



What Operator Model for Sri Lanka's National Single Window?

Sri Lanka intends to be a regional trade and logistics hub and increase its links with regional and global markets. In this context, the Government of Sri Lanka (GOSL) has committed to create a National Single Window (NSW) as a national priority, to reduce the time and the money spent by traders in preparing and submitting information and documents to multiple regulatory agencies.

NSW will allow businesses to lodge information and documents with a single-entry point, to fulfill all import, export, and transit-related regulatory requirements. The implementation of the NSW is also a legal obligation under the World Trade Organisation's (WTO) Trade Facilitation Agreement (TFA), which Sri Lanka has ratified to improve its business competitiveness.

Under the EU-Sri Lanka Trade-Related Assistance project, funded by the European Union (EU), and implemented by the International Trade Centre (ITC), in collaboration with GOSL, ITC together with the Institute of Policy Studies of Sri Lanka organized four public-private consultations (PPCs) to foster stakeholder discussion on: functionality, governance, operator and implementation of the NSW.

The third PPC discussed the operator model and fee structure of the planned NSW based on a discussion paper on the same with public and private stakeholders¹. This policy brief summarises the discussion paper and proceedings from the PPC, which focused on the operational phase of the NSW.

Roles and Responsibilities of a NSW Operator

NSW operator is responsible for the daily operations of a Single Window, including its availability, continuity, and integrity. The operator ensures that parties involved in international trade and transport are able to lodge standardised information and documents at a single place – either electronically or paper based - and receives a response via the NSW. The operator has to perform all tasks and services as defined by the NSW governance body and in line with the GOSL policies.

Operator Models

Three NSW operator models can be identified:

Specialised Group within an Existing or New Government Agency - Having an existing government agency (for example, Customs) as the operator is a common practice amongst existing NSWs. Establishing a specialised group within an existing government agency as the operator of the NSW has the advantages of potentially taking less time to set up and being credible with the private sector. Alternatively, an entirely new government agency can be established by the government to become the NSW operator.

Government Corporation - Operator would work in much the same way as a private sector company but with a government-appointed board. A government corporation could include an existing entity or an entirely new entity could be created.

Private-Public-Partnership (PPP) - PPP is a contract, often a medium-long term,

between a private company and a government body. The goal of the partnership is to provide a public service and/or infrastructure. Under a PPP, the private company bears the financial, technical, and operational risk/responsibilities, while remuneration (in the form of user fees/ available payment) is linked to delivery and performance.

Revenue and Fee Structure Models

Funding models can be broadly divided into three main categories:

Government funded (or non-charge model): This model is applied in cases where the funding for the implementation, operation, and evolution of the NSW is entirely provided by the government or donors. What motivates a government to provide funding for the NSW project is the resolve to improve the business environment through facilitating trade.

Balanced model (or Public Private Partnership): The operations are funded by the actual users of the NSW. The principle would be that revenue generated from the fees should reflect the real cost of running, maintaining, and ensuring the necessary evolutions of the NSW.

The fees should not be used to generate commercial profit or to impose an additional burden (equivalent to a tax) on cross border procedures. Moreover, a new tax on border procedures would not be in line with the WTO TFA.

Profit-making model (or commercial model): In this model, the private sector provides funding for the NSW Project. The prime motivation is the quest for profit,

Figure 1 Which Operator Model Would You Prefer For The Sri Lankan NSW?

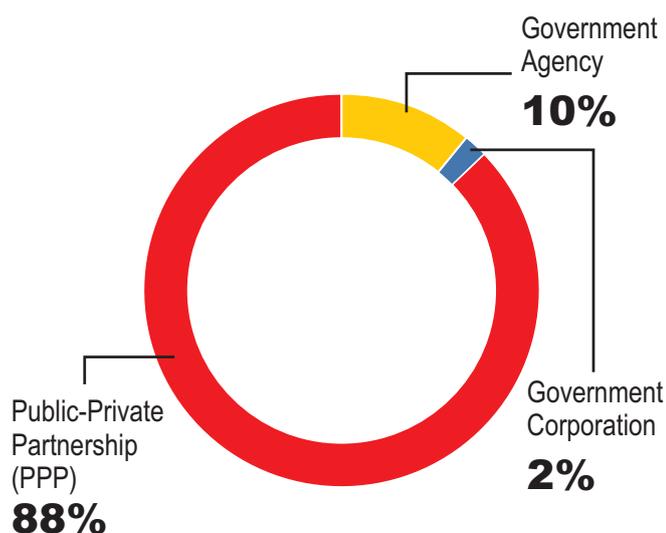
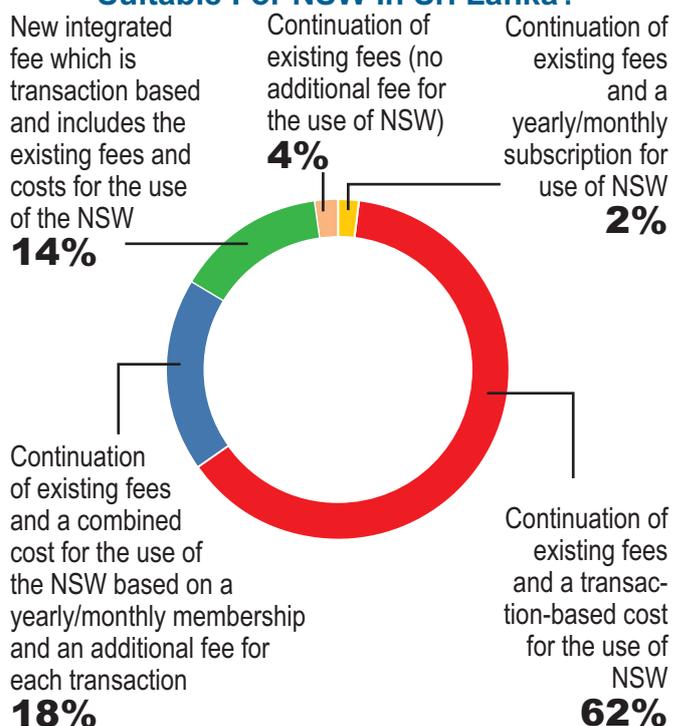


Figure 2 Fee Structures Would be Most Suitable For NSW In Sri Lanka?



hence the option to offer payable services. The profit-making logic can result in high cost of services offered through the NSW.

Recommendations

While government ownership model (government agency or corporation) has notable advantages, there are more disadvantages with this option. A majority of the stakeholders of the PPC opted for a 'PPP' as the preferred ownership model for the NSW in Sri Lanka (Figure 1). Their reasons included

- Sustainability of the operations due to the financial strength of private sector
- Room for change management
- Faster decision-making ensuring upgradability
- Compatibility and integration of the system
- Ability to better leverage technology and adapt to changes
- Efficient and provision of better service
- Professionally managed with salaries and promotions based on performance/merit.

While there was agreement that a PPP would be the most suitable option, it was emphasised:

- The operator needs to be regulated by a NSW governance body consisting of both public and private stakeholders

- The risks need to be shared between the private company and the government
- Profits need to be reinvested to increase the quality and to provide new services
- The government should be given an important stake in the operator.

In addition, the stakeholders showed a preference for the 'balanced model' as the most suitable revenue model. Various reasons were given including to:

- Encourage the use of the NSW by traders, namely SMEs, by charging reasonable user fees
- Ensure sustainability of the system through generation of revenue
- Reduce the burden on the government budget
- Reinvest the user fees collected to maintain and upgrade the system
- Increase transparency and accountability
- Ensure a return on investment
- Provide quality service on time.

It was also highlighted that user fees should be reasonable and cover the cost of the operation given that traders are already functioning in a high-cost environment.

In terms of fee structure, the stakeholders were divided between the options of 'Continuation of Existing Fees and a Transaction-based Cost for the Use of the NSW' and 'Continuation of Existing Fees and a Combined Cost for the Use of the NSW-based on a Yearly/Monthly Membership and an Additional Fee for Each Transaction'. Nonetheless, many stakeholders agreed (Figure 2) that the former option would encourage SMEs and new entrants to use the NSW. However, others felt it would be unfair for high-volume users and therefore a different fee structure should be offered. 'No additional fee for the use of the NSW' was not a popular option, indicating that users are willing to pay a price to use the NSW.

This Policy Insight is based on a PPC and background paper prepared by Frank Janssen, ITC Consultant, and Janaka Wijayasiri, Kithmina Hewage and Nuwanthi Senaratne of IPS with inputs from Pierre Bonthonneau and Eleonora Salluzzi of ITC. The third PPC was held on the 24th of July 2018, Colombo.



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