to perform institutional analysis and identify the institutional environment and its participation in coconut oil value chain. Further, study focused into identify the institutional networks and strategies in empowering coconut oil value chain and new opportunities for upgrading potentials.

2. Materials and Methods

This study was exploratory in nature. In-depth interviews with selected institutional representatives feed the primary data requirements of the study while secondary data collection tools were mainly internet-based data collection techniques such as institutional websites, social media, annual reports, webinars, etc. Industry public information, companies' periodical statements, and journal databases and reports published by both public and private sector were used to obtain the data. Local authorities responsible were identified and further information was collected through their authoritative data sources such as official websites and blogs. Export Development Board (EDB), Sri Lankan Custom, Central Bank of Sri Lanka, Coconut Development Authority (CDA), Department of Census and Statistics, Coconut Research Institute (CRI) were such identified authoritative entities. It also provided an opportunity to identify key people (industry experts) who involved with coconut oil industry and their contact details. The qualitative data gathered was primarily grouped based on their influence on micro and macro level of the coconut value chain and prepare an institutional network diagram. Relationships and functions of institutions and institutional networks were analysed to identify the insights on institutions on coconut oil value chain.

3. Results and Discussion

According to figure 1, Coconut oil institutional framework mainly divided into micro and macro level for the study purpose. Micro level institutions were grouped as; government institutions for capacity building, regulation bodies and private institutions. Macro level institutions grouped as; government institutions for capacity building, national level regulatory bodies, intergovernmental organizations (capacity building and regulatory bodies) and non-governmental organizations both in local and global level.

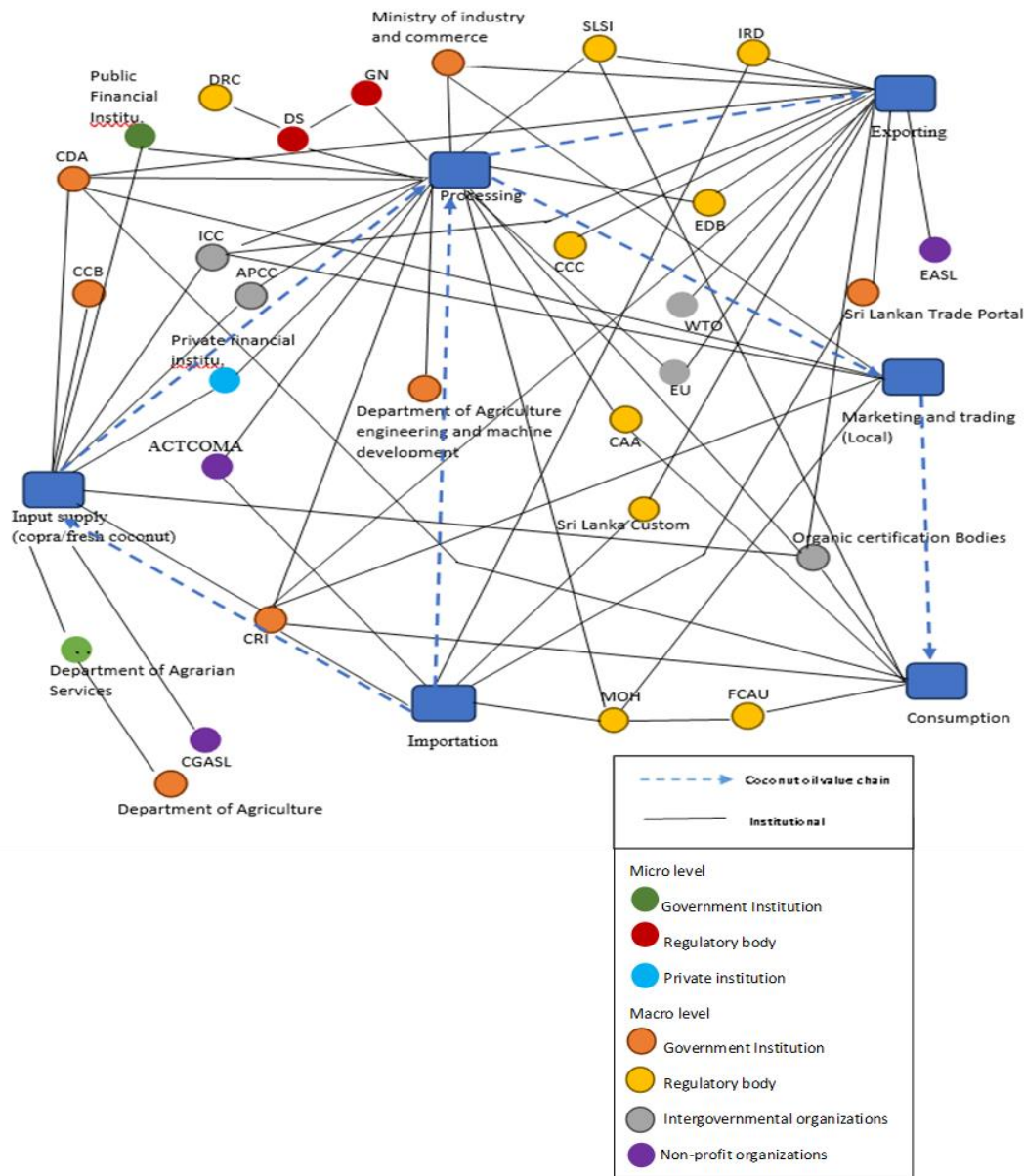


Figure 1. Institutional framework for coconut oil value chain

Upstream of the value chain both micro and macro level governmental institutions implemented several programs in recent past to uplift the living standards and the productivity of the industry such as providing fertilizer subsidy, high quality coconut plants, training and awareness programs, loan programs collaborate with state and private banks etc. In field level regional offices, field officers take these programs towards coconut growers and supervise them. Downstream of the value chain micro and macro level institutions involved in regulating and implementing services such as finance and insurance, logistic, verification and testing,

supportive services (machinery) facilitate to deal with both local and between nations. Non-profit and intergovernmental organizations help to develop, promote and better trading facilities within and outside the nation.

However, regulatory and institutional weaknesses and disturbances stem from institutional environment has hinder contribution toward the upliftment. Present study addresses some key problem areas which provide potential to upgrade. Such as complex institutional structures require heavy paper work and time, overlapped regulatory activities, conflicts between institutional objectives and facilitate of trade, lack of overall coordination between government level due to the fragmentation of ministerial portfolio which scattered institutions among diverse ministries, lack of national food control system which cover whole coconut oil value chain from farm to plate etc. However, finds that lead firms in each value chain node tight coordination institution framework on knowledge transmission, finance, information etc. compare to small scale value chain participants.

It is important to transform fragile coordination into strong market opportunities under present globalization. Some of the policies recommended are public-private partnerships in order to achieve a better position in global value chain, each institution should implement clear strategies with their target audience, and implement bench marks to analyse the performance, setting up a conducive legal framework, promoting linkage with national international collective agencies which are important sources of transforming information, triggering knowledge, access toward larger client base, and possibilities of attracting foreign direct investment. R&D constitutes a major gap in institutional setting highlight the important of participation of public and private universities with institutional framework and joint research between private and public which is also very rare. Rapid concern on safety and quality factors in international value chain influence on develop national level standard based on international standards particularly important for producers and exporters who want to access international markets. Interviewers also criticised the lack of promoting Sri Lanka's products internationally. This again highlight the proper institutional mechanism to bring more attention to Ceylon coconut oil such as co-financing of visits to trade fairs, implement policies with faster and less bureaucratic procedures etc.

4. Conclusions

This paper reviews the institutional analysis to identify its insights on coconut oil value chain and their involvement or role on each value chain stage. Proper coordination mechanism among institutions, clear separate institutional mandates, smooth flow of information, and macro level government and regulatory bodies, intergovernmental organization and non-profit organizations will improve the efficiency and international competitiveness in the coconut oil industry in Sri Lanka. Properly organized industrial framework will smooth the flow of value chain in more systematic manner. This also highlights the important of participation of stakeholders with institutional and legal framework throughout the coconut oil value chain.

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