

Supporting MSMEs through trade facilitation reforms



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ITC insights: building from field-work experiences

10'000 +

Businesses engaged in trade facilitation reforms

1,000 +

Businesses helped to advocate

80 +

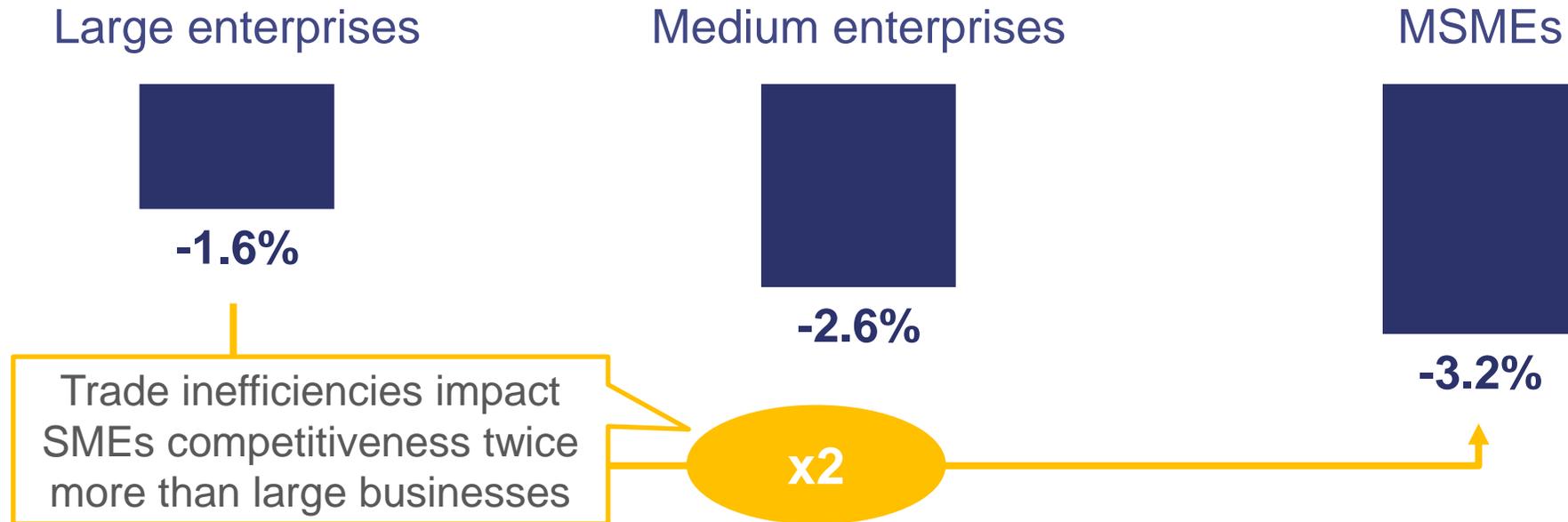
Countries supported across 5 continents

50 +

TFA implementation reforms in more than 20 countries

MSMEs in developing countries bear the brunt of trade inefficiencies

Impact of a 10% increase in regulatory burden on businesses' export value

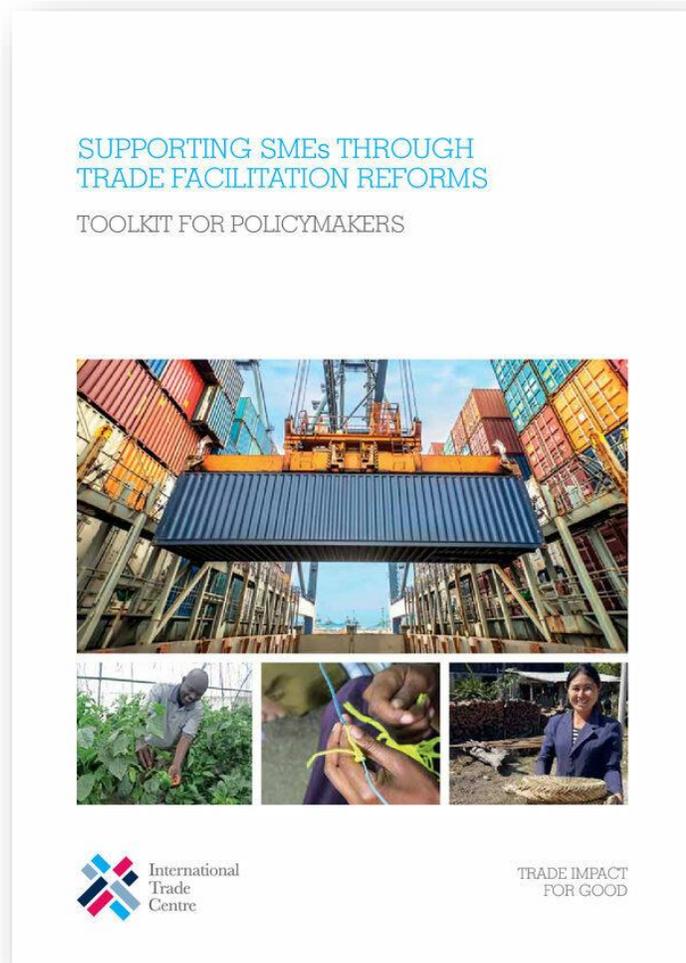


Effect is worse in developing countries: logistics costs are a larger share of the final price of products

Key constraints to MSMEs participation in global trade

- ❗ On a relative basis, MSMEs dedicate more **human resources to navigate export-related information and procedures** than large companies
- ❗ MSMEs have **limited access to affordable financing** means
- ❗ MSMEs are often **classified as “high-risk” operators** by border agencies
- ❗ MSMEs **cannot afford quality logistics** service providers
- ❗ MSMEs often export **small volumes of low value-added** products making it harder to reach the “breakeven” point

TFA toolkit for national reforms to address the specific challenges faced by MSMEs



- How to address reforms **from the perspective of small and medium-sized enterprises**
- How to reap benefits **across the whole business community**
- Examines the **19 TFA provisions** that most help or hurt MSMEs
- Provides insights for **national policymakers**

3 Key Trade Facilitation Measures for MSMEs

Revenue Protection Act, No.19 of 1962**Order**

By virtue of the powers vested in me under Section 2 of the Revenue Protection Act, No. 19 of 1962, I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies of the Democratic Socialistic Republic of Sri Lanka, do by this Order from June 01, 2022, require the Director General of Customs to demand and levy on each article specified in Column 3 of the Schedule hereto, import duty at the general rate set out in the corresponding entry in Column 5 of that Schedule or where, a preferential rate is leviable and payable under the Provisions of Schedule "A" of the Customs Ordinance (Chapter 235), at the preferential rate set out in the corresponding entry in Column 4 of that Schedule;

Ranil Wickremesinghe
Minister of Finance, Economic Stabilization
and National Policies

May 31, 2022
Ministry of Finance, Economic Stabilization
and National Policies
Colombo 01,

Publishing and adapting information for the benefit of MSMEs

Publication and Notification

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**Legal compliance with Article 1 of the TFA can fall short of MSMEs needs.
Clear and actionable information is what matters most!**

Objective: explaining the new requirements in layman's terms

As of 1st of June 2022, you will be required to pay a 15% duty on the following products unless you benefit from preferential duty rate under Sri Lanka's trade agreements

- Malt (HS 11.07)
- Manioc (HS 11.08.14)
- Perfumes and toilet waters (HS 33.03.00)
- Preparation for use on the hair, e.g. shampoos (HS 33.05)
-

The list of Sri Lanka's Trade Agreements and preferential duty rates are available at this [link](#)

Example:

- Importers of roasted malt from countries with which Sri Lanka doesn't have a trade agreement will now pay a 15% duty
- Importers of roasted malt from India under the Indo-Sri Lanka Free Trade Agreement (ISFTA) will continue to pay the agreed preferential duty rate of 0%

Publishing and adapting information for the benefit of MSMEs

Publication and Notification

Steps (16)

- Obtain TIN certificate (3)
 - 1 Obtain token number
 - 2 Submit required documents
 - 3 Obtain TIN certificate

or Apply online
- Obtain VAT certificate (3)
 - 4 Apply online

or

 - Obtain token number
 - 5 Submit required documents
 - 6 Obtain VAT certificate
- Register as an importer (TIN/VAT registration) with Customs (1)
 - 7 Register as an importer in ASYCUDA World system
- Customs clearance (9)
 - 8 Engage declaration company/Customs House Agent
 - 9 Submit CusDec and other documents in ASYCUDA
 - 10 Pay Customs dues
 - 11 Obtain Customs container pass
 - 12 Consignment unloaded from terminal
 - 13 Scanning of consignment
 - 14 Obtain gate pass to exit New Container Terminal
 - 15 Inspection of consignment
 - 16 Release of import consignment

Summary of the procedure

Institutions involved (6)



Results (7)



Required Documents (36)



Estimated cost LKR 2,650

This is an estimate based on a series of assumptions which you can [modify](#) to calculate your own costs:

Cost detail	Estimate your cost
LKR 100 - LKR 100 per container	1
Other receipts - Seal charges based on the number of consignments	
LKR 1,600	
Over time charges for clearance of goods	
LKR 250	
Computer fee for clearance of goods	
LKR 700	
Other receipts - Examination fee in clearance of goods	

Total Duration 2h. 40mn - 7d

	min	max
Total time (sum):	2h. 40mn	7d
<i>of which:</i>		
Waiting time in queue (sum):	1h. 5mn	7h. 25mn
Attention at counter:	1h. 35mn	7h.
Waiting time until next step (sum):	0mn	5d

Laws (4)

- Customs Ordinance (Sections 10, 47)
- Inland Revenue Act, no. 24 of 2017 (Sections 102, 103)
- Registration instructions
- Value Added Tax Act, No. 14 of 2002 (Section 10)



Information that is **clear and actionable** for MSMEs

Extending trade advantages to MSMEs

Authorised Economic Operators

MSMEs **disproportionately benefit** from AEO status...

- ✓ Lower costs
- ✓ Streamlined processes for import/export
- ✓ Faster processing and clearance of cargo
- ✓ Deferred payment of duties

... but some of the core AEO **criteria particularly hinder MSMEs**, such as

- ✗ Volume and frequency of shipment
- ✗ Financial viability

How can AEO programs include MSMEs?



Remove hindering criteria and offer flexible procedures for accession



Faster, more understandable process of certification



Sensitisation and capacity-building tailored to MSMEs accompanying the introduction of AEO schemes

Implementing reforms that leverage commonly used solutions

E-Payment

Example: M-PESA in Kenya and Tanzania

*Allows users to make banking operations **with a mobile device***

- Mobile phones used by **quasi-totality of people and economic operators**
- Built to ensure **largest access and opportunity**
- Bank transfers would not have worked in countries where not every trader holds a bank account



Develop solutions based on what is already in use and practical!

Policy design and implementation should reflect the realities of MSMEs on the ground

- **Public-private dialogue** must be at the core of the design and implementation of trade facilitation reforms
- **Businesses of all size** must be given the opportunity to express their specific needs, especially **MSMEs and small-scale cross-border traders**
- **Trade facilitation is about continuous improvement:** it is never too late to make your reforms work for MSMEs



**Reforms that work for
larger firms might not
benefit MSMEs...**

...But...

**...reforms that work for
MSMEs will also benefit
larger firms**

Thank you for your attention