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The Impact of Information Technology (IT) in Trade Facilitation on Small and Medium Enterprises (SMEs) in Sri Lanka

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Executive Summary

The role of trade facilitation in increasing and maximizing benefits of trade has been widely acknowledged. In this regard, the use of Information Technology (IT) in trade facilitation has received considerable attention in policy circles given its potential to reduce costs, paper work and processing times involved in trading goods across borders. Countries around the world including Sri Lanka have automated their import/export processes with some countries having more success than others. In the case of Sri Lanka, the Customs Department introduced the ASYCUDA system as far back as 1994 while the Electronic Data Interchange (EDI) facility was introduced more recently in 2002, which allows traders and customs agents to electronically process trade related documents. Unfortunately, the EDI system has only been *partially* implemented with the progress to date being poor. The main agencies in the import/export process such as the Customs, the Ports, etc., are only partially connected to the system while most regulatory agencies function outside the system. Moreover, important trade documentation such as the manifest and the shipping note cannot be submitted electronically.

While examining the extent to which automation of trade facilitation has taken place - with special focus on automation of the customs process/procedure - this study also examines the impact it has had on the small and medium scale exporters of the country. Towards this end, a small survey which includes both small-medium and large scale traders and agents was carried out. The survey focused on the experiences of the garment industry in Sri Lanka with regard to automation of trade facilitation in the country. The survey attempted to capture a number of issues including the extent to which traders/agents use the electronic (EDI) system, the adjustments they had to make in adapting to it, and the costs and benefits under the electronic system.

Although the small and medium scale traders and agents surveyed for the study were aware about the system, very few of them use it. This was due to many reasons including the partial implementation of the system as well as the additional cost, which have discouraged many traders and agents from lodging trade related documents electronically. In addition, lack of information on the EDI system and how to access it have hindered its use by the SME sector. While the issue of access to the system is a cause of concern, stakeholders emphasized the need for the government to take the lead and fully implement the system in the country on an urgent basis such that everyone including the small and medium scale enterprises involved in international trade could fully realize the benefit from an automated system.

1. Introduction

Global trade has expanded over the years both in absolute and relative terms. World merchandise exports are estimated to have increased from US$58 billion in 1948 to US$ 13.6 trillion by 2006 (WTO, 2007). Tariff reductions, lower trade protective measures, and improvements in transport and ICT facilities have boosted trade across borders. In both the developed and the developing countries, Small and Medium Enterprises (SMEs) have been a driving force in the domestic economies, bringing about innovation, growth and employment opportunities. According to a recent UNCTAD study, SMEs account for about 99 per cent of all enterprises worldwide, contributing to 50 per cent of manufacturing output and generating 44 – 70 per cent of employment. Nevertheless, SME's active participation in international trade has been hampered largely due to red tape rather than tariff barriers.[1] High transaction costs resulting from excessive documentation requirements, considerable clearance times, lack of coordination between relevant bodies, and outdated customs techniques have hindered their full participation in international trade. In this context, trade facilitation has been widely recognized as an important means of expanding trade by both the developed and developing countries, bringing about benefits to both large and small-medium scale enterprises[2].

Although automation of systems and the usage of IT in the import/export process is not considered a 'panacea' to trade facilitation, it has been recognised that cumbersome paper work, rent seeking activities, etc., can be reduced by automating the export/import process. The introduction of IT to facilitate trade has been identified as a powerful tool in promoting exchange of goods across borders. Although the introduction and implementation of these systems might be costly for both governments and businesses, past experiences have shown that the financial benefits in many cases have exceeded costs over time (OECD, 2008). In fact, a majority of the WTO members have implemented some kind of automated system. UNCTAD's ASYCUDA and ASYCUDA++ are installed in 62 out of 110 developing and least developed countries. Sri Lanka Customs too has been using ASYCUDA since 1994 which was updated to ASYCUDA++ in 1998. With the current EDI facility available in the country, traders and agents also have the possibility of processing documents electronically *albeit* partially.

Given the increasing importance of trade facilitation especially with regard to automation of Customs process/procedures, the objectives of this study are, a) to examine the extent of automation of trade facilitation in Sri Lanka, and b) to assess the impact of automation on SMEs in the country. This study focuses on the automation of customs procedure and the SME sector as it is commonly believed that automation would lead to

[1] It has been found that in many instances the cost of complying with customs formalities exceed the cost of payable duties.

[2] Trade facilitation has been defined by the WTO as, "the simplification and harmonisation of international trade procedures", including "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade".

further marginalization of the this sector, which plays an important role in the Sri Lankan economy[3].

The remainder of the paper is organized as follows. Section 2 provides background information on trade facilitation in Sri Lanka by examining some indicators and reviewing the main findings of a previous study conducted by the IPS on trade facilitation in South Asia. Section 3 looks in detail at the rules, regulations and procedures governing cargo declaration and clearance/forwarding, and documentation requirements in the country. Section 4 examines the extent to which automation of trade facilitation has taken place in Sri Lanka while Section 5 draws upon results from the survey of traders and agents to assess the impact of automation on enterprises in the country. In order to examine the impact of automation on the SMEs, the study focuses on the experiences of the garment industry, which has been a driver in the Sri Lankan economy over the years, with regard to automation in Sri Lanka.

Box 1: Definition of an SME

In Sri Lanka, there is no nationally accepted definition for SMEs. Different institutions use different criteria and definitions of SMEs for different purposes. Most classifications are based either on the value of fixed assets or the number of employees or a combination of both. For example, the Industrial Development Board (IDB) definition is based only in terms of capital investments of less than Rs.4mn. The Department of Small Industries defines SMEs as those with a capital investment of less than Rs.5mn and those employing less than 50 persons. The Department of Census and Statistics (DCS) of Sri Lanka defines SMEs in terms of the number of employees: firms which have employees of 5-25 are classified as 'small' while more than 25 are classified as 'large'. The Export Development Board (EDB) defines in terms of capital – investments of less than Rs. 20mn in plant, machinery and equipment excluding land and buildings – as well as annual export turnover (not exceeding Rs.40 mn) and total turnover not exceeding Rs.100 mn. Apart from these institutions, other statutory bodies dealing with SMEs have adopted their own definitions based on their own purpose of classification. No differentiation is made between small and medium size enterprises. However, in the 'White Paper on National Strategy for Small and Medium Enterprise Sector Development in Sri Lanka'(2002) by the Task Force for SME Sector Development Programme, small enterprises are defined as those with 5-29 employees, medium enterprises with 30-149 employees, and large scale, as those with 150 or more employees.

[3] Small and medium scale industries account for about 96 per cent of industrial units, 36 per cent of industrial employment, and 20 per cent of value addition of the industry (White Paper, 2002). The present government in its economic policy framework "Mahinda Chinthana" has identified the SME sector as a strategically important sector for promoting growth and social development in the country.

2. Background - Trade Facilitation in Sri Lanka

In line with the liberalisation of the economy in 1977, the Government of Sri Lanka undertook several measures to facilitate trade and integrate the country with the rest of the world. Its first major initiative was the establishment of the National Trade Facilitation Committee in 1980. This Committee which later adopted the acronym SRILPRO was given legal status as an Advisory Committee to the Export Development Board (EDB) under the Sri Lanka Export Development Act No.40 of 1977. It was mandated to take action as necessary to simplify external trade procedures/documents. It was widely represented by both the public and the private sector[4], and played a key role in introducing important trade facilitation initiatives to the country. Amongst its main achievements were: the introduction of a set of three UNLK Aligned Documents (United Nations Layout Key for Trade and Transport Documents) eliminating unnecessary documents and replacing a number of other documents[5], introduction of the Electronic Data Interchange (EDI) concept, further simplification of the import/export procedure, etc.

One of the mandates of this Committee, as far back in the 1980s, was to look into electronic data processing. In 1986 a Sub-committee was set up to work on electronic data processing and a National EDI Commission was set up later on. EDI as a concept was introduced to Sri Lanka in 1995. In spite of these developments, SRILPRO died a natural death towards the end of the 1990s[6]. However, the Department of Commerce (DOC) of Sri Lanka appointed a Steering Committee in 2006 on trade facilitation following WTO recommendations. This Committee focused especially on WTO concerns but this body is now defunct. Currently, there is no government institution driving trade facilitation initiatives in the country, which is unfortunate given that the Sri Lankan economy is highly dependent on international trade. Nevertheless, individual public and private institutions/organizations such as the Joint Apparel Association Forum (JAAF)[7] to name one have been advocating trade facilitation measures in order to improve the competitiveness of Sri Lanka and its exports.

Table 1 provides an overview of some selected indicators, drawn from *The World Competitiveness Report*, on trade facilitation in Sri Lanka and the rest of South Asia together

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[4] Public Sector: Ministry of Trade and Shipping, Customs Department, Department of Commerce, Central Bank of Sri Lanka, Sri Lanka Ports Authority, Import and Export Control Department, Airport and Aviation Services Ltd., Sri Lanka Export Development Board (EDB).

Private Sector: Sri Lanka Shippers' Council, National Council of the ICC, Sri Lanka Bankers' Association, Ceylon Association of Ships' Agents, Sri Lanka Freight Forwarders' Association.

Other stakeholders were invited when the need arose.

[5] The shipping note was introduced in 1986 instead of 9 documents used till then.

[6] There was no adequate commitment from the top to establish a separate unit for SRILPRO within the EDB. SRILPRO was part of the Services Division of the EDB. Since it was just another function of the Services Division within the EDB and there were interests in other areas within the organisation, SRILPRO died a natural death.

[7] The Joint Apparel Association Forum (JAAF) is the apex body for all textile and apparel related associations in the country.

with Singapore which is seen as a model of trade facilitation. The table shows that the *burden of customs procedures* in Sri Lanka is still high, just surpassing the mean value but fares relatively better compared to its South Asian neighbours. Moreover, the required paper work and the number of organizations/government agencies an exporter/importer has to visit in order to get the necessary approvals are considerable and costly.

Table 2 provides further information on the costs and documentation involved in importing and exporting goods in Sri Lanka. According to the World Bank's *Doing Business Report* of 2008/09[8], trading requires an average of 8 documents, 21 days and costs US$ 865 to export while imports requires 6 documents, 20 days and US$ 895.While Sri Lanka has improved its trading across borders ranking over the years and performs better than its neighbours in South Asia, it fares far below that of Singapore[9].

Table 1: Selected Indicators of Trade Facilitation in Singapore and South Asia, 2007-08

Country	Mean	Singapore	Bangladesh	India	Pakistan	Sri Lanka	Nepal
Hidden Barriers to Trade (1)*	4.5	6.3	3.8	4.7	3.8	4.9	NA
Burden of Customs Procedure (2)	3.9	6.4	2.3	3.6	3.4	4.0	2.5
Overall infrastructure quality (3)	3.8	6.6	2.2	3.1	3.4	3.3	1.9
Road quality (4)	3.7	6.6	3.1	3.1	3.6	3.1	3.1
Railroad infrastructure quality (5)	2.9	5.7	2.3	4.5	3.2	2.8	1.3
Port infrastructure quality (6)	4.0	6.8	2.4	3.5	3.7	4.1	3.0
Air transport infrastructure quality (7)	4.6	6.9	3.0	4.8	4.2	4.5	3.4
Transparency of government policymaking (8)	4.1	6.1	3.5	4.4	3.5	4.0	3.2
Irregular payments in exports and imports (9)*	4.9	6.5	2.5	4.0	3.1	3.8	NA
Global Competitiveness Index (Rank)	-	7	107	48	92	70	114

Notes: NA= Not Available.
* data based on the 2004-2005 Report.
(1) 1= important problem,7= not an important problem.
(2) 1= extremely slow and cumbersome, 7= rapid and efficient.
(3) 1= underdeveloped, 7= as extensive and efficient as the world's best.
(4) 1= underdeveloped, 7= extensive and efficient by international standards.

[8] While the number of documents to export has remained the same over the period, the number of documents to import has come down significantly from 13 in 2006/07 to 6 in 2008/09. Time to export as well as time to import has also reduced by 4 and 7 days, respectively in this period. But the costs to export and import have increased during the period. Nevertheless, these improvements in logistics time has improved Sri Lanka's country ranking from 99 to 66 from 2006/7 to 2008/9. This has largely been attributed to the fast tracking of the Sri Lanka Automated Cargo Clearing System (SLACCS) during this period.

[9] According to World Bank *Doing Business in South Asia 2006* report, trade in South Asia is the second least-trader friendly region in the world, requiring an average of 34 days, 8 documents and 12 signatures to export while in the case of imports, 46.5 days, 13 documents and 24 signatures, coupled with many inspection of cargo than any other region in the world.

(5) 1= underdeveloped, 7=as extensive and efficient as the world's best.
(6) 1= underdeveloped, 7= as developed as the world's best.
(7) 1= infrequent, limited, and efficient, 7=as frequent, extensive, and efficient as the world's best.
(8) 1= never informed, 7=always informed.
(9) 1= common, 7=never occurs.

Source: WEF, Global Competitiveness Report, 2007-2008.

Despite measures undertaken by the authorities to increase the *transparency of government policy making*[10], findings of *The Global Competitiveness Report* (Table 1) indicate that in Sri Lanka, businesses are not clearly informed by the Government on changes in policies and regulations affecting their relevant industries. *The Global Competitiveness Report* also shows that the overall *quality of infrastructure* in Sri Lanka is below average with road [11], railroad[12] and air transport infrastructure quality below mean levels. While Sri Lanka scores low in terms of quality of road and railway infrastructure, it performs better with respect to port infrastructure[13]. In terms of irregular payments in exporting/importing, this appears to be a major problem in the region in general. However, *hidden barriers to trade* do not appear to be a significant problem. In fact, Sri Lanka fares better than most in this indicator.

Table 2: Trading Across Borders (2006/07-2008/09)

	2006/07	2007/08	2008/09
Trading across borders (rank)	99	60	66
Documents to export (number)	8	8	8
Time to export (days)	25	21	21
Cost to export (US$ per container)	797	810	865
Documents to import (number)	13	6	6
Time to import (days)	27	21	20
Cost to import (US$ per container)	789	844	895

Source: Compiled using Doing Business (various issues).

[10] For example, the Department of Customs and the Central Bank of Sri Lanka publish regulatory and administrative changes using print and electronic media. Information on tariffs and regulations are publicized through gazette notifications. Furthermore, tariff changes are made instantaneously public through Revenue Protection Orders.

[11] Sri Lanka has a road network of 91,900km and more than 92 per cent of overland transport uses road (USAID, 2007). Though Sri Lanka has a higher road density than many other developing countries, the road conditions are poor and inadequate to handle rapidly growing traffic. A rapidly growing vehicle fleet, insufficient road development, poor road maintenance and illegal roadside development have resulted in traffic congestions and low travel speeds especially in urban areas.

[12] Sri Lanka's railway network includes 1559km of rail track connecting 151 major stations and 144 sub-stations (USAID, 2007). Most of the network is single track and the capacity of these lines is well above current traffic levels. Tracks, bridges and railway stations are in poor condition while the number locomotives in service are either insufficient or obsolete.

[13] While Sri Lanka has several large ports, Colombo is the main port which is one of the better performing ports in Asia. The port of Colombo due to its geographical location is a transshipment hub within South Asia – in fact, transshipment accounts for 70 per cent of its operations.

The above findings were further explored by Weerakoon, Thennakoon and Weeraratne (2005) as part of their study on *Multilateral Agreement on Trade Facilitation: An Important but Complex Agenda for South Asia* for which they conducted interviews with stakeholders to assess the progress of trade facilitation measures in Sri Lanka[14]. The main findings from the study are summarized below:

*a) Laws, regulations, formalities and procedures***:** The study found that despite major trade facilitation measures introduced in recent years, administrative procedures associated with laws, formalities and procedures are still complex and irrational. Collection of trade-related information was both time consuming and costly. Moreover, a majority of the respondents found it difficult to access laws and administrative rulings even though there are designated official enquiry points for traders to obtain information. Several government agencies have launched their own websites but they are not regularly updated. The study also noted that the import and export process still requires a lot of paper work at Customs and ports, depending on the goods traded while additional forms are required by other government agencies.

b) Use of Electronic Data Interchange: The study found that a number of respondents used the EDI facility but they were large scale traders. These traders had benefited from the system which has reduced the number of visits made to related agencies and thereby, reduced unnecessary delays. The barriers to improving EDI facilities include: 1) lack of awareness on the part of traders of the existence of the system and benefits thereof, 2) high cost of electronic data communications in the country, 3) resistance on the part of intermediaries like the clearing agents and freight forwarders to the adoption of the system[15], 4) lack of coordination between different government agencies and widespread bureaucratic problems in offices.

c) Dwell time: Although trade facilitation measures have been introduced to simplify procedures, handling and processing of documents is long and burdensome in Sri Lanka. According to the study, the most time consuming aspects of trade procedures were: obtaining various refunds, licenses, export/import codes, clearance through Customs, getting remittances through banks and final dispatch of exports. The study noted that delays due to trade procedures can add significant costs and losses to traders in terms of rejection of shipments or acceptance of shipments at a discount.

d) Fees, charges, penalties and appeals: Stakeholders pointed out that the fees and charges imposed by Sri Lankan authorities are large in number and amount. In terms of penalty and

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[14] The survey was limited to one district (Colombo) and the sample consisted of 37 respondents (exporters/importers, shipping agents/shippers, clearing freight forwarders, logistics providers, government officials from various institutions involved in different aspects of trade facilitation).

[15] Contrary to the survey conducted by Weerakoon *et al.* (2005), it should be noted that the freight forwarding industry in general has played a pioneering and leadership role in promoting the EDI system in Sri Lanka. The Sri Lanka Freight Forwarders' Association has been vociferous of the need to link up all related agencies and the necessity of having a fully fledged EDI system as earliest as possible according to interviews conducted by the authors.

appeal procedures, it was found that half of the respondents had paid penalties. Proceedings of the Department of Customs into enquiries did not have a standard time limit for the completion of enquiries. A negligible number of the respondents had appealed against a ruling as the procedure was considered both costly and unreasonable.

e) Corruption-related costs: One of the common complaints by stakeholders was the widespread bureaucratic practices at the Customs and port which has given way to rent seeking activities. According to the respondents, the value of unofficial fees paid to speed up the clearing process ranges from 25-50 per cent of the total cost of clearing a 20 ft container. About 85 per cent of them had to pay bribes or gifts since they could not clear goods without such transactions. A third of the respondents thought that corrupt practices have reduced in recent years following duty reductions and procedural improvements.

e) Personnel at government agencies: It was found in the survey that the majority of the stakeholders in the sample were not satisfied with services provided by personnel at Customs, port, airport, etc. 85 per cent of the respondents indicated that the performance levels of these persons were average or below average level.

*f) Gains of trade facilitation***:** Some of the respondents speculated on the associated benefits of trade facilitation in terms of cost reduction. The survey revealed that the expected cost reduction from trade facilitation was relatively higher for small-scale enterprises than for large scale enterprises. The expected gains from trade facilitation other than cost reduction included gains in terms of higher efficiency and productivity.

3. Rules, Regulations and Procedures on Cargo Declaration and Clearance

The Sri Lanka Customs Department is the principal agency that a majority of exporters/importers have to go through in order to import/export goods. Sri Lanka Customs comes under the purview of the Ministry of Finance, of which the President of Sri Lanka is also the Minister. Sri Lanka Customs which was established in 1806 has the responsibility of revenue collection[16] for the government and enforcement of Customs law and other related rules and regulations.

3.1 Import/Export Processes

It is possible to identify two import-export processes in Sri Lanka. One involves the Board of Investment (BOI) of Sri Lanka that is set up as a central facilitation point for foreign investors to the country. The BOI process has been designed to speed up the licensing and the customs requirements for companies that bring new investments to the

[16] It collects almost 50 per cent of the government's revenues (customs duty) and is also responsible for the collection of value-added tax (VAT), excise duty, surcharge and cess (on imports).

country. The other process is the standard process, where traders have to go *directly* to Customs to process the required documentation. A comparison of the BOI and non-BOI import and export processes is given in Tables 3 and 4.

Table 3: Imports – Comparison of BOI and Non-BOI Processes

Activity	**Non-BOI Company**	**BOI Company**
Line Ministry approval	Required	Required
Import Licence	Required	Not required
Payment terms	Limited to L/C, DA, DP, or Advance (T/T, bank draft)*	None-payment can also be made by offshore third party
Advance payment limits	$10,000	No limit
No-foreign-exchange-basis imports	Maximum of $1,000 and no commercial quantities	No limit
Original documents	Received through bank	Received directly from shipper
Delivery order	Obtained from shipping agent	Obtained from shipping agent
Import declaration	Customs declaration submitted to Customs (Long Room)	Customs declaration submitted to BOI service centre in Colombo or FTZs
Payment of duties and taxes	Bank of Ceylon located near Long Room	Bank of Ceylon counter at BOI location
Determination of examination level	By Customs	By Customs/BOI Coordination Unit (CBCU)
CBCU registration - sea cargo only	Not required	Required-Hemas Building near BOI office
Payment of SLPA charges	SLPA centre at Canal Row	SLPA counter at BOI office or at Canal Row
Collect gate pass from SLPA	Delivery set of documents taken to SLPA Canal Row	Delivery set of documents taken to SLPA Canal Row
Cargo pickup	From port	From port
Cargo examination	Examination by Customs at Grayline yard	Examination by BOI/ Customs at Customs Verification Unit, FTZs or consignee location
Transport cargo to importer location	Only after examination-if required	Possible before examination

Note: * L/C = Letter of Credit, DA=Documents against acceptance, DP=Documents against Payment Transfer.

Source: USAID, 2007.

Table 4: Exports - Comparison of BOI and Non-BOI Documentation

Non-BOI		BOI	
Activity	**Documents**	**Activity**	**Documents**
Reserve shipping space with shipping agent	• Shipping notes prepared by exporter-3 copies submitted to shipping agent, who assigns bill of lading no. and returns 2 copies, including captain's copy • Additional copies made for loading of cargo at port	Reserve shipping space with shipping agent	• Shipping notes prepared by exporter or consolidator (apparel) – bill of lading no. assigned by shipping agent, who signs and seals the document • Nine copies made for payment of SLPA charges and loading of cargo
Submit documents to Customs for approval	• Customs declaration – 6 copies • Commercial invoice – 3 copies • Licences and permits if required • Shipping note/airway bill • Packing list and other supporting documents when necessary	Submit documents to BOI for approval	• Customs declaration – 6 copies • Commercial invoice – 3 copies
Payment of SLPA fees to Finance Division – (wharfage, wharf handling, fork lift and heavy lift fees)	Three copies of shipping notes to be submitted to SLPA Finance Division-two are returned-charges pay and captain's copies	Payment of SLPA fees at SLPA office located at BOI Colombo or at FTZs	3 copies of shipping notes required – charges pay and captain's copies are returned
Cargo examination (when necessary) by Customs	• Above documents • Customs retain the warrant and statistical copies and return the rest to the exporter	Cargo verification (when necessary) by BOI	• Customs declaration • Commercial invoice with BOI endorsement
Move cargo to the port		Move cargo to the port	

Source: USAID, 2007.

A comparison of the import processing times under the BOI and the non-BOI processes is given in Table 5. The total time varied from 2 -13 hours for a non-BOI firm while it took 1 - 3.25 hours for a BOI firm to process imports. It has to be noted that although the shortest time taken between the two processes are not significant, the longest time between the two processes is more than 9 hours. On average, it took 4hrs and 2hrs for non-BOI and BOI firms to process imports at the Customs Long Room and BOI Service Centre, respectively. Substantial benefits enjoyed by the BOI companies in the import/export process over non-BOI companies are due to import of specific BOI-pre-approved items. Foreign

exchange regulations, taxes payable, import control licences and customs approval and examination are the main areas in which the BOI companies save time and cost on pre-approved import items.

3.2 Custom Clearance Channels

Customs clearance in Sri Lanka consists of three channels. The *Green Channel* operates for low risk declarations, where goods are released without calling for documents and cargo examination. There is also a programme to provide incentives for good compliances – known as Gold Card Holders - which provides fast track procedure in clearance. There are currently about 100 Gold Card Holders. The Gold Card Holders receive access under the *Green Channel*. Although goods should ideally be released without any examination, in practice the cargo is randomly checked even if they fall under the *Green Channel*. Under the *Yellow Channel*, medium risk consignments are cleared upon examining the required documents without cargo examination. However, random checks are carried out in the *Yellow Channel* as well. High risk declarations are cleared under the *Red Channel* with the examination of both documents and cargo. Stakeholder interviews revealed that an import consignment can be cleared within a day, with some consignments taking up to 2 days, while an export consignment can be processed in a day on average, if all the paper work is in order[17].

3.3 Documentation Requirements

The Customs Ordinance spells out all the rules, regulations and procedures related to the import/export process[18]. Sections 47 and 57 of the Customs Ordinance require every importer/exporter or the authorised agent to submit a customs declaration form, which is commonly referred to as the CUSDEC form,[19] to clear/dispatch cargo. All CUSDECs are to be lodged through an entity having the Customs House Agent (CHA) licence.

CUSDECs can be lodged *either* manually or electronically. If the CUSDEC is lodged manually, the Customs or the BOI (depending on the process that is used) will key in the information into the ASYCUDA system[20] which would generate a unique number. While the Customs charge close to US$ 2.5 as documentation fee, the BOI charges approximately US$ 3.95 as document processing fee. Alternatively, if the CUSDEC is lodged electronically

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[17] However, the number of days may differ based on the type of cargo (LCL or FCL) and the mode of transport (sea or air freight).

[18] All aspects are covered under 14 main headings of Management; Levying of Customs Duties; Port Duties; Regulations Inwards; Entry of Goods Re-imported; Removal of Goods by Sea or Inland Carriage; Regulations Outwards; Trade by Vessels of less than 15 tons Burthen; Regulation Coastwise; Regulation of Movements of Ships under 250 tons; Warehousing of Goods; General Regulations; Smuggling, Seizures and Prosecutions Generally and Interpretation of Terms Used in the Ordinance.

[19] A CUSDEC consists of the Main Declaration Form on which space is provided to declare one item and also of continuation sheets which can be used to extend the declaration.

[20] Refer to section 4.1 for explanation of the ASYCUDA system.

using the Electronic Data Interchange (EDI) facility[21], the consignee will enter the data into the ASYCUDA system himself from his personal computer. After being reviewed and assessed for duties and taxes, a CUSDEC number will be assigned and sent to the consignee electronically. An additional fee of US$ 2.5 has to be paid to the EDI service provider for each CUSDEC lodged[22]. Nevertheless, the consignee must present a hard copy of the CUSDEC together with the other relevant documents to the Customs or the BOI to proceed with the remaining steps of the import/export process. Only the facility of lodging CUSDECs electronically is currently available under the electronic system.

When importing a good, up to seven copies of the CUSDEC form have to be submitted as warrant copy, delivery copy, statistical copy, exchange copy, consignee's copy, R.M.V. copy for motor vehicles and excise copy (if required). The Commercial Invoice, Delivery Order (DO), Bill of Lading (BL), Exchange Documents and the Packing List need to be submitted with the CUSDEC when clearing a good. Apart from these documents, depending on the good that is being imported the Certificate of Origin (CO), Import Control Licence (if applicable), Certificate of Registration and Translation for Used Motor Vehicles, Load Port Survey Certificate for Food Items, S.L.S.I/Quarantine Certificate (where applicable) and Catalogues/literature also need to be attached. (See Annexure 2 and 3 for more details on documentation requirements at each stage of the import/export process).

In exporting, 4 copies of the CUSDEC are required (warrant copy, statistical copy, security copy, parties copy) with additional copies needed for bonded cargo and air freight cargo (CBD copy and Air Cargo copy). Exporting liquor and coconut products requires 2 additional copies of the CUSDEC (excise copy and Coconut Development Authority copy). Apart from these, export permits or licences are required when exporting: coral chanks, timber, motor vehicles, tea, antiques, plants and animals, firearms, drugs, etc. The Commercial Invoice, Shipping Note or Airway Bill (depending if an export is made by ship or air), documents such as the Boat Note, Mate Note, Cargo Dispatch Note, Certificate of Origin also need to be produced in order to export.

Stakeholder interviews revealed that, apart from the Sri Lanka Customs, BOI and the Sri Lanka Port Authority, there are over 30 other government and non-government agencies that are part of the export/import process. These agencies include: the Sri Lanka Standards Institution (for Quality Certificate), Ceylon Chambers of Commerce/Department of Commerce (Certificate of Origin), Department of Animal Production and Health (Health Certificate), Finance Ministry, Ministry of Defence (licence for firearm), Inland Revenue, Ministry of Fisheries and Aquatic Resources (permit for restricted list of species), Excise Department (licence for items under Excise Ordinance), Department of Registration of Motor Vehicles (permit by Registrar of Motor Vehicles and R.M.V. Certificate), Plant Quarantine Department (phyto-sanitary and fumigation certificates), Telecommunications Regulatory Commission (TRC), Cosmetics, Devices and Drugs Regulatory Authority (CDDA), Sri Lanka Tea Board (permit for tea exports), Coconut Development Board, Import and Export

[21] See Section 4.2 on EDI for further information with regard to the system.
[22] One CUSDEC has to be lodged for each invoice.

Control Department, Criminal Investigation Division (CID), Wild Life Department (permit for coral chanks), Forest Department (permit for timber), Archaeological Department (certificates for antiques and export of wooden furniture), to name a few.

Depending on the good that is being traded, it is sometimes necessary to visit more than one agency listed above in order to obtain the necessary permits, licences, certificates, etc., before a CUSDEC could be lodged. Not surprisingly, this would entail considerable time and cost given that some of the offices issue them only on certain days of the week. With the exception of the blend sheet (which should be submitted to the Tea Board and approval sought) none of the above mentioned certificates/permits/licences could be obtained or processed electronically by the exporters/ importers as these agencies are not linked to the EDI system[23]. Currently, the Ceylon Tea Board is the *only* regulatory agency which is linked to the EDI system and allows tea exporters to submit online documentation of blend sheets[24] and purchase statements together with the CUSDECs and obtain an online approval from the Tea Board, thereby eliminating the need for tea exporters to visit the Tea Board to process the required documents.

Table 5: Comparison of BOI and Non-BOI Import Processing Time

Customs Long Room		**BOI Service Centre**	
Activity	**Average Time**	**Activity**	**Average Time**
Face vet of Customs declaration	15 min to 3 hr	Face vet of Customs declaration	15 min to 1 hr
		VAT information verification	0.5 to 1 hr
Keying in Customs declaration	0.5 hr to 2 hr	Keying in Customs declaration	15 to 30 min
Numbering appointing.	5 to 10 min	Numbering	15 min
Appraising Customs declaration	0.5 to 1 hr	Appraising customs declaration	
Satisfying (Approval by SC)	10 to 20 min		
Issue assessment notice		Issue assessment notice	
Payment of duties to bank	15 min to 2 hr	Payment of duties to bank	15 to 30 min
Receipt sent to account updating unit	0.5 to 1 hr	Final authorization by assistant manager	
Customs account updating	10 to 20 min	Detach papers	
Examination channel selection	0.5 to 2 hr	Documents to CBCU- for examination determination	
Total time taken	2 to 12 hr	Total time taken	1 to 3.25 hr
Average Time	4 hr	Average Time	2 hr

Source: USAID, 2007.

[23] If the traders use a freight forwarder or a CHA, the agents would visit all the relevant agencies and get the relevant documentation.

[24] Blend sheet is a document which contains information regarding the source of the tea, the type of tea, etc.

Box 2: Profile of the Brokerage System in Sri Lanka

The main players of the brokerage system in Sri Lanka are the Customs House Agents (CHAs) and the Freight Forwarders. In Sri Lanka, logistical services are offered up to the level of third party logistics. Among those operating in Sri Lanka are global and regional players such as Danzas and HTL Logistics while Logiwiz (division of Hayleys), Trans Ware Logistics (division of John Keells Ltd), and ACE Logistics (division of Aitken Spence) are some of the local companies. These companies not only do customs brokering but also undertake ocean freight, road, rail transport, warehousing and inventory control, distribution, consolidation, etc. (USAID, 2007).

In order for an entity to provide services of a CHA it is necessary that the service provider has a CHA licence. In Sri Lanka, it is the Director-General (DG) of the Customs who has the authority to grant CHA licences. In order to obtain a licence, an individual/company needs to satisfy the requirements set out in Schedule G of the Customs Ordinance, which include an office registered with the Customs, being conversant with the law and practice relating to Customs and provide a security in the form of cash or any other security approved by the DG. The CHA licence can be obtained only by Sri Lankan citizens and Sri Lankan companies. In order to obtain a licence, they need to pass the CHA exam held by the Customs, after following a course offered by the Department. According to the Association of Clearing and Forwarding Agents (ACFA), the demand to sit for this exam far exceeds the supply since only a limited number of persons are allowed to follow the course. The CHA licence is valid for a period of one year, after which it has to be renewed.

There are 2 types of CHAs: (i) Individual CHAs and (ii) Corporate CHAs, who work for a particular company, which holds the licence. While Rs. 500 is charged to issue a CHA individual licence, corporate CHAs have to provide a bank guarantee to acquire/re-new the licence. Any employee of an importer/exporter can become a CHA by obtaining a licence from the DG. No educational qualifications are listed out as requirements to become a CHA in the Customs Ordinance. Up to date, 3788 CHAs are registered with the Sri Lanka Customs. However, according to the Customs the actual number of active CHAs might be half of this.

Within the industry, there are 2 associations: the Sri Lanka Freight Forwarding Association (SLFFA) and the Association of Clearing and Forwarding Agents (ACFA) which have been established to look into the interests of the brokers. However, the membership of these 2 associations is limited to a few. Most of the freight forwarders have CHA licences but there are CHAs that are not freight forwarders. While most of the CHAs call themselves freight forwarders, they are effectively CHAs and do not provide services other than clearance.

The SLFFA was established in 1981 with the objective of bringing all freight forwarders under one umbrella and institutionalise and bring professionalism into the trade. SLFFA currently has 82 leading freight forwarding companies in its membership. SLFFA is a member of the regional freight forwarding body, Federation of Asia Pacific Air Cargo Associations (FAPAA) and the international freight forwarding body (FIATA).

ACFA was established in 1992 and consists of *both* CHAs and freight forwarders and currently has a membership of about 94. A majority of these are individuals or sole proprietors who are CHAs and they account for 70 per cent of ACFA's membership. The other 30 per cent are freight forwarders –

some are also members of SLFFA. The Association aims to develop professionalism and image of the customs broking and freight forwarding industry as well as create an environment that benefits all members.

Source: Information gathered from interviews, USAID (2008), ACFA and SLFFA websites.

Box 3: Acceptance of Electronic Documents

The Electronic Transactions Act was enacted in Sri Lanka in March 2006. It is based on the UNCITRAL Model Law on e-commerce and the Model Law on e-Signature. This Act covers a wide range of areas including legal recognition of electronic documents in the form of data messages and other communication, acceptance of electronic documents in place of documents required in writing, legal recognition of electronic signatures, use of electronic records and electronic signature in Government and statutory bodies, retention of electronic records and legal acceptance of electronic contracts. However, the applicability of the Act does not apply inter alia to execution of a Will, a Bill of Exchange, a Power of Attorney, a Trust, and a contract for sale or conveyance of immovable property or any interest in such property.

4. Use of IT in Trade Facilitation in Sri Lanka

This section analyses automation of systems at the Sri Lanka Customs and the Sri Lanka Ports Authority, the two key points in the import/export process of the country. It also discusses the EDI system provided by eServices Lanka and the e-CO, a private sector initiative for facilitating international trade in the country.

4.1 Sri Lanka Customs

The Department of Customs established an Automated Data Processing (ADP)[25] division for the introduction of the ASYCUDA (Automated SYstem for CUstoms DAta) system in 1992 with a view to introducing automation to export-import process and procedure. ASYCUDA is a computerized customs management system which covers most of foreign trade procedures. Initially, the ADP division performed as a project office to introduce the system developed by UNCTAD in Sri Lanka Customs. Processing of Customs declaration through the 'ASYCUDA' system was first introduced to the imports section and later extended to the exports and bonds division in 1993. ASYCUDA software system was upgraded to ASYCUDA ++ in 1998. The system is capable of handling manifests, customs declaration, accounting procedures, transit and suspense procedures but it was only *partially* implemented in Sri Lanka[26]. For example, ASYCUDA allows for entry of ship's manifest

[25] The main tasks of the Automated Data Processing (ADP) division are to maintain the ASYCUDA system and other systems in all the CUSDEC processing sites of the department. This division also handles upgrading of software and hardware. In addition, ADP Division provides statistic & management information to the internal and external clients.

[26] ASYCUDA takes into account international codes and standards developed by ISO (International Organization for Standardisation), WCO (World Customs Organisaton) and the UN. The system can be adopted

and monitor transit cargo but these two modules have not been implemented (USAID, 2008). Customs is looking forward to implement the more upgraded version of ASYCUDA called ASYCUDA World in the near future.

The introduction of ASYCUDA ++ enabled Customs to introduce the Direct Trader Input (DTI) facility, which allowed traders (with the required license)/brokers to connect to the ASYCUDA system at Customs and perform a sub-set of functions of the Customs such as the electronically lodgement of CUSDEC form. The requirements on the part of beneficiaries to adopt this system were minimal (i.e., a personal computer – pentium or higher- with Microsoft operating system with a minimum 16MB, a CD rom driver, a modem and an internet connection). The software was provided free of charge and installed by the Customs. Under this system, a CUSDEC form, which was till then filed manually, can be completed and saved on the user's computer and electronically forwarded to the Customs server. The benefits of this system to declarants included: convenience, time and cost savings. More specifically, the users can provide a quicker service to clients (at a lower cost) while it allowed them the freedom to work outside the normal business hours of the Customs. There were other benefits such as reduction in travelling, delays and queues at the Customs. The system also allowed access to one's own declaration data which is held within the Customs.

DTI is currently available for the purpose of exports only. There are some 40 registered users of the system according to Department of Customs, and most of these companies are large scale in size[27]. There is no charge to use the system other than the usual payments incurred in submitting and processing the documents. In 2004, the Customs suspended registration of new users for the system as a means of promoting the introduction of the EDI system though it is now in the process of registering new users. While payments cannot be made electronically, they can still be made by a declarant through a bank account maintained at the Customs or the Ports from which the necessary amounts due can be debited (manually).

4.2 Electronic Data Interchange (EDI)

In 2002, the Government of Sri Lanka through the Ministry of Trade, Marketing Development, Cooperatives and Consumer Services and Consumer Affairs initiated a project called "Sri Lanka Automated Cargo Clearance System" (SLACCS) to introduce the EDI facility for the purpose of Customs clearance in the country. The primary objective of the Government to initiate this project was to improve the cargo clearance process and procedures by utilizing the latest but proven information technology solutions to achieve higher productivity and efficiency levels, thereby benefiting the trading community in terms of cost savings and convenience. An Advisory Council consisting of representatives from

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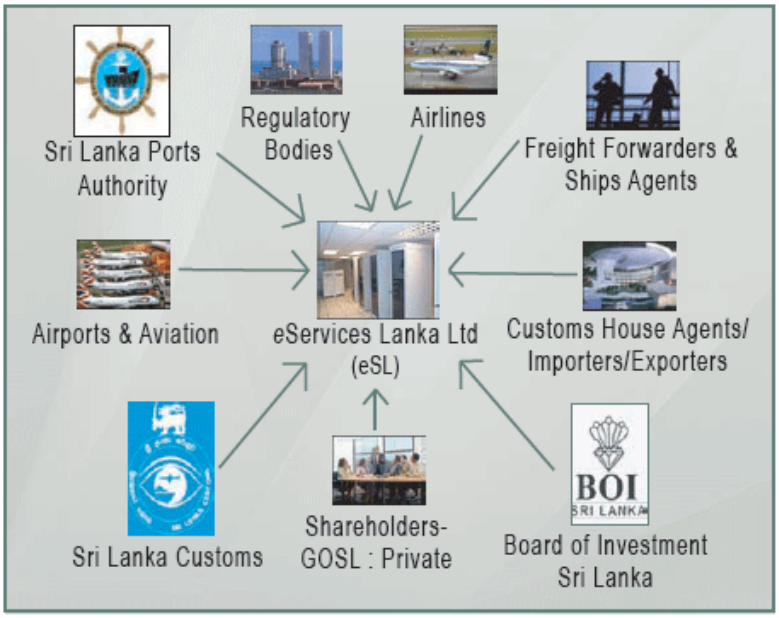
to suit the characteristics of customs of an individual country. The system allows for Electronic Data Interchange (EDI) between traders and Customs using EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) rules.

[27] There is no proper record of the exact number of registered DTI users. With the introduction of EDI in 2004, some of the companies using DTI switched to using EDI according to interviews conducted with stakeholders.

both the state and private sectors was set up to manage and implement the project. A service provider was selected for the implementation of the project (eServices Lanka Ltd[28]) which was entrusted to act as the data interchange between the various stakeholders. A schematic diagram of the EDI system is shown below.

Chart 1: Sri Lanka Automated Cargo Clearance System



Source: eServices Lanka website.

E-services Lanka uses Enterprise System developed by GXS of General Electric (US), a software solution that provides the essential messaging infrastructure required to provide the necessary connectivity among all stakeholders. The software supports all internationally recognized EDI standards such as EDIFACT. The system can be accessed online through the internet as well as offline by way of a desktop application. In order to make use of the system, companies need to register with eServices and they require internet connectivity (dial up, ADSL, or leased Line) with a computer and printer. EDI software is provided free of charge but there is a transaction fee which is around US$2.5 per CUSDEC payable to the service provider[29]. The fee of US$2.5 is a flat rate and does not differ according to the size of company or depending on whether it is lodged by a trader or an agent.

The EDI system was implemented in March 2004 following a testing phase and now functions *partially* on a commercial basis. Initially, the EDI facility was available for BOI registered companies for the purpose of imports, and was later extended to cover exports (by

[28] E-services Lanka Ltd is a private-public organisation. At the inception, the government had a 20 per cent stake in the company, which was later increased to 42 per cent following a capital injection of Rs. 90mn by the government. The partners include BC Computers and the Maharaja Organisation.
[29] The initial rate was US$4.5 which was subsequently brought down to US$ 2.5 for a CUSDEC lodged.

May 2005) as well as non-BOI registered companies. According to eServices, there are around 500 companies currently availing the EDI service. As a percentage of companies registered with the service provider, around 60 per cent are traders (importers and exporters) and the balance 40 per cent are CHAs/freight forwarders or logistic providers. So far, eServices Lanka has managed to *partially* automate the submissions of documents to the more critical agencies like the Customs Department, Ports Authority and the BOI and a regulatory agency like the Sri Lanka Tea Board.

There are three types of documents used for clearing cargo that is considered time consuming: 1) CUSDEC form, 2) Shipping Manifest,[30] and 3) Delivery Order (DO)[31]. Multiple copies have to be submitted to the Customs and the Ports including the BOI in the case of a BOI registered company. Currently, the EDI system in place *only* allows for the submission of the CUSDEC form. Nevertheless, traders or agents have to visit the Customs or the BOI to submit the documents physically for re-processing, and to obtain approvals – i.e., to be rubber stamped. Thereafter, processing and procedures are the same as with the manual process involving physical movement of paper from one location to the other.

Direct online submission of the DO to the Customs and ports is in the *process of being implemented*, which would eliminate the need for freight forwarders/consignee to visit shipping lines to obtain the DO and submit them to the Customs[32] and ports to carry out pre-clearance of shipments. The touted benefits of this system include: reduction in lead time for manufacturing, reduction in document processing time, faster dispatch of cargo, 24/7 submission of manifests and reduction in manual copies.

Direct online submission of manifests and sub-manifests to the Customs and ports by shipping agents is *still being tested*. If implemented, it would allow for the registration of manifests within a couple of minutes which would simultaneously send the documents to the Customs and ports, allowing faster movement of containers from the port. Acceptance of payments electronically, and submission of other accompanying documents electronically to other agencies are yet to be implemented (Hettiarachchi, 2008). According to stakeholders, these facilities should have been integrated much earlier but for various reasons, full automation of the system (from the time of submission of the CUSDEC to the release/dispatch of cargo) has not happened in Sri Lanka.

Given the slow progress in fully implementing the project, some stakeholders including freight forwarders who stand to benefit directly by faster clearing of goods have called upon the Government to look at ways and means of fully implementing paperless cargo clearing system in the country at the earliest. They have even suggested opening the

[30] Manifest contains a list of all cargo/containers carried by the ship.

[31] Delivery Order (DO) is the authority given by the agent to the consignee to clear the consignment.

[32] Customs has established an EDI division to implement the project in the country.

market for competition and allow another operator to provide this service.[33] Others have criticized the system as being outdated and not flexible enough to accommodate the complex procedures used in Sri Lanka. However, opening up the sector to other service providers is unlikely to resolve the issue as long as the relevant government agencies involved do not re-engineer their internal systems to migrate from a manual to automated operation. E-services Lanka in its defence say that liberalising the sector will not do any good, unless the relevant state agencies are able to handle their end of the clearance processes electronically. In this context, SLACCS requires the active participation of all relevant stakeholders in both the public and private sectors which have not been forthcoming[34].

Since the commencement of the project, the trading and brokering communities have benefited to *some* extent despite the drawbacks and shortcomings of the system. For example, online submission of import and export CUSDECs has reduced logistic lead time and brought in cost savings as it has limited the need to visit relevant authorities (i.e. Customs or BOI). Other benefits are reduction in waiting time for CUSDECs to be submitted to the ASYCUDA system either at the Customs or BOI as it can be done anytime in the day (as opposed to submitting manually between 9:30AM to 3:30PM when the respective offices are open), and elimination of errors which are usually encountered in manually filling the form.

Sector-wise the main beneficiaries of the system according to eServices Lanka are from the apparel and tea industries, which are the main export sectors of the country[35]. Both these export sectors are also involved in the import of inputs for the purpose of export production. In the case of apparel, textiles and accessories while in the case of tea for blending purposes for re-exports as value added teas. As such the system has benefited both industries in the export and import side of their businesses.

E-services Lanka has linked up with the Ceylon Tea Board allowing the tea exporters to submit online documentation of blend sheets and purchase statements together with the CUSDECs. They also can obtain an online approval from the Tea Board thereby eliminating the need for tea exporters to visit the Tea Board and reducing documentation related lead times[36] (see Annexure 1). According to the Tea Board, about 200 CUSDECs are received

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[33] "The current service provider will never achieve the objectives, so I urge the private sector to lobby government to throw away the current service provider or get a new service provider to compete with them," Niral Kadawatharatchie, Chairman of the Freight Forwarders' Association (Kulamannage, 2007).

[34] "This has been the reason for the delay in the implementation of SLACCS," explained Vinesh Athukorala, CEO of eServices. "We are helping stakeholders to make their internal systems and processes compatible with SLACCS. We are helping them to speed up their migration to a fully-automated electronic system," he added (Jinadasa, 2008).

[35] According to JAAF less than 30 per cent of the government exporters use EDI to lodge CUSDECs.

[36] According to eServices, there has been a reduction of approval time by 1-2 hours at the Tea Board. The standard processing time is 24 hrs unless the tea is subjected to random sampling. While the processing time has improved with the introduction of automation, it has not had a significant impact on the lead times.

daily by the regulatory authority - out of this about 20 per cent are received through EDI. Under the current arrangement with the Tea Board, US$ 1 (Rs.100.00) lodgment fee for a CUSDEC sheet has been waived if the document is submitted online since November 2007 (Ramani Kangaraarachchi, 2007). However, other charges such as a documentation fee of US$ 2.50 (Rs.250) at the Customs and a fee of US$ 2.50 by eServices apply.

In order to implement the system at the Tea Board, it was necessary to train 4 persons and procure 2 computers. e-Services has provided technical support in terms of training and supplying of equipment (1 computer).While there is no separate division within the Tea Board to handle the electronically submitted documents, there are about 3 persons who process and approve them electronically through EDI. Currently, about 31 tea exporters out of a total of 231 registered tea exporters are actively making use of this system. Nevertheless, over 200 tea exporters are yet to use the system (or 90 per cent of the tea exporters) despite the fact that all the tea exporters are aware of this facility[37]. While the number of CUSDECs submitted through the system has increased since the introduction of the facility to the tea industry, the number of users utilizing the system has not increased in tandem (if at all the numbers have stagnated). Of the 31 registered users, a majority of the users are big players in the industry like Akbar Brothers.

Despite the obvious advantages of using the electronic system to the tea traders (in terms of time saved, trouble of manually lodging the documents and employing a person to do it), exporters still continue to lodge documents manually mainly due to: 1) mindsets of the exporters who are used to the manual process, 2) additional cost of submitting documents electronically (payment of Rs.250 per CUSDEC to eServices), and 3) having to visit the Tea Board physically for the purpose of random sampling so as to adhere to a minimum specified quality[38], and 5) complicated transactions which are easier to handle through the manual system[39]. Given these problems, there is currently no incentive for more exporters to use the system, prompting traders to continue to use the manual system in parallel to the electronic system.

While the Tea Board has linked up with eServices, there are many *other important regulatory agencies* which are still not connected and remain outside the EDI system. Some of these critical agencies include: Sri Lanka Standards Institute, Import/Export Control Department, Department of Plant Quarantine, Gem and Jewellery Authority, Ministry of Health, Nutrition and Welfare, Ministry of Finance, Ministry of Enterprise Development, Ministry of Defense and Interior, Department of Animal Quarantine, etc. While these agencies should be connected to the system, they either appear to be not ready to do so or

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[37] Initially there were more than 30 exporters who wanted to use the system but not all of them have registered to use. The main reason was said to be that some of exporters are not regular exporters – only 50 are active exporters.

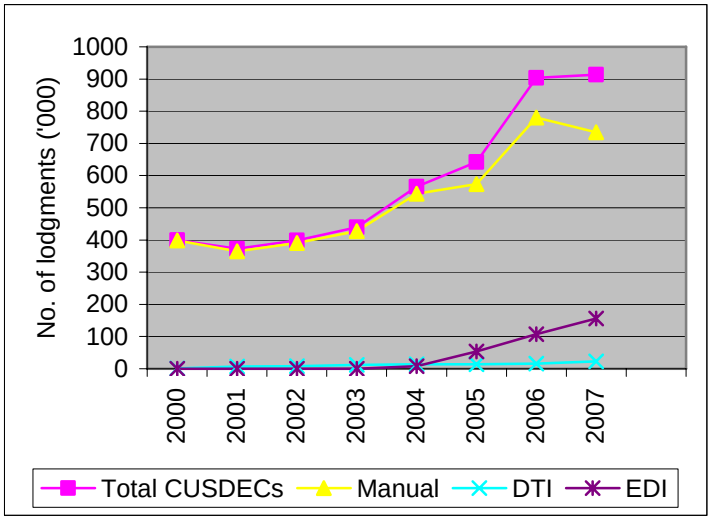
[38] There is a legal requirement that all tea exported from Sri Lanka should meet a minimum standard. According to the Tea Board, a quarter of the tea exports are called for sampling. The EDI system is unable to handle this part of the export process as tea exporters have to visit the Tea Board to submit a sample whenever it is requested. This is a significant drawback of the system and according to the Tea Board this has been one of the reasons why the number of users under the system has not increased despite the initial success of the project.

[39] For example, imported teas are blended with local teas and then re-exported.

rather not capable of linking up[40]. eServices Lanka claims it has taken on the extra job of helping government institutions to re-engineer and re-organise internally, to be able to link up to the system. Even though the Customs, BOI and the Sri Lanka Ports Authority are linked up with the eServices systems, they too are not able to provide all aspects of the clearance procedures online as explained above.

One of the major drawbacks of EDI apart from the lack of connectivity with stakeholders in the industry and partial implementation of the system is the cost. The cost of lodging through eServices is currently priced at US$ 2.5 per CUSDEC submission. This is in addition to the payment of US$ 2.5 which traders and agents have to make to the Customs (Rs.345 or US$ 3.4 in the case of BOI registered firms). Because of the additional cost of using the EDI system, some agents and traders still opt to go to the Customs or BOI physically and manually process the CUSDECs or do it through Direct Trader Input (DTI) system offered by Customs, if they have registered and have access to the system. In fact, the DTI system performs almost the same functions (lodgment of CUSDEC and receipt of acknowledgment) as the EDI system offered by eServices but at no additional cost.

Chart 2: CUSDECs Lodged Manually and Electronically, 2000-2007



Source: Compiled from data collected from the Department of Customs.

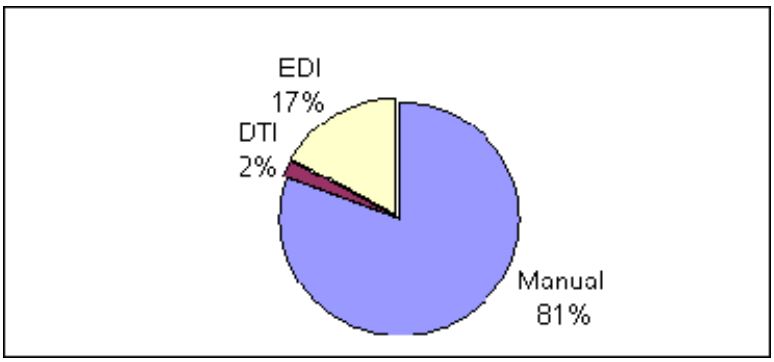
Chart 2 shows the number of CUSDECs lodged manually and electronically over the 2000-7 period. The total number of CUSDECs lodged has increased from 2000 onwards. In 2007, a total of 913,522 were lodged up from 400,000 CUSDECs submitted in 2000. Manual submissions of CUSDECs have been increasing up to 2006 before levelling off in 2007. Electronic submissions during this time have grown tremendously, especially submissions

[40] Vinesh Athukorala, eServices CEO: "The critical success factor is stakeholders being ready to appraise this technology and make use of it, otherwise there is no value." (Kulamannage, 2007).

through EDI. Between 2000 and 2007, submissions of CUSDECs manually and electronically grew by 10 and 240 per cent, respectively. The high growth of electronic submissions compared to manual submissions can be attributed to its low starting base. Much of the growth in electronic submissions was due to high growth in the lodgments made through EDI (390 per cent growth compared to a growth rate of 85 per cent for DTI between 2000-07). The number of CUSDECs submitted through EDI shot up from 8,400 in 2004 to 54000 in 2005 following the commercial operation of the system. Prior to this, EDI submissions were limited to few companies and operated on a trial basis from 2000. While lodgments through DTI have grown over time, it has not grown significantly as EDI. This could be explained by the fact that new registrations were not allowed under DTI after 2004 by the Customs with the introduction of the EDI system; this measure was taken with a view to promoting the EDI system. Moreover, DTI was restricted to non-BOI firms and their exports, which may also explain why the number of DTI lodgments has stagnated.

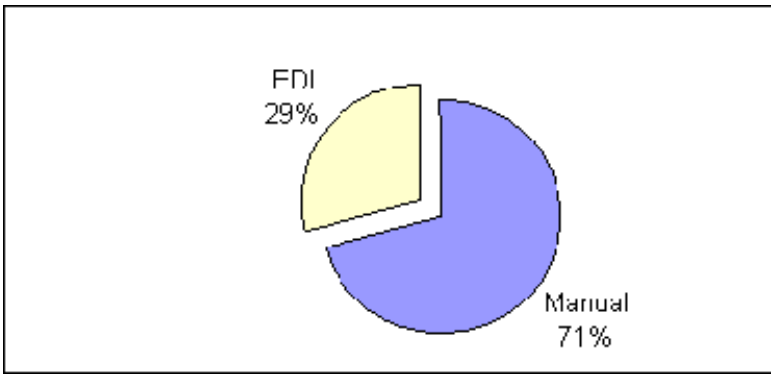
Currently about 81 per cent of the lodgments are done manually (by lodging the CUSDEC either at the Customs and BOI offices) while 19 per cent are done electronically – 17 per cent and 2 per cent by EDI and DTI, respectively (Chart 3) However, the usage of the manual and electronic methods slightly differs between BOI and non- BOI firms. Non-BOI firms lodge about 80 per cent of the CUSDECs manually while the remainder is lodged electronically, either through DTI or EDI (Chart 4). In the case of BOI firms, about 70 per cent of the CUSDECs are lodged manually while 29 per cent are done through EDI (Chart 4) Thus, BOI firms tend to use the electronic system more than the non-BOI firms. This is not surprising given that this facility has been extended for the benefit of all BOI registered firms. In fact, about 66 per cent of the total CUSDECs filed electronically is done by BOI firms. While the majority of CUSDECs are still lodged manually, the numbers of manual entries have fallen (by both BOI and Non- BOI firms) in 2007 while electronic lodgments have increased which is an encouraging sign.

Chart 3: CUSDECs Lodged Manually and Electronically, 2007



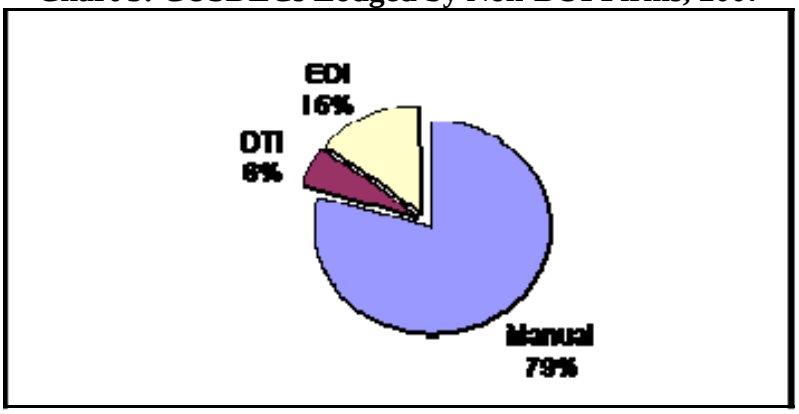
Source: Compiled from data collected from the Department of Customs.

Chart 4: CUSDECs Lodged by BOI Firms, 2007



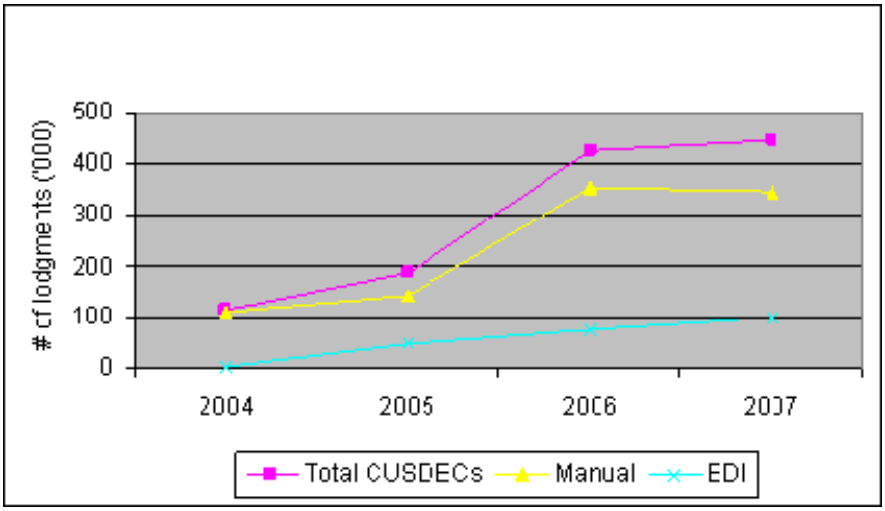
Source: Compiled from data collected from the Department of Customs.

Chart 5: CUSDECs Lodged by Non-BOI Firms, 2007



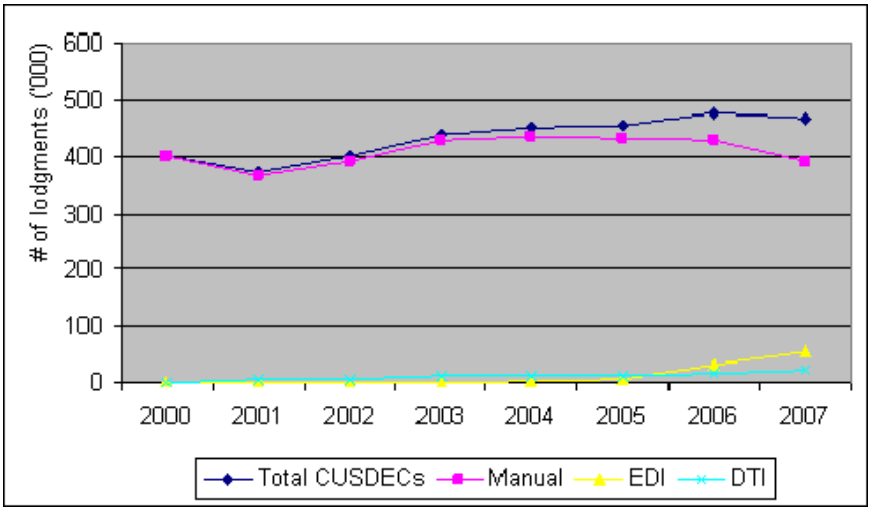
Source: Compiled from data collected from the Department of Customs.

Chart 6: CUSDECs Lodged by BOI Firms, 2004-07



Source: Compiled from data collected from the Department of Customs.

Chart 7: CUSDECs Lodged by Non-BOI Firms, 2000-07



Source: Compiled from data collected from the Department of Customs.

4.3 Sri Lanka Ports

The Sri Lanka Ports Authority (SLPA) is another crucial institution in the import/export process. There are 5 ports under the SLPA and another 2 are under construction. Out of the 5 ports, the Colombo port handles 95 per cent of Sri Lanka's total international trade with a majority of traffic being for transshipment purposes. Over 200,000 containers pass through the Colombo port every month and since 1995 transshipment has accounted for 70 per cent of Colombo's total container traffic (ADB, 2008). Colombo is the only port in Sri Lanka that has an automated system. It is possible to identify 2 main systems operated at the SLPA, 1) Container terminal management system which is the terminal handling system, and 2) Customer service system which handles cargo clearing.

Container terminal management system

The SLPA has been using a container terminal management system called FTterm since 1994/1995. Almost all the shipping agents[41] who were operating at the time of initiation of FTterm were linked to the system (a total of about 20-25 shipping agents). The shipping agents were provided with the necessary software, and together with a dial up connection the agents were able to run the container terminal management system and make necessary inquiries (i.e., container data inquiry, stacking status inquiry, etc). However, given that the software is currently out of the market, the facility is no longer available to the agents. Although the FTterm system is still used within the ports, it is not being used to exchange information with the shipping agents.

Nevertheless, the SLPA has developed a programme to exchange two types of data sets: 1) Terminal Departure Report (TDR),[42] and 2) the Final Loading List[43]. While the

[41] Most shipping companies offer customs house brokerage services as well.
[42] List of containers dispatched.
[43] Containers loaded to the ship.

TDR is transferred from the agent to the SLPA, the loading list information is transferred from the ports to the agent. This facility is available for customers free of charge and the TDR and the Loading List are exchanged via e-mail.

The SLPA has recently purchased a new terminal management system called NAVIS and is now in the process of implementing it. The SLPA hopes to implement it in the near future. This system would be web based and under NAVIS several EDI messages would be available in order to exchange information between the SLPA and the agents. These include 1) container gate movement information, 2) loading/discharge information, 3) terminal performance information, 4) vessel departure information, 5) container loading/discharging order, 6) storage instruction, 7) bay plan. With the implementation of this system all facilities that were provided for the shipping agents under FTterm would be available through the web.

The SLPA is expecting significant benefits with the adoption of NAVIS. Since all the departments and the different points within the ports would be interconnected there would be lesser opportunities for malpractices, fraud and security threats within the ports. Clearance times too can be improved[44]. Nevertheless, the SLPA has recognized the necessity and importance of minimising the points related to the clearance process within the ports.

Customer service system

The customer service system is currently not fully connected to the main system of the port. Receiving of manifests electronically is still in the testing stage. eServices started testing this in 2005 using the SLPA customers. Nonetheless, the shipping agents who sent in the manifests were not able to comply with the system. Although the manifests were sent through the service provider, there have been many occasions where the mandatory fields were not filled. As a result, a majority of the manifests were rejected. Another problem was the failure of all shipping agents and sub-agents (i.e., CHAs) to send all the necessary sub-manifests electronically. All sub-manifests have to be submitted in order for the entire shipment to be processed. For example, there are main agents and the manifest is broken up into sub-manifests and those sub-manifests are sent by sub-agents (CHAs). Unless all the relevant shipping agents and sub-agents lodge the manifests/sub-manifests electronically it is not possible to process a particular shipment. As a result, even if a few shipping agents send the relevant information, it cannot be processed until all the agents send in the sub-manifests. Although some agents are committed to the system, most of the smaller agents do not have the necessary capacity to engage in this automated process. That is, some of the agents do not have proper facilities like computers. Therefore, the system will not be successful unless everyone comes on board, since a manifest cannot be processed till all the necessary sub-manifests are sent.

[44] Departments related to the clearance of cargo are interconnected within the port since 2005. As a result, it is possible to check through the internal system the related information, i.e., if the payments have been made, if the necessary approvals have been obtained, etc.

The SLPA together with eServices will also start testing sending shipping notes electronically in the near future. A systems check as well as a pilot run would be carried out, soon after which the SLPA hopes to initiate the facility with mainly the tea exporters since the Tea Board is the only agency currently linked to the EDI system.

4.4 Electronic Certificate of Origin (e-CO)

Apart from the above initiatives, the private sector represented by the Ceylon Chamber of Commerce (CCC) has undertaken measures to facilitate trade in the country by introducing an electronic Certificate of Origin, a web-based Certificate of Origin (CO) application system. This project supported by the SAARC and Trade Promotion Projects, is implemented by the Chambers together with the German Technical Cooperation (GTZ).

This system enables exporters to submit applications for COs from any computer. It eliminates the need for exporters to physically collect, complete and submit the application form to the Chambers for endorsement. Currently, exporters/agents can access and download the CO and submit the completed form from their offices using a PC via the internet and receive a confirmation of a receipt by the Chamber, reducing the time and money required to send the CO form and supporting documents required for the CO authentication. However, the system is currently unable to send the authenticated CO back to the exporter/agent electronically. Instead it has to be collected manually from the CCC by the exporter/agent and the payments too have to be paid in person. The supporting documents have to be shown at the point of collection for verification[45]. This partial system has reduced only the first step of getting a CO form from the CCC and lodging it manually. Nevertheless, it has eliminated the waiting time to get the authenticated CO. Other benefits of the system are: reduction of paperwork and elimination of delays as it can be done any time during the day while the registered documents can be collected at a convenient time[46]. Both CCC members and non-members can utilise this facility by registering for the service; registration is free of charge. However, Rs. 250 is charged from CCC members for each e-CO issued while a higher fee of Rs. 400 is charged from non-members.

About 50 exporters are currently making use of this facility since it was launched in July 2007. The current users of the e-CO facility are mostly large and medium in size. The participation of small-scale companies has been limited since they lack computer facilities and the required staff as well as awareness of the system. However, the system itself does not discriminate the SMEs per se; the facility is available for any entity which wants to use it.

Although there was an initial increase in the number of users of this facility, the numbers have stagnated in the recent past. The main reason for this is because CCC has not been actively promoting the facility since it does not foresee the 2nd phase of the project being implemented in the near future. If the 2nd phase is implemented, exporters will be able to submit the application and receive a confirmation as well as obtain the certified CO

[45] According to the Department of Commerce (DOC) regulations, a copy of the CUSDEC, the customs invoice and the BOL (where possible) have to be produced in obtaining an e-CO.
[46] The e-CO is ready for collection in 10 minutes from the time of submission.

electronically, which could then be printed at their own office or practically anywhere in the world. The exporters will also be able to track the status of their application and also transmit the document electronically to third parties such as banks and buyers abroad. This would result in not only cost savings but also improved turnaround time for exporters and end customers abroad. In order to make use of this facility, exporters would need to register with the Chamber and registered users would need to have a PC with internet connection and an email account registered with VeriSign, as verification of the documents will be done through this service. The main drawback in implementing the 2nd phase of the project has been the non-availability of a verification authority in the country. Although the digital identity[47] has been used for transactions between the exporters and the CCC, it is not accepted by all. Moreover, obtaining an internationally accepted VeriSign is very costly. Nevertheless, a trade facilitation co-group of the CCC has been working together with the Information and Communication Technology Agency (ICTA) in order to address this issue[48].

5. Stakeholder Interviews on the Impact of Automation of Trade Facilitation

In order to assess the extent of automation of the import/export procedure in Sri Lanka and obtain a stakeholder perspective of the use of IT in trade facilitation, 29 stakeholder interviews were carried out[49]. Twenty questionnaires were filled out by 10 traders and 10 agents with whom in-depth face-to-face interviews were carried out based on a semi-structured questionnaire (see Annexure 5 and Annexure 6). Both large and SME stakeholders (traders and agents) were interviewed. The interviews covered broad areas of the cargo declaration process used for imports/exports, experiences of stakeholders in adapting to electronic lodgment, and the benefits they have gained (or anticipated to gain) from automation of customs procedures.

Ten agents included both CHAs and freight forwarders, which were drawn from the Association of Clearing and Forwarding Agents (AFCA) membership list – see Box 2 for details of the organisation. The remainder of the interviews were conducted with government officials from the relevant departments/agencies, representatives from the garment sector, tea sector, freight forwarders, CHAs, etc. to obtain an overall picture of the status of automation of import/export procedure in the country.

Traders that were interviewed were drawn from the garment industry. The garment industry was chosen because not only is it the largest contributor to the local economy but it is also highly dependent on international trade[50]. As such, any trade facilitation measure is

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[47] The digital ID which is currently used costs US$ 20 per annum.

[48] According to the CCC, the ICTA should act as the verification authority in the country.

[49] The list of stakeholders with whom interviews were carried out is given in Annexure 4.

[50] The garment industry contributes 8 per cent to GDP, accounts to 40 per cent of total industrial production and is the largest foreign exchange earner of Sri Lanka.

likely to have a tremendous impact on the industry (See Box 4). Moreover, the garment industry represented by the Joint Apparel Association Forum (JAAF) has been vociferous in calling for the full implementation of the EDI system in the country.

Box 4: Importance of Trade Facilitation for the Garment Industry in Sri Lanka

Trade facilitation is especially important to the garment industry due to a number of reasons, some of which are listed below:

1) Heavy dependence of the industry on imported material as inputs:
The industry is heavily dependent on imported material (fabrics as well as accessories) from the Far East given that the local textile industry does not have the capacity to supply the quantity and quality of inputs required by the export oriented garment industry. In the year 2006, US$ 1200 million worth of textiles and accessories have been imported as inputs for the industry. Inputs not received on time lead to idle time in production lines which leads to considerable losses.

2) The need to enter higher value market segments and become a total service provider:
With the phase-out of the Multi-Fibre Arrangement (MFA), the garment industry has focused on niche markets. These require shorter delivery cycles. Furthermore, since Sri Lanka can no longer compete on cost, it is necessary to offer better services to its customers which require building both backward and forward linkages. In this context, it is imperative to have a fully fledged EDI system so that Sri Lanka can become a total service provider to its customers.

3) The need to be cost competitive:
With the expiration of the China safeguards and the possible loss of GSP+ it is vital that the industry attempts to be competitive in prices as well. Since the input costs and the labour costs are relatively high in Sri Lanka, it is necessary to bring down the administrative and other related costs especially at customs, ports, etc., in order for the final product to be price competitive.

The size and scope of the survey were major limitations of the study. The survey was carried out in one district, Colombo and the number of the total agents and traders interviewed was limited to a number of 20. Moreover, the study was restricted to the experiences of the garment industry given budgetary and time constraints. The scope of the study is therefore limited since the sample may not be representative of stakeholders across the country. In addition, it does not take into account the experiences of other export industries such as the tea sector for example. Nevertheless, the interviews conducted revealed several important findings with regard to the SME sector which should be taken into account in fully implementing the EDI system in the country. The remainder of this paper would summarise the main findings from the interviews conducted with traders and agents.

5.1 Traders' Response

Out of the 10 garment exporters interviewed, 3 were large-scale traders, listed amongst the top 20 largest garment exporters in the country (JAAF, 2006). The remaining 7 were small and medium-scale garment exporters, which were members of the Sri Lanka

Chamber of Garment Exporters, representing the small and medium apparel manufacturers in the country. The Sri Lanka Chamber of Garment Exporters defines an SME as one with less than 350 workers, recording a yearly turnover of less than Rs.100 million and with movable property of less than Rs. 30 million. This definition was used for the categorisation of small and medium scale traders for this study.

While all 3 large-scale garment exporters interviewed in the study were BOI companies, only 2 of the 7 SME garment exporters were registered with the BOI[51]. Four of the SME traders were non-BOI companies while one company owned one BOI and 3 non-BOI factories. The BOI companies follow the special import/export process as outlined before. A summary of the traders' responses are given below in Table 6.

Table 6: Summary of Responses of Traders: Garment Industry

	SMEs	**Large scale**
1.0 Cargo Declaration Process		
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 configuration & connectivity	NA	Yes
2.5 Problems encountered in adopting EDI? (yes/no)	NA	No
2.6 Received help from EDI services provider?	No	Yes
Training	No	Yes

[51] A majority of the existing BOI companies are medium and large scale in size. Many small-scale companies, especially in the garment sector have either closed down due to increasing costs and competition or have been absorbed by the larger companies.

	SMEs	Large scale
Equipment	No	No
Financial Support	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 configuration & 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

Source: Based on the interviews.

5.1.1 Large Scale Traders

Profile of Companies

All 3 garment exporters surveyed are engaged in both imports and exports. Fabric and accessories required for producing garments are imported by all of them. The large companies also import machinery that is required for the production and export of ready-made garments, which is their main business activity[52]. All of the surveyed companies are registered with the BOI given that they export most of their production. The number of employees range from 16,000 to 40,000

Large companies on average submit up to 70 and 60 CUSDECs a day for imports and exports, respectively. While all large companies lodge the CUSDECs themselves through a separate division of their organization handling import/export related activities[53], two of the companies out-source part of their import clearance or export shipments[54]. Nevertheless, the larger companies' generally preferred to do it themselves whenever possible, as they found it more reliable, cheaper and faster to do it in-house. Moreover, they preferred not to out-source

[52] Some of the companies also supply the domestic market but export the majority of their production.

[53] Two of the large companies in the survey had 50-60 persons working in the import/export divisions with about 9-15 persons having the CHA licence.

[54] One company out-sourced all of its sea freight shipments while it handled air freight imports in-house given the small quantities involved. The main reason for this was that the company had insufficient resources to handle large-scale sea freight. The other company out-sourced only half of its total imports.

the job in order to ensure that there is accountability and transparency in their transactions[55]. They also thought that the employees within the company have a better understanding of the garment business than outsiders and that they would be able to better respond to their customers' needs.

Cargo Declaration Process

The large-scale traders lodge CUSDECS both manually and electronically. One company uses the manual system to lodge all its export CUSDECs, while the EDI system is used to lodge all of its import CUSDECs[56]. On the other hand, one of the companies lodges about 90 per cent of its CUSDECs using EDI system while the remainder is done manually. Since the time the large companies first started lodging CUSDECs electronically, they have all increased their usage of the EDI system over the years. The large companies currently prefer using the electronic method as it saves time to a *certain* extent (e.g., processing time at the Customs/BOI to lodge especially in the case of companies that are located outside the zones), minimises errors in entry. Moreover, they have increased the usage of the system in order to promote the implementation of the EDI system in the country.

While they are satisfied with the introduction of the system, they consider that there is still tremendous scope for improvement in the current system and the services delivered by the service provider. Nevertheless, they are not satisfied with the progress made to date given that the system has not been fully implemented. They consider that only 10 per cent of the export-import procedures have been automated since they can only lodge the CUSDEC electronically but do nothing more than that. Once the CUSDEC is submitted electronically, the rest of the process is still manual as before.

Adapting to Electronic Lodgment

All the large companies use IT extensively in their day to day work. All of them have software that not only computes taxes but also exchange information with customers/agents. Some of them have installed sophisticated IT systems like Enterprise Resource Processing (ERP). In adapting to EDI, all 3 of the large companies had to make some adjustments in the areas of system configuration and connectivity and undertake training. They had to provide some kind of training to their workers and this was undertaken by the service provider. In fact, one company had to make adjustments in the organisation and staffing since EDI reduced the need for typists and data entry operators. Therefore, the company not only had to retrain them to use the system but also transfer some out of the division to work elsewhere in the company. None of the companies had to make any significant investments in IT in order to migrate from a manual to an electronic system though one company had to make *some* investments in equipment such as computers, printers, servers and backups. All of them

[55] While the two companies outsourced to a CHA/freight forwarder, the agents worked solely for the company and did not provide clearance/forwarding services to any other company. In fact, one of them held a corporate CHA licence under the name of the company that they did business for.

[56] The main reason for this is the fact that a BOI office is located within the free trade zone where some operations of the company are done. As such it is able to easily process the export documents from the BOI office located within the zone. In the case of imports, it preferred to lodge using the electronic system as it could lodge the CUSDEC electronically and proceed to the port/air port for clearance.

needed to install the software which was provided free of charge by the service provider. In terms of budgeting, these companies had to take into account associated fees involved in using the electronic system like registration and lodgment fees.

No major problems were encountered in adapting to the system by the large scale companies though there were some reported problems at the initial stage of implementation such as congestions on certain days of the week (Mondays and Fridays), problems with the software, and lack of customer support, which have been subsequently resolved to a large extent.

While all the large companies have received support from the EDI service provider, eServices in training personnel at the initial stage, they also received customer support and help in software/systems integration. Apart from this assistance, there has been no other support (e.g., provision of equipment, financial support, etc.) provided by them or any other organisations including the government in adapting to electronic lodgment. While none of the companies needed further help/support to adopt the electronic system, they wanted the government to take the lead and fully implement the project.

Benefits and Costs of Automation

By adapting to lodging CUSDECs electronically, all large companies stated that they have experienced shorter average lodgment time (up to 1 hour) compared to the manual system while some of the companies mentioned that the average clearance time has reduced. One company was of the view that it has not made any significant changes in clearance times. All of the companies agreed that the lodgment costs have increased with the introduction of the electronic system since they have to make a double payment to both the Customs/BOI and the service provider whereas under the manual system only the customs fee (or the computer fee) has to be paid. In fact, due to this situation, one of the companies is contemplating of switching to the DTI system, as there is no additional fee to use this alternative electronic system.

Nevertheless, all companies were of the view that electronic lodgment has been beneficial on average in providing quicker service for clients. The large traders had mixed views on the following:

- Ability to work outside the normal working hours of the Customs: one company saw no benefit of it as they lodge all CUSDECs within office hours whereas the others thought it was beneficial to be able to lodge 24/7.
- Reduced travelling, delays and queues were seen beneficial by two companies whereas one company saw no significant benefit as they would have to submit the documents manually for re-processing subsequent to the electronic submission.
- Easy access to own declaration data from the system was seen as highly beneficial by one company whereas one company was of the view that it is of no benefit as the EDI system stores transaction records for only 3 months. According to the law of the country, 5 years of data have to be maintained for audit purposes and in paper form.

Suggestions for Improvements

All of the large companies are not satisfied with the current status of automation of the import/export procedures available in Sri Lanka and thought that there are significant shortcomings in the current system. The main shortcoming of the system was that it is not fully implemented and that many of the important agencies are not linked to the system. All thought that EDI is a good system, and if fully implemented could bring many benefits to them as well as to the SMEs, who stand to gain more from automation given that export/import procedures are more burdensome to them. All of them thought that US$2.50 which is charged now to lodge the CUSDEC electronically is quite high given that the system is not fully implemented. Nevertheless, they were quite willing to pay the amount (or more) if the system is fully linked and operational. In this regard, they want the government to take the lead and get the relevant government agencies linked and thereby, support the implementation of the project. They emphasised that this would require a change in the mindset of people including government officials to successfully implement the project In this regard, the large-scale companies identified the BOI, Customs, ports/airports, banks, the Department of Commerce, the Textile Quota Board and the logistics providers as the main stakeholders that should be linked to the system on an urgent basis. It was also suggested that the government should consider allowing a capable provider to enter the market.

5.1.2 Small and Medium Scale Traders

Profile of companies

In the interviews carried out, almost all of the SMEs are involved in both imports and exports. While these garment exporters engage in exporting different types of garments like shirts, pants, skirts, etc., most of them also import fabric and accessories for their export production. Most of the respondents supply only to the international market while some also supply the domestic market[57]. In this sense, the import/export procedures are of equal importance, if not more to the SME enterprises. Some SMEs have been operating for over 50 years with only one company operating in the market for less than 10 years.

The firms in the survey lodge on average 6 export CUSDECs a month while those importing lodge about 20 CUSDECs a month. Of the 7 respondents, 3 of them lodge CUSDECs themselves, another 2 use CHAs/freight forwarders to lodge CUSDECs and the other two companies out-source part of their clearance and forwarding while handling the rest in-house. Those SME traders who used CHAs/freight forwarders to lodge CUSDECs stated that they preferred to use an agent because, 1) it minimises staff requirements in the company, 2) they do not possess a CHA licence , 3) it is convenient to go through an agent since they are not specialized in that area of work, 4) it saves time. Interestingly, the SMEs that do not use an agent for CUSDEC lodgment and clearance preferred to do it in-house because they thought it is cheaper, faster and more reliable to do it themselves. According to a majority of the respondents, the size of the company was not an issue in their decision to out-source or not.

[57] Except for 1 company all other companies export a majority of their production.

Cargo Declaration Process

Most of the respondents were aware of the possibility of lodging CUSDECs electronically in Sri Lanka and know what the EDI system is. Nevertheless, almost of them used the manual system to lodge CUSDECs[58]. The reasons they stated for their preference for the manual system were: 1) partial automation of the current system – that is, the need to re-process the documents manually after lodging it electronically[59], 2) the additional charge of US$ 2.5 per CUSDEC that has to be paid to the service provider in lodging electronically 3) minimal mistakes involved in lodging CUSDECs manually. Those who used CHAs/freight forwarders were indifferent between the two methods (manual/electronic) used as long as the cargo clearance or the shipment was done on time.

When questioned if they are satisfied with the current level of automation in the country, most of the respondents stated that they do not know enough about the current system to comment on it. Of those who were aware of performance of the electronic system, only one stated that it is satisfied while 2 stated that they are not satisfied with the current system. Also, most of the respondents could not rate the services provided by the eServices as most of them do not use it. Whilst most did not know whether automation had an impact on them, few who were aware of the current system thought that it has had no effect on them. Nevertheless, it is interesting to note that a majority of the SMEs in the survey thought they have not been marginalized from participating and benefiting from the automation process. There was also consensus that the present manual system did not discriminate against the SMEs compared to the large scale traders.

Adapting to Electronic Lodgment

Almost all of the SME respondents used IT in their day to day business activities including filling of the CUSDEC form[60]. All of them have computers with internet and e-mail facilities, with the latter being used as means of exchanging import/export information with the clients and agents when required. Only two of the respondents have software that computes taxes but none of them were linked to the electronic system.

While some of the SME traders are interested in using the electronic system, they thought they would first need to make adjustments. In this regard most of them considered it necessary to get their systems configured, establish/improve connectivity and undertake training (5 of the respondents stated that they would need to make these adjustments). Half of them thought they would need to make changes in their organization and staffing, and invest in additional equipment such as computers. One third of the respondents were of the view that they would need to make special budgetary allocations when adapting to the EDI system. Most of the SME respondents stated that they have not received any support from the

[58] Only one of the respondents used a combination of manual and electronic system but this was done by its freight forwarder. Nevertheless, most of the shipments were processed manually.
[59] They considered that customs procedure has been automated 10 - 40 per cent.
[60] The CUSDEC form has been prepared on a word processing document which is saved as a file in the computer and filled whenever there is shipment.

EDI service provider[61]. None of the respondents has been approached or provided support by any other government, private or international organisation in order to adapt to the electronic system.

Benefits and costs of automation

When questioned about the changes that they expect from lodging CUSDECs electronically, compared to lodging them manually – some stated that they expect the average lodgment time, clearance time and lodgment costs to reduce. Nevertheless, one respondent who was more aware of the current system stated that while there would be no change in average clearance times, there would be an increase in the lodgment costs given that the system has not been fully implemented and there is additional cost involved in using the system. A majority of the respondents also believe that by switching to an electronic system they would be able to work outside Customs/BOI normal working hours, provide quicker service to their customers and benefit from easy access to one's own Customs declaration data stored in the system. They also think that it would result in a reduction of travelling, delays and queues at the Customs/BOI.

Suggestions for Improvements

The SMEs were of the view that their participation in the automated system would increase mainly if awareness was raised on the system, especially on the costs and benefits of lodging CUSDECs electronically. A majority did not have sufficient information about the current EDI system. In fact, one respondent who knew about the EDI system in other countries and the benefits of the system was unaware that such a facility was currently available in Sri Lanka. Respondents suggested that industry associations such as the Joint Apparel Association Forum (JAAF) in the garment industry should initiate awareness programmes to disseminate information about the EDI system in the country as well as other developments such as changes in rules/regulations/procedures. Those who were aware of the system also highlighted the need to fully automate the current system if they are to maximise the benefits from this technology and get their money's worth in terms of investments involved in using the system. It was also suggested that the service provider give access to the system on a trial basis so that the SME exporters can test the system before migrating from a manual to an electronic system. These improvements should be accompanied by further simplification of the rules and procedures pertaining to imports and exports.

5.2 Agents' Response

Out of the 10 agents (CHAs and freight forwarders) interviewed, 3 are large-scale while 7 are small and medium-scale agents. Neither of the 2 associations representing freight forwarders and CHAs has classified their membership according to the size of the business. Nevertheless, for the purpose of the study the freight forwarders/CHAs have been classified based on the number of employees (25 or less than 25) and the number of CUSDECs lodged

[61] Only one of these respondents has been approached by eServices which provided training to company employees.

(100 or less than 100 CUSDECs monthly)[62]. Details of the agents' responses are summarised in Table 7.

Table 7: Summary of Responses of Agents

	Small-medium scale	**Large scale**
1.0 Cargo Declaration Process		
1.1 Lodgment of CUSDECs a month (exports-imports)	15-62	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 configuration & connectivity	Yes	Yes
2.5 Problems encountered in adopting EDI? (yes/no)		Yes
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 configuration & connectivity	Yes	Yes

[62] The categorization was supported by the respondents who were asked to categorize themselves in the interviews.

	Small-medium scale	Large scale
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

Source: Based on the interviews.

5.2.1 Large Scale Agents

Profile of Companies

It is interesting to note that the services provided by a majority of the small and medium sized agents are limited to that of a CHA whereas the large-scale agents are *total service providers* and act as freight forwarders. The large-scale agents in the survey employ about 220 staff on average while the number of customers ranges from about 200 to 1,500. They lodge about 800-2,700 CUSDECs each month out of which 700 are lodged on average for exports and about 870 on average for imports. A majority of the CUSDECs they lodge are for BOI companies which go through the BOI import-export process.

Cargo Declaration Process

All large-scale agents use a combination of manual and electronic systems in lodging CUSDECs. Two of the 3 large companies in the survey lodge about 80-90 per cent of their CUSDECs using EDI while 10-20 per cent is done manually. However, one company lodges over 90 per cent of its CUSDECs manually.

Most of the agents thought that larger trading companies usually prefer to out-source clearing/forwarding rather than do it themselves. They also stated that in the case of SME traders, they are aware of the option of lodging CUSDECs electronically. When inquired about their preference in the methods lodgment, 2 of the 3 large agents stated that they prefer to lodge CUSDECs electronically[63]. The reasons for their preference of EDI over the manual system include: 1) the flexibility of lodging the CUSDEC 24 hours a day even on weekends, 2) ability to do internal audits before submission, 3) reduction of time spent queuing at Customs/BOI to submit the CUSDEC, 4) reduction of errors and associated costs in filling a CUSDEC and 5) reduction in unofficial payments to process documents. Moreover, companies can take advantage of changes in exchange rates by lodging the CUSDECs over the weekend by using the electronic system. Both companies also stated that their customers

[63] The other company stated that it prefers to use the manual system especially in lodging export CUSDECs as the export volumes are low.

usually prefer to use the electronic system though few had complained about the extra charge involved in electronic submissions. In fact, the agents stated that the SME customers prefer manual system because they gain no substantial benefits in lodging them electronically.

Adapting to Electronic Lodgment

All large-scale agents use computers with internet connectivity for their day to day activities. In addition, they have software that computes taxes due, and most of them use e-mail to send import/export information to their customers. One company also has its own in-house 'Track and Trace System' which allows its customers to see the status of their shipments. Following the introduction of the electronic system, 2 companies increased their usage of EDI while the usage has not changed much for the other company[64]. None of the companies had to make any new investments in IT related equipment in introducing electronic lodgment and managed with the existing equipment. Nevertheless, one company had to make adjustments in procedures, system configurations and connectivity. All 3 companies had received some level of assistance from eServices in the areas of training personnel and customer support. One company stated that they would need further support in system configuration and connectivity in the future.

There were a few teething problems initially in adapting to the new system, namely the inability to lodge long entries, which has now been rectified. Nevertheless, some problems still persist such as connecting to the system and time taken to rectify mistakes.

Benefits and Costs of Automation

With the introduction of automation, all stated that they have experienced shorter average lodgment time compared to doing it manually. Nevertheless, lodgment costs have increased due to the additional charges payable to the service provider. They also stated that there has been no significant difference in average clearance time between the electronic and manual systems as the former has not yet been fully automated and does not extend up to the clearance process. All of the respondents agreed that the export/import procedures have not been fully automated. Most of them stated that about 10 per cent of the total process can be done electronically – that is, up to the point of assessment - while the rest has to be done manually including clearance.

While they have been able to reduce travelling, queuing at Customs/BOI, they still have to process the documents manually. Moreover, there has been no benefit in having easy access to one's own declaration data, nor have they been able to provide quicker services to the customers. Nevertheless, they thought that there has been some benefit in terms of the ability to lodge CUSDECs outside the normal Customs working hours. One company also stated that it reaps exchange rate benefits by lodging CUSDECs electronically. While some thought that automation has had no impact on SMEs, others thought that the impact of automation on SMEs might be the same as to those of large clients. None of them thought the impact was more positive for SMEs.

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[64] However, it should be noted that the latter has started using EDI since 2007 whereas the other 2 have been using EDI from 2005.

Suggestions for improvements

High transaction costs and the piecemeal system where there is a lack of connectivity between the relevant institutions are some other shortcomings of the current system that were cited. While emphasising the need to fast track and fully automate the system including the ability to make electronic payments, the freight forwarders stressed the need to change the mindsets of people, especially those at government institutions including officials at the highest levels in order to fully implement the EDI system. One respondent raised the fact that inspection is the most cumbersome process in the import/export process and that they would benefit from automating it. However, he thought that initially if measures are taken to accept the Commercial Invoice electronically without requiring a hard copy with the signature and the seal, this would be more feasible than automating the clearance procedure. It was suggested that as a first step, the key institutions such as the Customs, the ports and the BOI should be fully linked to each other and integrated with a provision to link other institutions in the medium-long term.

Ultimately, the physical presence of customs officials need to be reduced through the introduction of the electronic system, which would bring down the necessity to make unofficial payments to get goods cleared or shipped. This would bring down the cost of trading and improve the competitiveness of the country's goods internationally. It was also emphasized that competence of the service provider should also be increased in tandem with the above efforts. In order to encourage the participation of the SMEs, the following were suggested: 1) set up a more user-friendly, secure web based system which is accessible to all, 2) reduce the lodgment fee to encourage agents to adopt the system and introduce one fee to cover the entire import/export process, and 3) improve awareness of the system amongst the SME traders.

5.2.2 Small and Medium Size Agents

Profile of companies

Most of the small and medium sized agents in the survey act as freight forwarders while few are CHAs[65]. The number of employees these agents hire range from 3 to 22. The number of customers range from 3 to 40 with an average of about 17. A majority of their customers are small and medium-scale companies; large scale customers account on average for about one-fourth of their total customer base. These agents provide services for both BOI and non-BOI companies.

Cargo Declaration Process

While all agents handle imports, only three-fourths of the survey handles exports. They lodge about 62 import CUSDECs and 15 export CUSDECs on average a month[66]. Five of the respondents use only the manual system in lodging CUSDECs while 1 respondent uses the EDI system. Another respondent uses both the manual and the electronic system. The latter uses EDI extensively for imports while it uses the manual system for exports.

[65] However, it should be noted that although a majority of the small-scale agents call themselves freight forwarders, the services that they actually provide are limited to that of a CHA.

[66] The average export CUSDECs are calculated based only on those CHAs that handle exports.

According to the agent, EDI system automatically calculates import duties due. It was mentioned that it is easier to get this done through the system than doing it manually. Compared to imports, the duty calculation for exports is simpler and easier. Other reasons stated for the preference of the electronic system include: 1) reduction of time spent at Customs/BOI, 2) reduction of costs associated in filing a CUSDEC such unofficial payments, and extra staff hired to process documents manually[67]. Moreover, they wanted to keep up with latest developments in the field.

Those who stated their preference in using the manual system for both exports and imports said that they would only consider moving to electronic system if the entire process is automated and the benefits are substantial. A majority of the respondents were of the view that only 10 per cent or less of the import/export process is currently automated[68]. All small-medium scale agents too shared the view with large scale agents that SME traders are aware of the option of lodging CUSDECs electronically. They also stated that their clients are not specific about how the lodgments were made as long as clearance and shipments are done on time.

Adapting to Electronic Lodgment

Except for one respondent all others had basic computer facilities including the internet connection while few had software which computes due taxes. Some of them used e-mail to send import/export information to their clients. Of those respondents who are currently using EDI, they had to make adjustments in introducing the system; that is, they had to undertake training and configure their systems. They also had to get an internet connection and accordingly make adjustments in their budgets for the monthly internet connection fee. One company stated that they had to buy 4 computers and printers following the introduction of the electronic system. The company has also had to hire 3 people as a result. They said that more help/support is needed to acquire equipment as well as undertake training, and system upgrades. Interestingly, the other EDI user stated it does not need any additional support but would prefer a more efficient system.

Those respondents who do not use EDI to lodge CUSDECs currently thought training would be of vital importance if they are to migrate to the electronic system in the future. Some thought they need more support in acquiring new equipment and systems configuration and connectivity. One respondent also stated the necessity of hiring additional staff in order to use the system by the company. None of the other small and medium size enterprises interviewed except for one company, have been approached by eServices or any other organization to promote the system or to extend help/support in acquiring it.

Benefits and Costs of Automation

In analyzing the benefits and costs of moving on to the automated system, both companies that are already using the system stated that they have experienced shorter

[67] E.g., if something entered in the CUSDEC is wrong the electronic system eliminates the need for them to go back to office to make the amendments.

[68] Others thought that 30 to 80 per cent of the process has been automated and were of the view that the first step of lodging the CUSDEC represented a significant aspect of the import/export process.

lodgment time. However, the official lodgment costs have increased. Nevertheless, they stated that there has been no significant difference in the average clearance time. The 2 respondents also stated that they have been able to provide quicker service for clients and that freedom to work outside Customs normal working hours, and easy access to own declaration data have been highly beneficial. They also mentioned that travelling time, delays and queues at Customs have declined to a certain extent after migrating to the electronic system. They also stated that they have increased the lodgment of CUSDECs through EDI since the introduction of the system. Of those who are yet to experience the benefits of EDI stated they expect it to provide all the mentioned benefits.[69] It is interesting to note that neither the freight forwarders nor the CHAs foresee a major change in their roles in the export/import process in the event Sri Lanka fully migrates to an electronic system and adopts a single window system in the future. This is because the Customs Ordinance states that goods can be only cleared by a a person/entity holding a CHA license in Sri Lanka.

Suggestions for improvements

In order to further develop automation in Sri Lanka, the respondents stated that it is necessary to increase awareness of the EDI facility amongst the business community. Furthermore, the importance of setting up booths which are connected to the eServices in Colombo as well as the suburbs, especially in areas where most agents are located was highlighted. Such booths will ensure substantial access for agents to EDI facilities. Some agents also thought that it is necessary for the government to set a deadline for all export and import documents to be processed electronically so that the country would fully migrate to an automated system. Here again, the importance of fully automating the system linking all the relevant institutions together was emphasized. Apart from the Customs they were of the view that linking up the ports and SLSI to the system would benefit them the most. Apart from these institutions, they stated that other institution like the Import and Export Department, the Cosmetics Devises & Drugs Authority, the Telecom Regulatory Commission, Health Ministry need to be linked to the system. The need to fully link the different divisions/departments within the Customs in order to increase efficiency of the system was also underlined.

In order to improve and support participation of SME clients in the system the agents thought that more training should be provided on how to use the system and thereby develop the capacity of the players in the market to benefit from the system. The different Chambers in the country can play a greater role in reaching out to the SMEs in this regard. In turn, the government can provide support to the Chambers to disseminate the information through seminars, workshops, etc. The importance of developing EDI to the level that it provides the best service would also encourage SMEs to use it. Almost all the respondents saw no discrimination against the SMEs in the import/export process in the country.

[69] Quicker service to clients, freedom to work outside Customs normal working hours, easy access to own declaration data from the system, and reduced travelling, delays and queues at Customs.

6. Conclusion and Recommendations

Sri Lanka has only *partially* implemented the EDI system despite the fact that the Sri Lanka Automated Cargo Clearance System was initiated about 6 years back. The progress to date has been poor with still more than 80 per cent of the CUSDECs being processed manually. According to stakeholders interviewed only about 35 per cent of the entire import/export process has been automated on average and most of them are not satisfied with the status of automation in the country. Not surprisingly, the benefits from automation have been limited and it has had a *limited impact* on the small and medium scale traders and agents. Currently, the EDI system only allows for the lodgment of the Customs declaration form and receipt of approval. Thereafter, the process is entirely manual and still involves a lot of paper work and visits to different locations to import or export a good. In addition, there is the added cost involved in lodging the documents electronically (US$2.5), which some stakeholders thought was too high considering the fact that they can only lodge the CUSDEC electronically but have to do the rest manually.

Moreover, the Customs, the Ports and the BOI, which are the main stakeholders in the system, are only *partially* connected while important components such as submission of manifests and shipping notes are still being tested and are not in commercial operation. So far, only one government agency, the Tea Board is connected to the system while the rest of the regulatory agencies from which permits and licenses are required to either export or import goods remain outside the system. Thus, linkages with the relevant government agencies are weak or non-existent at best.

The full implementation of the EDI system in Sri Lanka has been delayed due to a number of reasons. The main reason is the absence of an entity to drive and coordinate the implementation of the system. Ideally, it should be spearheaded by the Ministry of Trade, Commerce and Consumer Affairs. Moreover, it is necessary to re-engineer the way a number of government agencies work in order to get them on board the system. Computer literacy is one major obstacle in adopting the electronic system on the part of government agencies. It must be noted that success of the system hinges not only getting the required technology but also being able to win over the stakeholders to adopt the system. In this regard, the service provider lacks a strategic plan to do so. Consequently, Sri Lanka has only managed to automate *part* of the import/export process flow while a substantial part of the process remains manual. Therefore, Sri Lanka has a long way to go before trade facilitation is fully automated like that in Singapore, South Korea or Dubai.

Policy recommendations for the government, the Customs, other agencies and the service provider in order to develop automation of the export/import process in Sri Lanka are given below. Although some recommendations target the SME sector directly, since Sri Lanka is still at the initial stage of implementing the EDI system, many of the recommendations are applicable to all enterprises irrespective of their size.

Government, Sri Lanka Customs, Government Agencies

- To increase or let alone maintain Sri Lanka's export competitiveness and its transshipment position within South Asia, it is necessary to accelerate the implementation of the EDI project in the country. In this regard it is necessary to link up with all the relevant stakeholders, both government and private institutions concerned, which would eventually allow the country to move towards a single electronic window in the future. The SME sector was in consensus that this is one of the two most important steps[70] that could improve the participation of SMEs in using the EDI system. Having all stakeholders on board would encourage SMEs to use the electronic system since the import/export processes would be fully automated.

- While linking up all the government and private agencies all at once might be too ambitious, it is necessary to first prioritize a few selected important stakeholders and link them up, and thereafter get others to come onboard to the system at a later stage[71]. SMEs were of the view that linking up not only Customs, BOI, ports but also the following institutions first would be beneficial to them: SLSI , Import and Export Department, the Cosmetics Devises and Drugs Authority, the Telecom Regulatory Commission, Health Ministry.

- Of course, much support needs to be provided especially to government agencies to ensure that they would be able to link up to the system. In this regard it will be necessary to re-engineer the way a number of government agencies work. This would require provision of not only software and hardware but also training of persons within the agencies to use the system.

- There is also the need to ensure that the service provider is capable of linking up of all the stakeholders and have the required technology and resources, whether financial or human, to do so. Given the slow progress to date made by the service provider, many of the stakeholders including CHAs/freight forwarders and the garment industry have little or no confidence in the present service provider and its ability to fully implement the system. Some strongly suggested the market be opened up, enabling other service providers to enter the market and provide a similar service. The

[70] The other being increasing awareness amongst SMEs about the EDI system.

[71] The EDI system has listed the following agencies in its software but they are not currently connected: Department of Animal Quarantine, Ministry of Defence and Interior, Ministry of Enterprise Development, Ministry of Finance, Gems and Jewellery Authority, Ministry of Health, Nutrition and Welfare, Imports-Exports Control Department, Department of Plant Quarantine, SLSI. Given that these agencies are already are listed in the EDI system, they could be linked to the EDI system as a first stage in the implementation process.

stakeholders think that this would pave the way for other service providers who are more efficient and technologically superior to enter the market. Nevertheless, there were also some stakeholders who thought this would make little difference unless all the institutions are willing and capable of linking to the system.

- The full implementation of the EDI system and linking up the stakeholders to the system is a challenge. In this process, the Customs can play a crucial role. However, interviews with SMEs as well as others revealed that corruption in government institutions is one of the biggest impediments to implementing the system. This was highlighted by the 'Sri Lanka Governance Report 2008' by Transparency International of Sri Lanka (TISL) as well. It notes that "EDI would speed up processing, reduce workloads, improve documentation, save time and result in much greater efficiency for all parties. But it would also undermine prevalent and predictable form of corruption that has long existed in the Customs Department". Some SME agents were of the view that unnecessary delays are created at certain points of the import/export process in order to discourage traders/agents from using EDI system. The main reason for the resistance according to the stakeholders was the reduction of opportunities for rent seeking activities which the automation system would bring about.

- In order for the Customs or the government to fully develop the EDI system it is necessary to have a proper database of the users over time (i.e., to be able to analyse sector-wise to see which industry uses the system the most or the least, the number of companies who have switched from DTI to EDI over time, etc.). These forms of data/information are essential in making meaningful changes to the current system and in order to promote EDI in the country. Therefore, it is necessary for the government and the Customs to address the current vacuum in data availability.

- In migrating to an automated system it is vital that the necessary supportive legislation and infrastructure facilities are in place. Some small and medium scale as well as the large scale agents/traders felt that it was necessary to bring in the necessary legislature to make automation compulsory in the country so that everyone would need to process import/export documents and other allied documents electronically, with a deadline set for full migration to an electronic system. Infrastructure facilities such as uninterrupted power-supply should also be developed; for example, a breakdown of the electricity supply in the country could hold up the entire import/export process if it was done entirely through EDI and this would cause huge losses to the country. Although larger firms would be better placed to address

such situations (i.e., having access to generators, etc.) it will mainly be the small and medium scale players who do not have access to such equipment that would be adversely affected.

- In order to do the above, it is necessary for the government to take an active interest in this initiative and drive towards full implementation of the system. As mentioned earlier, there is no government authority in the country which is championing this cause and this has resulted in the slow progress of the project. All stakeholders interviewed thought it was necessary for the government to take the lead in this regard. Some suggested setting up *an inter-ministerial committee* with the participation of the private sector with committee headed by the Trade minister or even the President himself given the importance of the project to the national economy.

Service Provider

- Many SMEs interviewed in the survey were not using EDI but were keen to try out the system. For many SMEs the necessary resources to migrate to an electronic system do not seem to be a major obstacle. However, there seems to be a lack of awareness of the system to a great extent amongst the SME sector especially with regard to the benefits and costs. Many have not been approached by the service provider or any other organization. There is clearly, no organized method of disseminating information to them. In this context, a majority of the SME traders/agents highlighted the importance of raising awareness of EDI system as well as other trade related information in the country that affected them. Therefore, the Customs should take the initiative in developing a system of coordinated information dissemination together with the chambers/industry associations in order to reach out to the SMEs. The service provider of EDI too can take a lead role in increasing awareness by educating SMEs.. As one SME stakeholder suggested, providing the non-EDI users a free trial-run of the facility would introduce them to the system and encourage them to use it after experiencing the benefits first hand.

- In order to allow for greater participation of the SMEs in the benefits from automation, EDI centres with computer facilities should be set up in and around Colombo as well as in other urban areas. There has been a proposal along these lines by some, including the current EDI provider but nothing has materialized to date. The service provider should take this initiative to set up these centres in order to encourage more traders/agents to use the EDI facility.

- Some stakeholders were of the view that EDI is out-dated technology and that more emphasis should be given to web-based technologies like XML/UNeDocs. The service provider should make an assessment of the most suitable technology for the country.

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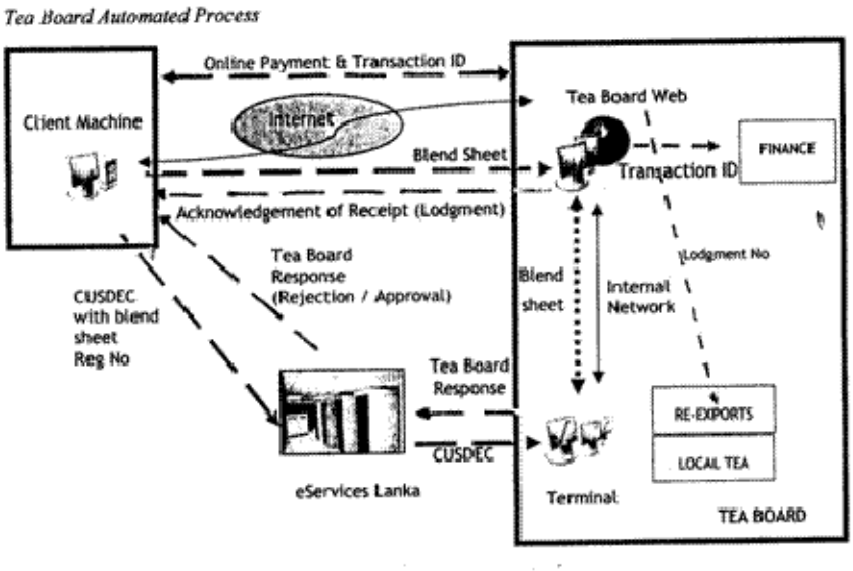
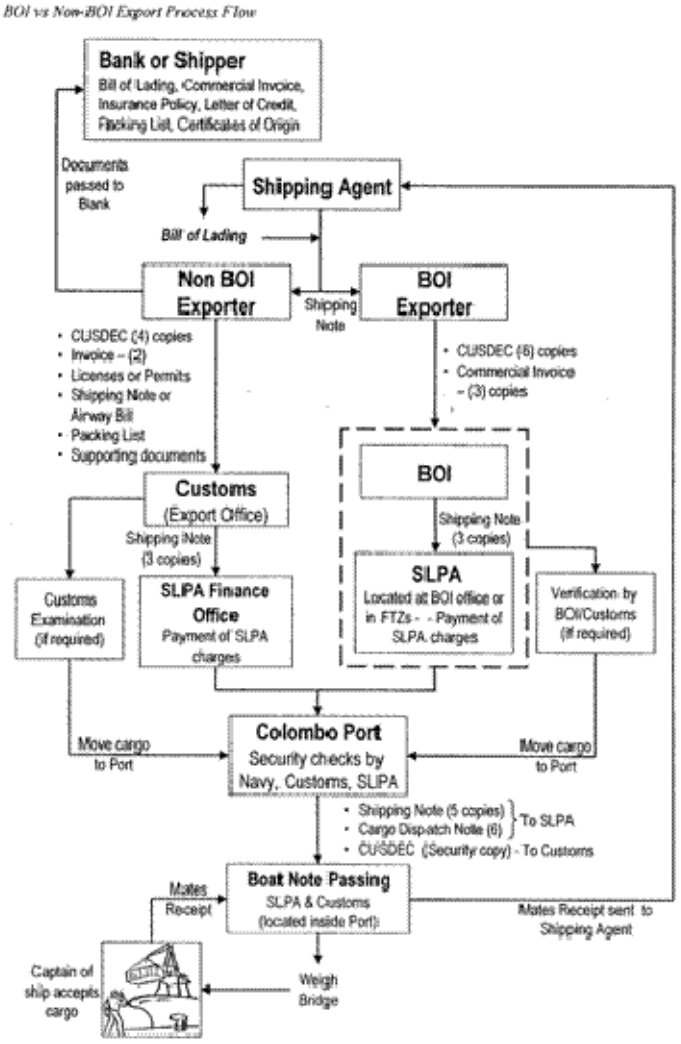
Annexure 1: Tea Board Automated Process



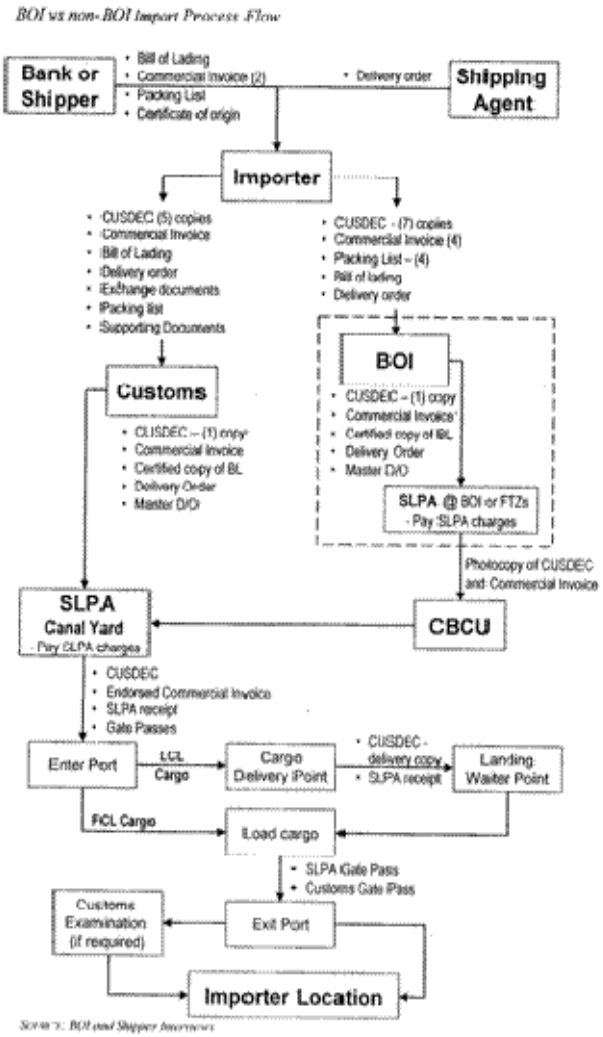
Source: e-Services.

Annexure 2: BOI vs Non - BOI Export Process Flow



Source: USAID, 2007.

Annexure 3: BOI vs Non - BOI Import Process Flow



Source: USAID, 2007.

Annexure 4: List of Stakeholders Interviewed

List of Stakeholders Interviewed

Name	Designation/Agency
Mr. Vinesh Athukorala	Chief Executive Officer, eServices Lanka Ltd.
Mr. Shantha De Silva	Consultant in Trade Facilitation and Electronic Business
Mr. A Dias	Director of Customs, Sri Lanka Customs
Ms. Hemachandra	Assistant Director-Information Systems, Sri Lanka Ports Authority
Mr. Niral Kadawatharatchie	Chairman, Freightlinks International
Mr. Rohan Masakorale	Deputy Secretary General, Joint Apparal Association Forum
Mr. Mohan Mendis	Former Chairman, Exporters Association/ consultant-Mabroc Teas
Ms. Manel Rodrigo	Asst. Secretary General, Joint Apparal Association Forum
Ms. Sifarah Rumi	Ceylon Chamber of Commerce
Mr. Nimal Udugampola	Commissioner, Sri Lanka Tea Board
Mr. Ghouse Arfin	Managing Director, Overseas Cargo Consultants Ltd.
Mr. Jayalath De Seram	Transport Manager, D.P.Jayasinghe Tours & Transport Co. Ltd.
Mr. M. R. Jalaldeen	Import Executive, Landmarks Clearing & Forwarding Agents
Mr. Ranga Koralage	Managing , Premium Trading & Logistics(Pvt.) Ltd.
Mr. Moorthy	Tee Pee Emm & Company
Mr. Paiva	Director, Aitken Spence Cargo (Pvt) Ltd.
Mr. Nujith Samerawickrema	Chairman, Association of Clearing and Forwarding Agents and Director, Customs Compliance & International Supply Chain, Capitol AEI (Pvt) Ltd
Mr. Jagath Pathirane	ExpoLanka Freight Ltd.
Mr. S.K.N.Tharumapalan	Tharumapalans&Sons
Mr. Noel Priyatilaka	Chairman, Sri Lanka Apparel Exporters Association
Mr. Ranjith Tissera	Director, Classic Garment (Pte) Ltd.
Mr. Hussain Sadique	Deputy Managing Director, Percs Clothing Pvt Ltd.
Mr. Ajith Jayasekera	Manager-Logistics, Brandix Apparel Ltd.
Mr. Rohan Ranasinghe	Head of Commercial, MAS Holdings
Mr. Fazly Zahira	Jeff Garments International
Mr. Wickramage	Emerald International
Mr. Pradeep	Selta (pvt) Ltd., Sakado Group
Ms. Chitra	Hidramani Group
Ms. Prishathi Marasinghe	Gold Block (pvt) Ltd.

Annexure 5: Questionnaire: Stakeholder Perception Survey (For Traders)

The Impact of Information Technology (IT) in Trade Facilitation on Small, Medium and Large Enterprises in Sri Lanka

QUESTIONNAIRE
Stakeholder Perception Survey (For Traders)

The Institute of Policy Studies (IPS) of Sri Lanka, the apex economic policy research institute in Sri Lanka has been commissioned this study by the Asia-Pacific Research and Training Network on Trade (ARTNeT) – UNESCAP. It aims to study how information technology in trade facilitation has had an impact on Small, Medium and Large Enterprises in Sri Lanka. The study will focus on especially, the automation of the customs declarations process and as a crucial stakeholder your feedback on the following would be greatly beneficial. The company details and individual responses will be strictly confidential and will not be made public or shared with another party.

A. Identification of Respondent

1. Name of the Respondent and Position: _____
2. Name of Company: _____
3. Main Business Activity: _____
4. Address: _____
5. Telephone No_____ e-mail: _____
6. Date of Response _____

B. Company Details

1. What is the company involved in? Please tick the relevant box.

   a) ☐ Imports only b) ☐ Exports only c) ☐ Imports and Exports both

2. If you import/export, what are they? Please list the products (and their relevant HS Codes).

   a) Imports: _____

   b) Exports: _____

3. Do you produce/supply to the local market? a) ☐ Yes b) ☐ No
4. If YES, how much of your production is exported (give approximate %)? _____
5. Annual Export Turnover (Rs.): _____ Annual Import Expenditure (Rs.): _____
6. Is the company registered as: a) ☐ BOI b) ☐ Non BOI
7. When was the company set up? _____
8. Number of Employees: _____
9. Capital value in Rs.(excluding land and buildings): _____
10. How would you categorize yourself in the industry?

    a) ☐ Large-scale b) ☐ Medium-scale c) ☐ Small-scale

    Large, medium and small scale in terms of,

a) ☐ Number of employees b) ☐ Capital c) ☐ Turnover

C. Cargo Declaration Process

1. How often do you lodge Customs Declarations (CUSDECS)? Please tick one box for exports and/or imports and state the approximate number of lodgments

   Imports:
   a) ☐ Daily _____b) ☐ Weekly _____ c) ☐ Monthly _____

   Exports:
   a) ☐ Daily _____b) ☐ Weekly _____ c) ☐ Monthly _____

2. Do you lodge CUSDECs yourself?
   a) ☐ Yes b) ☐ No (If NO, go to Q. C7) c) ☐ Sometimes

3. If YES to Q. C2, do you have a separate division/department within your organization handling import/export documentation/procedures?

   a) ☐ Yes b) ☐ No

4. If YES, pls. state the number of persons within the division:_____

5. Does the division handle? a) ☐ exports only b) ☐ imports only c) ☐ both

6. Why do you prefer to lodge the CUSDECS yourself without going through an agent? Pls. list the reasons (i.e. cost, time, convenience, reliability, etc.):
   _____
   _____

7. If the answer is *NO/ SOMETIMES* to question C2, who lodges it?

   a) ☐ CHA b) ☐ Freight Forwarder
   c) ☐ Shipping Agent d) ☐ Others. Pls. specify: _____

   Please state the reasons why you prefer to go through an agent (i.e. cost, time, convenience, reliability, etc.)?
   _____
   _____

8. Do you think the size of your company affects your decision to use an agent or not?

   a) ☐ Yes b) ☐ No

9. Are you aware of the possibility of lodging CUSDECS electronically?

   a) ☐ Yes b) ☐ No

10. How are the CUSDECS lodged? Pick the relevant answer/s

    a) ☐ Manually (by going to Customs/BOI physically)
    b) ☐ Electronically (using EDI provided by eServices)
    c) ☐ Using DTI (Direct Trader Input)
    d) ☐ Combination of the above

If the answer is d) what is the approximate percentage of CUSDECs lodged using each method?

a) Manually:____ % b) EDI:____ % c) DTI: ____ %

11. How much do you pay to lodge a CUSDEC? Please tick the relevant boxes and state the amount.

a) ☐ Manually: Rs. _____
b) ☐ Electronically (using EDI provided by eServices): Rs. _____
c) ☐ Using DTI (Direct Trader Input): Rs. _____

12. When did you first start lodging CUSDECS electronically?

a) ☐ DTI: year_____ a) ☐ EDI: year_____

13. Since then, has the number of electronic lodgments of CUSDECS increased, decreased or remained unchanged?

a) ☐ Increased
b) ☐ Decreased
c) ☐ Unchanged

14. Currently which method do you *prefer* to use the most?

Exports:
a) ☐ Manual b) ☐ EDI c) ☐ DTI

Imports:
a) ☐ Manual b) ☐ EDI c) ☐ DTI

Please state the reason why you prefer the above method/s:
_____
_____

15. Apart from the Customs/BoI what are the other different agencies including regulatory agencies that you need to visit for obtaining/submitting the necessary import/export documentation? Please list:
_____
_____

16. Approx. how many documents do you need to fill-in at the above agencies? Pls. indicate the number of documents (on average) required for: a) exports, b) imports and C) what these documents are and how many copies are required (if any):

a) Exports:-_____ b) Imports:_____ c) List of main documents:
_____
_____

17. What agencies and documents (listed above) are cumbersome and would benefit from automation other than the Customs and CUSDEC form? Pls. list these according to priority for automation:_____
_____
_____

18. Do you obtain the e-Certificate of Origin from the Ceylon Chambers of Commerce?

a) ☐ Yes b) ☐ No

If *YES,* has it been helpful facilitate trade? a) ☐ Yes b) ☐ No

19. In your opinion, how much of the export/import procedure has been automated? Please circle the relevant percentage (0 representing no automation and 100% representing full automation):

None *Fully*
0-----10%-----20%-----30%-----40%-----50%-----60%-----70%-----80%-----90%-----100%

20. Do you think you have been marginalized due to the size of your company, in participating and benefiting from the automation of the export/import procedure?

a) ☐ Yes b) ☐ No c) ☐ Do not know

21. Are you satisfied with the current status of automation of export/import procedure in the country?

a) ☐ Yes b) ☐ No c) ☐ Do not know

22. How would you rate the services provided by eServices?

a) ☐ Excellent b) ☐ Satisfied c) ☐ Poor
d) ☐ Very Poor e) ☐ Do not know

D. Adapting to Electronic Lodgment

1. Does the company use IT in conducting its day to day business activities?

a) ☐ Yes b) ☐ No

2. If your company has its own IT facilities for import/export procedures, does this include:

a) ☐ Computer with internet connectivity
b) ☐ Software that computes taxes due
c) ☐ System that allows you to send the import/export information electronically to agent
d) ☐ Other. Please describe: _____

3. Did you have to make any new investments in IT (such as computer equipment, software and internet connections) as a result of introducing electronic lodgment of entries?

a) ☐ Yes b) ☐ No

4. If *YES*, how much was your investment? Rs._____

5. In what areas did you have to make adjustments in, adapting to electronic lodgment? Pls. tick the relevant boxes and explain if necessary

a)☐ organization and staffing _____
b)☐ training _____
c)☐ procedures _____
d)☐ budget _____
e)☐ equipment _____
f) ☐ system configuration and connectivity _____
g)☐ other adjustments _____

6. What were the major problems encountered in adapting to electronic lodgment?
_____

7. Have you received any help/support from the EDI service provider, eServices?

a) ☐ Yes b) ☐ No

If *YES*, please tick the relevant boxes

a) ☐Training of personnel
b) ☐Provision of equipment
c) ☐Financial support
d) ☐Other. Please specify:_____

8. Have you received help/support from government/private/international organization to adapt to electronic lodgment?

a) ☐ Yes b) ☐ No

If *YES*, please tick the relevant box & give the names of organization/s:

a) ☐ Government: _____
b) ☐ Private: _____
c) ☐ International: _____

9. What type of support did you receive from above?

a) ☐ Training of personnel
b) ☐ Provision of equipment
c) ☐ Financial support
d) ☐ Other. Please Specify: _____

10. In which areas would you need more help/support to adapt to electronic lodgment? Please tick the relevant boxes and rank them (1 to 7, 1 being the most important)
_____

a)☐ organization and staffing: _____
b)☐ training _____
c)☐ procedures _____
d)☐ budget _____
e)☐ equipment _____
f) ☐ system configuration and connectivity _____
g)☐ other adjustments: _____

E. Benefits from IT based Export/Import Procedures

1. What changes have you experienced by lodging CUSDECS electronically, compared to doing it manually (please tick the relevant electronic system and the related boxes)?

a) ☐ DTI
- ☐ Shorter average *lodgment time* by _____hours _____ minutes
- ☐ Longer average *lodgment time* by _____hours _____ minutes
- ☐ No significant difference in average *lodgment time*
- ☐ Shorter average *clearance time* by _____hours _____ minutes
- ☐ Longer average *clearance time* by _____hours _____ minutes
- ☐ No significant difference in average *clearance time*
- ☐ Increase in *lodgment costs* involved
- ☐ Decline in *lodgment costs* involved

b) ☐ EDI

☐ Shorter average *lodgment time* by _____hours _____ minutes

☐ Longer average *lodgment time* by _____hours _____ minutes

☐ No significant difference in average *lodgment time*

☐ Shorter average *clearance time* by _____hours _____ minutes

☐ Longer average *clearance time* by _____hours _____ minutes

☐ No significant difference in average *clearance time*

☐ Increase in *lodgment costs* involved

☐ Decline in *lodgment costs* involved

If it led to a longer average lodgment/clearance time and increase in lodgment costs,what do you think are the reasons?

_____

_____

2. In what other ways have you benefited from electronic lodgment? Please circle the relevant number.

a) Can provide quicker service for clients

No benefit *Highly beneficial*

1----------2----------3----------4----------5

b) Freedom to work outside Customs normal working hours

No benefit *Highly beneficial*

1----------2----------3----------4----------5

c) Reduced traveling, delays and queues at Customs

No benefit *Highly beneficial*

1----------2----------3----------4----------5

d) Easy access to own declaration data from the system

No benefit *Highly beneficial*

1----------2----------3----------4----------5

e) Other (please specify):_____

3. Did the size of the company affect the decision on adapting to automation in import/export procedure?

a) ☐ Yes b) ☐ No

4. Are there shortcomings in the current system of electronics lodgment?

a) ☐ Yes b) ☐ No

If YES, what are they? _____

5. Do you think that automation has had an impact on your Small and Medium Sized (SME) clients?

a) ☐ Yes b) ☐ No c) ☐ Do not know

6. If *YES*, has the impact been:

a) ☐ More positive for SMEs than large clients
b) ☐ Same for SMEs and large clients
c) ☐ Less positive for SMEs than large clients
d) ☐ Negative as the system advantages larger clients

7. Has the participation of SME clients/firms in trade increased since the system has been automated relative to that of large clients?

a) ☐ Yes b) ☐ No c) ☐ Do not know

8. Other than electronic lodgments are there any other import/export procedures in place which discriminate against SMEs (as opposed to large firms)?

a) ☐ Yes b) ☐ No

If yes, what are they?

_____

9. What more do you think needs to be done to develop automation in trade facilitation in Sri Lanka? Pls. explain

_____
_____

10. What improvements/changes to the system could be done to support the participation of SME clients? Pls. explain

_____
_____

Thank you for your feedback! Please return to janaka@ips.lk or suwendrani@ips.lk or fax 011- 2431395 . Tel. (011) 2431368

Annexure 6: Questionnaire: Stakeholder Perception Survey (For Agents)

The Impact of Information Technology (IT) in Trade Facilitation on Small, Medium and Large Enterprises in Sri Lanka

QUESTIONNAIRE
Stakeholder Perception Survey (For Agents)

The Institute of Policy Studies (IPS) of Sri Lanka, the apex economic policy research institute in Sri Lanka, has been commissioned by the Asia-Pacific Research and Training Network on Trade (ARTNeT) – UNESCAP to study the impact of information technology in trade facilitation on Small, Medium and Large Enterprises in Sri Lanka. The study will especially focus on the automation of the customs declarations process and as a crucial stakeholder your feedback would be greatly beneficial. The company details and individual responses will be strictly confidential and will not be made public or shared with another party. Thank you for your time and cooperation!

A. Identification of Respondent and Company Profile

1.Nameof the Respondent and Position: _____

2. Name of Company**:** _____

3.Address: _____

4.Telephone Number: _____e-mail: _____

5. Main Business Activity: ☐ CHA ☐ Freight Forwarder
☐Shipping Agent ☐ Other (specify):_____

6. Number of Years in Business: _____

7. Number of Employees: _____

8. Number of Customers: _____

9. What is the profile of your customers (small, medium, large scale) and how much do they account for your business (% out of total no. of customers?

a) ☐ Small _____ b) ☐ Medium _____ c) ☐ Large _____

10. What are the main products that you handle? _____

_____

11. Date of Response: _____

B. Cargo Declaration Process

1. How often do you lodge Customs Declarations (CUSDECS)? Please tick one box for exports and/or imports and state the approximate number of lodgments.

Exports:
a) ☐ Daily _____ b) ☐ Weekly _____ c) ☐ Monthly _____

Imports:
a) ☐ Daily _____ b) ☐ Weekly _____ c) ☐ Monthly _____

3. What is the percentage of CUSDEC lodged on behalf of BoI and Non-BoI firms?

Exports:
a) BoI :_____% b) Non-BoI :_____%

Imports:
a) BoI :_____% b) Non-BoI :_____%

4. How do you lodge the CUSDECS? Pick the relevant boxes.

a) Manually (by going to Customs/BOI physically) ☐
b) Electronically (using EDI provided by eServices) ☐
c) Using DTI (Direct Trader Input) ☐
d) Combination of the above ☐

4. If the answer is *d*) what is the approximate percentage of CUSDEC lodgments using each method, for BoI and Non-BoI firms?

Exports (BoI):	a) Manually: ____ %	b) EDI: ____ %	c) DTI: ____ %
Exports (non-BoI):	a) Manually: ____ %	b) EDI: ____ %	c) DTI: ____ %
Imports (BoI):	a) Manually: ____ %	b) EDI: ____ %	c) DTI: ____ %
Imports (non- BoI):	a) Manually: ____ %	b) EDI: ____ %	c) DTI: ____ %

5. How much do you pay to lodge a CUSDEC? Pls. tick the relevant and state the amount.

a) ☐ Manually: Rs. _____
b) ☐ Electronically (using EDI provided by eServices): Rs. _____
c) ☐ Using DTI (Direct Trader Input): Rs. _____

6. Does the lodgment fee differ according to size of the firm, industry, size of shipment or any other criteria?

a) ☐ Yes b) ☐ No

7. If *Yes*, pls. tick the relevant boxes:

a) ☐ Size of the firm b) ☐ Size of the shipment c) ☐ Industry
d) ☐ Other. Pls. specify: _____

8. Do you think the size of a company (small, medium, large) affects its decision to use an agent or not?

a) ☐ Yes b) ☐ No

9. Do you think SMEs are aware of the possibility of lodging CUSDECS electronically?

a) ☐ Yes b) ☐ No

10. Currently which method do you prefer to use the most for exports and imports?

Exports:

a) ☐ Manual b) ☐ EDI c) ☐ DTI

Imports:

a) ☐ Manual b) ☐ EDI c) ☐ DTI

Please state the reason for your choice:

_____

_____

11. Which method do your *clients* in general prefer to use the most for export and imports?

a) ☐ Manual b) ☐ Electronic submission
c) ☐ DTI d) ☐ Not specific

If answer is a, b or c, please state why they specifically prefer that method

_____

_____

12. Which methods do *SMEs* specifically prefer to use?

a) ☐ Manual b) ☐ Electronic submission
c) ☐ DTI d) ☐ Not specific

If answer is a, b or c, please state why they specifically prefer that method?

_____

_____

13. How much of the export/import procedure has been automated? Please circle the relevant percentage (0 representing no automation and 100% representing full automation).

None *Fully*

0----10%----20%----30%----40%----50%----60%----70%----80%----90%----100%

14. Apart from the Customs what are the *other different agencies* including regulatory bodies that you need to visit for obtaining/submitting the necessary import/export documentation? Pls. list the *main* agencies that you frequently liaise with:

_____

_____

_____

15. Approx. how many documents do you need to fill-in at the above agencies? Pls. indicate the number of documents (on average) required for: a) exports, b) imports and C) what these documents are and how many copies are required (if any):

a) Exports:-_____ b) Imports:_____ c) List of main documents:

_____

_____

_____

16. What agencies and documents (listed above) would benefit from *automation* other than the CUSDECs? Pls. state these according to priority._____

_____

_____

_____

C. Adapting to Electronic Lodgment

1. If your company has its own IT system for import/export transactions, does this include:

   a) ☐ Computer with internet connectivity
   b) ☐ Software that computes taxes due
   c) ☐ System that allows clients to send the import/export information electronically
   d) ☐ Others. Please describe:_____

2. When did you first start lodging CUSDECS electronically (year)?

   a) ☐ DTI: year_____ a) ☐ EDI: year_____

3. Since then, has the number of electronic lodgments of CUSDECS through DTI/EDI increased, decreased or remained unchanged?

   a) EDI: ☐ Increased b) ☐ Decreased c) ☐ Unchanged

   b) DTI: ☐ Increased b) ☐ Decreased c) ☐ Unchanged

4. Did you have to make any new investments in IT (such as computer equipment, software and internet connections) as a result of introducing electronic lodgment of entries?

   a) ☐ Yes b) ☐ No

   If *Yes*, how much was your investment? Rs. _____

5. In what areas did you have to make adjustments in adapting to electronic lodgment? Pls. tick the relevant boxes and describe if necessary

   a) ☐ organization and staffing: _____
   b) ☐ training_____
   c) ☐ procedures: _____
   d) ☐ budget: _____
   e) ☐ equipment: _____
   f) ☐ system configuration and connectivity: _____
   j) ☐ other adjustments: _____

6. What were the major problems encountered in adapting to electronic lodgment? Pls. list

   _____
   _____

7. Have you received any help/support from the EDI service provider, eServices?

   a) ☐ Yes b) ☐ No

   If *Yes*, please tick the relevant boxes

   a) ☐Training of personnel
   b) ☐Provision of equipment
   c) ☐Financial support
   d) ☐Other. Please specify: _____

8. Have you received help/support from government (i.e. customs)/private/international organizations to adapt to electronic lodgment?

   a) ☐ Yes b) ☐ No

9. If *Yes*, please tick the relevant box & give the names of organization/s:

a) ☐ Government: _____
b) ☐ Private: _____
c) ☐ International: _____

10. What type of support did you receive from above?

a) ☐ Training of personnel
b) ☐ Provision of equipment
c) ☐ Financial support
d) ☐ Other. Please specify: _____

11. In which areas would you need more help/support to adapt to electronic lodgment? Please tick the relevant boxes and rank them (1 to 7, 1 being the most important)
_____

a)☐ organization and staffing: _____
b)☐ training _____
c)☐ procedures _____
d)☐ budget _____
e)☐ equipment _____
f) ☐ system configuration and connectivity _____
g)☐ other adjustments: _____

D. Benefits and Costs of Customs Automation

2. What changes have you experienced by lodging CUSDECS electronically, compared to doing it manually (please tick the relevant electronic system and the related boxes)?

a) ☐ DTI

☐ Shorter average *lodgment time* by _____hours _____ minutes
☐ Longer average *lodgment time* by _____hours _____ minutes
☐ No significant difference in average *lodgment time*
☐ Shorter average *clearance time* by _____hours _____ minutes
☐ Longer average *clearance time* by _____hours _____ minutes
☐ No significant difference in average *clearance time*
☐ Increase in *lodgment costs* involved
☐ Decline in *lodgment costs* involved

b) ☐ EDI

☐ Shorter average *lodgment time* by _____hours _____ minutes
☐ Longer average *lodgment time* by _____hours _____ minutes
☐ No significant difference in average *lodgment time*
☐ Shorter average *clearance time* by _____hours _____ minutes
☐ Longer average *clearance time* by _____hours _____ minutes
☐ No significant difference in average *clearance time*
☐ Increase in *lodgment costs* involved

☐ Decline in *lodgment costs* involved

3. If it led to a longer average lodgment/clearance time and increase in lodgment costs, what do you think are the reasons?

_____
_____

3. In what other ways have you benefited from electronic lodgment? Please circle the relevant number.

a) Can provide quicker service for clients

No benefit *Highly beneficial*
1----------2----------3----------4----------5

b) Freedom to work outside Customs normal working hours

No benefit *Highly beneficial*
1----------2----------3----------4----------5

c) Reduced traveling, delays and queues at Customs

No benefit *Highly beneficial*
1----------2----------3----------4----------5

d) Easy access to own declaration data from the system

No benefit *Highly beneficial*
1----------2----------3----------4----------5

e) Other (please specify):_____

5. Are there any shortcomings in the current system of electronic lodgment?

a) ☐ Yes b) ☐ No

If Yes, what are they?

_____
_____

5. Do you think that automation has had an impact on your Small and Medium Sized (SME) clients?

a) ☐ Yes b) ☐ No c) ☐ Do not know

6. If *Yes*, has the impact been:

a) ☐ More positive for SMEs than large clients
b) ☐ Same for SMEs and large clients
c) ☐ Less positive for SMEs than large clients
d) ☐ Negative as the system advantages larger clients

7. Since the automation of the system has the participation of SME clients/firms in trade increased relative to that of large clients?

a) ☐ Yes b) ☐ No c) ☐ Do not know

8. Other than electronic lodgments are there any other import/export procedures in place which discriminate against SMEs (as opposed to large firms)?

a) ☐ Yes b) ☐ No

If yes, what are they?

_____

9. What more do you think needs to be done to develop automation in trade facilitation in Sri Lanka? Pls. explain

_____
_____
_____

10. What improvements/changes to the system could be done to support the participation of SME clients? Pls. explain

_____
_____
_____

Thank you for your feedback! Please return to janaka@ips.lk or suwendrani@ips.lk or fax 011- 2431395 . Tel. (011) 2431368