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TRADE AND TRANSPORTATION AUDIT: SRI LANKA

SUWENDRANI JAYARATNE, DHARSHANI PREMARATNE AND
JANAKA WIJAYASIRI



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Please address orders to:
Institute of Policy Studies of Sri Lanka
100/20, Independence Avenue, Colombo 7, Sri Lanka
Tel: +94 11 2143100 Fax: +94 11 2665065
Email: ips@ips.lk
Website: www.ips.lk
Blog: 'Talking Economics' - <http://www.ips.lk/talkingeconomics>
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Suwendrani Jayaratne is a Research Officer at the IPS. Her work is mainly focused on international trade and migration. She has a MA in International and Development Economics from the Australian National University and a BA in Economics from the University of Peradeniya.



Dharshani Premaratne was a Research Officer at IPS. Her research interests include macroeconomic policy and International economics. She holds a MA in International and Development Economics from the Australian National University, and BA with First Class (Hons.) in Economics from the University of Peradeniya.



Janaka Wijayasiri is a Research Fellow at IPS. His areas of research interest includes trade issues at the bilateral, regional and multilateral levels. He has a PhD from Monash University, a MA in Economics of Development from the Institute of Social Studies, and a BA in Economics with Development Studies from the University of Sussex.

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Abstract

Sri Lanka has undertaken key initiatives in recent years to facilitate trade and transport, with leading agencies in the trading process such as the Sri Lanka Customs and the Sri Lanka Ports Authority undertaking automation, infrastructure expansions and other measures to facilitate trade. Sri Lanka also ratified the WTO Trade Facilitation Agreement in May 2016 which would make commitments in identified areas of trade facilitation binding, when it comes into effect. Despite these developments, Sri Lanka is far from reaching the facilitation levels of best performing countries such as Singapore. Given that the country is an island economy, it can position itself much better than its South Asian neighbours to facilitate trade and gain from higher levels of trade, investment and economic growth. In this context, this study aims to, (a) assess the current status of trade facilitation in Sri Lanka and, (b) identify trade facilitation reforms required in the country and their prioritization. The findings are based chiefly on a perception survey carried out among 121 different stakeholders in the import/export process including exporters, importers, freight forwarders, shipping lines, airline operators and others. Information was gathered particularly on the areas of publication of trade related rules and regulations; rules and procedures for export and import; trade-related infrastructure and services; and priority areas of trade facilitation. In addition to this, key informant interviews were also carried out with key government and private sector organizations. In addition to the the current status of trade facilitation the findings also provide stakeholder perception of the quality and efficiency of the provided services. The findings highlight the need for, a single inquiry point, change in mindset of key agencies as well as the private sector, capacity building of testing laboratories in the country, extension of pre-arrival processing facilities for more products, improved warehousing and scanning facilities, improvements in rail transport, and automating systems. The findings of this study will feed into a regional study carried out by SAWTEE.

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පසුගිය වර්ෂ කිහිපයේදී ශ්‍රී ලංකාව වෙළෙඳ සහ ප්‍රවාහන ක්ෂේත්‍රයන්හි පහසුකම් සැලසීම වෙනුවෙන් පියවරයන් රැසක්ම ගනු ලැබූ අතර ශ්‍රී ලංකා ටේරුව සහ ශ්‍රී ලංකා වරාය අධිකාරිය වැනි වෙළෙඳ අංශය සමග සබැඳි ප්‍රධාන ආයතන එහිදී මූලිකත්වය ගෙන කටයුතු කරන ලදී. එහිදී වෙළෙඳ ක්ෂේත්‍රයට අවශ්‍ය පහසුකම් සැලසීම සඳහා ස්වයංක්‍රීයකරණය, යටිතල පහසුකම් ව්‍යාප්තිකරණය සහ තවත් ක්‍රියා මාර්ග ගන්නා ලදී. 2016 වර්ෂයේ මැයි මාසයේදී ශ්‍රී ලංකාව ලෝක සංවිධානයේ වෙළෙඳ පහසුකම් සැලසීමේ ගිවිසුම අනුමත කරන ලදී. මෙම ගිවිසුම බලගැන්වූ විට ශ්‍රී ලංකාවට මෙම ක්‍රියාවලියට අනුගත වීමට සිදුවනු ඇත. මෙම සංවර්ධනයන් නොසලකා වෙළෙඳ පහසුකම් සැලීමේ මට්ටම් වෙත ළඟා නොවී සිටීමෙන් සිංගප්පූරුව වැනි විශිෂ්ට කාර්යසාධනයක් පෙන්නුම්කරන රාජ්‍යයන් වෙත ළඟාවීමේ ඉලක්කයෙන් ඉතා ඈතකට ගමන්කිරීම නොවැලැක්විය හැකිය. දැන් ආර්ථිකයක් සහිත රාජ්‍යයක් වශයෙන් සිය දකුණු ආසියානු අසල්වැසි රාජ්‍යයන් අතරින් වෙළෙඳ ක්ෂේත්‍රයට අවශ්‍ය පහසුකම් සලසමින් ආයෝජන සහ ආර්ථික වර්ධනයේ උපරිම තලයට ළඟාවීමේ හැකියාව ශ්‍රී ලංකාව සතු වේ. මෙම සන්ධිතය තුළ මෙම අධ්‍යයනයෙන් ඉලක්කගත කරන්නේ (a) ශ්‍රී ලංකාවේ වත්මන් වෙළෙඳ ක්ෂේත්‍ර පහසුකම් සැලසීම පිළිබඳව තක්සේරුවක් සිදුකිරීම සහ (b) රටට අවශ්‍ය වෙළෙඳ පහසුකම් ප්‍රතිසංස්කරණයන් සහ ඒවායේ ප්‍රමුඛතාකරණයන් හඳුනාගැනීමයි. ආනයන/ අපනයන අංශ නියෝජනය කරමින් සහයෝගිතාකරුවන් 121 ගේ සහභාගිත්වයෙන් සිදු කළ සමීක්ෂණයක් මත පදනම්ව ප්‍රධාන වශයෙන්ම මෙම සොයාගැනීම් ලබා ගෙන තිබෙන අතර, අපනයනකරුවන්, ආනයනකරුවන්, භාවික සමාගම්, ගුවන් ගමන් සේවා සැපයුම්කරුවන් සහ වෙනත් ක්ෂේත්‍ර කිහිපයකම නියෝජිතයින් ඊට අයත් වූහ. මෙහිදී වෙළෙඳාම් ආශ්‍රිත ඊනි සහ රෙගුලාසි, අපනයන සහ ආනයන ඊනි සහ ක්‍රියාමාර්ග, වෙළෙඳාම් ආශ්‍රිත යටිතල පහසුකම් සහ සේවා, සහ වෙළෙඳ පහසුකම් සැලසීමෙහි ප්‍රමුඛතා ක්ෂේත්‍ර පිළිබඳ තොරතුරු ගොනු කරගන්නා ලදී. ඊට අමතරව ප්‍රධාන පෙළේ රාජ්‍ය සහ පෞද්ගලික ආයතන සමග තොරතුරු ලබා ගන්නා සම්මුඛ සාකච්ඡා කිහිපයක්ම සිදුකරන ලදී. වත්මන් වෙළෙඳ පහසුකම් සැලසීමේ තත්ත්වයට අමතරව ලබා දෙන සේවාවන්හි ප්‍රමිතිය සහ ඵලදායිතාවය සම්බන්ධයෙන් සහයෝගිතාකරුවන් සතු අවබෝධය පිළිබඳව මෙහිදී අධ්‍යයනය කරන ලදී. කේන්ද්‍රීය විමසීම් මධ්‍යස්ථානයක්, රටේ පර්යේෂණාගාර ශබ්දනාචයන් වැඩි දියුණු කිරීම, හාණ්ඩ සඳහා පෙර පැමිණීම් ක්‍රියාවලි තව නිෂ්පාදන සඳහා ලබා දීම, ගබඩා සහ ස්කෑන් පහසුකම් වැඩි දියුණු කිරීම, දුම්රිය ප්‍රවාහනයේ වර්ධනයන් සිදුකිරීම, සහ ස්වයංක්‍රීය පද්ධතිවල වැඩි දියුණුව ආදිය මෙම අධ්‍යයනයෙහි සොයා ගත් කරුණු අතර ප්‍රමුඛ ස්ථානයක් ගනී. මෙම අධ්‍යයනයෙහි සොයාගත් කරුණු (SAWTEE) විසින් සිදුකරන කලාපීය අධ්‍යයනයට පදනමක් සපයනු ඇත.

பிரித்தெடுப்பு

இலங்கைச் சங்கம் மற்றும் இலங்கை துறைமுகங்கள் அதிகாரசபை போன்ற வர்த்தகச் செயன்முறையில் முன்னணி வகிக்கின்ற முகவரங்கள் தொடர்பில் வர்த்தகத்தை மேம்படுத்துவதற்காக தன்னியக்கச் செயற்பாடு, உட்கட்டமைப்பு வர்த்தக வரிவுபடுத்தல் மற்றும் ஏனைய செயற்பாடுகள் ஊடாக வர்த்தகம் மற்றும் போக்குவரத்து துறைக்கு வசதியளிப்புக்களைச் செய்வதற்காக அண்மைய ஆண்டுகளில் பிரதான முன்னெடுப்புக்களை இலங்கை செய்துள்ளது. இலங்கை, 2016 மே மாதத்தில் உலக வர்த்தக ஸ்தாபனத்தின் வர்த்தக உடன்படிக்கையினை உறுதிப்படுத்தியதுடன் இந்த உடன்படிக்கையானது அமுலுக்கு வரும் போது இனங்காணப்பட்ட வர்த்தக வசதியளிப்புக்கள் தொடர்பாக அர்பணிப்புக்களை இந்த உடன்படிக்கை ஏற்படுத்தும். இந்த அபிவிருத்திகளுக்குப் புறம்பாக, சிங்கப்பூர் போன்ற உயர் செயலாற்றுகை மட்டங்களில் வசதியளிப்புக்களை வழங்குகின்ற நாடுகளுடன் ஒப்பீடு செய்யும் போது இலங்கை பின்தங்கிய நிலையில் உள்ளது. இலங்கை ஒரு தீவாக பொருளாதாரமாக இருப்பதுடன் அதன் அமைவிடம் தென் ஆசிய அயல் நாடுகளின் அமைவிடங்களையும் பார்க்க சிறந்ததாக திகழ்வதனால் வர்த்தகத்திற்கு ஒத்துழைப்பு வழங்குவதற்கும் வர்த்தகம், முதலீடு மற்றும் பொருளாதார வளர்ச்சியில் உயர் மட்டத்தை அடைந்து கொள்வதற்கும் ஏதுவாக உள்ளது. இந்தப் பின்னணியில், இந்த ஆய்வானது (அ) இலங்கையின் வர்த்தக ஒத்துழைப்பு வழங்குவதில் அதன் தற்பொழுதைய நிலைமை தொடர்பாக பிரவேசிப்பதற்கும் (ஆ) நாட்டினதும் முன்னுரிமை படுத்தப்பட்ட விடயங்களின் வர்த்தக ஒத்துழைப்பு மறுசீரமைப்புக்களை இனங்கண்டு கொள்வதற்கும், இலக்கு வைத்துள்ளது. ஏற்றுமதியாளர்கள், இறக்குமதியாளர்கள், கப்பல் சரக்கு கையாள்பவர்கள், கப்பல்கள் போக்குவரத்துச் சேவைகள், விமானப் போக்குவரத்து செயற்படுத்துனர்கள் மற்றும் ஏனையோர் உள்ளடங்கலான இறக்குமதி .: ஏற்றுமதி செயற்பாட்டில் ஈடுபட்டுள்ள பல்வேறுபட்ட துறைகளில் ஆர்வம் கொண்டவர்கள் 121 பேர் மத்தியில் மனோபாவ நோக்கு ஆய்வொன்றினை அடிப்படையாகக் கொண்டதாக ஆய்வின் முடிவுகள் உள்ளன. வர்த்தகத்துடன் தொடர்புடைய சட்டதிட்டங்கள் மற்றும் ஒழுங்குவிதிகளுடன் தொடர்புடைய வெளியீடுகள், ஏற்றுமதி மற்றும் இறக்குமதி தொடர்பான சட்டதிட்டங்களும் ஒழுங்குவிதிகளும், வர்த்தகத்துடன் தொடர்புடைய உட்கட்டமைப்பு மற்றும் சேவைகள், வர்த்தக ஒத்துழைப்பு தொடர்பான முன்னுரிமை பிரதேசங்கள் தொடர்பில் தகவல்கள் சேகரிக்கப்பட்டன. இவற்றுக்கு மேலதிகமாக, மிக முக்கியமான அரச மற்றும் தனியார் துறை நிறுவனங்களுடன் இந்த தகவல் அறிதல் நேர்காணல்கள் மேற்கொள்ளப்பட்டன. வர்த்தக ஒத்துழைப்பு தொடர்பான நடைமுறை நிலைமைக்கு மேலதிகமாக, வழங்கப்பட்ட சேவைகளின் தரம் மற்றும் வினைத்திறன் பற்றி இத்துறை தொடர்பாக அக்கறை காட்டுனர்களின் மனோபாவத்தை இந்த கண்டறிதல்கள் வெளிப்படுத்துகின்றன. பிரத்தியேக விசாரணைப் புள்ளியொன்று, பிரதான முகவரங்களின் மனோநிலை மாற்றம் மற்றும் மலல்லாது தனியார் துறை, நாட்டின் பரிசோதனை ஆய்வு கூடங்களின் இயலாவினைக் கட்டியெழுப்பல், அதிகமான உற்பத்திகளுக்கான முன் வருகை செயன்முறை வசதியளிப்பு விஸ்தரிப்பு, மேம்படுத்தப்பட்ட களஞ்சியசாலைகள் மற்றும் பரிசோதனை வசதியளிப்புக்கள், புகையிரதப் போக்குவரத்து மேம்பாடுகள் மற்றும் தன்னியக்க முறைமைகள் தொடர்பான தேவைகளை இந்த கண்டறிதல்கள் முக்கியப்படுத்தி வெளிக்காட்டுகின்றன. நூயுறுவநு இனால் பிராந்திய ரீதியிலானதொரு ஆய்வொன்றை மேற்கொள்வதற்கு இந்த ஆய்வுக் கண்டறிதல்கள் ஏதுவாக அமையும்.

1. Introduction

South Asia is often associated with high costs of doing business resulting from high transaction costs, complex trade procedures, high transport costs, excessive documentation requirements, inadequate and inefficient infrastructure, and irregular payments. Compared with other regions in the world, it requires the highest number of documents to export and import, and takes the longest time to export (World Bank, 2014). However, the need to facilitate trade and transportation in the region has come to the fore in recent years with South Asian countries increasingly engaging in trade, with trade being increasingly unbundled, and businesses and investors being increasingly aware and conscious about wait times. Efficient procedures at the border and behind the border are essential today for firms to operate smoothly and to sustain competitiveness. Ability to import and export quickly, cost effectively and efficiently within a reliable time frame are now crucial criteria of business and investment decisions.

Facilitation of trade between Sri Lanka and South Asia can particularly promote the volume and the type of products that are traded between Sri Lanka and other South Asian countries. Sri Lanka's exports and imports to/from the SAARC region in the past 5 years (2011-2015) has been volatile but has accounted on average for 8 per cent and 22 per cent of its total exports and imports, respectively. To put in perspective, Sri Lanka's exports share to EU and USA in the same

period has been on average around 32 per cent and 23 per cent. Further, Sri Lanka's trade with SAARC is dominated by trade with India, with just about 28 per cent of total exports to SAARC and 8 per cent of total imports from SAARC distributed among the other seven South Asian countries. A number of factors are identified as reasons for low intra-regional trade among the South Asian countries including the lack of trade complementarities, lack of liberal policies, and at and behind the border barriers (Kumar and Mukherjee, 2006).

Sri Lanka has over the years undertaken key initiatives to facilitate trade and transport, which has helped Sri Lanka rank the best among South Asian countries in some of the key trade facilitation indicators. Vital agencies in the import/export process such as the Sri Lanka Customs and the Sri Lanka Ports Authority for instance have undertaken measures to facilitate trade through the automation, infrastructure expansions and others. The finalization of the WTO Trade Facilitation Agreement at the Bali Ministerial Meeting in December 2013 focused the attention of policy makers to assess the documentation, procedural and policy needs currently in place and on areas where prevalent issues need to be resolved. While acknowledging the initiatives undertaken by the relevant government agencies, Sri Lanka still has a lot to do to reach the facilitation levels of Singapore which is often cited by policy makers and

the private sector, to be the country's benchmark. However, being an island, Sri Lanka is free from the complications that some other South Asian countries who share borders may face, positioning the country at a better position to facilitate trade.

1.1 Rationale and Objectives of the Study

As a trade dependent nation, strengthening trade and investment promotion is essential component of Sri Lanka's growth strategy. However, Sri Lanka's export performance since 2000 has been far from satisfactory compared to its competitors with declining exports/GDP ratios, and world export shares. For instance, exports of Sri Lanka's competitors, like Vietnam and Bangladesh who were respectively, on par and behind Sri Lanka in the 1990's now amount to US\$ 120 billion and US\$ 24 billion respectively, in comparison to Sri Lanka's US\$ 10 billion (Kelegama, 2014). The reasons for lackluster performance in exports have been identified to be fundamentally 'homegrown' with high trade related costs identified to be one underlying factor affecting competitiveness of Sri Lanka's exports (Kelegama, 2014). Furthermore, studies show that the potential for growth and diversification of exports between Sri Lanka and other South Asian countries has not been fulfilled despite free trade agreements in place in the region. The utilization values of the Indo Lanka Free Trade

Agreement (ILFTA) for instance in 2014 was only 60 per cent by Sri Lankan exporters (Sri Lanka Customs, 2015). The constraints to improving intra-regional trade have been identified to include certain measures that relate to the trade facilitation (TF) agenda such as customs processes, assessments of rules of origin and the lack of harmonization of standards.

In this context, further facilitation of trade is key for Sri Lanka's expansion of trade, FDI, intra-regional trade and inclusive growth. Although there is substantial evidence in support of TF in the country, many of the studies in Sri Lanka have been restricted to a small sample of stakeholders and hence impose significant limitations when extrapolating the findings to larger population and deriving overall policy direction for the country.

Moreover, the role of transportation in improving TF has often been left unexplored in these studies. Thus, a broader study aimed at identifying trade and transport related bottlenecks in Sri Lanka remains much needed for improving TF in the country. In this context, this study attempts to conduct a trade and transportation facilitation audit of Sri Lanka aimed at (i) Assessing the current status of trade facilitation with relation to publication and administration of policies related to trade issues; rules and procedures for imports and exports; trade-related infrastructure and services; and the use of ICT for exports and imports; (ii) Identifying priority areas of trade facilitation.

As such, Section Two provides a background to Sri Lanka's trade patterns as well as to that of the study. Section Three details the state of trade logistics; Section Four, the export/import procedures and documentation requirements; and institutions and

trade regulations in the country. Section Five discusses agreements and conventions Sri Lanka is party to. Section Six provides a review of trade facilitation related national level studies and reports and Section Seven outlines some of the key trade facilitation issues and concerns Sri Lanka has when trading with South Asian countries. Section Eight discusses the methodology used, outlining details of the survey that was carried out among 121 stakeholders in the country including key government agencies and the private sector, including exporters, importers, shipping lines, freight forwarders and others. The findings of the survey are presented in Section Nine while Section Ten highlights the prioritization of trade facilitation requirements. The last section provides policy recommendations and conclusions.

2. Background: Trade with South Asia and the Study

2.1 Sri Lanka's Trade Performance and Trade with South Asia

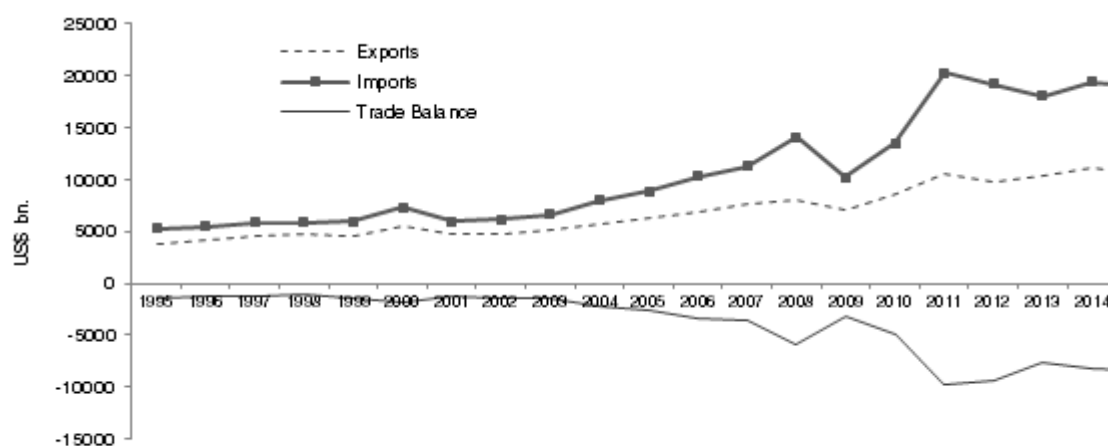
In the last two decades, Sri Lanka's international trade has grown by three fold, from US\$ 9118 million in 1993 to US\$ 29,440 million in 2015 (see Figure 2.1). However, the trade/GDP ratio has fallen over the years from about 77 per cent in

the year 2000 to 36 per cent in 2015. Moreover, Sri Lanka's export performance since the year 2000 has had an overall declining trend with a declining share in global exports accompanied by a declining share of exports as a percentage of Sri Lanka's GDP (see Figure 2.2). Share of export/GDP has also fallen from 33 per cent in 2000 to 13 per cent in 2015. In recent years the loss of Generalized System of Preference (GSP)+ facility to the EU market, adverse weather conditions, and lack of innovation and measures for export diversification have been the

key attributes of poor export performance in Sri Lanka.

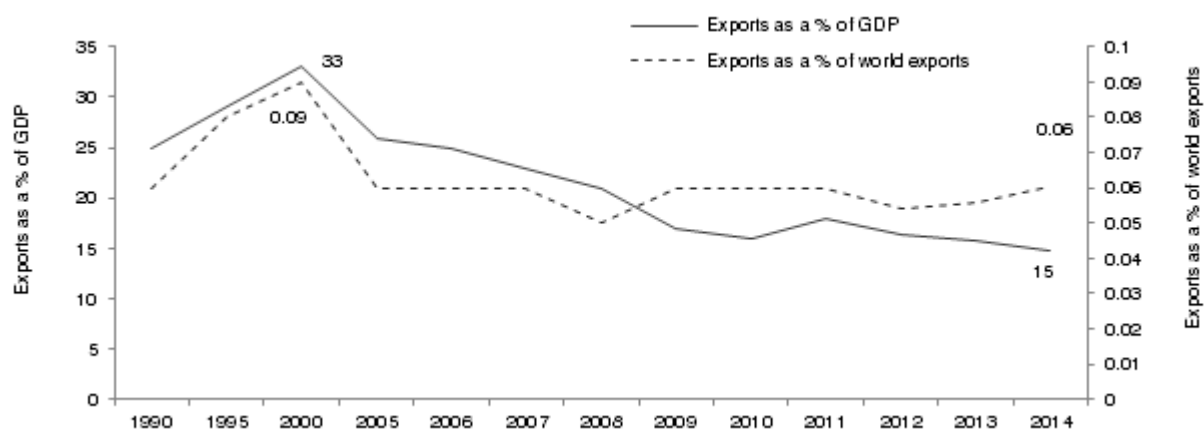
Sri Lanka's trade with South Asia remains low despite having two bilateral free trade agreements, the Indo- Lanka Free Trade Agreement (ILFTA) and Pakistan-Sri Lanka Free Trade Agreement (PSFTA), and a regional trade agreement on the South Asian Free Trade Area (SAFTA). As shown in Figure 2.3, Sri Lanka's exports to South Asia have been stagnant for the past decade in absolute terms but have decreased relative to the country's

Figure 2.1
Sri Lanka's Trade Performance 1995-2014



Source: Central Bank *Annual Report*, various issues.

Figure 2.2
Sri Lanka's Exports Share from 1990-2014



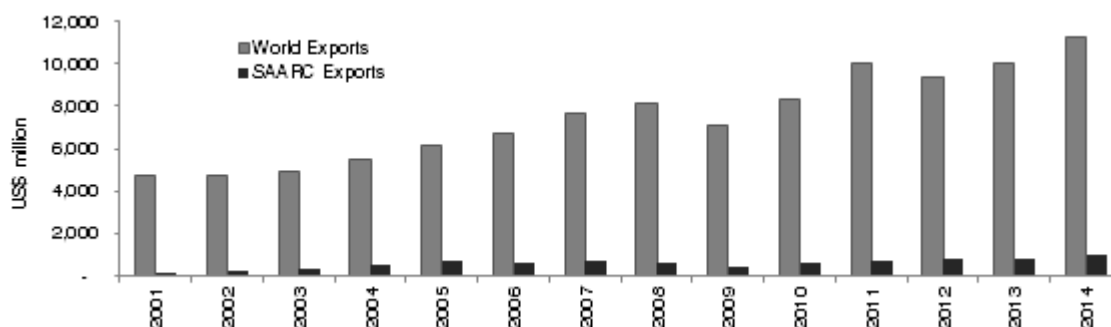
Source: Central Bank *Annual Report* and IMF Direction of Trade Statistics, various issues.

exports to world. While exports to SAARC countries are only about 7 per cent of Sri Lanka's total world exports, India is predominantly Sri Lanka's main export destination in the South Asian region, which accounts for about 70 per cent of the SAARC exports (Figure 2.4). In

comparison to export performance, Sri Lanka's imports from SAARC countries have picked up from 2002 (See Figure 2.5) onwards mainly owing to the ILFTA that gave a boost to trade between India and Sri Lanka (Figure 2.6). As a result at present, Sri Lanka's imports from India has

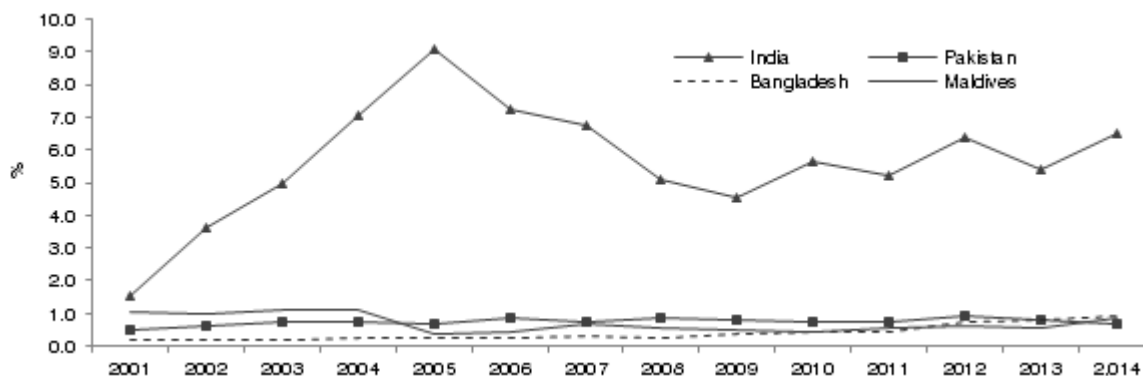
increased from about US\$ 600,000 in 2001 to over US\$ 4 million in 2014 and now accounts to 88 per cent of the total imports from South Asia. Overall imports from SAARC countries account for about 20 per cent of Sri Lanka's total world imports.

Figure 2.3
Sri Lanka's Total World Exports and Exports to SAARC, 2001-2014



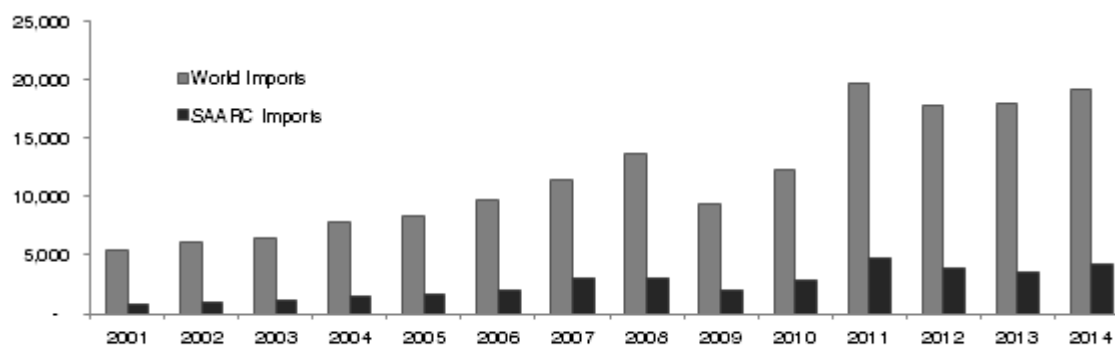
Source: Trade map, various years.

Figure 2.4
Share of Each SAARC country in Sri Lanka's Total Export, 2001 - 2014



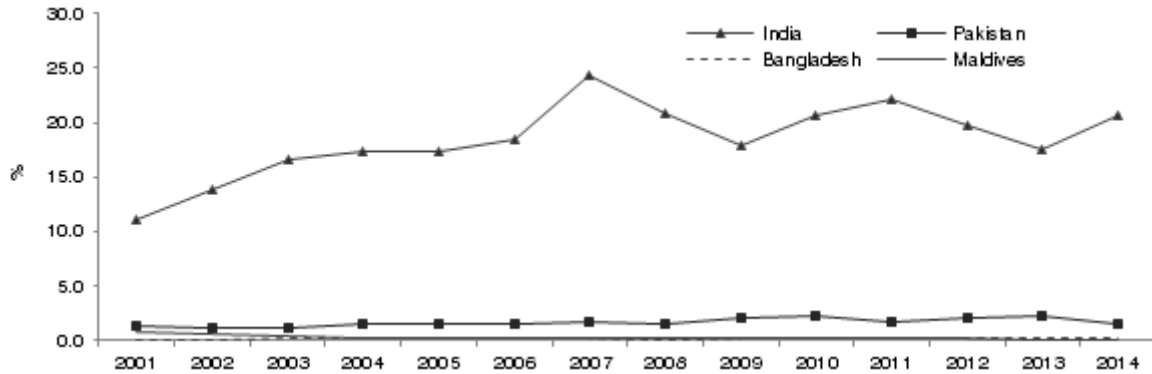
Source: Trade map, various years.

Figure 2.5
Sri Lanka's Total World Imports and Imports from SAARC, 2001-2014



Source: Trade map, various years.

Figure 2.6
Share of Each SAARC country in Sri Lanka's Total Imports, 2001 - 2014



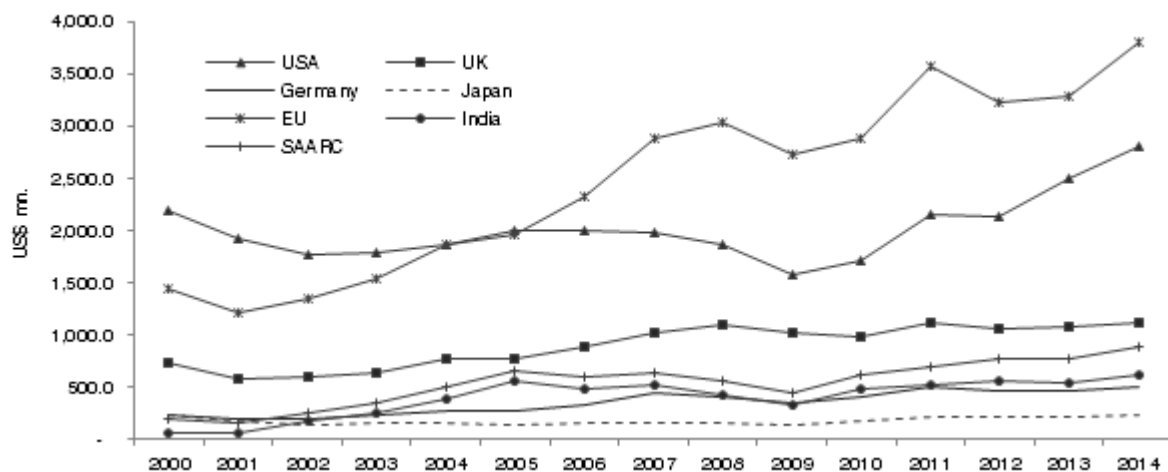
Source: Trade map, various years.

Sri Lanka's basket of exports and markets are concentrated; diversification remains limited both in terms of products and markets throughout the past two decades. While EU and USA are major export

destinations, SAARC, dominated by India and EU continue to be the largest import partners of Sri Lanka (Figures 2.7 & 2.8). Although USA and EU accounts for over 50 per cent of Sri Lankan exports, owing to

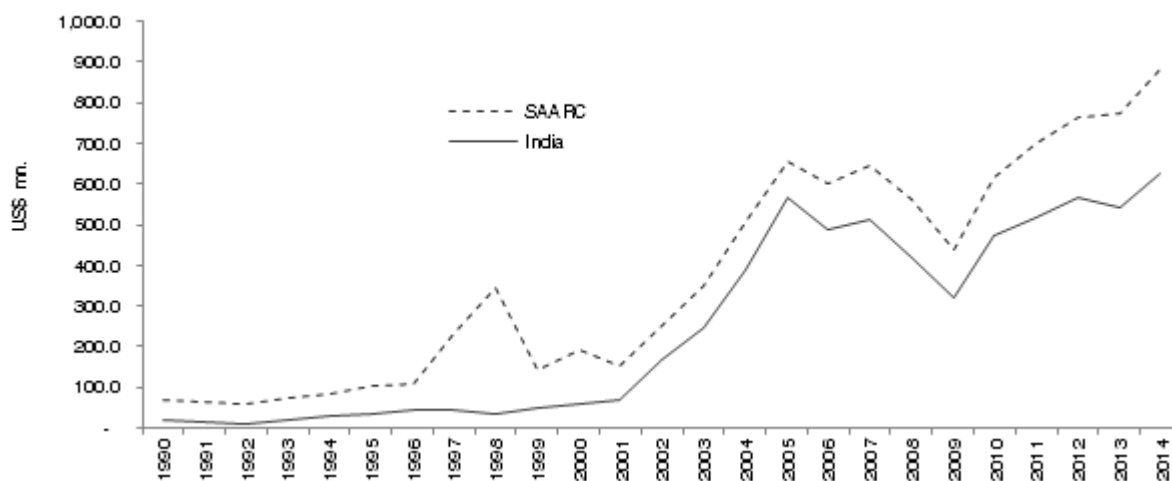
the ILFTA market penetration in India has also gained momentum since 2010. Nevertheless, trade with the rest of SAARC members have not been significant despite the implementation of SAFTA in 2004.

Figure 2.7
Sri Lanka's Direction of Trade - Export from 2000- 2014



Source: Central Bank Annual Report and IMF Direction of Trade Statistics, various issues.

Figure 2.8
Sri Lanka's Exports to SAARC, 1990-2014



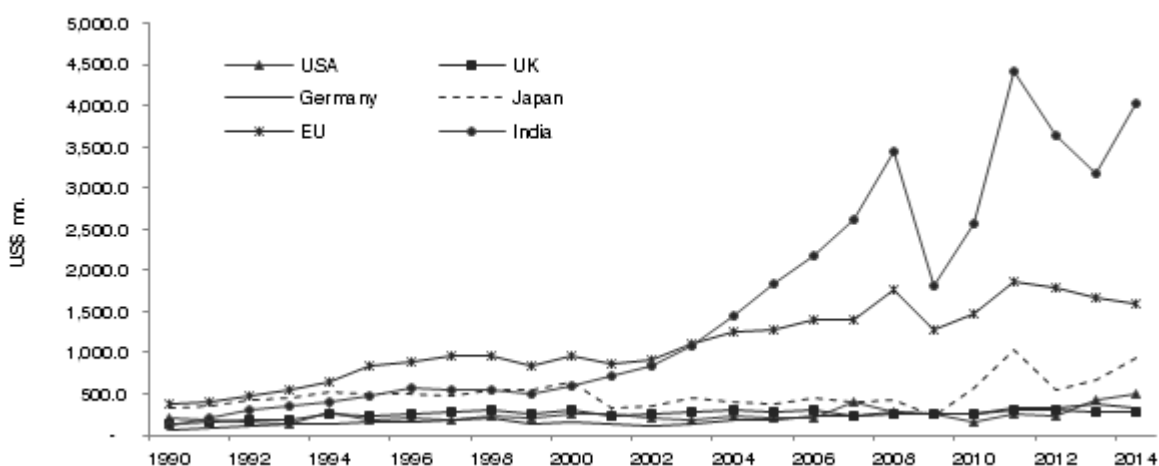
Source: Central Bank *Annual Report*, various issues.

At present, Sri Lanka's imports are largely dominated by India that accounts for 20 per cent of Sri Lanka's world imports and over 90 per cent of SAARC imports (Figures

2.9 & 2.10). Further, China is Sri Lanka's second largest import destination, accounting for nearly 15 per cent of total world imports of Sri Lanka while EU, the third largest

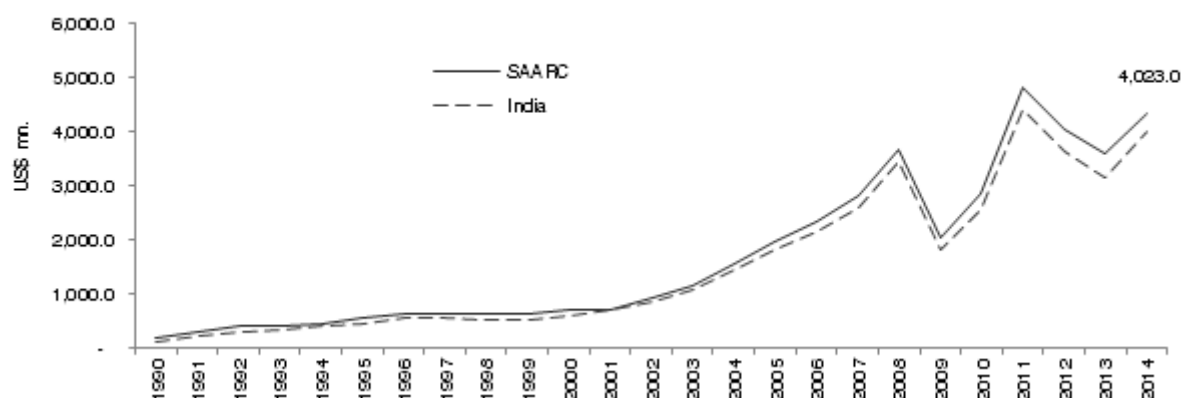
import partner, is about 8 per cent of the total world imports of Sri Lanka in 2014.

Figure 2.9
Sri Lanka's Direction of Trade - Imports from 1990-2014



Source: Central Bank *Annual Report* and IMF *Direction of Trade Statistics*, various issues.

Figure 2.10
Sri Lanka's Imports from SAARC , 1990-2014



Source: Central Bank *Annual Report*, various issues.

Sri Lanka's export basket comprises of textile and clothing, petroleum-based products, tea, rubber, coconut and fisheries products. While tea exports accounts for around 15 per cent share of total exports, ready-made garments and textiles have the largest export share of over 40 per cent. Spices are Sri Lanka's major

agricultural exports to South Asia while insulated wire/cables and natural rubber products are the leading industrial exports (Table 2.1). Much of spices and natural rubber exports to South Asia are destined to the Pakistani market; over 60 per cent of spices, 85 and 78 per cent of natural rubber products are exported

to Pakistan. This is mainly due to the provisions offered under the PSFTA for market access for agricultural and industrial products of Sri Lanka. While about 80 per cent of the insulated cables are exported to India, 92 per cent of the woven cotton fabrics are exported to Bangladesh out of total exports of the respective products to

Table 2.1
Sri Lanka's Top 10 SAARC Exports (in US\$ in '000)

HS Code	Description	2012	2013	2014	2014 (% of Total SAARC Exports)
2710	Petroleum oils, not crude	16,448	11,360	72,916	7.2
0802	Nuts not specified elsewhere	3,100	16,700	64,406	6.3
0904	Pepper, peppers and capsicum	43,104	61,520	52,577	5.2
2309	Animal feed preparations, not specified elsewhere	46,566	38,745	41,769	4.1
6006	Fabrics, knitted or crocheted, of a width of > 30 cm excluding warp knit fabrics	12,043	16,187	34,675	3.4
8544	Insulated wire/cable	42,604	39,607	33,264	3.3
4707	Waste and scrap of paper or paperboard	24,050	26,214	32,720	3.2
8901	Cruise ship, cargo ship, barges	26,421	51,808	29,521	2.9
8518	Microphones and stand loudspeaker, headphone/ earphone, sound amplifier set	97	12	28,924	2.8
5209	Woven cotton fabrics, 85% or more cotton, weight over 200 g/m2	29,184	29,172	27,111	2.7

Source: Trade map, various years.

Table 2.2
Sri Lanka's Top 10 SAARC Imports (in US\$ '000)

HS Code	Description	2012	2013	2014	2014 (% of Total SAARC Imports)
2710	Petroleum oils, not crude	511,348	438,762	661,668	15.4
2523	Cements, Portland, aluminous, slag, supersulfate and similar hydraulic c	235,022	277,898	348,980	8.1
1006	Rice	15,798	15,587	260,061	6.1
8711	Motorcycles, side-cars	120,998	108,735	202,904	4.7
3004	Medicament mixtures (not 3002, 3005, 3006), put in dosage	178,204	189,399	182,615	4.3
8703	Cars (incl. station wagon)	179,155	125,500	139,026	3.2
5209	Woven cotton fabrics, 85% or more cotton, weight over 200 g/m ²	182,652	135,284	122,784	2.9
8704	Trucks, motor vehicles for the transport of goods	235,179	97,826	93,107	2.2
6006	Fabrics, knitted or crocheted, of a width of > 30 cm excluding warp knit fabrics	72,040	81,313	92,686	2.2
7207	Semi-finished products of iron or non-alloysteel	18,972	30,343	91,853	2.1
8702	Public-transport type passenger motor vehicles	64,595	27,640	89,833	2.1

Source: Trade map, various years.

South Asia. Almost all the top exports to South Asia from Sri Lanka are destined to one or two markets in the region. The main focus was to implement the Petroleum oil is Sri Lanka's largest import from South Asia and

accounts for nearly 15 per cent of total imports from SAARC (see Table 2.2). Cane and beet sugar, wheat grain, chilies and potatoes are the main agricultural imports from South Asia. Cane and beet sugar imports are entirely sourced

from India and imports of potatoes and wheat grain from Pakistan; Pakistan accounts for 95 per cent and 70 per cent respectively of total imports of potatoes and wheat grain from South Asia.

3. Main Trade Routes and Trade Logistics Performance of Sri Lanka

3.1 Main Trade Routes

Being an island nation, Sri Lanka's main international trade routes are via sea and air. A majority of Sri Lanka's trade flows are sea-borne with over 99 per cent of freight being handled by the ports.² Air freight

accounts for less than 1 per cent of total cargo handled by the country. The Colombo Port which is in the country's capital, Colombo and the Bandaranaike International Airport, which is in close vicinity to the

capital, are the country's main trade gateways to the region as well as to the rest of the world. The section below provides a short description of the country's main trade routes as well as the role of rail and road transportation in the country.

² Freight in metric tonnes. The figure has been calculated using Central Bank Annual Report (2014) & Central Aviation Authority of Sri Lanka (2014) data.

3.1.1 Colombo Port

The performance of the ports sector has shown a marked improvement over the recent years owing mainly to a major infrastructure drive that has focused on strengthening the country's position as a regional shipping hub. The port of Colombo has remained the principal sea port of Sri Lanka over the years, accounting for 93 per cent of vessels arrived and around 95 per cent of total cargo handled by the country (see Figure 3.1). Colombo handled 70.8 million MT's of cargo compared to 2.7 million by Trincomalee, 0.3 million by Galle and 0.4 by Hambantota (CBSL, 2015). Cargo handled by the port of Colombo has increased from 58.7 million TEUs in 2010 to 70.8 million TEUs in 2014, marking an increase of around 20 per cent over the past 5 year period of 2010-2014 (see Table 3.1). The Colombo Port has 3 container terminals, of which the Jaya Container Terminal (JCT) and the Unity Container Terminal (UCT) are state-owned, while the South Asia Gateway Terminal (SAGT) is a private container terminal.

International rankings suggest that the port of Colombo fares well in terms of container traffic compared to other ports of South Asia: Colombo was ranked 33rd of the top 50 world container ports in 2013 by the World Shipping Council (2014) and 34th out of top 100 ports in terms of container traffic by the American Association of Port Authorities in 2012, behind India's Jawaharlal Nehru Port (2014).

Transshipment has remained the main focus of the port of Colombo, with transshipment volumes accounting for 76 per cent of container throughput in 2013 (calculated using CBSL 2013); Colombo Port is now considered the transshipment hub for South Asia (Weerakoon, 2014).



Source: Research Team.

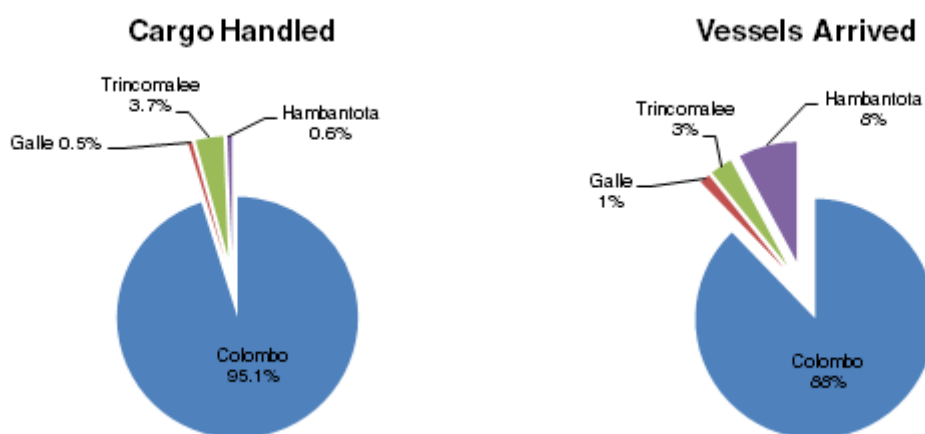
Table 3.1
Performance of the Port Sector in Sri Lanka, 2010-2014

Item	2010	2011	2012	2013	2014 (a)
Total Container Traffic (TEU '000)	4,137	4,263	4,187	4,306	4,908
Transshipment Container (TEUs '000)	3,205	3,216	3,167	3,274	3781
Total Cargo Handled (MT' 000)	61,240	65,069	64,970	66,243	74,410
Vessels Arrived (No)	4,067	4,332	4,134	3,976	4,264

Note: (a) Provisional.

Source: Central Bank of Sri Lanka, *Annual Report*, various years.

Figure 3.1
Cargo Handled and No. of Vessels Arrived in Sri Lankan Ports, 2014 (%)



Note: Values for 2014 are provisional.

Source: Compiled based on data obtained from Central Bank of Sri Lanka, *Annual Report*, various years.

3.1.2 Bandaranaike International Airport

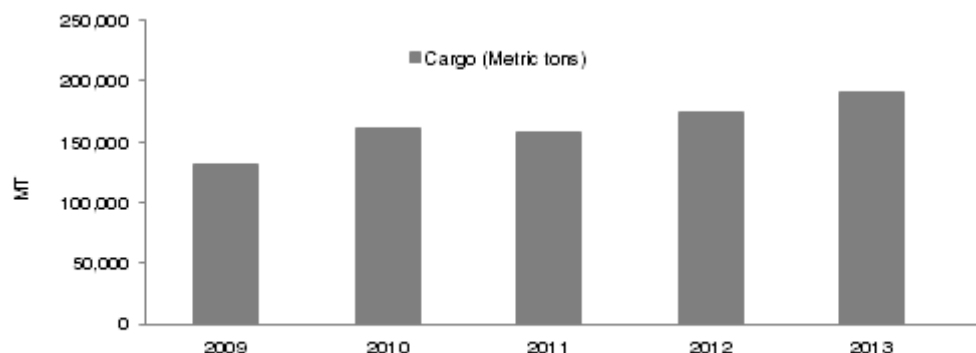
With over 99 per cent of freight being handled by the ports, the use of air freight to import/export is relatively low in Sri Lanka.

Nevertheless, air cargo volume (in MTs) has increased by 45 per cent

over the past 5-year period between 2009 and 2013 (see Figure 3.2). In 2013 a total of 237,000 thousand metric tons of cargo were transported by air, using the country's two international airports, the Bandaranaike International Airport (BIA) and the Mattala Rajapaksa

International Airport (Civil Aviation Authority of Sri Lanka, 2013). With the latter coming into operation only in March 2013, 81 per cent of total air cargo went through BIA. Air freight is used more for exports in Sri Lanka with 58 per cent of air cargo in 2013 carrying goods out of the country.

Figure 3.2
International Cargo Movements via BIA, 2009-2014



Source: Ministry of Civil Aviation (2012), 'Corporate Plan 2012/13 - 2016/17' and Civil Aviation Authority (2014), 'Annual Report 2014 (provisional)'.



3.1.3 Rail Transportation in Sri Lanka

The utilization of railway for goods transportation is a minimal in Sri Lanka, with the potential to enhance its services both in passenger and goods transportation identified to be high. Sri Lanka Railway's (SLR) share in goods transportation is only 2 per cent, while its share in passenger transportation is also low at 6 per cent (CBSL, 2014). The utilization of the railway network for goods

transportation has fallen compared to 5 years back. (Table 3.2).

3.1.4 Road Transport in Sri Lanka

Sri Lanka has a total road network of 30,686 km's of which 4219 km's are Class A roads (Trunk roads) and 7,949 km's are main roads or Class B roads (Central Bank 2014). The total length of the national highways maintained by the Road Development Authority was

approximately 12,168 km by the end of 2013.

Road development has been given prominence by the government after the end of the war and focuses on the construction of highways, widening of roads, reduction of traffic congestion, road maintenance and rehabilitation.

An outline of the major ongoing and recently completed road, port and airport development projects are given in table 3.3.

Table 3.2
Performance of Sri Lanka Railways, 2010-2014

	2010	2011	2012	2013	2014
Operated km ('000)	9,790	10,030	10,600	10,924	11,080
Passenger km (million)	4,353	4,574	5,039	6,257	6,842
Freight Ton km (million)	163	154	143	133	151(b)

Note: (b) Provisional.

Source: Central Bank of Sri Lanka, *Annual Report*, various years.

Box 3.1 Improving Connectivity through Expressways

The country's first ever expressway, the Southern Expressway was opened in 2011. Linking the Western Province to the Southern Province, it is currently the country's longest highway and is 126 km's long. The first section of the highway was opened to the public in November 2011 while the second phase was completed in March 2014. The Southern expressway is expected to extend to Hambantota and upon completion, the Southern expressway will connect the port of Colombo with the port of Hambantota. It is expected to play a pivotal role in improving both intra-country and cross-border connectivity by linking the three principal ports of Sri Lanka with each other (Colombo-Hambantota Port-Mattala Airport).

The Colombo-Katunayake Expressway, the second expressway built in Sri Lanka, connects the country's main international airport to the capital. Opened in October 2013, the 25.8 km expressway has reduced travel time between Peliyagoda (the entrance to the highway from Colombo) and Katunayake from a previous 1 ½ hours to about 20 minutes. It is a 4-lane expressway with 3 interchanges. Both passenger and freight movement are allowed with some restrictions imposed on the type of vehicles that can use the highway. The highest user fee is Rs. 800 charged from heavy motor lorries (vehicles having 4 or more axles) and heavy motor coaches (combination buses).

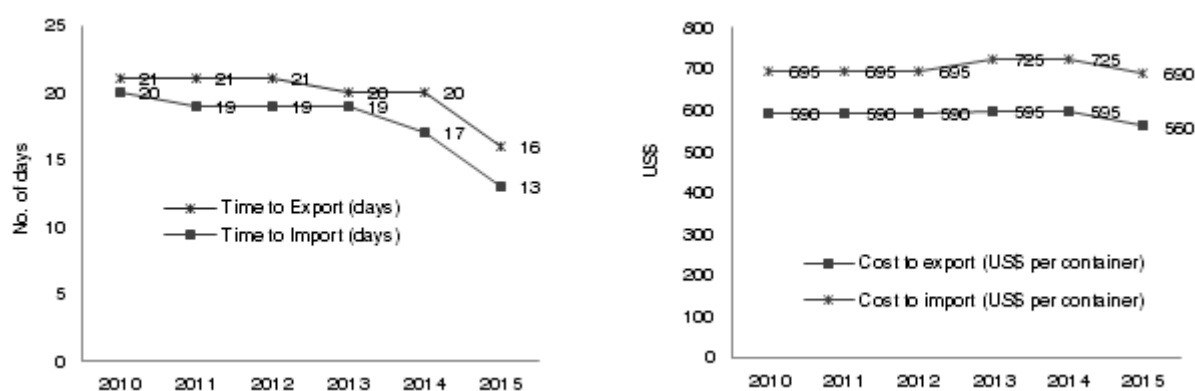


**Table 3.3
Major Ongoing and Recently Completed Road, Port and Airport Development Projects**

Project Name	Year	
	Completed	To be Completed
Road Development Projects		
Southern Expressway		
Phase I	2011	
Phase II	2014	
Colombo-Katunayake Expressway 2013	2014	
Outer Circular Highway		
Phase I	2014	
Phase II		2015
Phase III		2017
Port Development Projects		
Colombo South Harbour Project		
South Container Terminal	2013	
East Container Terminal		2014
Maqam Ruhunupura Mahinda Rajapaksa Port		
Phase I 2010	2010	
Phase II 2015		2015
Oluvil Port Development Project 2013	2013	
Airport Development Projects		
Mattala Rajapaksa International Airport		
Phase I 2013	2013	
Bandaranaike International Airport Expansion Project 2017		2017

Source: Central Bank (2014).

Figure 3.3
Time and Cost to Export/Import from Sri Lanka, 2010-2015



Source: World Bank (2014), 'Trading Across Borders'.

3.2 Trade Logistics Performance of Sri Lanka vis-à-vis South Asia

Sri Lanka's trade logistics performance is commendable in comparison to other South Asian countries, with the country outperforming its neighbours in several logistics performance indicators. According to World Bank's *Trading Across Borders* (TAB), which capture the time and

cost associated with exporting and importing a standardized cargo of goods by sea transport, Sri Lanka's rank has improved from 85 in 2014 to 69 in 2015 (out of 189 economies), and is the best performing country in the region. The country has been able to bring down the time associated with exporting and importing substantially over the last few years (see Figure 3.3). According to TAB figures, it now takes 16 days to export from Sri Lanka, compared to an average of 33.4 days in South Asia, and 13 days to import compared to 34.4 days in South Asia. Cost to

export is US\$ 560 per container as opposed to South Asia's US\$ 1922.9; import cost is US\$ 690 compared to US\$ 2117.8 in South Asia.

The breakdown of time taken to complete the export and import procedures in Sri Lanka (see Table 3.4) shows that the preparation of documents takes over 50 per cent of the time to export and import, and the highest cost incurred on customs clearance and inspections, suggesting the need to simplify documentation and the clearance/inspection process.

Table 3.4
Time and Cost Breakdown

Nature of Export/Import Procedure	Export		Import	
	Duration (days)	Cost (US\$)	Duration (days)	Cost (US\$)
Documents preparation	9	135	7	140
Customs clearance and inspections	2	160	2	285
Ports and terminal handling	3	150	2	150
Inland transportation and handling	2	115	2	115
Totals	16	560	13	690

Source: World Bank (2014), 'Trading Across Borders'.

Sri Lanka's score in the World Economic Forum's Enabling Trade Index suggests that the country is leading in South Asia in terms of the number of days and documents to import and export, and cost to

export (Table 3.5). However, it lags behind both India and Pakistan in terms of efficiency and transparency of border administration, and the availability and quality of transport services. Sri Lanka is also behind

India on the availability and quality of transport services, suggesting that there is much room for improvement.

Table 3.5
Enabling Trade Index 2014: South Asia and Singapore

Enabling Trade Scores 2014	Singapore	Sri Lanka	India	Pakistan	Bangladesh	Nepal
Efficiency & Transparency of Border Administration (1-7)	6.3	4.0	4.2	4.3	3.2	3.1
Customs service's index (0-1)	0.97	0.23	0.56	0.64	0.35	0.36
Efficiency of Clearance Process (1-5)	4.0	2.6	2.7	2.8	2.1	2.3
No. of days to import	4	17	20	18	35	39
No. of documents to import	3	7	11	8	8	11
Cost to import (US\$ per container)	440	775	1,250	725	1,470	2,400
No. of days to export	6	20	16	21	25	42
No. of documents to export	3	5	9	8	6	11
Cost to export (US\$ per container)	460	595	1,270	660	1,075	2,295
Irregular payments in exports & imports (1-7)	6.5	2.4	2.7	2.6	2.0	2.3
Time predictability of import procedures (1-7)	5.9	3.8	3.4	3.5	3.1	3.3
Customs transparency index (0-1)	0.8	0.70	1	0.8	0.38	0.73
Availability and Quality of Transport Infrastructure (1-7)	6.5	3.6	4.3	3.4	2.3	2.3
Available int'l airline seat km/week, millions	2,378.3	271.4	1,820.7	321.3	198.8	83.8
Quality of Air transport infrastructure (1-7)	6.8	4.8	4.8	4.1	3.2	3.0
Quality of Railroad infrastructure(1-7)	n/a	3.6	4.8	2.5	2.4	1.1
Liner Shipping Connectivity Index (0-157.1)	106.9	43.0	44.4	27.7	8.0	n/a
Quality of Port infrastructure (1-7)	6.8	4.2	4.2	4.5	3.5	2.7
Paved Roads (% of total)	100	25.9	49.5	72.2	9.5	53.9
Quality of Roads (1-7)	6.2	4.7	3.6	4.0	2.8	2.7
Availability and Quality of Transport Services (1-7)	5.7	3.9	4.3	3.9	3.6	3.4
Enabling Trade Index 2014 Rank	1	84	96	114	115	116

Note: (a) 1-5 Best , (b) 0-100 Best , (c) 1-7 Best.

Source: World Economic Forum, "The Global Enabling Trade Report", 2014.

4. Institutions and Regulations

4.1 Institutions

The Sri Lanka Customs, Department of Commerce and the Sri Lanka Ports Authority are the key institutions involved in the import/export process. Apart from these there are over 30 other government and non-government agencies that are part of the import-export process in Sri Lanka. This section gives a brief introduction to the main institutions in the trading process, highlighting on their role in facilitating trade.

4.1.1 Sri Lanka Customs

Sri Lanka Customs is dedicated to enforce revenue and social protection laws of Sri Lanka while facilitating the trade process. It has a history of over 200 years, having marked the milestone of 200 years in 2009. To facilitate the traders Sri Lanka customs export and import procedures has been simplified to a great extent in the recent past. Being a main stakeholder in the import/export process, Sri Lanka Customs has taken several initiatives to introduce key trade facilitation measures in the country including automation of systems. Sri Lanka Customs now co-chairs the National Committee on Trade Facilitation.

Recent measures undertaken by the Customs include the 'Sri Lanka Customs Paperless Export Clearance Initiation', initiated in December 2013, which according to Customs has reduced the number of documents for exports from 12-

16 documents to 4-5 documents. Under this programme, it is mandatory for exporters to submit the customs declaration (CUSDEC) electronically. Other initiatives of this programme include, (i) e-warranting, where the warranting of the CUSDEC is carried out without the paper copy having to be submitted; (ii) one-time payment where once the CUSDEC is submitted, the system estimates all the payments that need to be made and e-payments can be made via accounts held at two banks which are currently linked to the system; (iii) SMS updates at different points of the export process (when CUSDEC is submitted, payments are made and the Release Order is granted); (iv) electronic submission of CDN and Shipping Note; and (v) establishment of the Centralized Cargo Examination Facility .

The Customs also offers fast track clearance system to low-risk consignees since September 2013. Currently, this is offered to 240 traders. While the customs is looking at extending 'Green-Channel' facility to a higher number of consignees, it is currently offered to mostly large scale publicly-quoted companies which have a proper recording system of information/data.

4.1.2 Department of Commerce (DOC)

The Department of Commerce Sri Lanka is tasked with policy formulation and trade representation

at the bilateral, regional and multilateral levels including trade facilitation, and is the national focal point for the WTO. In the trading process, the DOC plays a key role by issuing Certificates of Origin (COs) for all trade that takes place under preferential schemes (FTAs, PTAs and GSP).³ The DOC issues, on average, about 500-600 COs a day for exporters registered with them. COS are issued once the following documents are submitted by the exporters: (i) Qualifying document (value addition criteria, product specific criteria like raw material sourcing criteria, production process, combination of value addition, raw material and production process); (ii) Affidavit given by the exporter (for wholly obtained product); (iii) Catch Certificate for fish exports; (iv) Approved cost statements for value added products prepared by the company which are valid for 6 months-1 year; (v) CO as per the format of "Form A", the CUSDEC, invoice, packing list, the Bill of Lading (if the shipment is already arranged) or the airway bill.

The issuance of the CO is carried out manually with plans in place to automate the process in 2015. Under the manual process, all documents are submitted physically to the counter at DOC, after which the DOC checks on the validity and issues the CO. COs are issued within 3-4 hours of submitting the documents. The DOC has introduced a green channel facility for the issuance of GSP certificates in order to facilitate

³ The Chambers is authorized to issues general COs but COs under preferential trade agreements can be obtained only by the DOC.

traders by reducing the issuing time to a minimum. 87 companies are currently benefitting from this facility which issues COs within 1-2 hours. This facility is not available for other schemes, given their stringent qualification criteria (i.e. procedures related to checking the rules of origin criteria, documentation requirements).

4.1.3. Chambers

Chambers such as the Ceylon Chamber of Commerce (CCC), National Chamber of Commerce (NCC) and the International Chamber of Commerce (ICC) play a facilitating role in the trading process by issuing COs electronically. Exporters can now apply and receive COs electronically through a secure online system. After submitting the application, exporters receive confirmation of receipt of the e-CO by chambers. Exporters can also track the status of their CO application and receive it electronically. This has eliminated the need for exporters to physically visit the Chambers to apply for or collect the COs. Instead, the exporters now receive the COs to their email accounts. Some chambers also issues Certification of Commercial invoices, Entreport Certificates, Shipping Line Certificates and Measurement Certificates.

4.2 Export/ Import Procedures & Documentation Requirements

A person exporting any article of commercial value from Sri Lanka is required to register with following institutions:

1. Sri Lanka Export Development Board - EDB Registration Number

2. Inland Revenue Department - Tax Identification No. (TIN Number/VAT Number)

3. Sri Lanka Customs

To register with the above institutions the exporter is required to produce the original Business Registration Certificate or Certificate of Incorporation and other related documents along with duly completed application forms.

The Customs Ordinance of Sri Lanka sets out all the rules, regulations and procedures related to the import and export process. Under sections 47 and 57 every importer and exporter, or the authorized customs house agent has to submit a Customs Declaration (CUSDEC) form in order to clear or dispatch cargo. Items that are prohibited and are subject to general export restrictions are given below.

4.2.1 Documents Necessary to Prepare an Export Goods Declaration

1. Customs Declaration (CUSDEC)
2. Licenses and Permits if required
 - Export Control Permits are required for the following 3 items: Coral Chunks, Timber, Motor Vehicles.
 - Export License and Permits are necessary when exporting the following items: Antiques, Tea, Plants and Animals, Aquatic

Resources, Ayurvedic Drugs, Fire Arms.

3. Shipping Note/Airway Bill.
4. Invoice.
5. Certificate of Origin (CoO).
 - This is also required by the Customs of the importing country. It is issued by the Department of Commerce and the chambers, i.e. Ceylon Chamber of Commerce, National Chamber of Commerce.
6. Packing List and other supporting documents as and when necessary
 - Boat Note
 - Mate Note
 - EXP/3b (Cargo Dispatch Note)

Apart from these, the documentation needs may differ depending on the product and the country/region products are traded with (see Table 4.1). Further, additional documentation maybe required to obtain some of the documents listed above. For example, to get a preferential CoO, an exporter has to produce (i) a Qualifying document (value addition criteria, product specific criteria like raw material sourcing criteria, production process, etc), (ii) Affidavit given by the exporter (for wholly obtained product), (iii) A catch certificate (if the product is fish), (iv) Approved cost statements (for value added products; valid for 6 months-1 year).

Items Prohibited or Restricted to Export from Sri Lanka

1. Dead or live animal or its parts. Permits are issued for research purposes and for exchange with foreign zoos and museums.
2. Antiquities/Cultural Property
3. Dangerous drugs
4. Explosives
5. Live Fish (Prohibited species)
6. Minerals in raw form
7. Obscene publication and literature
8. Protected plants listed under the Fauna & Flora Protection Ordinance

Table 4.1
Products That Require Registration/License/Certificates for Exports/Imports

	Product	Registration	License/ Permits/ Certificates for License/ Certificate	Responsible Authority
1.	Apparel	Non BOI companies- Apparel Export Service Division of the Ministry of Industry & Commerce		
2.	Tea	Sri Lanka Tea Board	Certification of Average Auction Price (AAP) on Bulk Tea. Quality certificate for each shipment.	Sri Lanka Tea Board.
3.	Gems, Diamonds & Jewellery	National Gems & Jewellery Authority (NGJA)	Gem Dealers license	National Gems & Jewellery Authority (NGJA)
4.	Food & Beverages			
a.	Any meat product		Health Certificate for each shipment Processing Centre certification with ISO,HACCP or GMP (either one of the certificates)	Animal Quarantine Station Department of Animal Production and Health Sri Lanka Standards Institution
b.	Beer		Permit for export of excisable articles	Department of Excise
c.	Alcoholic Beverages		Permit for export of excisable articles	Department of Health
d.	Non Alcoholic Beverages (Bottled Drinking Water/ Mineral Water)		Permit for Export	
e.	Cashew Kernels		Compulsory pre-shipment inspection Certificate Technology Institute (ITI) Fumigation Certificate (on request by buyers) private fumigation company	Sri Lanka Standard Institution (SLSI) Industrial National Plant quarantine service/ any authorized
5.	Spices & Allied Products			
a.	All spices		Country of Origin Certificate Chamber of Commerce	Department of Commerce/
b.	Cinnamon		License to use Pure Ceylon Cinnamon Logo Compulsory pre inspection certificate	Sri Lanka Export Development Board Sri Lanka Standard Institution (SLSI)/ SGS Lanka Pvt Ltd
6.	ICT/BPO/KPO	Board of Investment		
7.	Ayurveda & Herbal Products			
a.	Herbal finished products	Department of Ayurveda	Approval to market as healthcare products in the local market and for exports. Manufacturing License.	Drug Formulator Committee appointed under the Department of Ayurveda
b.	Herbal Cosmetics		Quality/Introduction certification	Cosmetics Devices and Drugs Regulatory Authority. Industrial Technology Institute (ITI), Pharmaceutical & Cosmetic Product section of the Health Department.
c.	Herbal Plants	Department of Forest	Permits for export of raw or dried ayurvedic substances in commercial quantities	Department of Forest and the Department of Ayurveda
8.	Coconut & Coconut Based Products	Coconut Development Authority (CDA)	Permits for export of DC/fresh coconut/Coconut leaf based products Phytosanitary Certificate	Coconut Development Authority (CDA) National Plant Quarantine service
9.	Fruits & Vegetables			
10.	Minerals	Geological Survey & Mines Bureau	Export License on minerals in raw & Semi-finished forms	Geological Survey & Mines Bureau
11.	Wooden Products			
a.	Wood including logs & Sawn timber		License for export	Department of Forest
b.	Article of Wood (ebony)		License for export	National Crafts Council and Department of Forest
c.	Wooden based toys & furniture	Department of Forest	Export Permits	Department of Forest
12.	Fish & Fisheries Products	Department of Fisheries & Aquatic Resources	Export License on sea Cucumber, Lobsters, Chunks Health Certificate for EU Countries Catch certificate Statistical document for Big eye Tuna ICCAT certificate for Sword fish Certificate of Origin GSP Form A	Dept. of Fisheries and Aquatic Resources -do- -do- -do- -do- Chamber of Commerce Department of Commerce
13.	Ornamental Fish		Phytosanitary certificate	Animal quarantine service

Source: EDB, 2014a.

4.2.2 Export Process

The export process has been facilitated to a great extent with the establishment of the Export Facilitation Centre. The centralized cargo processing facility is situated in close proximity to the Colombo Port and export cargo can now be processed 24 x 7 in this facility which came into operation in July 2014. Many exporters are of the view that this has reduced the costs entailed in carrying out panel examinations at the exporter's warehouses such as, overtime payments which have to be paid to workers when panelling was carried out after normal work hours, extra costs in terms of electricity, providing transport to customs officers, etc.

• **Submitting the CUSDEC**

It is mandatory to submit export CUSDECs online using the ASYCUDA system. Manual submissions are not accepted. The same applies to the Cargo Dispatch Note.

After submitting the CUSDEC, due payments will be made to the bank or the shroff. While all payments including examining fees are payable electronically through banks, other payments such as amending charges, cancellations, etc, can be paid to the shroff. If paid to the shroff, the CUSDEC will be manually updated by the accounts updating officer at the Export Facilitation Centre (EFC).

• **Warranting of the CUSDEC**

CUSDECs are warrantable at both the EFC and at the Customs head office. While export CUSDECs in the ASYCUDA system is warranted at the Customs head office during normal office hours, at the EFC they can be

warranted 24x7. The Superintendent of Customs (SC) of the exports office will give the Release Order (RO) to every paid export CUSDEC which is a prerequisite for acknowledging electronic Cargo Dispatch Note (e-CDN).

• **Bringing in the Containers**

When the cargo is ready for shipment the exporter/declarant enters the e-CDN in the ASYCUDA system and obtain 5 printouts of the same.

Exporter/declarant obtains a TLL-Gate Pass invoice over the internet from TLL-Computer System for each e-CDN. Exporter/declarant then delivers the containers together with printed CDN and the TLL-Gate pass invoice to the In-Gate of the EFC Yard.

TLL staff at the gate acknowledge the entry and the TLL Computer generates the In Gate Pass and stamp the same to indicate the container has arrived at the TLL yard.

At the time the In Gate Pass is generated the TLL staff would know if the container is detained by the Customs for further checks. If so, the container will be diverted to the examination area. If not, the container will be directed to the CDN acknowledgement counter.

• **Acknowledgement of CDNs**

The driver will hand over the 5 copies to the acknowledgement officer. He will check if the particular container/s is within the yard premises based on the In Gate Pass issued by the yard operator. He will also check if the container number in the hard copy of the CDN and the ASYCUDA system is one and the same. Furthermore, he will check if the CUSDEC has been warranted in the ASYCUDA system.

For CDNs coming from the BOI offices the Acknowledgement officer will check whether the CDNs have been verified in the ASYCUDA system. If everything is in order, he will acknowledge the e-CDN in the ASYCUDA system and stamp the hard copy of the CDN as 'ACKNOWLEDGED'.

If selected for panel examination, the exporter/declarant will submit the CUSDEC along with the hard copy of the e-CDN of shipments selected for panel examination to the SC for Panel officers to be appointed. The SC will appoint a panel of officers and write down their names on the Panel Application given to him by the exporter/declarant and the panel officers will endorse the examination report on the panel application as well as on the overleaf of the security copy.

The Panel of Officers report the findings of the examination on the Panel Application and the back of the Security Copy and endorses each and every CDN as "SHIPMENT AUTHORIZED" if satisfied.

FCLs of CDN with the endorsements, "ACKNOWLEDGED" or "SHIPMENT AUTHORIZED" are permitted to exit the gate into the Port Access Road.

• **At the Port**

The 5 acknowledged CDNs will be handed over to the SLPA officers and the CDNs will be stamped accordingly. If the final terminal handler is the SLPA, then the SLPA officers will retain a copy. If not, they will hand over the stamped copies to the TLL staff. The TLL staff will maintain a file for SAGE/CICT terminals and will file the retained CDNs separately. The remaining 4 copies will be handed over to the driver.

The driver hands a copy each of the CDN to the SLPA security post and the Inspector of Customs at the gate. The remaining 2 copies will be handed over to the terminal handlers. The terminal handler will retain one copy and hand over the other copy to the shipping lines.

• Boat Note Passing

When all the containers of a particular CUSDEC has arrived at the port, the wharf clerk will go the SLPA/ TLL staff and obtain the stamped CDNs. He will also produce 6 copies of the shipping note to the SLPA to get them endorsed.

The wharf clerk will hand over the boat notes to the boat note officer together with the stamped CDNs. Customs officers passing the boat notes will do the amendment for short shipments, vessel name, date, etc and pass the boat notes for CDNs that carry the seals "ACKNOWLEDGED" OR "SHIPMENT AUTHORIZED". Boat note officers will give the export release through the summary report available in the ASYCUDA system.

Apart from the standard process described above, there is another parallel import-export process in Sri Lanka for Board of Investment (BOI) investors which has been designed to speed up the licensing and the customs requirements for companies that bring new investment into the country. A comparison of the BOI and non-BOI processes for exports are given in Annex 1.

4.2.3 Import Process and Documentation Requirements

Documents that have to be presented in importing include the following,

1. CUSDEC form-up to seven copies 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).
2. The Commercial Invoice
3. Delivery Order (DO)
4. Bill of Lading (BL)
5. Exchange Documents
6. 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 CoO, 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 (where applicable) and Catalogues/literature also needs to be attached.

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 system⁴ which would generate a unique number. After being reviewed and assessed for duties and taxes, a CUSDEC number will be assigned and sent to the consignee

electronically. 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.

Apart from the Customs, the BOI and the Sri Lanka Ports Authority (SLPA) are the two other main agencies involved in the export/import process, while there are over 30 government and non-government agencies linked to the trading process. While the Department of Commerce (DOC) is the only authority that can issue CoOs for all preferential schemes including SAFTA and ISFTA, the Chambers of Commerce can issue COs for non-preferential cargo. The DOC has introduced a Green Channel facility for the issuance of GSP certificates, where the issuing time is a minimum.⁵ However, this is not available for other preferential schemes yet.

4.3 Air Cargo Export/ Import Processes

Air cargo to and from Sri Lanka is carried through the Bandaranaike International Airport (BIA), which has a capacity to handle approximately 200,000 metric tonnes of cargo per annum. At present, Sri Lankan Cargo is the company that manages the ground handling of air cargo at the BIA Air Cargo Terminal. Sri Lankan Cargo uses an advanced automated cargo tracking system, which is called "Sky Chain", that tracks each

⁴ Refer to section 4.1 for explanation of the ASYCUDA system.

⁵ At the moment 87 companies has been given the Green Channel facility by the DOC. Whoever has achieved the eligibility criteria is eligible for this facility. For the Green Channel customers the COs are issued within 1 -2 hours whereas, for general customers it takes about 3-4 hours. COs are issued within a day and usually about 500-600 COs are issued by the DOC within a day.

shipment from the point of reservation through to the final delivery.

All the institutions at the air cargo terminal are open 24 hours a day throughout the year. Sri Lanka Cargo's acceptance/cut off times varies among different product groups and the deadline is set before the scheduled time of the flight departure: for general cargo 7 hours, perishables 6 hours and tuna/live fish 4 hours before the scheduled time of the departure. Special cargo and special storages at the airport cargo terminal are handled by the Sri Lanka Customs - dangerous goods, live animals, valuables like gems/diamonds, diplomatic mail, human remains, human eyes etc. However, there are no cold rooms in the export cargo section but there is a separate area with cold rooms and freezers at the cargo terminal.

Export Process at the Bandaranaike International Airport

- Goods are subject to a security check at the gate at the entrance of the Air Cargo Terminal. Cartons or packages are randomly chosen from the consignment for physical examination, which is carried out by the Sri Lanka Air Force.
- After the physical inspection, cargo is unloaded at the Terminal entrance for weighing. Then the actual net weight of the cargo is inserted

to the application in the Sky Chain system, which is the handling system.

- After weighing all cargo is x-rayed by the Airport Security. Further, the Airport Security carries out different techniques for different types of categories of goods, for example explosive detectors, sniffer dogs etc.
- Cargo is then loaded into a Unit Load Device (ULD). The declarant then visits the Customs at the Airport premises to get the CUSDEC along with other required documents (Health certificate, fumigation certificate, standards certificate etc.) approved.
- Once the CUSDEC is verified and approved, cargo is ready to be loaded to the pallets which are carried out by the staff of the shipping line or the CHA.

Import Process at the Bandaranaike International Airport

- The Customs house agent (CHAs) submits the CUSDEC together with the Cargo Manifest, Invoice and Airway Bill to the Sri Lanka Customs.
- Once the CUSDEC is approved the goods are ready for clearance.
- Import cargo is sorted after unloading from the air craft and are verified with the submitted cargo manifest and placed in relevant places/stores.

- For goods verification, Sri Lanka Customs then screens all the import cargo.
- Once the screening is completed and verified the goods are ready for release.

Automation and electronic documentation was facilitated by the Electronic Transactions Act No. 19 of 2006 adopted in May 2006 which marked an important step in facilitating e-commerce via the legal recognition of electronic documents. The Act recognizes and facilitates electronic contracts, the creation and exchange of data messages and electronic documents, the appointment of a Certification Authority, the accreditation of Certification Service Providers and the formation of regulations to address emerging needs. The setting up of the legal framework made electronic transactions such as the online lodgment of the CUSDEC and issuing the e-Certificate of Origin a possibility, facilitating trade transactions. Gazette Notification 1786/10 of November 2012 and Gazette Notification 1829/39 of 27.09.2013 are two recent, important developments of the legal environment facilitating automation, with the former recognizing the possibility to lodge a CUSDEC electronically, and the latter introducing a revised tariff system to facilitate the upgrading of the customs hardware and software.

5. Agreements and Conventions

Sri Lanka is a member of the GATT/ WTO and a pioneer in the region to liberalize trade. Sri Lanka is also partner to four fully operational trade agreements: two regional agreements and two bilateral agreements (see Table 5.1).

All agreements deal with trade facilitation in varying degrees. For example, in SAFTA there are calls for prompt publication of rules and regulations and identification of enquiry points for exchange of information on mandatory requirements; provisions for simplification of formalities with regard to exportation and importation; suggestions of paperless trading, electronic means of reporting and identification of low risk, high risk goods; and provision for harmonization of standards, technical assistance for LDCs and customs cooperation at the SAARC level (Chaturvedi, 2007). In APTA a Framework Agreement on Trade Facilitation was completed in 2009. It addresses the areas of transparency and consistency, simplicity and efficiency and, harmonization and

standardization. Article 5.2 of the Framework Agreement specifies that member countries would work on establishing a single window. However, this does not entail a time frame or any specific commitments on achieving the objective (United Nations, 2011). Trade facilitation provisions are however, limited in the ISFTA and PSFTA, compared to the regional agreements.

Provisions for trade facilitation under SAFTA are presented in Article VIII of the Agreement. It includes incorporation of Article X of GATT, Harmonization of standards, reciprocal recognition of tests and accreditation of testing laboratories of Contracting States and certification of products, Simplification and harmonization of customs clearance procedure, Harmonization of national customs classification based on HS coding system, Customs cooperation to resolve dispute at customs entry points, Simplification and harmonization of import licensing and registration procedures, Simplification of banking procedures

for import financing, Transit facilities for efficient intra-SAARC trade, especially for the land-locked, Contracting rates, Removal of barriers to intra-SAARC investments, Macroeconomic consultations, Rules for fair competition and the promotion of venture capital, Development of communication systems and transport infrastructure, Making exceptions to their foreign exchange restrictions, if any, relating to payments for products under the SAFTA scheme, as well as repatriation of such payments without prejudice to their rights under Article XVIII of the GATT and the relevant provisions of Articles of Treaty of the International Monetary Fund (IMF), and Simplification of procedures for business visas.

Unlike the provisions in SAFTA, ILFTA and PSFTA have very limited provision for trade facilitation. The two agreements only include Consultation regarding rules of origin, Consultation on protecting mutual trade interest and the two parties to establish Arbitral Tribunal for binding decision.

Table 5.1
Trade Agreements of Sri Lanka

Trade Agreement	Type	Scope	Status
South Asia Free Trade Agreement (SAFTA)	Free Trade Agreement	Regional	Signed in 2004. In force since 2006
Asia-Pacific (APTA)	Trade Agreement Preferential Trade Agreement	Regional	Signed in 1975. In force from 1976
Indo-Sri Lanka Agreement (ISFTA)	Free Trade Agreement	Bilateral	Signed in 1998. In force from 2001
Pakistan Sri Lanka Free Trade Agreement (PSFTA)	Free Trade Agreement	Bilateral	Signed in 2002. In force from 2005

Source: Department of Commerce of Sri Lanka.

6. Literature Review of Trade Facilitation Studies in Sri Lanka

Sri Lanka stands to benefit greatly from improved TF as it will strengthen the country's competitive position in trade and investment,

thereby leading to better economic performance. Given its importance to country's development, a number of national level studies

have been undertaken recently to identify and recommend ways of improving TF in the country. A summary of these studies are given below.

Table 6.1
Summary of Literature on Trade Facilitation in Sri Lanka

Author/s Name	Year	Title of Paper	Methodology	Main Findings
Dushni Weerakoon, Jayanthi Tennakoon and Bilesha Weeraratne	2005	Multilateral Agreement on Trade Facilitation: An Important but Complex Agenda for South Asia	Survey with 37 stakeholders: Exporters, importers, shipping agents, freight forwarders & government officials	<ul style="list-style-type: none"> Asymmetric information to be one of the major impediments with most traders unaware of trade-related information pertaining to them. Administrative procedures associated with laws, formalities and procedures are still complex and irrational. Export and import procedures in the country were found to be cumbersome. Lack of coordination between government agencies and bureaucratic problems were noted to be the key barriers in fully implementing an inter-linked system. High dwell time in customs and ports due to insufficient operating hours of customs and ports, random opening of self-sealed containers, non-availability of customs officials for inspection, congestion at ports, poor port handling facility were also found to be barriers.
Janaka Wijayasiri and Suwendrani Jayaratne	2009	Impact of Information Technology in Trade Facilitation on Small and Medium Enterprises in Sri Lanka	Survey with 29 stakeholders: traders, government officials and freight forwarders	<ul style="list-style-type: none"> Computerized customs management system is only partially implemented with only the facility of lodging Customs Declarations (CUSDECs) being offered under the electronic system. 81 per cent of CUSDECs are lodged manually, while only 19 per cent of CUSDECs are lodged electronically. The high usage cost of the electronic system and the weak link of the system with government agencies are identified as the major shortcomings of the automated system.
Deshal de Mel, Suwendrani Jayaratne and Dharshani Premaratne	2012	Trade Facilitation Issues in South Asia	Survey with 8 stakeholders: traders of the selected products, their freight forwarders and relevant government agencies	<ul style="list-style-type: none"> Export process is more cumbersome than the import process. Significant differences in the trading procedure with regard to time and cost between BOI companies and non-BOI companies with BOI companies having an advantage.

Author/s Name	Year	Title of Paper	Methodology	Main Findings
International Trade Centre	2011	An ITC Series on Non-Tariff Measures - Sri Lanka: Company Perspectives	A survey of large scale companies: telephone interviews with 512 companies, face-to-face interviews with 117 companies	<ul style="list-style-type: none"> Both importers and exporters are strongly affected by NTMs and trade related barriers in Sri Lanka. Bottlenecks in domestic technical testing and certification facilities. Financial constraints faced by SLSI which limit their ability to expand. The existence of a number of charges and taxes in addition to regular customs duties. Incentive schemes require cumbersome administrative burdens and extensive paperwork when registering. The most number of Procedural obstacles are faced with regard to the Customs and port authorities
N Taneja, J. Arnold and P. Kalita	2011	Report of Sri Lanka trade logistics: Results from TTFA survey". Institute of Policy Studies of Sri Lanka, Colombo	Review of published literature	<ul style="list-style-type: none"> Country's transport infrastructure does not embody the chief constraint on the growth of trade in the short-term. The private sector needs to take greater advantage of the opportunities presented by infrastructure services.
Economic and Social Commission for Asia and the Pacific- ESCAP	2013	Trade Facilitation and Paperless Trade in Asia: Results from an Expert Survey	A survey of experts: 54 completed questionnaires from 26 Asian countries	<ul style="list-style-type: none"> Even though all the trade facilitation measures have been implemented in some countries none of them have fully executed. Publication of existing import export regulations on the internet and stakeholder consultation on new draft regulations are the most commonly implemented trade facilitation measures. The least implemented measure is found to be issuance of advance rulings which has been implemented in less than half of the countries surveyed.
Dushni Weerakoon and Nipuni Perera	2014	The Role of Sri Lanka in Enhancing Connectivity between South Asia and Southeast Asia		<ul style="list-style-type: none"> The country has a competitive edge, with deviations from the main shipping route being among the lowest in the region in terms of time and cost. In terms of turnaround time and service time the Colombo sea port is recorded to be performing better than the Indian Ports. Sri Lanka has not fully implemented the "Single Window" facility which will permit the participants to lodge standardized information and documents with a single entry.

Though literature shows that a number of studies have been undertaken on TF in the country, most TF related studies in Sri Lanka have been qualitative, sector-specific and restricted to a

small sample of stakeholders. This limits the ability to generalize the findings and provide an overall policy direction. Moreover, the role of transportation in improving TF has often been left unexplored.

Hence, a broader more focused study aimed at identifying trade and transport related bottlenecks in Sri Lanka remains much called for in the agenda for improving TF in the country.

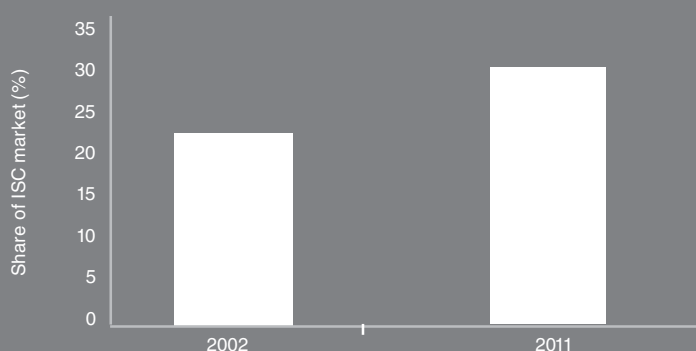
Box 6.1 Case Study: Colombo Port Expansion Project

The Colombo Port Expansion Project was designed to improve the container-handling capacity and the berthing depth of the Colombo Port. This project was initiated with assistance from the Asian Development Bank to improve the country's competitiveness in the ports sector as a development priority thereby, contributing to the facilitation of trade in Sri Lanka. Initiated in 2006 the project took seven years to complete and was concluded in 2013. The project was aimed at reducing transport costs for exports, increasing transshipment container volume handled by Colombo Port and increasing container-handling capacity of Colombo Port. The key components of the project included the dredging of an approach channel and inner harbor basin, constructing a breakwater, and constructing three new container-handling terminals. The Project is also an example of a private-public partnership which has ensured the sustainability of the Project.

Colombo Port is Sri Lanka's main port and handles approximately 95 per cent of Sri Lanka's total international trade. Furthermore, 70 per cent of the Port's container volume is transshipment traffic being transported to and from the Indian subcontinent. Nonetheless, Colombo Port's share of total transshipment traffic to the Indian subcontinent experienced a significant drop from 52 per cent in 1998 to 45 per cent in 2002 due to lack of competitiveness with other key transshipment hubs operating in the Indian subcontinent market. Owing to insufficient investments in port infrastructure and substandard container-handling capacity and depth infrastructure, Colombo Port struggled to compete with newly emerging container handling ports. The Colombo Port also had concerns related to competitiveness stemming from pricing structures which offered very limited flexibility in negotiating prices with shipping lines; on the other hand, key competitors like Singapore and Port Klang in Malaysia offered significantly lower prices.

ADB estimates indicate that the Colombo Port can expect annual savings in lower freight costs of \$82 million, annual savings in faster delivery times of \$49 million, and net annual income to terminal operators from additional transshipment traffic of \$77 million, all by 2015. Furthermore, as Colombo Port is located near the east-west shipping routes surrounded by Europe, the Asia Pacific, and the United States East coast regions, it is considered the closest transshipment port to the Indian subcontinent market. The shorter distance to Colombo Port when compared to Southeast Asian ports like Singapore, Port Klang, and Tanjung Pelepas make it a more viable option for global exporters and importers sending cargo bound for Europe. Given the higher port productivity and larger container-handling capacity that will result from Project, ADB estimated that the Colombo Port could experience a rise in its share of transshipment traffic in the Indian subcontinent market from 23 per cent in 2002 to 30 per cent in 2011 (Figure 6.1).

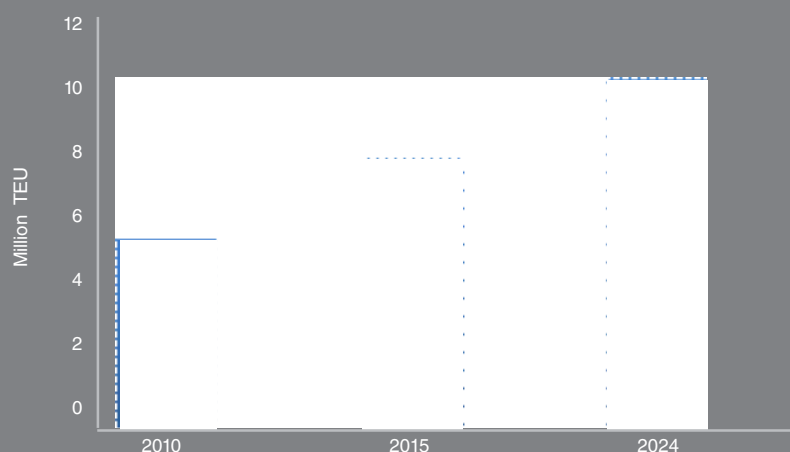
Figure 6.1
Colombo Port's Expected Increase in Share of Regional Transshipment Traffic



Source: ADB 2007.

The Project expects to increase Colombo Port's container-handling capacity in three phases, in 2010, 2015, and 2024, by approximately 2.4 million twenty-foot equivalent unit (TEU) in each phase, as shown in Figure 6.2. Each phase is associated with the construction of a new container-handling terminal, implemented through the private sector, using competitive bidding procedures. Foreign direct investment in the ports sector, particularly with the construction of new terminals, is expected to rise to \$800 million by 2024.

Figure 6.2
Projected Increase in Container-Handling Capacity of Colombo Port



7. Trade Facilitation Related Issues and Concerns when Trading with South Asia

Issues related to documentation: With regard to the documentation involved in trading in South Asia, one of the major bottlenecks that many traders pointed out was related to the Certificate of Origin (COO). The COO from Sri Lanka issued by the Department of Commerce of Sri Lanka is issued only after the shipment has been effected, and shipments from Sri Lanka usually arrive in India for example within a period of 48 hours, which means the goods arrive prior to the documents. Without the essential COO the goods cannot be cleared, resulting in delays. Due to these delays there have been

instances where demurrages have to be paid and additional costs have to be incurred.

Absence of a Single Window: It is necessary for the trade related agencies in Sri Lanka to adopt modern technology and come to a common platform in order to fully automate the trading system. Sri Lanka has partially automated its trading system, and working towards a single-window would no doubt reap the benefits of lower costs of trading, lower clearance times, increased transparency, low rent seeking and bureaucracy. In order to set up a single window it is necessary for the government to

take an active interest in this initiative and drive towards full implementation of the ASYCUDA World system. Currently, Sri Lanka Customs is championing the cause.

Demand for Additional Certification and Checks: Requirement for various additional checks/certifications on the goods by authorities in the importing country, for instance in India, although they have been previously tested and certified by the relevant, approved authorities in Sri Lanka has resulted in delays and additional costs. Furthermore, there have been instances where doubts have been raised by Indian officials on

the validity of the COO or the ILFTA certificate was refused citing that the signatures in the certificate are not that of the authorized persons. Additionally, additional documents that are not specified under FTAs with South Asia were demanded by customs and other authorities in importing countries to get entitled for tariff reductions.

Non-availability of a Formal Body in Sri Lanka and in the Importing Country to Address Problems that Arise when Exporting under the FTAs: The absence of a fixed body to address problems arising when trading under the agreement is an impediment in reaping using the benefits of FTAs. When problems arise regarding a shipment (for

instance, documentation) there is no formal body of authority that takes up the complaints and addresses them quickly. Quick response is essential due to high costs of delays.

Non-Availability of Testing Services in Proximity to the Main Ports: Absence of testing services in close proximity in importing countries has resulted in goods suffering damage and wastage. For example, the requirement to carry out checking/conformity of edible items at the Centre for Food Testing and Research Institute (CFTRI) in areas that are situated at a distance from the port in India is an impediment. For example, imports into Chennai are sent to the CFTRI in Mysore

(Mysore is about 470 km's away from Chennai) and imports into Mumbai are sent to the CFTRI in Pune. The distance to these labs creates a substantial delay with highly perishable goods suffering the most. It is also necessary to visit departments in different locations and this was seen to be a bottleneck by a few traders.

Cumbersome Procedures in Obtaining Business Visa: Obtaining business visa to South Asian countries is considered extremely difficult. Traders have highlighted the need to promote businessmen visiting South Asia and obtain multiple entry visas to promote trade between regional members.

8. Methodology

A survey was carried out among 121 different stakeholders in the import/export process to assess the current status of trade facilitation in the country and to identify priority areas of facilitation. The survey was carried out from August-November 2014. A common questionnaire that was designed by South Asia Watch on Trade, Economics and Environment (SAWTEE), in consultation with the researchers involved in the country studies was used in the survey. The questionnaire was pilot tested by the different research teams and the relevant improvements were made to increase the accuracy of the information that was being collected; in Sri Lanka it was tested among 2 exporters, 2 importers, 2 freight forwarders and a shipping line. The questionnaire covered

information on 5 main areas: (i) Publication of trade related rules and regulations; (ii) Rules and procedures for export and import; (iii) Trade-related infrastructure and services; (iv) Treatment of goods in transit and; (v) Priority areas of trade facilitation. While, although a majority of the questions were close-ended, the respondents were encouraged to provide reasons for their choice of answer (See Annex for the survey questionnaire).

The study focused on the importing/exporting experiences of traders via, (1) Colombo Port and (2) Bandaranaike International Airport, which are the country's main sea port and airport. As mentioned in Section 3, over 99 per cent of trade in Sri Lanka takes place via the Colombo Port and over 80 per cent

of the remaining 1 per cent of air cargo go through the Bandaranaike Airport. No cargo handling is done via the country's other airports while cargo handling through the other ports is minimal.

The survey focused on the documentation and the trading process of importing and exporting one agriculture product and one manufacturing product each (see Table 8.1). The products were selected at the HS 4-digit level and the selection of these products were identified based on, (i) the importance of the product in relation to trade between Sri Lanka and other South Asian countries, captured through volume of trade; and (ii) the availability of at least 20 companies that export/import the relevant product to/from South Asia.

However, in carrying out the survey, due to factors such as low response rates, reluctance to complete the questionnaire and the inability to substitute these with other companies trading the same product, additional exporters/importers were drawn from the relevant chapters. As such, for the category

'Import-Non Agriculture', in addition to importers of Cement (HS 2523), 10 companies importing products under HS 25 were selected.

Likewise, for 'Export-Non Agriculture' - HS 8544, companies were drawn from the relevant HS chapter. More information on the selected products is provided in the following section, 7.1. The lists of companies that trade in these

products with South Asia were obtained from the Export Development Board (EDB) and Sri Lanka Customs.

A total of 289 companies and individuals were contacted to achieve a target of close to 150 interviews. Of this, 121 companies and individuals responded. The breakdown of the respondents is given in Table 8.2. Except for about 12 respondents who sent the filled questionnaire by email or over the phone, all other interviews were carried out face-to-face. The interviewed companies were a mix of small, medium and large companies. Given that there is no definition for the classification of businesses at the national level, the study has used the number of

employees as the criterion to categorize them, following the National Enterprise Development Authority definition. Accordingly, a business with 5-19 employees is categorized as small, 20-50 as medium-scale and over 50 employees as large in this study. Out of the businesses that were interviewed 29 were small (24% of the total respondents); 39 were medium (32% of total) and; 50 were large companies (41%).

Further to the above interviews, 6 Key Informant Interviews (KIIs) were carried out to get information on recent trade facilitation initiatives undertaken by the relevant institutions, general perspectives on related issues and priority areas (see Table 8.3).

Table 8.1
Selected Products for the Study

	Export	Import
Agriculture	Pepper, pepper and capsicum (HS code: 0904)	Cane or beet sugar and chemically pure sucrose, in solid form (HS code: 1701)
Non-Agriculture	Insulated wire/cable (HS code: 8544)	Cements, portland, aluminous, slag, super sulfate & similar hydraulic (HS code: 2523)

Table 8.2
Breakdown of the Respondents

Category	Border Point		Total
	Colombo Port	Bandaranaikē International Airport	
Freight Forwarder/CHA	28	19	47
Exporters	22	5	27
Importers	30	2	32
Shipping Lines	7	0	7
Road Carriers	2	0	2
Airline Operators	0	3	3
Board of Investment	1	0	1
Sri Lanka Freight Forwarder's Association	1	0	1
Ceylon Shipper Council	1	0	1
Total	92	29	121

Table 8.3
Key Informant Interviews

Organization	
Ceylon Chamber of Commerce	Sri Lanka Standards Institution
National Chamber of Commerce	Sri Lanka Ports Authority
Export Facilitation Center	Department of Commerce

After the questionnaires were reviewed for quality and completeness, data entry was carried out using SPSS. It was done in conformance to the code book, prepared at the questionnaire preparation stage for the regional studies. Given the nature of information collected, predominantly a quantitative approach was employed to analyse the data, i.e. descriptive statistics, ranking. After the findings were compiled and analysed, a stakeholder consultation was held to validate the findings and obtain feedback to ensure the quality of research output.

8.1 Products Selected for the Survey

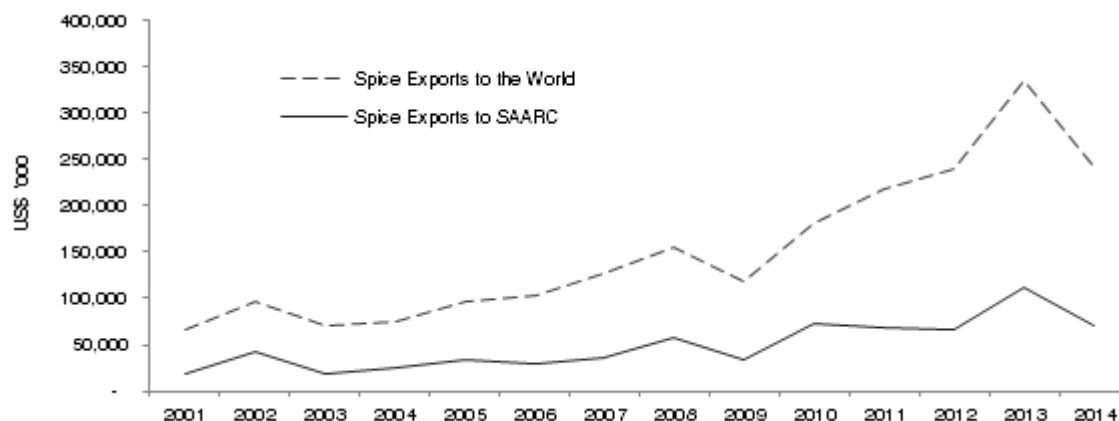
This section provides a brief introduction to the products selected for the survey. It discusses the importance of these products to Sri Lanka's trade with South Asia, highlighting on trade volumes and their main markets in the region.

8.1.1 Pepper and Spice Exports

Spices are Sri Lanka's main agricultural exports to South Asia and accounted for 16 per cent of Sri Lanka's total exports to South Asia in 2013. However, it has dropped to 7 per cent in 2014. It is also the second largest export commodity to South

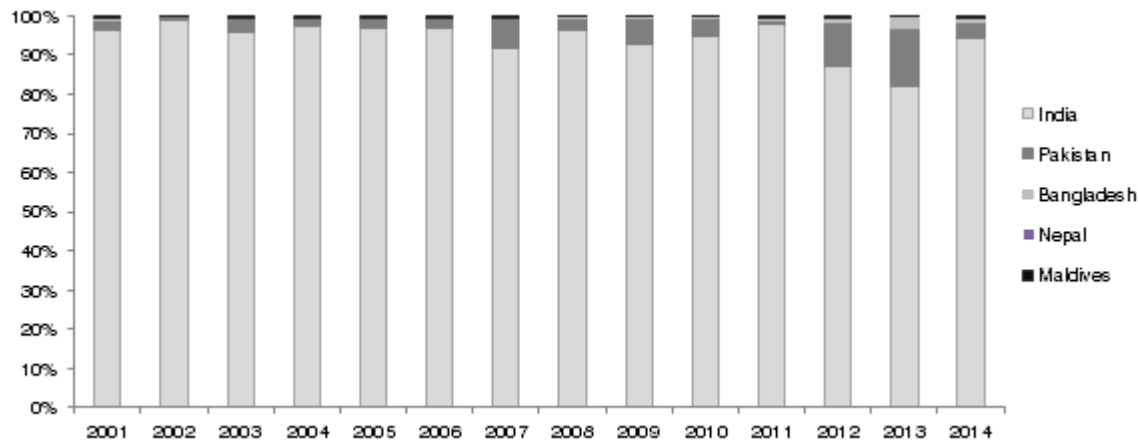
Asia. At the same time Sri Lanka's share of spice exports to South Asia was about 30 per cent out of Sri Lanka's total world exports of spices in 2014 (Figure 8.1). Sri Lanka produces and exports a range of spices; Cinnamon (HS 0906), Pepper (HS 0904), Cloves (HS 0907), Nutmeg (HS 0908), and Ginger, saffron, turmeric, thyme, bay leaves and curry (HS 0910). Among spices, Pepper and Capsicum have the largest share in exports accounting for over 55 per cent of the total spice exports to the SAARC region in 2013, followed by Cloves (32 per cent) and Nutmeg (11 per cent) (Figure 8.3). Bulk of Sri Lanka's spice exports is channeled to India that accounted for over 80 per cent of total exports of spices to the SAARC region in 2013 (Figure 8.2).

Figure 8.1
Sri Lanka's Total Spice Exports, from 2002-2014 (US\$ '000)



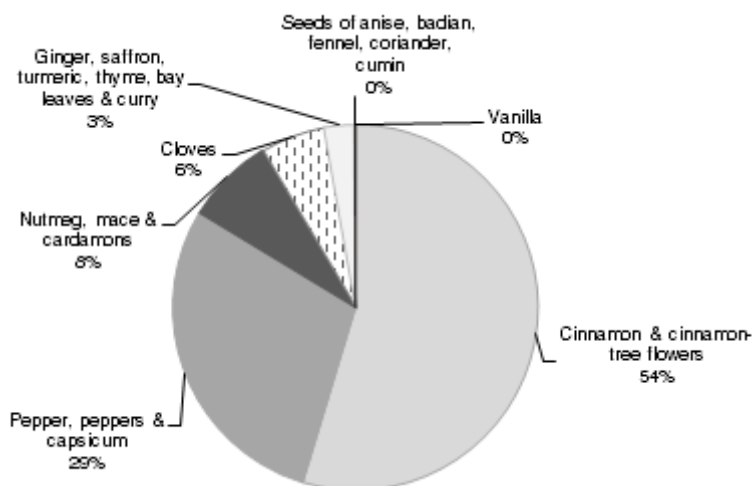
Source: Trademap, various years.

Figure 8.2
Direction of Spice Exports of Sri Lanka to South Asia, 2001-2014



Source: Trademap, 2014.

Figure 8.3
Sri Lanka's Composition of Spice Exports to SAARC, 2014
(Percentage)

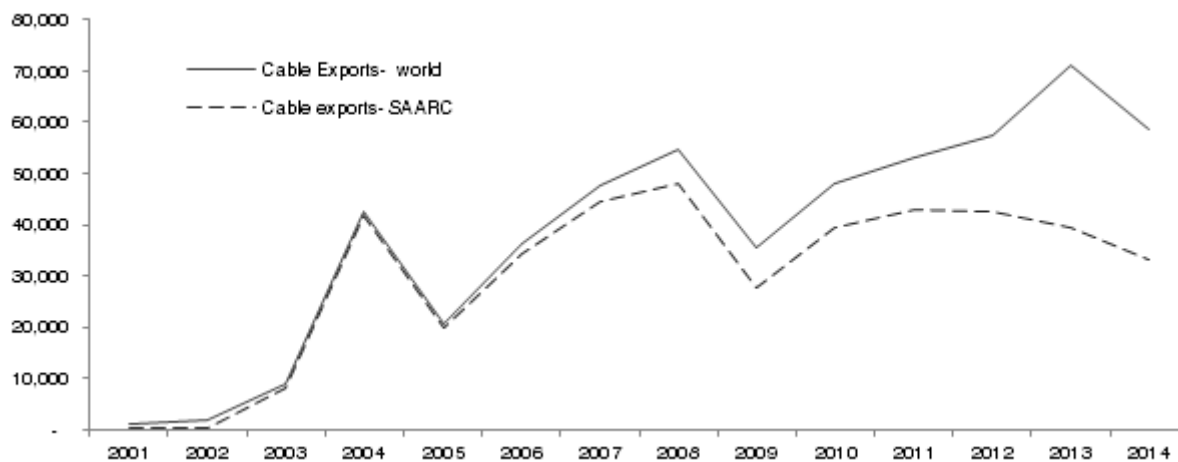


Source: Trademap, 2014.

8.1.2 Insulated Wire and Cables Exports

Insulated wire and cable exports are Sri Lanka's third largest exports to South Asia and accounted to 5 per cent of Sri Lanka's total exports to South Asia in 2013, which is an expansion from 0.3 per cent of total SAARC exports in 2001. Additionally, Sri Lanka's share of insulated wire and cable exports to SAARC countries has shown an improvement from 40 per cent in 2001 to over 55 per cent in 2013 out of Sri Lanka's total world exports of insulated wire and cables. As shown in Figure 8.4, exports of insulated wire and cables to the world and to South Asia have seen a boom since 2009 to 2013 mainly owing to the tariff concessions offered to the companies that are registered under the Board of Investment (BOI) of Sri Lanka. The tariff concessions include tariff-free export facility of insulated wire and cable and tariff-free importation of material for the manufacturing of cables.

Figure 8.4
Sri Lanka's Cable Exports from the World and SAARC Region, from 2001 - 2014 (US\$ '000)



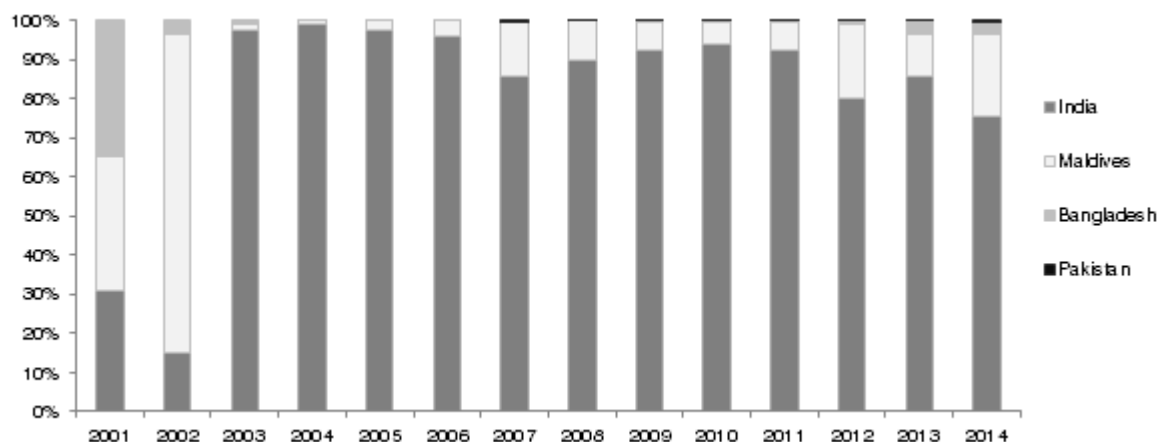
Source: Trademap, various years.

In 2001, Sri Lanka's main South Asian export destinations for insulated wire and cables were India, Maldives and Bangladesh, and these export destinations have had an equal share of exports of insulated wire and cables to the SAARC region. However, from 2003

onwards, India has become Sri Lanka's largest insulated wire and cables export market securing a share of over 90 per cent of the total exports to the region (Figure 8.5). Since the implementation of ILFTA in 2002, the tariff concessions offered by Sri Lanka

for imports of raw material for insulated wire and cable manufacturing together with the relaxation of import duties by India for insulated wire and cable imports from Sri Lanka have been the main reasons for the boost in exports of insulated wire and cables to India.

Figure 8.5
Direction of Insulated Wire and Cable Exports of Sri Lanka to South Asia



Source: Trademap, various years.

8.1.3 Cane and Beet Sugar Imports

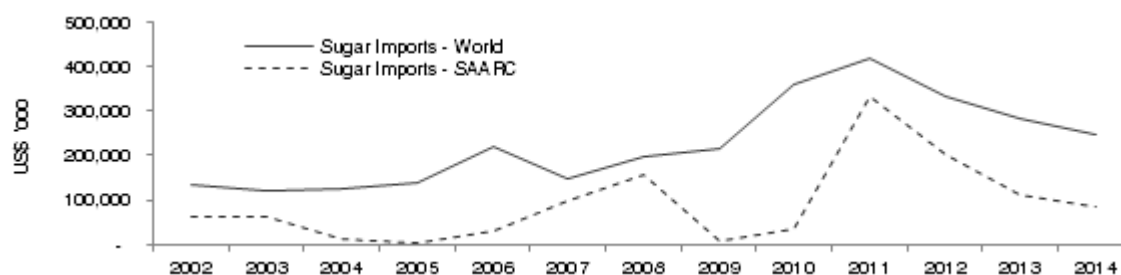
Sri Lanka's main agricultural import commodity from the SAARC region is cane and beet sugar. As shown in Figure 8.6, cane and beet sugar imports of Sri Lanka from South Asia have seen fluctuations from 2001 to 2013. Domestic policies to revive the sugar industry in Sri Lanka together with the drop in world market price of sugar have been the reasons behind the variations of the sugar import bill of Sri Lanka. However, Sri Lanka currently imports about 94 per cent of the domestic sugar requirement. In 2014, Sri Lanka has imported about 34 per cent of the total cane and beet sugar requirement from

South Asia as a percentage of total world imports (Figure 8.6). As a result of measures taken to enhance the domestic production in 2011 to meet at least 50 per cent of the domestic sugar requirement within the next five years, a drop in sugar imports can be seen from 2011 onwards and at the same time world sugar prices have also dipped during the period from 2011 to 2014.

Sri Lanka's top five sugar importing destinations for the period 2001-2014 are presented in Figure 8.7. These five countries (Brazil, India, Thailand, Pakistan and Malaysia) account for nearly 95 per cent of sugar imports to Sri Lanka in 2014. Since 2001, Sri Lanka's main source of imports from South Asia for cane and beet sugar has been India;

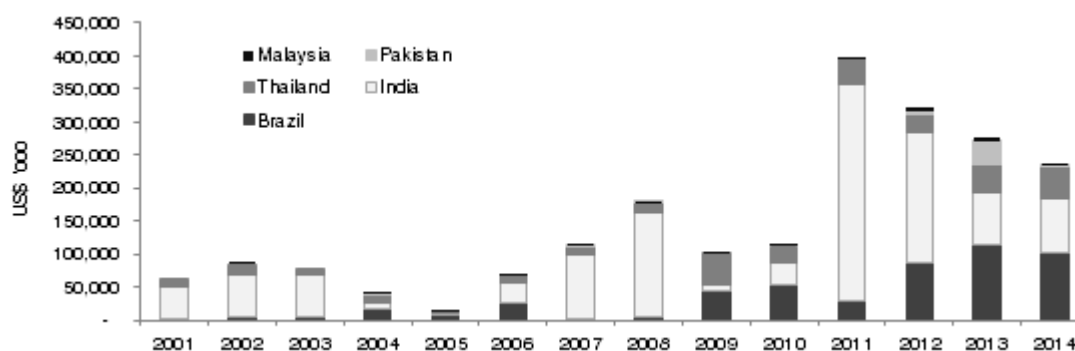
India accounted for about 70 per cent of Sri Lanka's total SAARC imports of cane and beet sugar. However, from 2012 onwards India's share of cane and beet sugar exports to Sri Lanka has gradually declined - from 60 per cent in 2012 to 33 per cent in 2014 of Sri Lanka's world imports of cane and beet sugar (Figure 8.7). Moreover, in 2013, about 30 per cent of total cane and beet sugar imports from the SAARC region has been imported from Pakistan, which is about 13 per cent of Sri Lanka's world imports of the product. However, cane and beet sugar imports from Pakistan has drastically dropped in 2014 accounting for a share of 0.1 per cent of Sri Lanka's world imports of cane and beet sugar.

Figure 8.6
Sri Lanka's Sugar Imports from the World and SAARC Region, from 2001 - 2014 (US\$ '000)



Source: Trademap, various years.

Figure 8.7
Top 5 Cane and Beet Sugar Importers to Sri Lanka, from 2001-2014



Source: Trademap, various years.

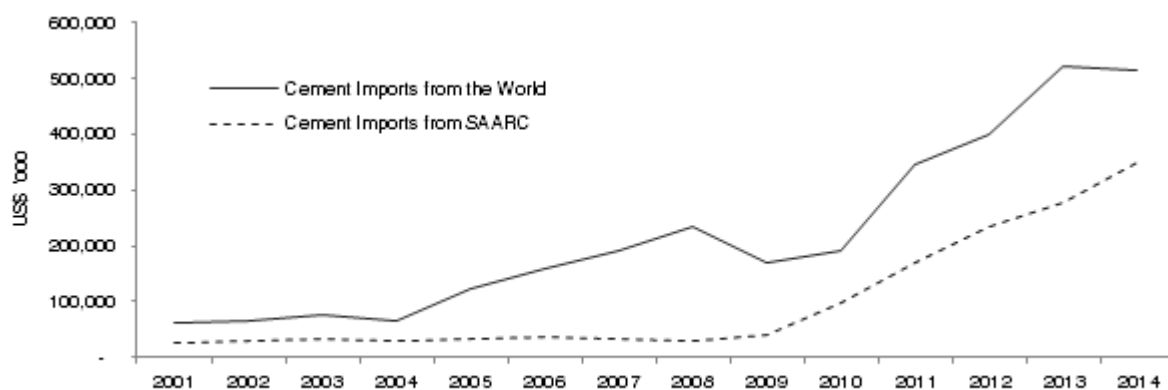
8.1.4 Portland Cement Imports

Portland cement is Sri Lanka's second largest industrial import commodity from the South Asian region, next to petroleum. The share of Portland cement imports from SAARC countries doubled from 4 per cent in 2001 to 8 per cent in 2014 (out of total SAARC imports).

Since 2009, the share of Portland cement imports from SAARC countries has shown an escalation from 24 per cent in 2009 to over 68 per cent in 2014 (Figure 8.8). In 2014, Portland cement imports from India contributed 81 per cent of the total Portland cement imports from SAARC while the remaining 19 per cent imports came from Pakistan. Despite fluctuations, India's share in

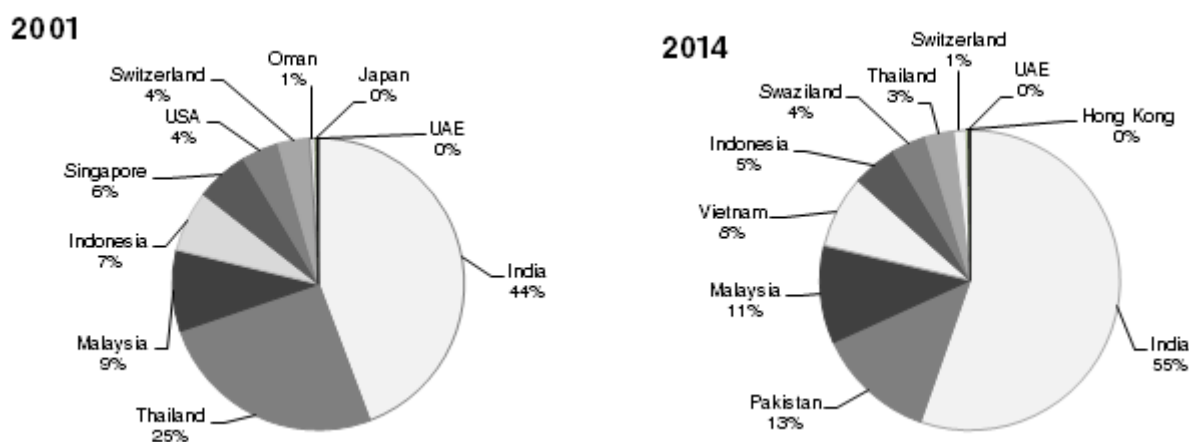
Sri Lanka's total world imports of Portland cement has increased overtime from 44 per cent in 2001 to 55 per cent in 2014 (Figure 8.9). Similarly, share of Portland cement imports from Pakistan has improved from 1 per cent in 2008 to 13 per cent in 2014 out of Sri Lanka's world imports of Portland cement.

Figure 8.8
Sri Lanka's Portland Cement Imports from the World and SAARC Region, from 2001 - 2014 (US\$ '000)



Source: Trademap, various years.

Figure 8.9
Direction of Portland Cement Imports from Sri Lanka to South Asia



Source: Trademap, various years.

9. Survey Findings

This section provides the key findings from the survey carried out among 121 respondents, under 4 main sections: (i) Publication of trade related rules and regulations; (ii) Rules and procedures for export and import; (iii) Trade-related infrastructure and services; (iv) Treatment of goods in transit and; (v) Priority areas of trade facilitation. This section attempts to also include the comments made by interviewees on the relevant areas in order to get a better understanding of the TF issues.

9.1 Publication of Trade Related Rules and Regulations

9.1.1 National Customs Website

There is a national customs website which provides a minimum set of information on customs duties, fees and export import procedures in Sri Lanka (www.customs.gov.lk). Of the 121 respondents, 92% (111 out of 121) indicated the availability of the customs website containing this information. However, only 78% (87 out of 111) of these respondents use the website to find information (see Figure 9.1). Many rely on their customs house agents (CHAs) and freight forwarders for clearance and do not actively seek information from the customs website. Furthermore, if there are any major changes in regulation or procedures, exporters/importers are notified through the relevant chambers and industry sources.

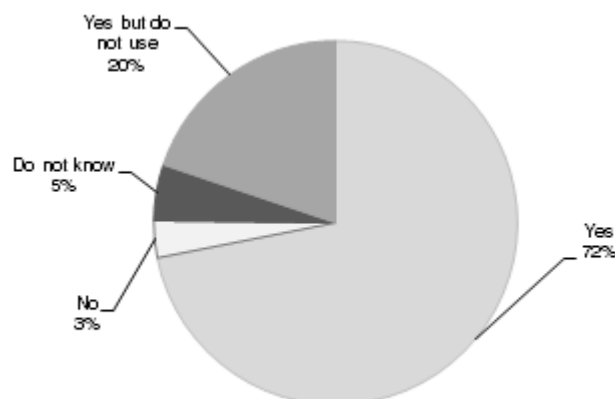
Websites such as that of Export Development Board (EDB) also provides details on the export procedure, documentation requirements and related information.

According to the users of the Sri Lanka Customs website, it contains information on import export procedures (72 out of 87 respondents), changes in regulation (69 out of 87), customs clearance procedures (63 of 87), applicable customs duties (63 of 87), and applicable fees and charges (55 of 87). However, the website does not contain information on average release and clearance times (also see Figure 9.2). Some traders were of the view that the information available on the website was not accurate or reliable which was attributed largely to the website not being up to date or regularly updated. As a result many for example have the tendency to refer to the tariff book published by the

Customs rather than use the website to find applicable customs duties.

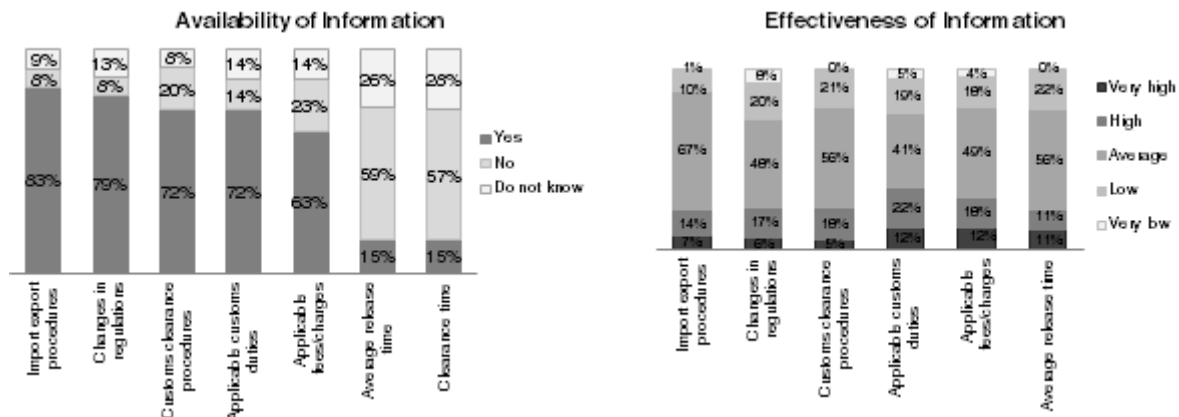
The effectiveness of overall information available on the website can be rated as "average", based on the responses (see Figure 9.2). The respondents who rated the effectiveness of the information on import/ export procedures and customs clearance procedures as "very low" or "low" stated that available information is not sufficient for them to get comprehensive information about the total import/ export process and the clearance process. Additionally, some respondents rated the effectiveness of the information on "changes in regulations" as "very low" and "low" as the website is not updated regularly with the changes. The effectiveness of information on changes in regulation, applicable customs duties and applicable fees and charges were identified to be the lowest.

Figure 9.1
Availability of a National Customs Website



Source: Survey.

Figure 9.2
Availability and Effectiveness of the Information Available on the Customs Website



Source: Survey.

9.1.2 Inquiry Point on Trade Procedures and Formalities

There is an inquiry point at the Sri Lanka Customs which traders can contact with regard to queries on import/export procedures and formalities. However, there is no inquiry point at the national level which acts as a coordinating body between all trade related agencies and the trading community. 73 of the 121 respondents mentioned the availability of the inquiry point at the Customs. However, almost all the respondents brought up, (i) the difficulties of accessing the inquiry

point (i.e. the calls not being answered), and (ii) the inability and inefficiency of this service to address their queries. 40% of the respondents were unaware of any inquiry point on trade procedures and formalities (see Figure 9.3).

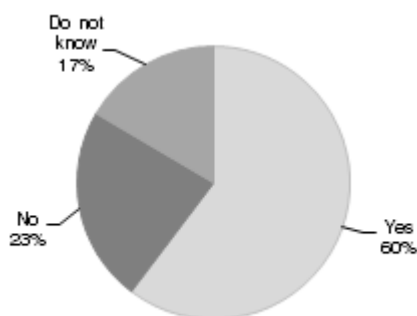
9.2 Rules and Procedures for Export and Import

9.2.1 Border Management Agencies

The Colombo Port has the Revenue and Customs, Health Authority,

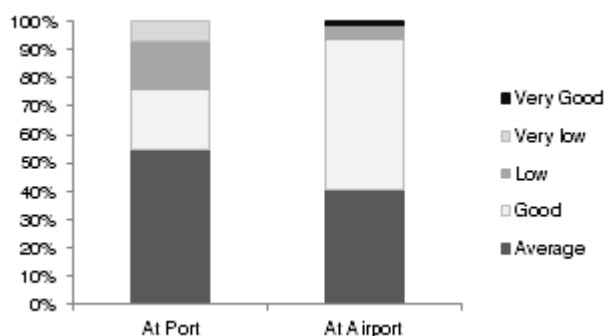
Quarantine Inspection Services, Food Standards Agency and Security Agencies operating inside the Port. Immigration services are available at the passenger terminals and the services provided by the Plant Health Inspectorate and the Archaeological Agencies are rendered by the Customs. The Bandaranaike Airport also has the agencies of Revenue and Customs, Immigration Services, Health Authority, Quarantine Inspection Service, Food Standards Agency, Plant Health Inspectorate and Security Agencies operating within the premises. There is no representation of an Archaeological Agency at the airport.

Figure 9.3
Availability of an Inquiry Point on Trade Procedures & Formalities



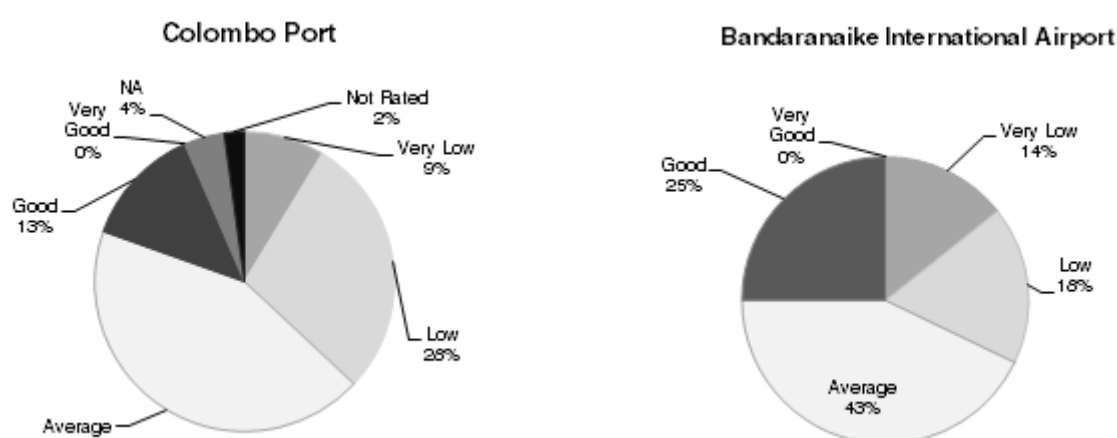
Source: Survey.

Figure 9.4
Customs Operational Efficiency



Source: Survey.

Figure 9.5
Coordination between Border Management Agencies



Source: Survey.

A majority rated the customs operational efficiency at the Port as "average" (55% or 60 out of 110) and at the airport as "good" (53% or 41 of 77) - see Figure 9.4. The overall coordination between the border management agencies at both the Colombo Port and BIA can be rated as "average" (see Figure 9.5). 40 out of 86 responding on the Colombo Port considered coordination between agencies to be average. However, 34 considered coordination to be "very low" or "low" while another 12 rated it as "good". At the airport, coordination between agencies was rated to be "average" by 12 out of 28 respondents, "good" by 7

respondents and "very low" or "low" by 10 respondents.

9.2.2. Export Documentation and Signature Requirements

There are 5 basic documents that are required to export goods out of Sri Lanka - the CUSDEC, commercial invoice, packing list, bill of lading/airway bill and the cargo dispatch note (see Table 9.2). The Certificate of Origin is also required by those using preferential agreements to export. Apart from these there may be product specific documentation requirements as

explained in section 4 of the report. Of the 70 respondents who responded to the questions on documentation to South Asia, a majority of 42 % stated that the minimum number of documents is between 3-4 while 23% stated the maximum number is 5 (See Table 9.1). There were no product specific documents requirements for the identified products of the study. Further, according to the respondents there are no significant differences between the document requirements for South Asia and developed countries in the chosen products as the documentation requirements are mostly product based and are not country specific.

Table 9.1
Number of Export Documents

No. of Documents	South Asia (no. of respondents)		Developed Countries (no. of respondents)	
	Minimum	Maximum	Minimum	Maximum
1 document	4	3	5	3
2 documents	7	4	6	4
3 documents	22	11	20	10
4 documents	16	10	13	10
5 documents	13	19	14	14
6 - 7 documents	6	10	4	11
8 - 9 documents	1	9	2	8
10 - 15 documents	1	4	2	6

Source: Survey.

**Table 9.2
Export Documents**

Export Documents	
Sea Cargo	Air Cargo
Customs Declaration (CUSDEC)	Customs Declaration (CUSDEC)
Commercial Invoice	Commercial Invoice
Packing List	Packing List
Bill of Lading	Airway Bill
Cargo Dispatch Note (CDN)	Cargo Dispatch Note (CDN)
Certificate of Origin (where necessary)	Certificate of Origin (where necessary)

Source: Survey.

According to the survey results, the number of days required to prepare export documents range from 1 - 7 days. However, according to a majority it takes only one day to prepare the necessary export documents to export to either a South Asian country or a developed country (see Table 9.3). Exports are facilitated to a great extent in Sri Lanka, this together with the nature of products selected for the study may explain the relatively low number of days needed to prepare export documents.

9.2.3 Imports Documenta- tion and Signature Requirements

It is possible to identify 6 main documents required to import goods

into Sri Lanka: CUSDEC, commercial invoice, packing list, letter of credit, bill of lading and the delivery order (also see Table 9.5). Out of 121 respondents 78 answered to the question on the number of documents required to import and a majority of 48% stated that the minimum document requirement is between 4 to 5 documents, irrespective of importing from South Asia or a developed country (See Table 9.4). However, for importers who are trading under SAFTA and ISFTA, the relevant certificates should be produced with the other documents. Apart from these, product specific documents for the products chosen for the study include the, Certificate of Analysis, PHYTO certificate and Load-port certificate - required for sugar imports.

On the number of signatures required to import from South Asia, 78% declared it range between 1 to 5. According to a majority, the number of signatures required to import a product is 1 (19%) while another 16% identified the number of signatures required to be 4 and 5.

The days needed to prepare import documents range from 1-14. However, similar to that in the export process, a majority out of 79 respondents stated that import documentation requirements can be completed in one day: 75% mentioned that it takes a maximum of 1 day.

Around 92% mentioned that the Customs do not accept copies of documents which are not authenticated. However, according to

**Table 9.3
Number of Days Required to Prepare Export Documents**

No. of Days Required	South Asia (no. of respondents)		Developed Countries (no. of respondents)	
	Minimum	Maximum	Minimum	Maximum
1 day	59	45	57	42
2 day	4	15	3	16
3 day	3	3	3	2
4 day	1	2	1	2
5 day	1	1	1	1
6 day	-	1	-	1
7 day	-	1	-	1

Source: Survey.

Table 9.4
Import Documentation Needs

No. of Documents	South Asia (no. of respondents)		Developed Countries (no. of respondents)	
	Minimum	Maximum	Minimum	Maximum
1 document	4	3	4	3
2 documents	1	1	2	1
3 documents	7	-	6	1
4 documents	19	14	17	12
5 documents	22	50	20	18
6 documents	7	10	8	9
7 documents	10	12	7	10
8-10 documents	7	15	5	13
10-20 documents	1	2	1	7

Source: Survey.

Table 9.5
Import Documents

Import Documents	
Sea Cargo	Air Cargo
Customs Declaration	Customs Declaration
Commercial Invoice	Commercial Invoice
Packing List	Packing List
Letter of Credit	Letter of Credit
Bill of Lading (B/L)	Airway Bill
Delivery Order	Delivery Order

Source: Survey.

the Sri Lanka Customs, copies are accepted in certain instances where originals can also be shown to validate the copies.

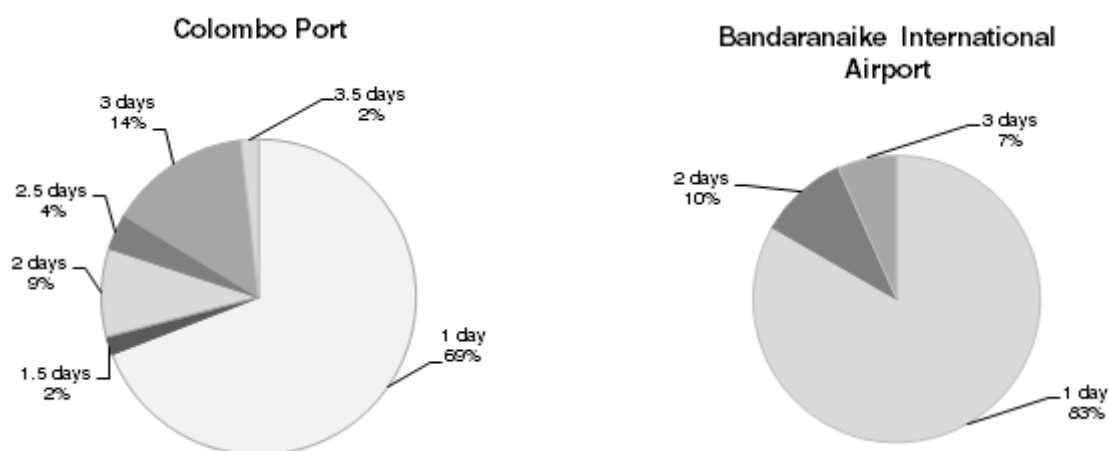
9.2.4 Cargo Clearance Times

Average time to clear export consignments in Sri Lanka is 1 day at both the airport and the port, while average time taken to clear import consignments is 1 day at the airport and 3 days at the port according to a majority of the respondents. 69% (38 out of 55)

and 83% (25 out of 30) have stated that cargo clearance could be done within a day at Port and Airport respectively if all documents are in place. According to the SLPA, a consignment could be cleared from the terminal within half an hour, after which they have to go through normal customs checks and procedures. While the demurrage free period for perishables is 48 hours, other containers are given 3 days from the day following discharging to clear the goods from the ports.

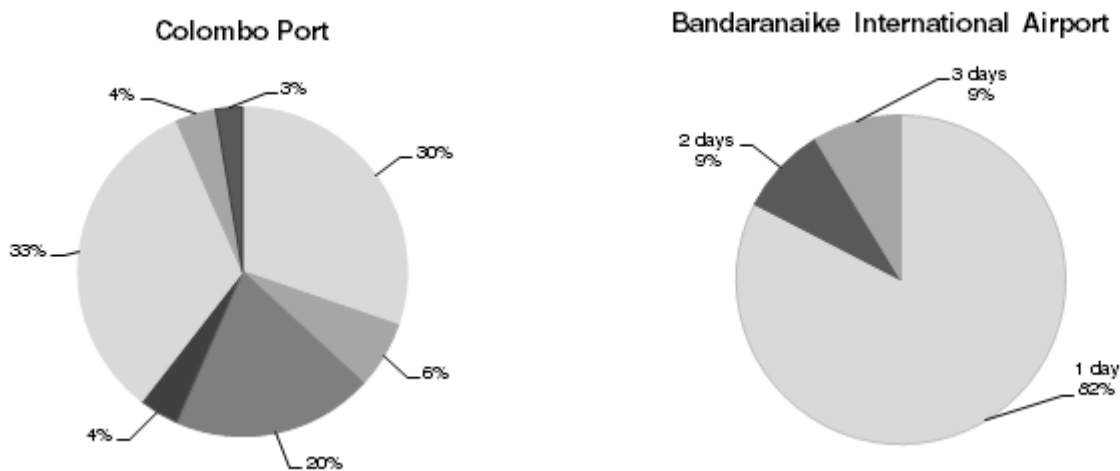
Clearance of import cargo takes more time than the export cargo; 93% of the respondents or 71 of 76 respondents have stated that they need about 1-3 days to do the clearance at the Port (Figure 9.13). However, at the airport, a majority is able to clear their import products within a day.

Figure 9.6
Average Times to Clear Outward Goods



Source: Survey.

Figure 9.7
Average Days Taken to Clear Inward Goods



Source: Survey.

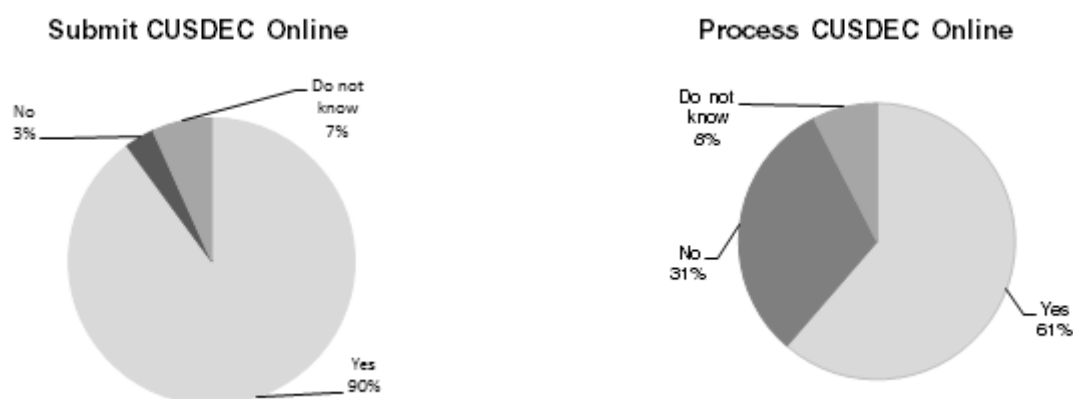
Clearance of import cargo takes more time than the export cargo; 93% of the respondents or 71 of 76 respondents have stated that they need about 1-3 days to do the clearance at the Port (Figure 9.13). However, at the airport, a majority is able to clear their import products within a day.

9.2.5 Automation of the Export/Import Procedures

A majority of the stages in the export process in Sri Lanka has been automated. The CUSDEC for both imports and exports can be submitted online, with the online submission of export CUSDECs being mandatory in the country. 90%

(107 of 119) of the survey respondents affirmed this while 61% (73 of 119) also mentioned that it could also be processed online. Nevertheless, the process is not wholly automated with segments of the process such as the selection of consignments for physical examination being done by customs officials.

Figure 9.8
Ability to Submit & Process CUSDEC Online



Source: Survey.

Figure 9.9
Quality of Submitting and Processing the CUSDEC



Source: Survey.

Based on the survey, the quality of the functioning of both the online submission and processing of the CUSDEC can be rated as "good" (see Figure 9.9). Additionally about 43 of 103 respondents stated the functioning of the system as "average". However, to the question on the possibility of submitting and processing the supporting documents online, more than 90% of the respondents stated that such facility is either not provided by the

Customs or that they are unaware of it.

A single window is yet to be established in Sri Lanka. While automation of systems and documentation of the export process has been carried out to a substantial extent, traders are yet to see the same for the import process.

Further, except for the Board of Investment, Tea Board, Registrar of Motor Vehicles, Ministry of

Finance and the Import/Export Control Department, other relevant organizations are not linked to the ASYCUDA World system.

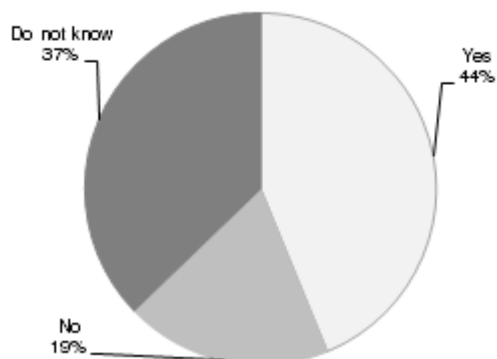
9.2.6 Advance Ruling and Pre-Arrival Processing of Documents

It is possible to obtain advance ruling of classification (H.S. Code), for commodities from the

Commodity Classification Division of Sri Lanka Customs Department, prior to the importation or exportation of the commodity. Although advance rulings issued by Sri Lanka Customs are not legally binding, an advance ruling issued by the Customs is valid for one year and is not challenged in practice if the product imported matches that of the ruling. Of the 121 respondents, 44% (or 53 respondents) stated that they are aware of the facility of advance rulings issued by the Customs (see Figure 9.8). However, very few of them have actually used the service (around 20%) despite the details and the application being freely available in the Sri Lanka Customs website. Some importers did not use the facility due to the difficulties of providing the Customs with some of the required information about products (i.e. difficulties in receiving certain product information from sellers). A respondent stated that if the HS classification is different he pays the relevant duties and other payments at the time of clearance, which he found to be more convenient than providing the relevant information to get an advance ruling. Another significant number (37% or 45 respondents) were unaware of the availability of such a service, underlining the lack of awareness of the advance ruling facility.

Currently, pre-arrival processing is available only for perishable products and a few selected items such as rice. This may explain the variances in the responses where 79% (96 respondents out of 121) of the respondents stated that pre-arrival processing of import/ export consignments is either not available in the country or that they are unaware of it while 21% (or 25) of the respondents stated that it is.

Figure 9.10
Issuance of Advance Rulings



Source: Survey.

9.2.7 Valuation of Customs Duties and Guarantees

Transaction value is the most common and primary method of valuation used in Sri Lanka; this is the actual price that was paid or is payable for the goods. However, there are a number of conditions that must be met to use the transaction valuation method, such as the buyer and seller should not be related, where the buyer and seller are related, their relationship should not have affected the price of the imported goods. In the event the transaction value cannot be used, an alternative method (transaction value of identical goods; transaction value of similar goods; deductive value; computed value; fall back value) will be used to value the products (Sri Lanka Customs Website). In the survey, 94% (74 of the 79 respondents) who responded to the question on valuation of customs duties mentioned that valuation is done based on the "Transaction Value". Another 4 per cent mentioned that it is based on computed value while another 3% mentioned the basis as transaction value of identical goods.

Imports can be cleared against an accepted guarantee in Sri Lanka. 69% (58 respondents) of the 84 that responded to this question affirmed this. The guarantee can be in the form of a bank guarantee or a cash guarantee.

9.2.8 Availability of a Non-Judiciary Review/Appeal Procedure

Apart from the appeal/review procedures available in the particular agencies and ministries, there is currently no operational non-judiciary review/appeal procedure at the national level which traders can appeal to if they are not satisfied with a decision taken by the Customs or any other border management agency. 60% (72 respondents of 121 respondents) mentioned that there is no non-judiciary review or appeal procedure available in the country while another 21% stated that there is such a non-judiciary review/appeal procedure available at the Customs (see Figure 9.11). A majority stated that if such an issue comes up they try to solve it with customs officers at an informal level rather than make a formal

complaint. However, according to the Customs, traders can appeal to the Director General of Customs if they are not in agreement with decisions taken at the operational level, and then to the Minister of the Ministry of Finance and Planning under whose purview Customs functions. Appeals can also be made to the Tax Appeals Commission established under the Tax Appeal Commission Act No. 23 of 2011. Although established by law, the Tax Appeals Commission is not operational yet.

9.2.9 Risk/Threat Assessment Technique and Physical Inspection of Inward Consignments

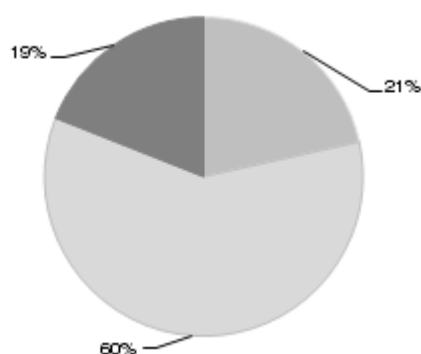
Sri Lanka Customs has undertaken measures to improve the risk/threat assessment techniques, in order to facilitate trade. The Customs recommended the "Green Channel" facility in September 2013 which is also the country's authorized trader's scheme. As of January 2015 this facility was available for 240 of the most trusted importers with good trading histories and 57% (65 of 121) of the survey respondents were aware of the Green Channel facility provided by the Customs.

Apart from this, the Customs classifies goods under the three channels- Green, Yellow and Red Channels. The Green Channel is for low-risk declarations, where goods are released without calling for documents and cargo examination while the Yellow Channel is for medium-risk consignments where consignments are cleared upon examining the required documents without cargo examination. However, random

cargo examinations are also carried out in the Yellow Channel. High-risk declarations are cleared through the Red Channel with both documents and cargo being examined. A majority of 54% (65 respondents) of the 121 respondents stated that the country uses a risk or threat assessment technique, while the other 46% were either unaware of such a technique or said "no" (22 said "no" and 34 "do not know").

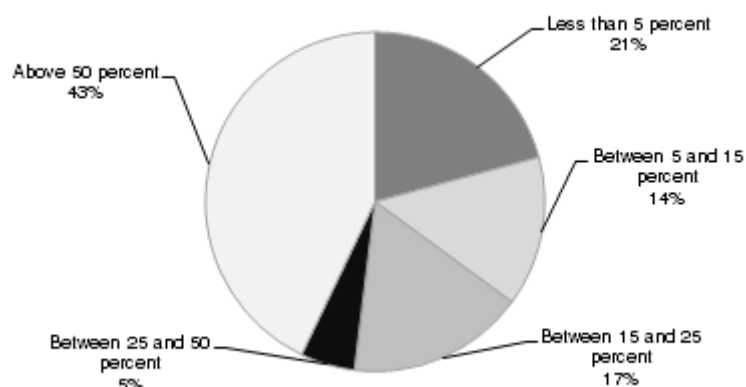
In terms of physical inspection, a majority of 43 per cent (33 out of 77) of respondents stated that more than 50% of their consignments are subject to physical inspection, while another 21% (16 respondents) stated that less than 5% of their consignments are subject to physical verification (see Figure 9.12).

Figure 9.11
Availability of a Non-Judicial Review/Appeal Procedure



Source: Survey.

Figure 9.12
Proportion of Physical Inspection on Inward Consignments



Source: Survey.

Post clearance audits are carried out by the Customs as part of its risk management strategy. These are done not as a regular practice but rather, when there are suspicions/complaints on a customer's documentation/activities. According to the Customs 47 such audits were registered in 2012, of which 24 have been carried out (Sri Lanka Customs Annual Report 2012). 53% (64 respondents) of the 121 survey respondents mentioned that the Customs exercise post clearance audits. 24 respondents of 36 mentioned that less than 5 per cent of their consignments have been subject to such audits. While a majority (13 of 33 respondents) rated the effectiveness of the post clearance audit to be 'average', another 11 rated it as 'good' and 9 as 'very low'/'low'.

9.2.10 Payment of Irregular Payments and Bribes

60% (73 of 121 respondents) mentioned that they need to pay

bribes or irregular payments at the time of documentation processing or clearance of cargo while 15% mentioned they do not. 75% (48 respondents) of the 64 respondents who gave the frequency of such payments stated that the percentage of the cases that they have to make such payments is above 50% while 12% (8 respondents) mentioned that it is less than 5 per cent (see Figure 9.13).

9.3 Trade Related Infrastructure and Services

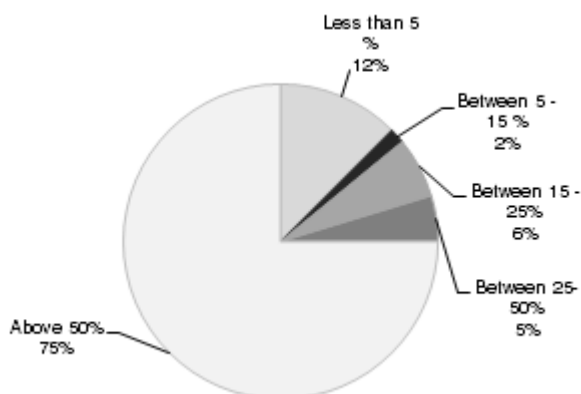
9.3.1 Quality of Infrastructure Facilities

Based on the survey results, the quality of infrastructure at airport, roads and telecommunication and IT can be rated as 'good'; ports and warehouse facilities as 'average'; and railways as 'very low' (see Figure 9.15). 43% or 51 of 119 respondents rated the infrastructure

at ports as 'average'. Poor quality of warehouses at the port, lack of equipment to handle cargo and the congestion within the port were some of the reasons for respondents to rate the quality of infrastructure as average at the Colombo Port. For example, of the 9 gates in the Ports only 2 gates are opened for container traffic, one for empty containers and the other for full containers and this was attributed as one reason for congestion within the ports by some respondents.

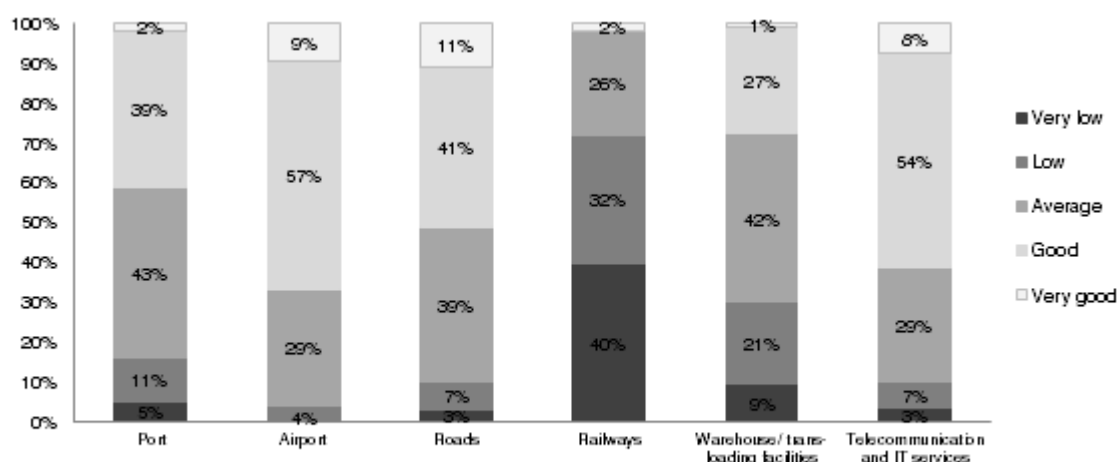
Quality of infrastructure at the airport was rated as "Good" by a majority of 57% of the respondents (55 of 96 respondents). The quality of roads was also rated as "Good" by most interviewees (41% or 45 of 111). Out of the 53 respondents who answered the question on the quality of infrastructure on railways, 72% of them (38 respondents) rated it as "Very low" and "low", given that the railway system in the country is underdeveloped and is not utilized for regular transportation of cargo. 42% of the respondents rated the quality of the warehouses and transloading facilities as "average". Out of the 119 respondents who answered the question on telecommunication and IT service in the country, 54% rated the service as "Good".

Figure 9.13
Frequency of the Need to Make Irregular Payments/ Bribes



Source: Survey.

Figure 9.14
Quality of Infrastructure Facilities



Source: Survey.

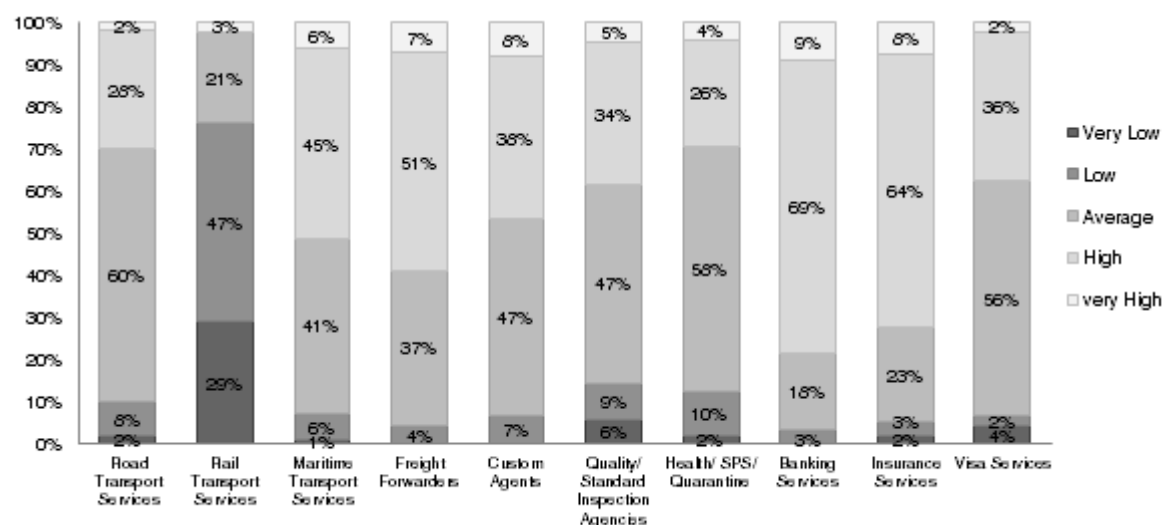
9.3.2 Efficiency of Service Providers

In terms of efficiency, banking and insurance services, freight forwarders and maritime agencies were rated to be high/very high (78% and 72% of the 120 respondents) driven by competition. Likewise, the efficiency of freight forwarders

(58% of 68) and maritime agencies (51% of 109) were rated high/very high. A majority rated the efficiency of road transport services (64 of 107), health/SPS/quarantine agencies (57 of 98), customs agents (28 of 60) and quality/standard inspection agencies (49 of 104) to be average. However, the efficiency of rail transportation was rated as "low" and "very low" by 29 of the 38

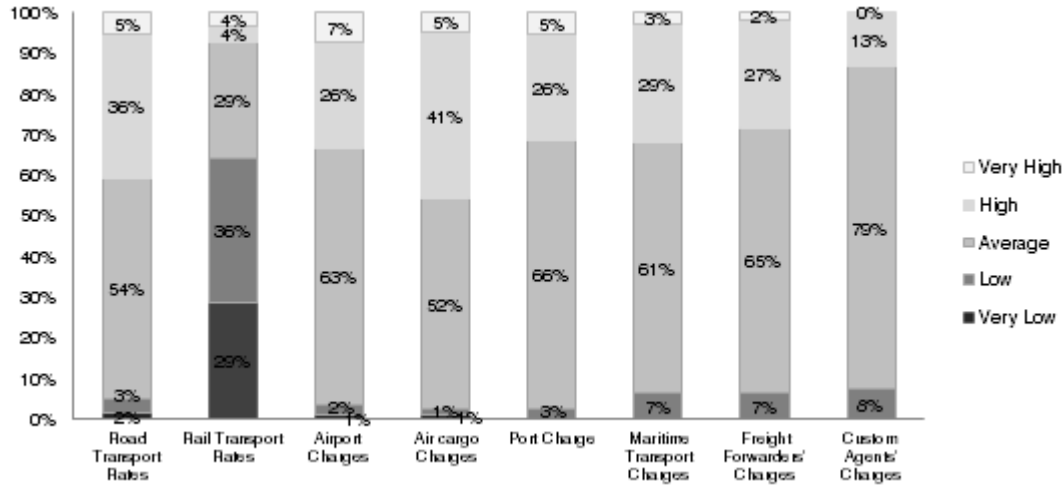
respondents. 47% of the respondents gave "average" to the efficiency of both custom agents and quality/standard inspection agencies (out of 60 and 104 respondents, respectively). 58% said that the services provided by the health/SPS agencies and quarantine are "average". Finally, 56% (of 45 respondents) stated the services provided by the visa services as "average".

Figure 9.15
Efficiency of Service Providers



Source: Survey.

Figure 9.16
Cost of Logistic Services



Source: Survey.

9.3.3 Cost of Logistic Services

Majority of respondents rated the cost of road transport rates as "average" (62 of 115). But, the rail transport charges were rated as "low" and "very low" by 18 of the 28 respondents. The cost of all the other logistic services, namely

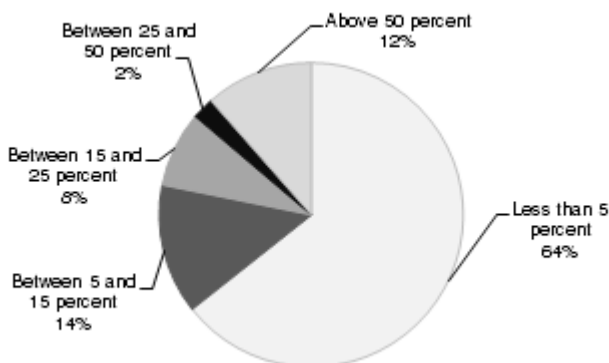
airport charges (63%; 53 out of 120), air cargo charges (52%; 43 out of 120), port charge (66%; 75 out of 120), maritime transport charges (61%; 65 out of 120), freight forwarders' charges (65%; 39 out of 60), custom agents' charges (42 out of 53) rated as "average" by majority of respondents. For example, according to the SLPA, local

handling charges have not changed for the last 15 years except for vehicle handling storage which were doubled in 2012 to discourage storage.

9.3.4 Losses and Damages Incurred

The survey shows that a majority has experienced some form of losses and damages in the last 5 years but it has been a minimum. 73% (87 out of 120) stated that they have incurred losses and damages but it has been less than 5% of consignments (see Figure 9.17). The main reasons for the losses and damages were identified to be mishandling of cargo, mainly at the port and the warehouses. Apart from that another common reasons for the damages of goods were identified to be the use of damaged containers and packaging defects.

Figure 9.17
Losses and Damages Incurred



Source: Survey.

10. Priority Areas of Trade Facilitation

Respondents were asked to rank identified areas of trade facilitation as per the need to bring about changes to improve trade facilitation, i.e. if the publication of trade related rules is already in place and is effective, then the priority given to it would be low. There were two identified areas under the broader category of 'Publication and Administration of Policies and Administration of Policies Related to Trade Issues': (i) on having an inquiry point on procedures and formalities, and (ii) publication of trade related rules and regulations.

10.1 Publication and Administration of Policies Related to Trade Issues

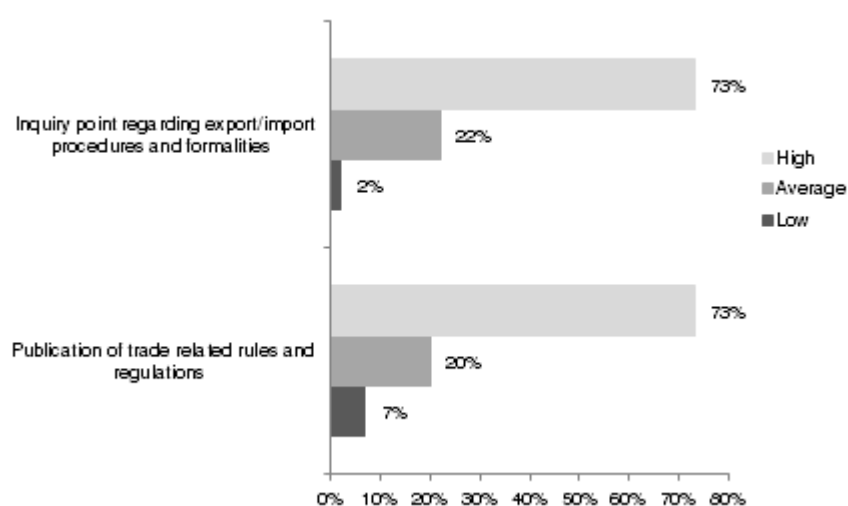
An equal number of respondents rated the publication of related rules, and regulations, and having an inquiry point on export/import procedures to be of high priority. Respondents thought that although the publication of trade related rules and regulations is carried out to some extent that it is not comprehensive, adequate or effective. Nevertheless, the responses also suggest the need for an effective inquiry point to be of higher priority than the publication of trade rules/regulation (see Figure 10.1).

10.2 Rules and Procedures for Imports and Exports

The top 5 priority areas under this were identified to be, (i) the need to reduce time taken to clear goods (95 of 121 respondents), (ii) the need to reduce irregular payments/bribes (94 of 121 respondents), (iii) the need to increase coordination between border management agencies (87 of 121 respondents), (iv) the need to decrease the number/time required for export/import documents (83 of 121

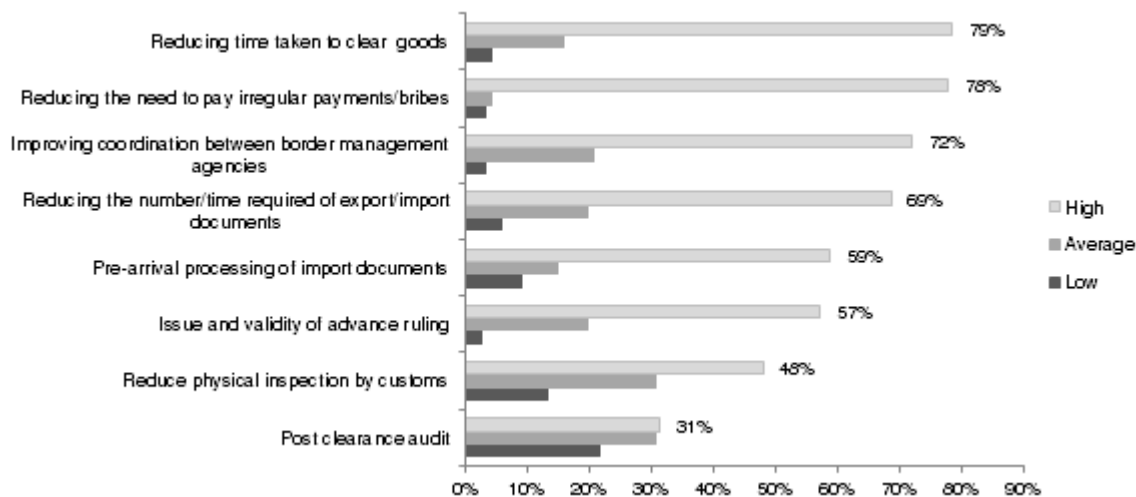
respondents), and (v) the need for pre-arrival processing of import documents (71 of 121 respondents). The respondents identified the need to carry out post clearance audit, physical inspection by Customs officers, decreasing the loss and damage of cargo, pre-arrival processing of import documents and publication of trade-related rules and regulations to be of lesser importance. Interestingly, many respondents noted that physical inspection should be made more efficient rather than be decreased; it was mentioned that physical inspection is necessary to stop illicit goods from entering the country.

Figure 10.1
Publication and Administration of Policies Related to Trade Issues



Source: Survey.

Figure 10.2
Rules and Procedures for Imports and Exports: High Priority Areas



Source: Survey.

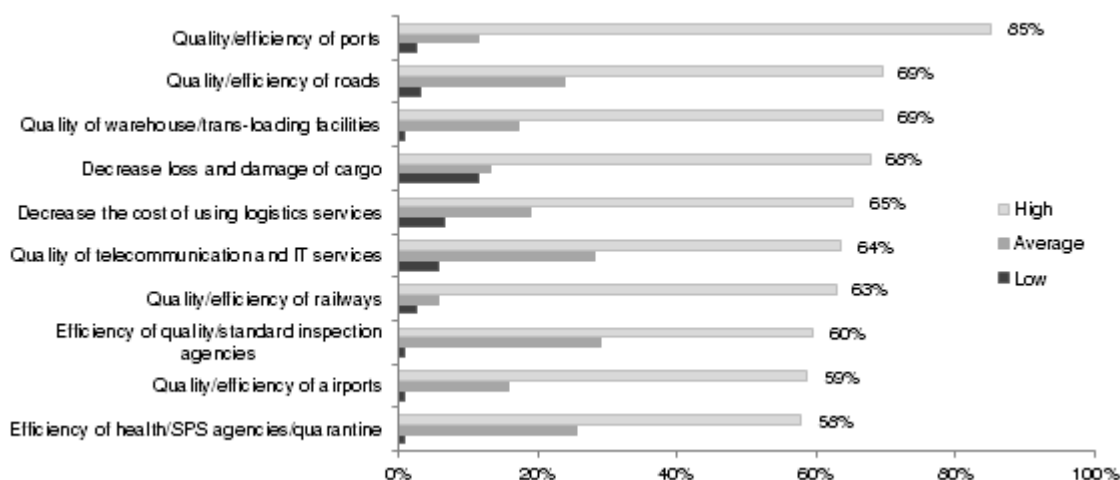
10.3 Trade Related Infrastructure

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 trade facilitation identified in trade related infrastructure and infrastructure. While acknowledging the recent developments of roads in the country, the respondents identified the congestion on roads to

be a major drawback. One cement exporter identified the inability to use highways to transport cement in open trucks a barrier (transportation of cement in open vehicles is not allowed due to fears of spillage).

Figure 10.3
Trade Related Infrastructure and Services: Priority Areas

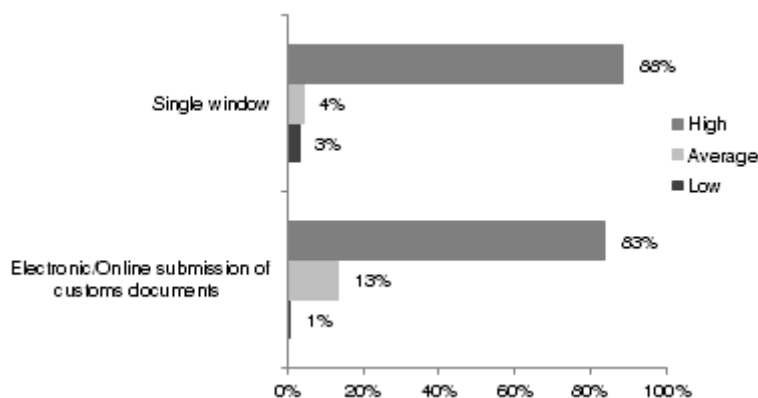


Source: Survey.

10.4 Use of ICT for Exports and Imports

With regard to the use of ICT for exports and imports, a majority of 107 out of 121 highlighted the need for a single window in the country. 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 were also identified to be high at 83 per cent. Currently, while the export process is almost entirely automated, the import process is yet to be completely automated.

Figure 10.4
Use of ICT for Exports and Imports



Source: Survey.

11. Policy Recommendations

This section highlights some of the key trade facilitation related issues identified by respondents of the study and related policy recommendations. The concerns that can be addressed locally and at the regional level are identified separately. As highlighted in an interview in this study, Sri Lanka should through its trade facilitation initiatives aim at reducing the "wastes" - '7 wastes' a concept often used in manufacturing - which can also be analyzed in terms of the trading process. As illustrated in Figure 11.1 below the unnecessary time and cost stem from inventory, motion (i.e. need to move to different places to get approval/certification), transportation, waiting (i.e. time taken to issue certificates/approval), over-processing (i.e. of documents), over-production (i.e. asking for numbers of copies/documents), and re-work (need to refill forms, etc).

Figure 11.1
Waste and Effort Associated in the Trading Process



11.1 Country Level

◆ **Setting up/Strengthening Inquiry Points**

Setting up a single reference point that provides all trade related information including laws, regulations, procedures, tariffs and other useful will be beneficial for trading community. Such a website can give traders access to tariffs, procedures, measures and laws by entering the HS code of any product, and integrate all trade-related information available on individual ministries and agency websites, into an easily accessible and user friendly resource (also see Box 11.1 on the 'Lao PDR Trade Portal').

While there are enquiry points in different agencies such as the customs, traders express dissatisfaction of their services citing inefficiencies and access issues. While such enquiry points at different institutions could be strengthened, a national enquiry point can function as a coordinating body between the trading community and the relevant regulatory bodies; it can collect requests, direct them to relevant regulatory bodies, compile their responses and inform the requesting party of the responses. Some government agencies also highlighted the need for such an enquiry point because currently inquiries are often directed at the wrong agency as traders are unaware of the agency which can address the issue.

◆ **Change of Mindset and Culture at both Government Agencies and the Private Sector**

While recognizing the recent initiatives undertaken by the relevant authorities such as Sri Lanka Customs to improve trade facilitation -which some businesses acknowledged to be admirable- some exporters/importers are of the view that they do not function well in practice mainly due to the lack of change in mindset to accept and adopt to new ways of conducting business, etc. Therefore, the change of mindset among officers in key institutions in the import/export process to accept and adopt to new ways of conducting business and change of culture is vital if the trading community is to benefit from trade facilitation initiatives. Likewise, the need for the private sector to produce correct and required documentation without resorting to irregular payments as a relatively easier means of clearing goods was also highlighted.

Experiences of other countries show that conducting awareness programmes and feedback forums on reforms for all stakeholders, committed leadership of the management, and effective internal and external monitoring mechanisms can help implement reforms successfully. Further, some businessmen are of the view that they can be treated with more respect, recognizing them as important stakeholders in the county's development process.

◆ **Building Capacities of Testing Laboratories in the Country**

When shipments arrive in Sri Lanka with products that require testing/certification, the shipments are cleared but not released until

the test reports are produced. There are undue delays in some instances due to the lack of capacity to handle a large number of requests. It can sometimes take up to 2-3 weeks for a report to be issued, resulting in importers having to incur additional charges such as high demurrage fees. Furthermore, some of the local labs are not equipped to issue international certifications demanded by buyers for certain products (i.e. coir). In such instances, exporters have to obtain reports from countries as far as USA and Germany.

Hence, the capacities of testing laboratories such as the Sri Lanka Standards Institute (SLSI) which is the national standards body need to be strengthened so that (i) test reports can be given without undue delays, and (ii) the labs are equipped to issue international certifications. This will reduce the costs incurred by importers (i.e. demurrage costs, opportunity cost of holding products in idle) as a result of delays in obtaining test reports.

◆ **Standard Requirements: the need to follow International Standards**

Criteria for acceptance of shipments of products such as cement from manufacturing plants which are not registered with SLSI should not be based purely on local standards such as SLS 107: 2008 but also based on International Standards such as BS EN 197 CEM I, 42.5N type or ASTM C-150 type I for OPC category. Moreover, importers have faced difficulties in obtaining test reports from accredited laboratories to suit formats prescribed by the local standards institutes. It is suggested that the test reports follow international norms.

Box 11.1 Lao PDR Trade Portal

Setting up a single reference point that provides all trade related information including laws, regulations, procedures, tariffs and other useful information for traders involved in the import, export and transit, such as the Lao PDR Trade Portal would be beneficial for Sri Lankan traders. Among others, this website gives traders access to tariffs, procedures, measures (i.e. SPS) and laws by entering the HS code of any product.

The Lao Trade Portal was launched in June 2012 and was designed by the Lao Ministry of Industry and Commerce with support from the World Bank. The site integrates all trade-related information available on individual ministries and agency websites, into an easily accessible and user friendly resource (World Bank). Information is available in both English and the local language and it can be accessed at laotradeportal.gov.la/. With the focus on trade information scaled up with the conclusion of the WTO Trade Facilitation Agreement, such a system will assist to increase transparency and provide traders easy access to information.

The screen shot below provides a glimpse to the type of information available in the website

Tariffs

Displaying 1-2 of 2 result(s).

Country Group	Activity	Tariff Rate	Unit	Valid From	Valid To
MFN	Import	10.00	KG	01-04-2013	31-12-9999
CEPT-2014	Import	5.00	KG	03-02-2014	31-12-9999

Measures

Displaying 1-1 of 1 result(s).

Name	Type	Agency	Description	Comments	Law	Validity
Requirement to obtain an import permit - Food and Food products	Permit Requirement	Ministry of Health	For all food and food products it is necessary to obtain an import permit for every importation from the Department of Food of the Ministry of Health.	To ensure the quality and safety of product to consumer.	Decision on the Control on Production, Exportation-Importation of Food No. 856/MOH	31-12-9999

Procedures

Displaying 1-1 of 1 result(s).

Name	Description	Category	View Procedure Detail with Relevant Forms
Import of Food	Procedure for importing all food products.	Import	View

Measures

Displaying 1-1 of 1 result(s).

Name	Type	Agency	Description	Comments	Law	Validity
Import Inspection Requirement of food products	Inspection Requirement	Ministry of Health	Food shall be inspected on import on a frequency based on an assessment of risk.	To ensure the quality and safety of product to customer	Decision on Food Inspection No. 297/MOH	31-12-9999

◆ **Eliminating the Need to Pay Irregular Payments and Bribes**

A previous study carried out by the IPS show that in some instances irregular payments/ bribes make up to 50% of the cost of trade. In this study too the need to pay irregular payments/ bribes was identified to be a major concern of the trading community, creating a burden to genuine traders. Automating the trading processes, proper enumeration of officials and effective monitoring mechanisms will need to be in place to reduce this practice.

◆ **Establishing an Independent Non-Judicial Review/Appeal Procedure for Customs and Tariff Regulatory Matters**

Currently, an importer/exporter can appeal to the Director General of Customs if they are not in agreement with decisions taken at the operational level, and then to the Minister of the Ministry of Finance and Planning under whose purview Customs functions. Although traders could appeal to the Tax Appeals Commission which was established under Tax Appeal Commission Act No. 23 of 2011, this Commission is ineffective. In this background, establishing an Ombudsman that is specialised in customs and tariff regulatory matters can assist the trading community to seek a review/ appeal taken by a regulatory authority more comfortably. This would also enhance the transparency of the system.

◆ **Extending Pre-arrival Processing to More Products**

Pre-arrival processing is currently available for only a limited number of products including to that of perishable products. Extending this to other products would facilitate traders. However, this requires legal amendments to the Customs Ordinance. Sri Lanka's Customs Ordinance is over 200 years old and certain provisions need to be amended to facilitate the implementation of identified TF measures .

◆ **Upgrade of facilities at the Colombo Port and Reducing Congestion**

While acknowledging the improvements in infrastructure compared to the past at the Colombo Port, the need to give a face-lift to the port was highlighted; some of the equipment currently at the Port are outdated. Improvements are needed if Sri Lanka is to become a maritime hub and not a mere transshipment hub as transshipment business depends on the success of the economies of neighbouring countries, and competition from countries like Singapore, Malaysia and Dubai. Furthermore, problems such as congestion at the Colombo Port can be reduced if more gates at the Port can be opened; currently only 2-3 gates of the 9 gates at the Port are open for container traffic at any given time. The Colombo Port can ease the congestion by taking necessary measures to open up more gates for container traffic.

◆ **Improving Other Infrastructure Facilities**

Warehouse Facilities: More than the inadequacy of warehouse in terms of numbers, traders highlighted the lack of adequate facilities available at warehouses. Lack of proper storage racking systems, poor conditions within them, poor handling and inadequate security are some of the issues highlighted by the trading community. For instance, despite there being CCTV cameras at warehouses there is no night vision cameras that could be used in case of any theft.

Rail Transport: The current railway network and the services offered by the Sri Lanka Railway are not sufficient for freight transport. Furthermore, the current service only provides the facility of transporting good with little loading and unloading facilities available, i.e. labour for cargo handling should be provided by the customer himself. According to traders, despite railway transport charges being low, when all other relevant charges like handling charges are added, it becomes more costly than road transport. Therefore, if transportation of cargo via rail is to be improved (which will be important in reducing road congestion), it is imperative that the rail network and services are developed. Furthermore, an integrated multi-modal transportations system needs to be formed if traders are to receive cost and time benefits by using the railway system to transport goods.

Scanning Facilities: Scanning facilities at the port and airport are minimal in Sri Lanka which results in containers having to be opened up manually for checking. This results in delays and additional costs with traders having to send their own staff members to unload and load goods, and also quality drops especially that of perishables. For example, airport security at the Bandaranaike International Airport sometimes carry out random checks of products before they are allowed to enter the airport premises for security purposes, requiring exporters to unload products for checks. Hence, there is a need to acquire necessary scanning devices which will not only facilitate traders but also the country as a whole in promoting the trade of legitimate products and security.

◆ **Expanding Services Provided by the Newly Initiated One Stop Shop**

Under a recent initiative, a 'One Stop Shop' has been set up in the Customs headquarters with 5 agencies providing services in one place. The agencies located at the One Stop Shop are, the Cosmetics, Devices and Drug Regulatory Authority (CDDA), Sri Lanka Standards Institution (SLSI), Import and Export Control Department, Department of Animal Production and Health, and the Department of Agriculture (National Plant Quarantine). While acknowledging the initiative, it is expected that the services provided by this one stop shop

would be expanded to bring together other key institutes of the trading process, currently scattered in different locations into one physical location.

◆ **The need for a Single Window and Full Automation of Systems**

The need for a national single window has been highlighted over the years by the trading community; this is different from a customs single window. Nevertheless, currently only a very few agencies are connected to the ASYCUDA system. Automation of systems and procedures is complex and takes time. Often, changes need to be made to supporting legislation. In this context, it is important that the right environment and foundation is set for all stakeholders including SMEs. There needs to be adequate buy-in from stakeholders - traders including SMES can be provided with cross over times during which they can study and learn about the new systems; plans should be laid to absorb workers who may be underemployed as a result of automation; security of systems should be strengthened; and necessary cyber laws should be enacted to manage risks, to name a few.

Likewise, if the relevant infrastructure is not developed at the national level to complement such a system, the benefits would be nullified. Automating systems without improving access and speed of internet would for example result in

traders getting frustrated with the system and submitting documents multiple times due to slow internet speeds.

11.2 Regional Level

◆ **Harmonization of Standards, and Reciprocal Recognition of Tests and Certification**

When exporting certain products such as processed food and meat products, issues are raised at the receiving end due to the non-recognition of tests/certification of the exporting country. As a result, testing of products are required to be carried out again in spite of the required testing being carried out in the exporting country. This results in additional costs and delays which can be prevented if the region can harmonize standards and recognition of tests and certification.

◆ **Mutual Recognition Agreement with India on Standard Testing and Certification**

This applies specially for bio-foods. Under this mutual agreement, Sri Lanka accepts the standard certifications given by India but India doesn't. Hence the importer from the other end in India has to do the testing again at that end before taking the consignment out of the customs. This is also a non-tariff barrier which involves additional costs. The two countries should come up with a mutual agreement which benefits both the countries.

Box 11.2 Meeting the Investment Needs

Investment in hard and soft infrastructure will not only deepen economic integration within South Asia but will boost overall trade by lowering time and cost of trading. However, calculating the investment needs is indeed, a colossal task. Below, is a brief look at some of the investment needs as identified by different sources. The investment needs are either drawn from estimates given by the relevant government institutions, estimates made by international agencies or they are drawn from similar projects carried out in other countries.

The need for comprehensive publication of trade related rules and requirements was identified to be a priority of the trading community. As such, setting up a single reference point that provides all trade related information including laws, regulations, procedures and tariffs was identified to be crucial. As highlighted in box 3, that of Lao PDR is an example of a comprehensive trade portal undertaken by a lower-middle income country like Sri Lanka. The portal was launched in 2012, built on funds received through a multi-donor Trade Development Facility Project. The portal was developed at a cost of euro 230,000. This is equivalent to about Sri Lankan Rs. 33 million. The portal provides information on all trade-related laws, regulations, measures, restrictions and licensing requirements and tariffs indexed, cross-referenced, and searchable by commodity code; Detailed process maps of business procedures for importing and exporting; Full listings of national standards for products; Procedures for clearing goods at the border; Downloadable forms; and E-alerts which traders can customize to receive information on commodities. While the cost of the Lao PDR provides a basis for investment needs, in order for the actual amount to be determined, a comprehensive assessment would have to be carried out in the country.

The need for a comprehensive scanning system has also been highlighted as this reduces time and cost of trading, as well as to prevent drops in quality that may result due to physical checks especially for perishable products. Currently only 5 per cent of containers coming into Sri Lanka are checked by scanners. This low percentage has been attributed to the lack of adequate scanning facilities. Sri Lanka Customs has already called for tenders which will see a mechanism in place for a majority of containers arriving in the country to be scanned. The customs has estimated the cost to be between US\$ 20-30 million.

Likewise, the setting up of a national single window, improving the facilities at warehouses, cold storage facilities and other are going to require substantial levels of investment. However, with the ratification and the adoption of the WTO TFA, Sri Lanka is likely to be able to reach out to global partners for significant funding and technical assistance on developing the country's trade facilitation requirements.

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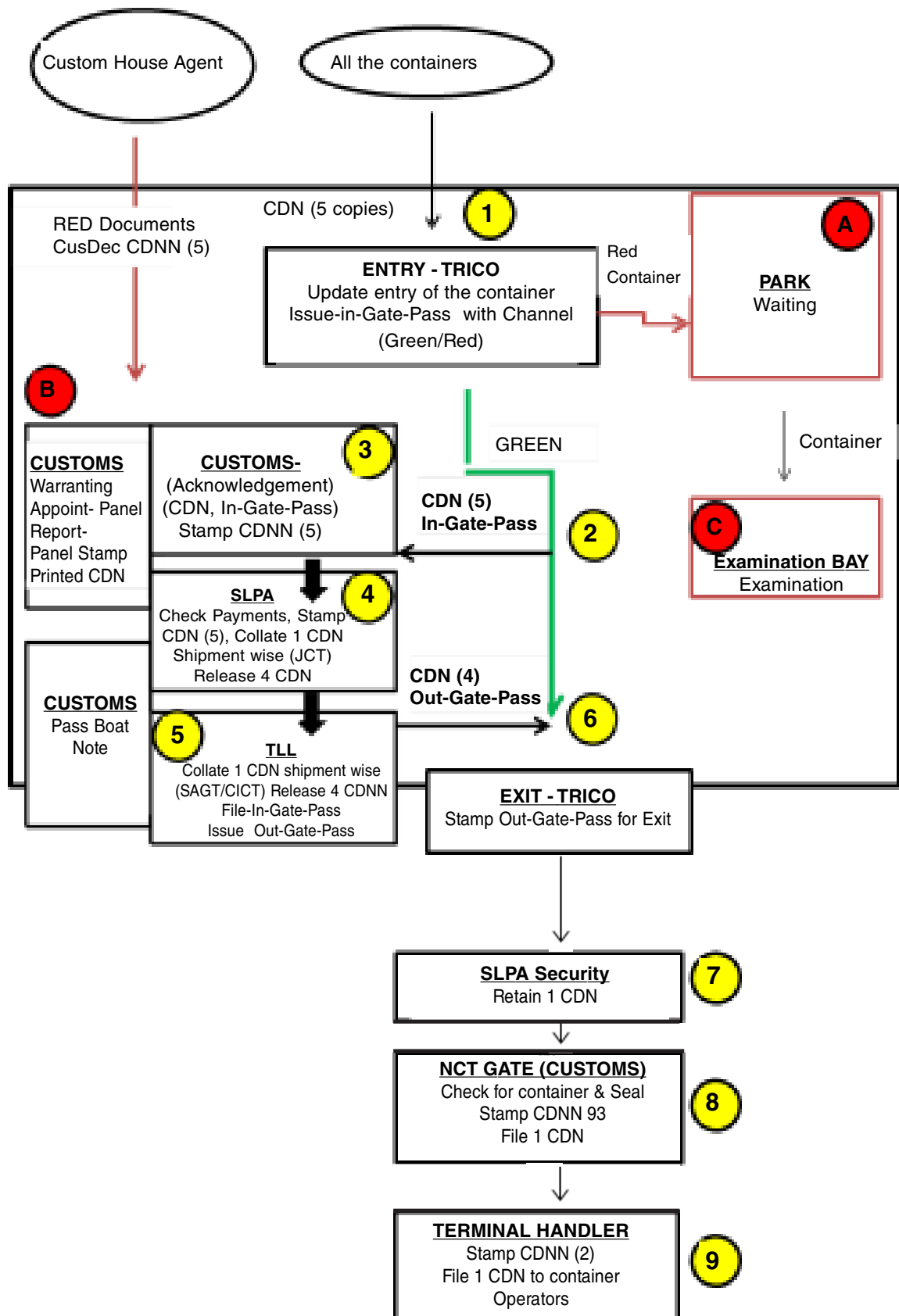
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Annex 1: Imports - Comparison of BOI and Non-BOI Processes

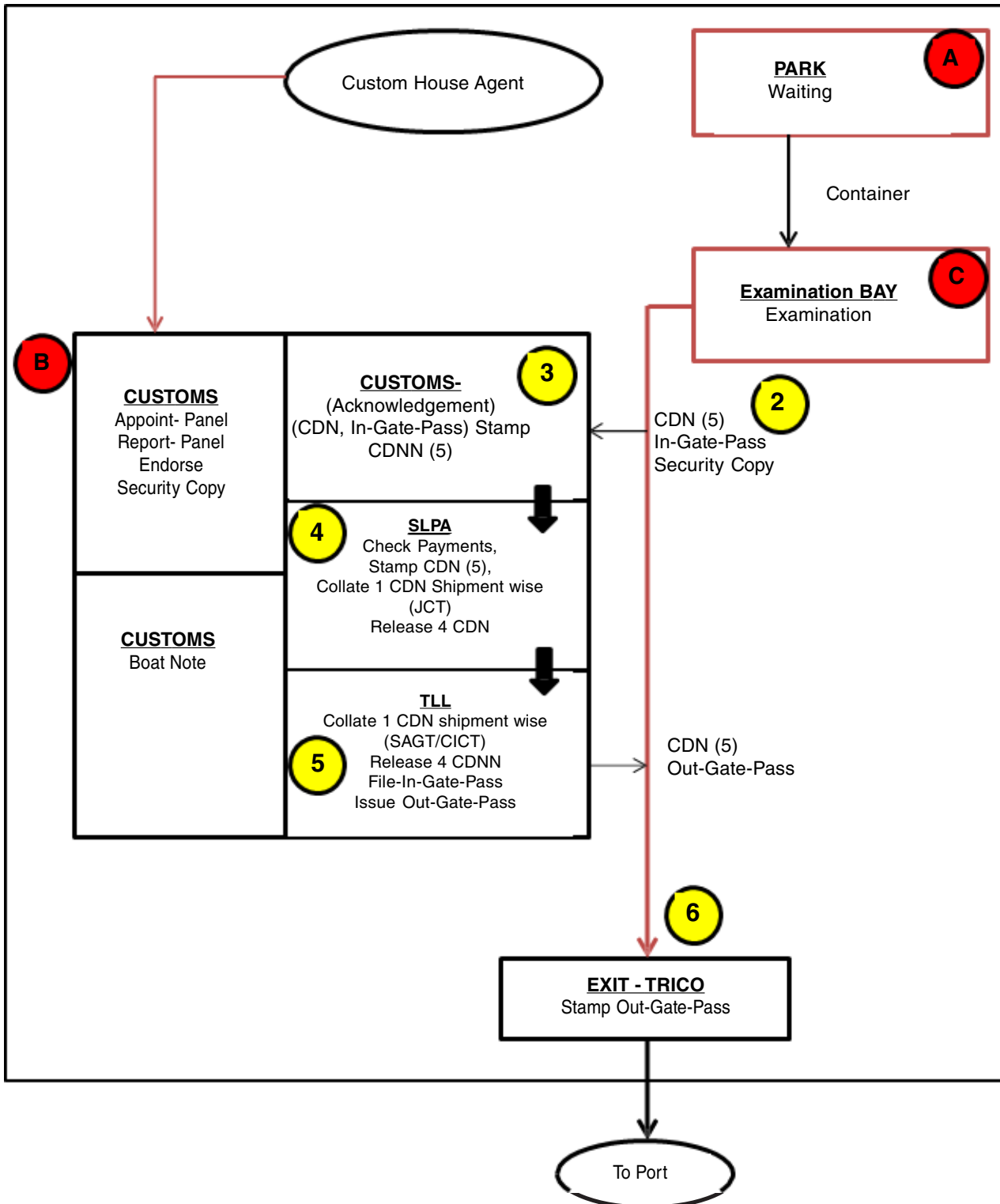
Activity	Non-BOI Company	BOI Company
Line Ministry approval	Required	Required
Import License	Required	Required
Payment terms	Limited to L/C, DA, DP, or Advance payment, L/C, DP,	Advance (T/T, bank draft)* DA, Consignment basis, Open account, NFE
Advance payment limits	\$10,000	Advance Payment =\$50,000 NFE = \$5,000
Original documents	Depends on the terms of payment	Depends on the terms of payment
Delivery order	Obtained from shipping agent	Obtained from shipping agent
Import declaration	Customs Declaration (CUSDEC) submitted to Customs	2 copies of the CUSDEC provided to BOI
Payment of duties and taxes	Online or Bank of Ceylon located near Long Room	Bank of Ceylon counter at BOI location
Determination of examination level	By Customs	By Customs/BOI verification officers
Payment of SLPA charges	Online Payment	Online Payment
Collect gate pass from SLPA	Delivery set of documents taken to SLPA Canal Yard	Delivery set of documents taken to SLPA Canal Yard
Cargo pickup	From port/airport	From port/airport
Cargo examination	Examination by Customs	Examination by BOI/ Customs at Customs Examination Unit at Central Verification Terminal (Orugodawatta)/Air Cargo Terminal (Katunayake); or at EPZs**
Transport cargo to importer location	Only after examination-if required	Only after verification if applicable

Note: * L/C = Letter of Credit, DA=Documents against acceptance, DP=Documents against Payment Transfer, NFE=No Foreign Exchange Basis.

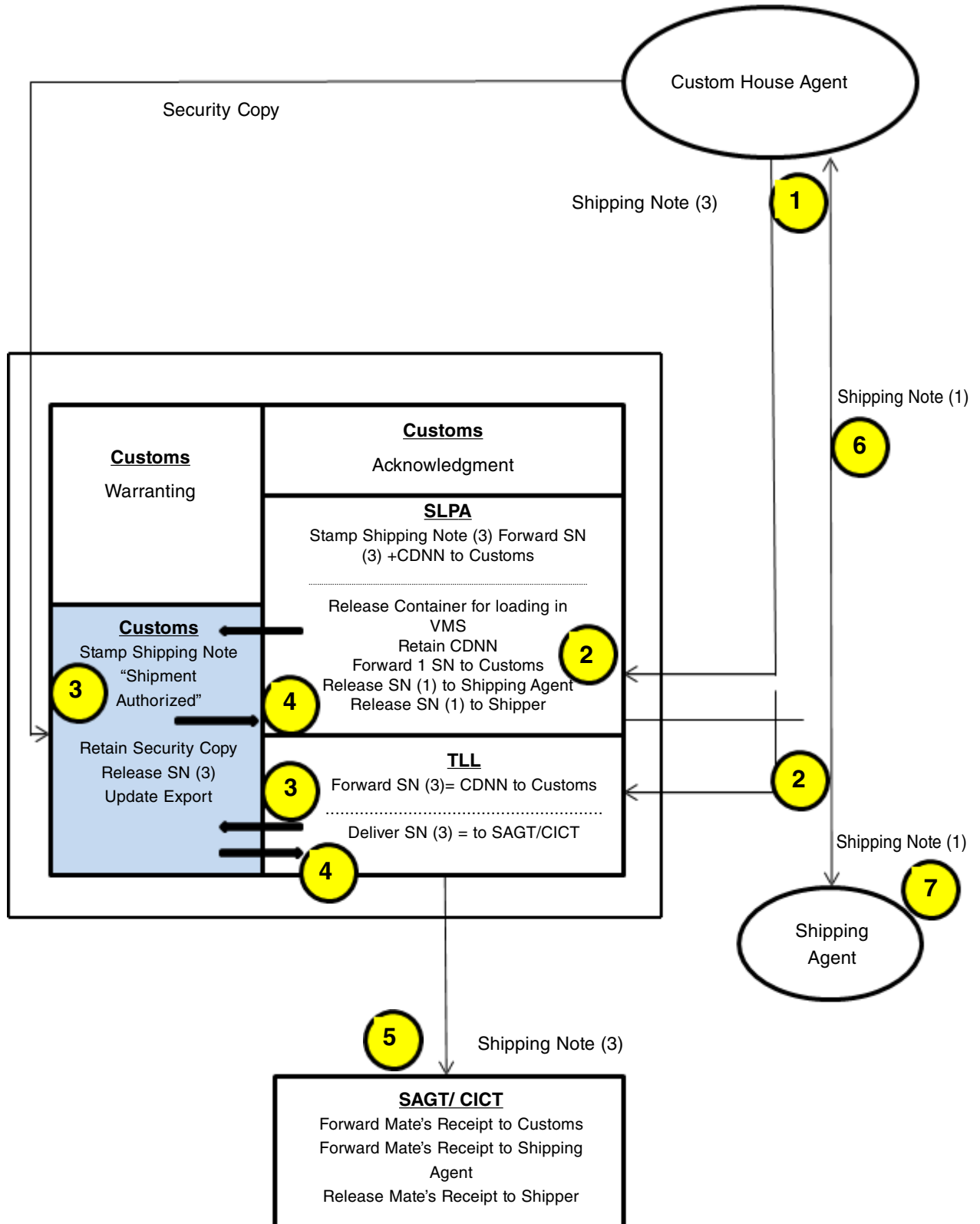
Annex 2: Export Facilitation Centre-Container Flow



Annex 3: Export Facilitation Centre- Examinations



Annex 4: Export Facilitation Centre- Boat Note Passing



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Institute of Policy Studies of Sri Lanka

100/20, Independence Avenue, Colombo 7, Sri Lanka

Tel: +94 11 2143100 Fax: +94 11 2665065

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