

TRADE AND TRANSPORT FACILITATION: PRIORITIES IN SRI LANKA

INTRODUCTION

Sri Lanka has undertaken key initiatives to facilitate trade and transport, which has helped its ranking among South Asian countries in some of the key trade facilitation (TF) indicators. Despite the recent initiatives, the country still has a lot to do to reach TF levels of Singapore which is cited as the benchmark by policy makers and private sector in the country.

This policy brief highlights main findings from the IPS study on 'Trade and Transport Facilitation Audit in Sri Lanka'. The objectives of the study were to: (i) assess the current status of TF in Sri Lanka; and (ii) to identify priority areas of TF. The main findings are that a majority of the TF measures are non-contentious and can be implemented at a relatively low cost. It is important that Sri Lanka pursues pertinent issues without further delay given that facilitation of trade will be key to Sri Lanka's growth through expansion of trade, and promotion of FDI.

METHODOLOGY

As part of the study, a survey was carried out among 121 stakeholders in the country to assess the current status of TF in the country and related priorities. The respondents included exporters, importers, shipping lines, freight forwarders, road carriers, chambers and relevant government agencies.

The study focused on the experiences of Sri Lankan exporters and importers trading with South Asian countries through (i) the Colombo Port, which handles over 99 per cent of country's international trade, and (ii) Bandaranaike International Airport (BIA), which is the country's main international airport. A stakeholder consultation meeting was also held to validate the findings.

PRIORITY AREAS OF TRADE FACILITATION

Table 1 and Figures 1-2 highlight the priority areas of TF in Sri Lanka based on the survey responses.

Publication and Administration of Policies Related to Trade Issues

An equal number of respondents rated the publication of related rules and regulations, and an inquiry point on export/import procedures to be of high priority (Table 1). Although the publication of trade related rules and regulations is carried out to some extent, it is not comprehensive, adequate or effective. The responses also suggest the need for an effective inquiry point.

Use of ICT for Exports and Imports

A majority of respondents highlighted the need for a single window in the country (Table 1). They stated that such a system is required to minimize human intervention in the trading process. The need for electronic/online submission of customs documents was also

identified to be a high priority. While the export process is almost entirely automated, the import process is yet to be completely automated.

Rules and Procedures for Imports and Exports

The top 5 priority areas under this were identified to be the need to: (i) reduce time taken to clear goods, (ii) reduce irregular payments/bribes, (iii) increase coordination between border management agencies, (iv) decrease the number/time required for export/import documents, and (v) pre-arrival processing of import documents (Figure 1).

Trade Related Infrastructure

The need to improve quality/efficiency of ports, roads, the quality of warehouses and the need to reduce loss/damage of cargo and the cost of using logistics services were some of the main areas of TF identified in trade related infrastructure (Figure 2). While acknowledging the recent road developments, congestion on roads was identified as a major drawback.

Table 1: Priorities in Publication /Administration of Trade Policies and Use of ICT		
	Enquiry point on import/export procedures & formalities	73%
	Publication of trade related rules & requirements	73%
	Single Window	88%
	Electronic/online submission of customs documents	83%

Figure 1: Priority Area in Rules & Procedures for Trade

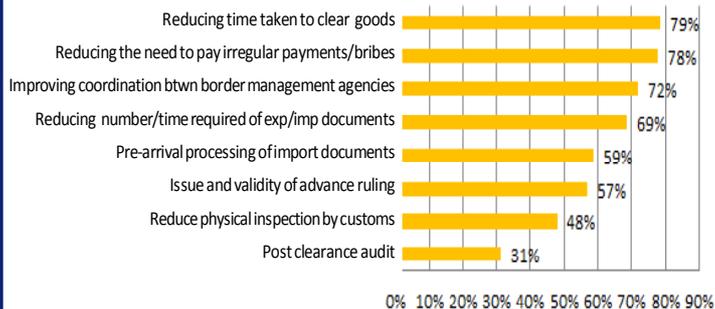
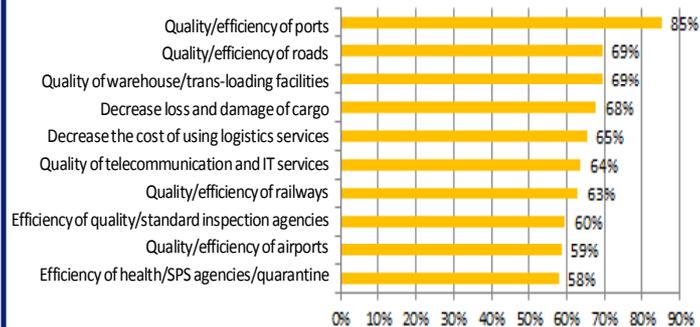


Figure 2: Priorities in Trade Related Infrastructure & Services



POLICY RECOMMENDATIONS

Setting up/Strengthening Inquiry

Points: Setting up a single reference point, which provides all trade related information including laws, regulations, procedures, tariffs, will be beneficial for the trading community. In this regard, a website that integrates all trade-related information available on different ministries/agency websites will give traders access to relevant information by just entering the HS code of a product. In addition, setting up a national enquiry point which functions as a coordinating body between the traders and the relevant regulatory bodies can play a key role in facilitating trade. It can collect requests, direct them to relevant regulatory bodies, compile responses and inform the requesting party.

Change of Mindset and Culture:

Changing the mindset of officers in key institutions in the trading process and adopting new ways of conducting business is required. Likewise, the private sector needs to produce the correct and required documentation without resorting to irregular payments as a relatively easier means of clearing goods. Conducting awareness programmes and holding regular forums with the participation of all stakeholders can help implement reforms successfully. More importantly, committed leadership and an effective monitoring process are necessary to push through required reforms.

Building Capacities of Testing

Laboratories: Local laboratories are not equipped to issue certain international certifications for a number of products and lack the capacity to handle a large number of requests. Hence, the capacities of testing laboratories need to be strengthened so that (i) test reports can be

given without undue delays, and (ii) labs are equipped to undertake necessary tests. This will reduce the costs incurred by importers such as demurrage costs and opportunity costs of holding products idle at the port.

Establishing an Independent Non-Judicial Review/Appeal Procedure:

Currently, a trader can appeal to the Director General of Customs if they do not agree with a decision taken at the operational level, and to the Minister of the Ministry of Finance and Planning under whose purview Customs functions. Traders could also appeal to the Tax Appeals Commission, but this Commission is not functional. In this context, establishing an ombudsman specialized in customs and tariff regulatory matters can assist the trading community.

Extending Pre-arrival Processing to More

Products: Pre-arrival processing is currently available for a limited number of products (i.e. perishables). Extending this to other products would facilitate trade. However, this requires legal amendments to the Customs Ordinance, which is over 200 years old.

Upgrade Facilities at Colombo Port and Reduce Congestion:

While acknowledging the recent improvements at the Colombo Port, the need to upgrade the port and its equipment were highlighted. Improvements are needed if Sri Lanka is to become a maritime hub and not a mere transshipment hub. Problems such as congestion at the Colombo Port can also be reduced if more gates are opened. Currently only 2-3 gates of the 9 gates are open at any given time.

Improving Other Infrastructure Facilities

Warehouse Facilities: Traders highlighted the lack of adequate facilities available at warehouses, i.e. lack of proper storage racking systems, poor conditions within

them, poor handling, inadequate security. The main reasons for losses/ damages were identified due to the mishandling of cargo, mainly at the port and the warehouses.

Rail Transport: The railway network and the services offered by the Sri Lanka Railway are not sufficient for freight transport. Current services only provide the function of transporting good with little loading/unloading facilities. Despite railway transport charges being low, when all other relevant charges are added, it becomes more costly than road transport. Developing an integrated multi-modal transportations system is necessary if traders are to receive cost/time benefits of using the railway system.

Scanning Facilities: Scanning facilities at the port are minimal, resulting in containers being opened for checking. This creates delays, adds to cost and reduces the quality of perishable goods. Airport security at BIA sometimes carry out random checks of products before they are allowed to enter the airport premises, requiring exporters to unload products. Hence, there is a need to acquire necessary scanning devices which will facilitate trade whilst maintaining the security of the country in a more efficient manner.

This policy brief is based on findings from a study on 'Trade and Transport Facilitation Audit in Sri Lanka' carried out by IPS researchers Suwendrani Jayaratne, Dharshani Premaratne and Janaka Wijayasiri. Contact us on suwendrani@ips.lk or janaka@ips.lk for more information.



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