

Impact of IT in Trade Facilitation on SMEs in Sri Lanka

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Outline

- Background, Trade Facilitation in Sri Lanka
- Use of IT in TF in Sri Lanka
- Survey
- Recommendations & Way Forward

Background

- Trading & logistics hub?
 - ✓ Advantageous geographical position
 - ✓ One of the most liberal trade regimes
 - ? Necessary Trade facilitation and infrastructure
- After 1977 SL switched to export-oriented trade.
- International trade plays a significant role in the economy
- Role of SMEs :
 - No nationally accepted definition of SMEs
 - 5-29 employees (small); 30-149 (medium) – Task Force for SME Development Programme (White Paper,2002)
 - SMEs → 96% of Industrial Units, 36 % of industrial employment



Trade Facilitation in Sri Lanka: Current Status

Country	Mean	Singapore	Bangladesh	India	Pakistan	Sri Lanka	Nepal
Burden of Customs Procedure	3.9	6.4	2.3	3.6	3.4	4.0	2.5
Overall infrastructure quality	3.8	6.6	2.2	3.1	3.4	3.3	1.9
Road quality	3.7	6.6	3.1	3.1	3.6	3.1	3.1
Railroad infrastructure quality	2.9	5.7	2.3	4.5	3.2	2.8	1.3
Port infrastructure quality	4.0	6.8	2.4	3.5	3.7	4.1	3.0
Air transport infrastructure quality	4.6	6.9	3.0	4.8	4.2	4.5	3.4
Transparency of government policymaking	4.1	6.1	3.5	4.4	3.5	4.0	3.2
Global Competitiveness Index (Rank)	-	7	107	48	92	70	114

Trade & Transport Facilitation in Sri Lanka: Current Status contd...

- **Documentation – Imports:**

- CUSDEC form (up to 7 copies)
- Delivery order
- Invoice
- Packing list
- Certificate of origin
- Bill of Lading
- Exchange documents
- Import control license (if applicable)
- Certificate of registration and translation for used motor vehicles
- Load port survey certificate for food items
- S.L.S.I/Quarantine certificate. (If applicable)

- **Documentation – Exports:**

- CUSDEC form (up to 7 copies)
- Commercial Invoice
- Shipping Note/Air cargo copy
- Cargo Dispatch Note
- Certificate of Origin
- Export Permits / licenses

- Apart from Customs, SLPA & BOI over 30 other government/non-government agencies are involved in the export-import process

Trade Facilitation in Sri Lanka: Current Status contd...

- Automation of systems and use of IT in import/export procedure:
 - not panacea to TF
 - powerful tool of TF : reduces cumbersome paper work, rent seeking, etc.
- Majority of WTO members have implemented some kind of automated system, including SL
- National Trade Facilitation Committee (SRILPRO) – 1980
 - Advisory committee to EDB
 - Represented public & private sectors
 - Eliminated unnecessary documents
 - 1986 : Sub-committee to work on electronic data processing
 - Died a natural death : end 1990's
- New SRILPRO - 2006

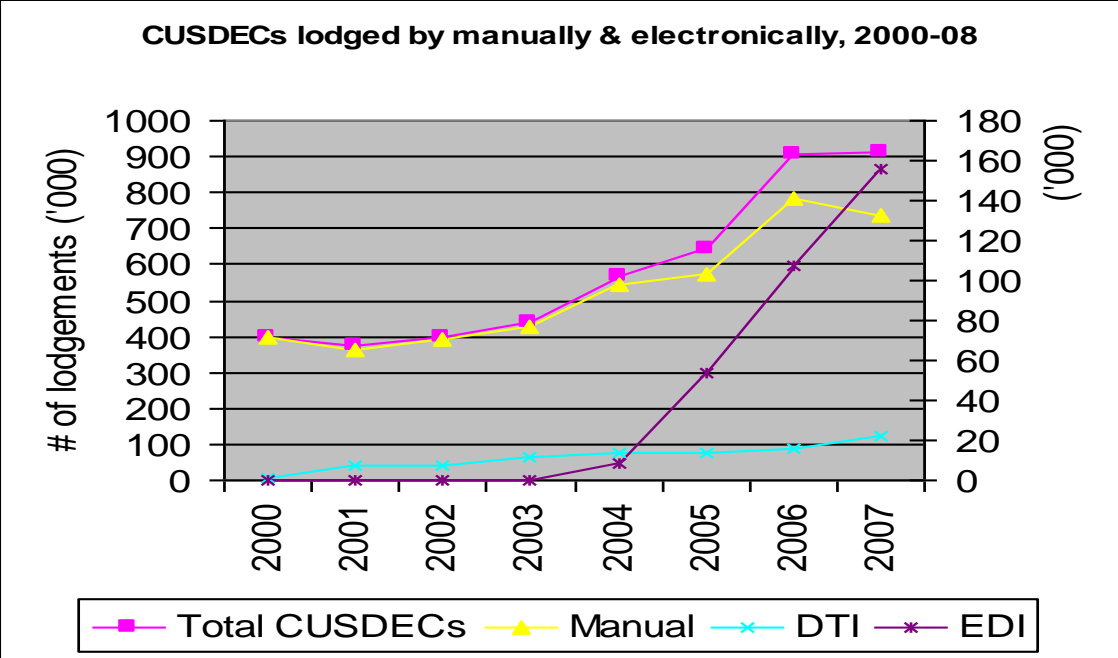
Use of IT in TF in Sri Lanka

- ASYCUDA (1992) : computerized customs management system
- ASYCUDA ++ (1998) : partially implemented in SL
- ACYCUDA World in the near future
- CUSDECs can be lodged
 - (1) Manually
 - (2) Direct Trader Input (DTI)
 - (3) Electronic Data Inter-change (EDI)
- DTI (1998)
 - convenience, time and cost savings
 - Lower costs, work outside normal customs working hours, reduction in travelling, delays and queues at customs, can access one's own declaration data
 - Currently available for exports only; no extra charge
 - About 40 registered users

Use of IT in TF in Sri Lanka contd...

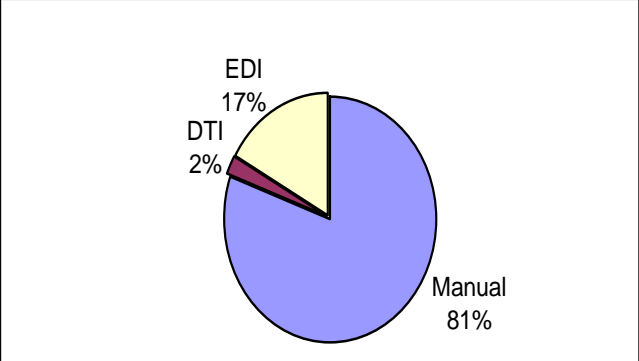
- Electronic Data Interchange (EDI)
 - Sri Lanka Automated Cargo Clearance System (SLACCS) : 2002
 - eServices : service Provider, a public-private venture
 - Partially automated : can only submit CUSDEC electronically
 - Online submission of manifests and sub manifests being tested
 - Electronic payment, submission of other documents electronically yet to be implemented.
 - Extra charge : Rs. 250
 - 500 companies using EDI facility
 - 60% - traders ; 40% - CHAs/FF or logistic providers
 - Only one regulatory authority is linked : Tea Board
 - Current system heavily criticized: bring in new service provider?
 - Benefits: cost and time savings, 24 hour service, elimination of errors but full benefits of the system yet to be realised
 - Main users: apparel & tea sectors

Use of IT in TF in Sri Lanka contd...



-08

CUSDECs Lodged Manually & Electronically, 2007



Use of IT in TF in Sri Lanka contd...

- SLPA – Recently purchased new terminal management system, NAVIS
 - Will enable exchange of information between SLPA & agents, i.e. container gate movement info, loading/discharge information
- CCC – Electronic Certificate of Origin (e-CO)
 - Web based CO application system (2007)
 - Access, download CO & submit completed form from office
 - Ready for collection in 10 mins after submission
 - 50 exporters using it
 - current users: mostly large & medium sized enterprises

Survey

- Objective: The impact of IT based TF on SMES
- 30 Stakeholder interviews: (i) Exporters
(ii) CHAs & Freightforwarders
 - 3788 CHAs registered with the Customs
 - CHA license necessary
- 20 interviews based on semi-structured questionnaire:
 - 10 traders (garment) : 3 large – scale ; 7 SMEs (SME: less than 350 employees, yearly TO less than Rs. 100 million, movable property less than Rs. 30 million) - SL Chamber of Garment Exporters
 - 10 agents (CHAs/FFs): 3 large – scale ; 7 SME (SME: 25 or less employees, lodgment of 100 CUSDECs or less)
- 10 interviews with govt. officials, service provider, experts, academics, etc.

Survey Results.....

Summary of responses of stakeholders: garment industry

1.0 Cargo Declaration Process	SMEs	Large scale
1.1 Lodgment of CUSDECs a month (exports-imports)	20-10	60-70
1.2 Awareness of EDI (yes/no)	Yes	Yes
1.3 Method of lodgment (manual/electronic/both)	Manual	Both
1.4 No. of electronic lodgments (increased/decreased/unchanged)	NA	Increased
1.5 Preference for EDI	Yes	Yes
1.6 Current status of automation in SL	Partial	Partial
1.7 Satisfied with current status (yes/no)	Unaware or not satisfied	No
2.0 Adapting to electronic lodgment		
2.1 Use of IT in day to day business	Yes	Yes
2.2 Company has :		
computers with internet	Yes	Yes
software that computes taxes		Yes
system for exchange of trade information		Yes
other		Yes
2.3 Made any new investments to introduce EDI? (yes/no)	NA	No
2.4 Areas of adjustments:		
organization & staffing	NA	No
training	NA	Yes
procedures	NA	No
budget	NA	Yes
equipment	NA	No
system config. & connectivity	NA	Yes

Survey Results contd.....

2.5 Problems encountered in adopting EDI? (yes/no)	NA	No
2.6 Received help from EDI services provider?	No	Yes
training	No	Yes
equipment	No	No
financial	No	No
other	No	Yes
2.7 Received help from government/others? (yes/no)	No	No
2.8 Need more help/support in:		
organization & staffing	Yes	No
training	Yes	No
procedures		No
budget	Yes	No
equipment	Yes	No
system config. & connectivity	Yes	No
3.0 Benefits and costs of automation		
3.1 Lodgment time (shorter/longer/ no significant difference)	Shorter	Shorter
3.2 Clearance time (shorter/longer/no significant difference)	Shorter	Shorter
3.3 Lodgment costs (increase/decrease)	Decrease	Increase
3.4 Other benefits:		
quicker service	Yes	Yes
freedom to work outside normal hours	Yes	Yes-No
reduction in travel, delays and queues	Yes	Yes-No
easy access to past records	Yes	Yes-No
3.5 Impact on SMEs	No	No

Summary of responses of stakeholders: agents

	Small-medium scale	Large scale
1.0 Cargo Declaration Process		
1.1 Lodgment of CUSDECs a month (exports-imports)	62-15	700-870
1.2 Awareness of EDI (yes/no)	Yes	Yes
1.3 Method of lodgment (manual/electronic/both)	Manual	Both
1.4 No. of electronic lodgments (increased/decreased/unchanged)	Increased	Increased-unchanged
1.5 Preference for EDI	Yes	Yes
1.6 Current status of automation in SL	Partial	Partial
1.7 Satisfied with current status (yes/no)	No	No
2.0 Adapting to electronic lodgment		
2.1 Use of IT in day to day business	Yes	Yes
2.2 Company has :		
computers with internet	Yes	Yes
software that computes taxes	Yes	Yes
system for exchange of trade information	Yes	Yes
other	No	Yes
2.3 Made any new investments to introduce EDI? (yes/no)	NA	No
2.4 Areas of adjustments:		
organization & staffing	Yes	No
training	Yes	Yes
procedures	No	Yes
budget	Yes	No
equipment	Yes	No
system config. & connectivity	Yes	Yes
2.5 Problems encountered in adopting EDI? (yes/no)		Yes

Survey Results contd.....

2.6 Received help from EDI services provider?		
training	No	Yes
equipment	No	No
financial	No	No
other	No	Yes
2.7 Received help from government/others? (yes/no)	No	No
2.8 Need more help/support in:		
organization & staffing	No	No
training	Yes	No
procedures	No	Yes
budget	No	No
equipment	Yes	No
system config. & connectivity	Yes	Yes
3.0 Benefits and costs of automation		
3.1 Lodgment time (shorter/longer/ no significant difference)	Shorter	Shorter
3.2 Clearance time (shorter/longer/no significant difference)	No difference	No difference
3.3 Lodgment costs (increase/decrease)	Increased	Increased
3.4 Other benefits:		
quicker service	Yes	No
freedom to work outside normal hours	Yes	Yes
reduction in travel, delays and queues	Yes	No
easy access to past records	Yes	No
3.5 Impact on SMEs	No	No

Recommendations

- Urgent need for full automation of the system and link all stakeholders
- Set up an inter – ministerial committee to drive the process
- eServices, service provider should take a more proactive role
- Support of different government agencies. Address current remuneration system, i.e. in the customs
- Need for supporting legislation & infrastructure facilities to be in place
- EDI centers / booths should be set in and around Colombo to ensure participation of SME traders & agents in the system
- Increase awareness of EDI system and provide the facility on trial basis for SMEs

Thank you!!

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