

Impact of IT in Trade Facilitation on SMEs in Sri Lanka

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Outline

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

Background

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



Trade Facilitation in Sri Lanka: Current Status

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

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

- **Documentation – Imports:**

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

- **Documentation – Exports:**

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

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

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

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

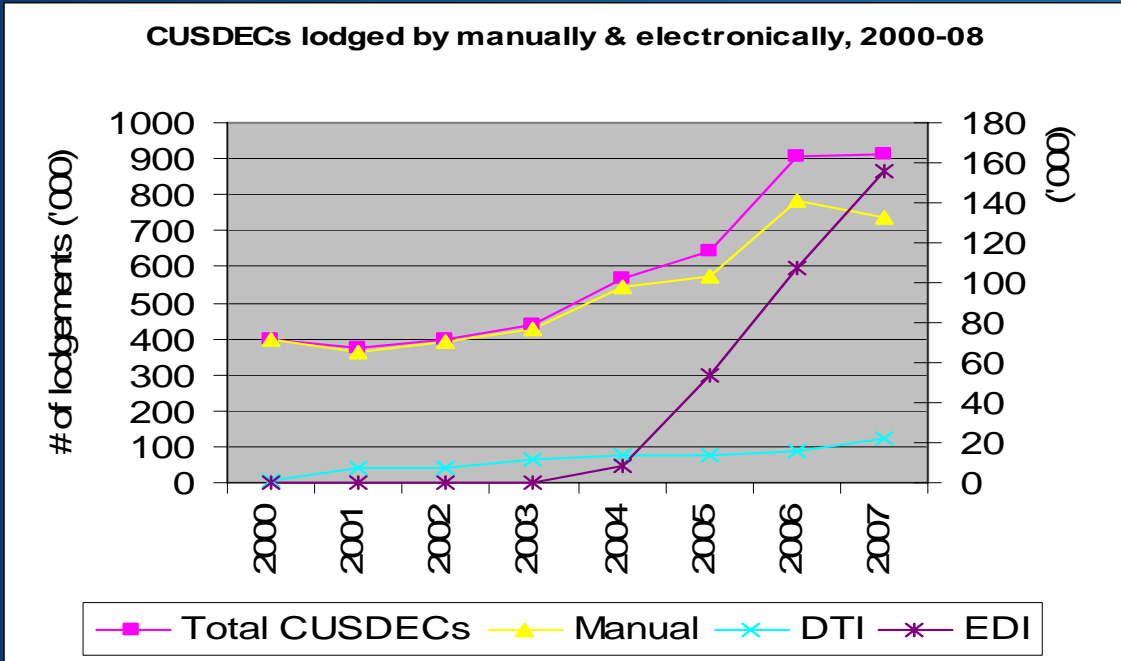
Use of IT in TF in Sri Lanka

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

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

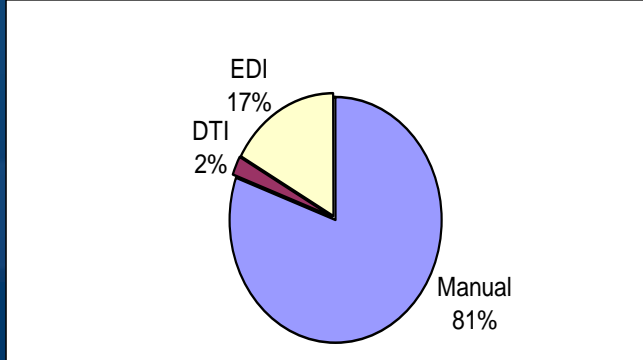
- Electronic Data Interchange (EDI)
 - Sri Lanka Automated Cargo Clearance System (SLACCS) : 2002
 - eServices : service Provider, a public-private venture
 - Partially automated : can only submit CUSDEC electronically
 - Online submission of manifests and sub manifests being tested
 - Electronic payment,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

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



-08

CUSDECs Lodged Manually & Electronically, 2007



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

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

Survey

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

Survey Results.....

Summary of responses of stakeholders: garment industry

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

Survey Results contd.....

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

Summary of responses of stakeholders: agents

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

Survey Results contd.....

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

Recommendations

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

Thank you!!

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