



From Paper to Digital: National Single Window's Role in Modernising Trade in Sri Lanka

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Key Takeaways

- The NSW is a centralized, digital platform allowing traders and stakeholders to submit and process trade-related documents electronically, replacing manual, redundant processes and streamlining trade.
- Sri Lanka, historically a trade hub due to its strategic location, can no longer rely solely on its geography. Modernizing its trade infrastructure via the NSW is necessary to stay competitive in the global market.
- Successful implementations in countries like Singapore, Korea, and Mozambique show substantial time and cost savings.
- The NSW increases efficiency, saves costs, improves data accuracy, reduces corruption, and supports environmental goals by minimizing paper use and carbon emissions.
- Key challenges include the need for strong government support, Robust IT infrastructure, and legal reforms. Addressing resistance from stakeholders through education and training is critical for success

Introduction

Sri Lanka's strategic position at the crossroads of global shipping routes and its abundant natural resources has historically positioned the country as an international trade hub. However, today, with emerging technologies and cut-throat competition, Sri Lanka can no longer rely solely on its geographical position and natural resources. Sri Lanka must take measures to modernise its trade infrastructure to keep pace with its regional competitors. One such measure is the National Single Window (NSW).

According to the UN/CEFACT Recommendation 33,

A Single Window is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.

The implementation of the National Single Window is an obligation under Article 10.4 of the World Trade Organization's Trade Facilitation Agreement.



The NSW is a centralised digital platform that allows traders to submit required documents online through a single-entry point. This approach streamlines the processes and reduces costs, enhances transparency and increases overall efficiency. As other countries reap the benefits of similar systems, Sri Lanka too must accelerate the process and implement the NSW.

Overview of NSW

The National Single Window (NSW) is a one-stop, digital platform designed to facilitate trade by allowing traders, customs officials and other stakeholders to submit and process trade-related documents and data electronically. This system integrates multiple agencies involved in trade, including customs, port authorities, regulatory bodies, and financial institutions, into a single, coordinated framework.

Obtaining clearance in Sri Lanka is no easy feat. Traders have to go through the hassle of filling out forms from different agencies, and submitting various documents, and visiting banks to deposit the fees. Since each application is mostly individually evaluated and manually processed, the clearance can take weeks.

The Single Window simplifies this process by reducing the need for multiple, redundant document submissions to various government agencies and providing online payment options. Since the application is processed automatically, the clearance will take hours as opposed to weeks.

The key features of the NSW are;

- Electronic Submission of documents
- Automated Processing of requests
- Automated Sharing of documents and data with relevant agencies
- E-Payment service

History of NSW

Japan kick-started the paperless trade movement by introducing the Nippon Airport Cargo Community system in 1978. Inspired by Japan, Singapore implemented the TradeNet system in 1989. Today, it has evolved into an advanced model cementing Singapore as a prominent regional trade hub. Through TradeNet, some 9 million trade permit applications are processed annually, of which 90% are processed within 10 minutes and some 70,000 certificates of origin are issued yearly via TradeNet. The TradeNet system is used by approximately 2800 companies counting more than 8,000 users.

After the success of the TradeNet system in Singapore, many countries started establishing their own Single Window systems. According to the ADB, as of July 2021, there were 81 countries at various stages of implementing NSWs

Benefits of NSW

Increased Efficiency and Productivity

The NSW reduces the time required to obtain trade permits and clearances and allows traders to complete these tasks from their offices. In Rwanda, for example, the NSW saved transporters \$6 million annually by reducing clearance times and boosting trade transactions by 12% between 2022 and 2023. For Sri Lanka, adopting a similar system could significantly reduce the time spent on administrative tasks, allowing businesses to focus on more important business activities.

Cost Savings for Traders and Government

Eliminating manual paperwork and handling transactions electronically will lead to significant cost savings. Singapore's TradeNet system, for instance, saves the Government and businesses about \$1 billion annually due to reduced processing times and administrative costs. Korea's uTradeHub is estimated to save traders approximately \$818.9 million each year through streamlined processes.

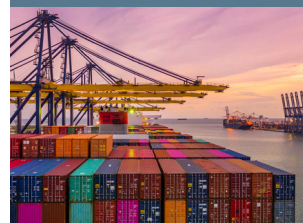
Improved Data Accuracy and Trade Statistics

The centralised storage of data in the NSW allows for accurate and timely collection of trade data, which can be used to generate insightful statistics for economic analysis and policy-making. This data can help Sri Lanka better understand trade trends, forecast market behaviour and effectively respond to emerging opportunities or crises.

Enhanced Transparency and Reduced Corruption

Applications uploaded will be processed automatically by the System according to guidelines. Since the human factor is removed, each application will receive an unbiased review and acceptance, or rejection of an application will have a valid reason. The enhanced transparency of processing will reduce corruption and increase the confidence of exporters, importers and investors.

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Benefits of NSW

Strengthened Border Control and Coordination

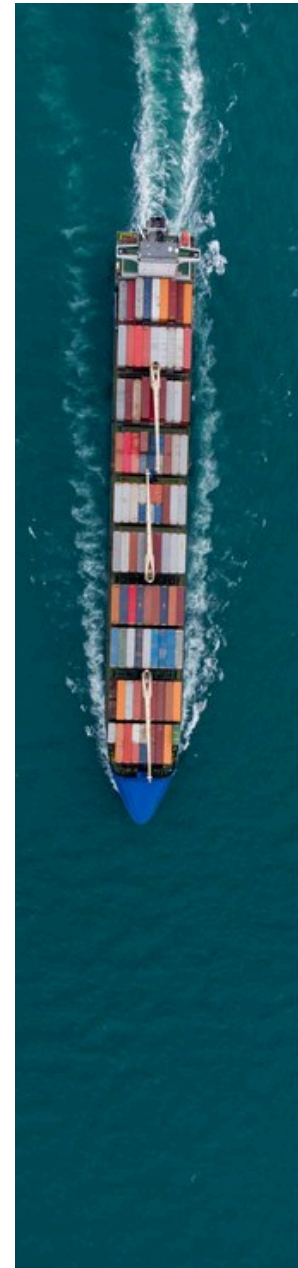
Integrating of various cross-border regulatory agencies into the NSW enables better coordination and faster data exchange resulting in more efficient border control. This leads to quicker clearance times at ports and borders, reducing congestion and delays.

Environmental and Social impact

A NSW will help Sri Lanka achieve its target of becoming Carbon Net Zero by 2050. It reduces carbon emissions by eliminating unnecessary travel to multiple agencies. Submitting one online application will drastically reduce the amount of paper used. A neutral environment eliminates potential gender discrimination from CBRAs, levelling the playing field and encouraging women entrepreneurs to enter the market. Also, having an easily accessible environment allows MSMEs to transact at minimal cost without intermediaries.

Boosted International Confidence

A functional NSW signals to the international community that Sri Lanka is committed to improving its trade environment. This can attract more Foreign Direct Investments (FDIs) boosting economic growth. Implementing an NSW elevates the country's rankings on international indices such as B-Ready, Corruption Index, Global Competitiveness Index etc.



A preview of the benefits a NSW can bring to Sri Lanka can be seen through the recent electronic permit system, developed by UNCTAD and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). This system monitors regulated import and export of animals and plants. Sri Lanka was the first country to implement this system in 2020. In 2023, the system processed over 1,000 permits with a rejection rate of about 6%. The processing time was reduced from 5 days in 2020 to 43 hours in 2023.

Success Stories from Around the World

Korea introduced the uTradeHub in 2007 and it was estimated to bring economic benefits of around US\$ 3 billion. First, the electronic export/import process is expected to save around US\$ 550 million by reducing labour costs and costs of issuing and circulating documents. Second, it is expected to save US\$ 2.9 billion by reducing costs of warehousing and inventory management. Finally, estimated cost cutting is approximately US\$ 320 million from the reduction of redundant investment in the IT sector.

Pakistan started rolling out their National Single Window in 2022. Since then, the time for filing licenses, permits, certificates, and other documents has been reduced by one-third and the time for filing Customs Declarations reduced by half. Overall, there is an 18.75% reduction in the average cost of filing licenses, permits, certificates, and other documents, as well as goods declarations.

Mozambique – a transit country to Swaziland, South Africa, Zimbabwe, Zambia and Malawi – designed a Single Window to enhance revenue collection by closing revenue leakages due to transit. The System handles approximately 400,000 customs declarations per year with up to 1,500 per day and reduces clearance time from 3 days to a few hours.

In **Timor-Leste**, an electronic single window reduced physical trips between government agencies by 91% and cut printed documents by 85%. These streamlined processes saved time and reduced carbon emissions.

In 2020, **Jamaica**'s national electronic Single Window reduced the time for import and export permit approvals from three days to 24 hours, decreasing costs and boosting imports and exports by 29% and 28%, respectively.



Challenges of NSW

Lack of Government Support

The main determinant of the NSW's success is the strength of the government's commitment. The government plays a crucial role in reforming outdated laws and standardising regulations across agencies. The government must encourage coordination among multiple government agencies to streamline processes. Therefore, strong, long-term government support will address challenges and ensure continuous improvement of the NSW.

Technological and Infrastructure Gaps

A major barrier to implementing the NSW is the outdated IT infrastructure in government agencies. Many agencies lack the necessary digital systems to support the NSW and major upgrades are required to contribute to NSW. Investment in robust IT infrastructure, cybersecurity measures and continuous system improvement are essential in ensuring the NSW operates smoothly and securely.

Resistance to Change among Stakeholders

The shift from manual to digital processes is often met with resistance due to fear of job loss, concerns around data privacy and a lack of digital literacy among users. Government officials, customs brokers and traders are hesitant to approach the system as they perceive it to be complex and confusing. Targeted training, awareness campaigns and incentives are among methods that must be deployed to overcome this resistance.

Inadequate Legal and Regulatory frameworks

the success of the NSW heavily relies on having a strong legal framework that supports electronic transactions, data sharing and digital signatures. The current legal landscape of Sri Lanka consisting of Personal Data Protection Act and Electronic Transactions Act could be improved further by aligning with international trade standards. These legal reforms guarantee that the NSW runs smoothly without facing any obstacles when operating.

Complicated Trade Procedures

the complex nature of Sri Lanka's trade processes of over 30 regulatory agencies, poses a challenge in streamlining procedures within the NSW. Each agency has its own set of regulations and documentation requirements, making integrating agencies a difficult task. This is further complicated when agencies have overlapping or conflicting regulations. More focus must be placed on standardising documents according to international standards, simplifying procedures and ensuring the integration of all agencies into the NSW.

Timeline and Current Status of NSW in Sri Lanka

Sri Lanka's NSW journey started in 1993 when negotiations of the World Trade Organization's Trade Facilitation Agreement commenced. During this time, conceptualisation of the NSW began in the Member countries including Sri Lanka. However, Sri Lanka was unable to speed up establishing an NSW due to the digitalisation of processes not being a priority and lack of will to establish it.

2013: WTO members concluded negotiations on the landmark Trade Facilitation Agreement in which the National Single Window is an obligation under Article 10.4.

2014: The National Trade Facilitation Committee (NTFC) in Sri Lanka was established as required by Article 23.2 of the WTO Trade Facilitation Agreement (TFA).

2016: Sri Lanka became the 81st Member Country to ratify the Trade Facilitation Agreement.

2017: TFA entered into force following its ratification by two-thirds of the WTO membership.

2018: Sri Lanka launched an online trade information portal – a single source of information on all rules and regulations related to international trade transactions which was considered as the key for NSW – according to article 1.2 of the Trade Facilitation Agreement.

2018/19: World Bank prepared a blueprint for establishing the NSW and handed it over to the Government of Sri Lanka.

2021: The government of Sri Lanka appointed the High-Level Steering Committee to oversee Inter-Agency Coordination, Legal & Regulatory Amendments and Business Process Re-Engineering.

2022: Sri Lanka established the National Single Window Project Implementation Committee and sub-committee to establish the Project Implementation Unit.

2023: The 2024 budget allocated Rs. 200 million to implement a National Single Window and would be under the supervision of the Department of Trade and Investment Policies (DTIP) of the Ministry of Finance

2024: The PIU Organization structure and PIU were established.

On **23rd September 2024**, the National Trade Facilitation Roadmap for Sri Lanka Bill which was developed by the International Trade Centre (ITC) in partnership with the Japan International Cooperation Agency (JICA) was approved by the Cabinet.

Recommendations

Strengthen Government Commitment and Accountability – Government must be the driving force behind implementing the NSW. Clear timelines, Key Performance Indicators (KPIs) and accountability measures should be established to monitor progress.

Enhance Inter-Agency Coordination – Improved communication and seamless collaboration between customs, the Board of Investment (BOI), port authority and other regulatory agencies are crucial for NSW's success. Protocols for real-time data exchange should be implemented. All agencies must be provided with support to integrate into a unified platform.

Invest in IT infrastructure – Sufficient resources should be allocated to upgrade IT infrastructure, enhance cybersecurity and develop digital skills among government officials and stakeholders. Training programmes, workshops and technical support should be given to users to manoeuvre the new system with ease.

Introduce a Unique Identification Number – Different agencies use various identifiers for the same entity thereby creating multiple entries for one entity. This leads to delays in processing. Issuing a Unique Identification Number for business entities registered in Sri Lanka will enable managing, tracking, and coordinating various processes within the NSW.

Address stakeholder resistance with targeted outreach – Awareness sessions must be conducted to educate stakeholders on the benefits of the NSW. Training sessions, workshops and support should be offered to ease the transition from manual to electronic processes. To promote the usage of the NSW, incentives such as reduced fees and priority processing must be provided.

Reform Legal and Regulatory Frameworks – While Sri Lanka's current laws cover certain aspects of electronic transactions, digital signatures and data security, they must be broadened and strengthened to adapt to changing trends and provide security to stakeholders of the NSW. Local laws and regulations must align with international standards to uphold the credibility of the NSW and facilitate cross-border trade.

Continuous Monitoring and Improvement – NSW is a long-term project requiring continuous monitoring to ensure the system satisfies the requirements of all stakeholders. To identify areas for improvement in the NSW, Mechanisms for regular review and to provide feedback should be established. Trade data and user feedback should be utilised to refine processes, enhance user experience and adapt to ongoing trade developments.

Conclusion

Implementing the National Single Window is not just an obligation in the WTO agreement, it is a strategic reform that will align Sri Lanka with its regional competitors. An NSW will reduce costs, increase efficiency, reduce corruption and improve Sri Lanka's position in international trade, supporting the country's international indicators. While the challenges are significant, the potential benefits outweigh the costs, offering a pathway to unlock the country's full economic potential. Now is the time for Sri Lanka to accelerate the implementation of the NSW and secure its place as a worthy competitor in the world market.

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