IMPROVING LOGISTICS PERFORMANCE
Good Practices

Monica Alina Mustra
INTERNATIONAL TRADE DEPARTMENT
1. Changing Trade Facilitation Agenda
2. Regional Cross-Border Program
A Changing TF Agenda

Cross-cutting issues:
- Making transit work
- Collaborative border management

Trade Related infrastructure
- Roads
- Ports
- Railways

Quality and efficiency of service providers
- Freight forwarders
- Customs brokers
- Truckers

Customs reform and modernization
- Fiscal focus
- IT orientation

Both the old and new agendas needed
Historically trade facilitation reform focused on Customs reform and infrastructure development – Reflected in donor support

Customs reform increasingly seen as only one element of the problem – Customs only responsible for a third of delays

New data available – time, cost and reliability all important for competitiveness

Increased focus on performance measurement

Driving a new and more comprehensive agenda

Much demand for Single Window, One Stop Border Posts, and wider trade and transport logistics improvement

Regional integration high on the new agenda
The knowledge Map

Broad

New indicators Connectivity

Logistics costs/ performance Councils observatories

Services

Performance metrics/ Modeling

Data

Data: LPI

TTFA

Transit Regional TF

Border Management

Transport Toolkits Ports, SCS

Lagging Regions

Corridor Toolkit

Implementation

ongoing

new

Performance metrics/Modeling

Services

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The knowledge Map
Focus Areas for the World Bank

- **Border management**: Improvement in border management in a broad sense: integration of customs, product standards, tax, rules of origin, etc.
- **Trade Infrastructure**: Improvement in the management of key trade related infrastructure, especially gateways and multimodal facilities.
- **Logistics services**: Improvement of the quality/professionalism of private logistics services, through technical/economic regulation and capacity building.
- **Regional**: Regional trade facilitation including transit systems.
- **Indicators**: Performance monitoring and indicators: e.g., data on time, cost, and reliability along corridors.
- **Action plan**: Development and implementation of comprehensive action plan addressing all of the above.
Some recent knowledge contributions

- Connecting to Compete
- Trade Logistics in the Global Economy
- Logistics in Lagging Regions
- Trade and Transport Facilitation Assessment
- Border Management Modernization
- The Cost of Being Landlocked
- Logistics, Costs, and Supply Chain Reliability
### Why Logistics Matter

Result when a low income country reaches LPI of middle income average

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Note: LPI = Logistics Performance Index; Tariffs = TTRI = Trade Restrictiveness Index; All barriers = OTRI = Overall Trade Restrictiveness Index.
Logistics Performance around the world

Countries are improving around the world

- Logistics unfriendly
- Partial performers
- Consistent performers
- Logistics friendly
- No data
Convergence of logistics performance

- All countries performing better compared with the country with the highest score, to level attained in top performing countries.

- Logistics performance improved in all groups, except for the top 20 percent.
% of the highest performer

LPI 2007

<table>
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<tr>
<th>Highest performer</th>
<th>Singapore</th>
<th>100%</th>
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<tbody>
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<td>Lowest performer</td>
<td>Afghanistan</td>
<td>7%</td>
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LPI 2010

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<th>Highest performer</th>
<th>Germany</th>
<th>100%</th>
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<td>Lowest performer</td>
<td>Somalia</td>
<td>11%</td>
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Reasons for convergence

- Partly driven by global trend toward consolidation and homogenization of service provision, especially in container, air freight, express cargo, and contract logistics.
- Increased awareness and proactive policies of a growing number of countries play major role in driving better performance.
More than income: the “logistics gap”

With the **right investment and policies**, lower income countries can also be high performers.
Countries launched programs promoting improvements in logistics performance.

Rather than separately addressing issues such as border procedures, port performance, international transit, or investment in services, more countries implementing comprehensive programs to address the weakest links in their macro-supply chain and stimulate cooperation between public agencies and private stakeholders.
Key Policy Implications

- Expand the traditional reform agenda beyond customs reform and infrastructure development to be comprehensive—processes, services, and infrastructure
- Improve the quality of logistics services and increase border agency coordination
- Partner with the private sector
- Transit corridors: regional coordination and cooperation is vital for landlocked developing countries
- Infrastructure remains high on the agenda
- Tailor reform to each country’s circumstances
Positive trends since 2005

✓ Use of standardized IT solutions in logistics is widespread worldwide, and

✓ Customs reform progressed in most countries
New features of the LPI survey

Expanded information includes:

✓ **Time/cost data** for import and export transactions.

✓ **Customs administration and procedures:**
  ✓ physically inspected; use of electronic submission, pre-arrival clearance, and post-clearance audit procedures; transparency of customs procedures and administration, including the extent of industry consultation, advance notification of regulatory changes, and availability of review or appeal procedures

✓ **Border security measures**

✓ **Quality data for infrastructure and service providers:**
  ✓ core logistics service providers, such as transport operators, distributors, freight forwarders, customs and border agencies, and shippers
Time and Cost Indicators

Lead time export

**EXW** (shipper)
- Point of origin
- Seller’s factory

**FOB** (free carrier at port of loading or equivalent)
- Delivery to dock
- Alongside vessel

**DDP** (delivered duty paid)
- Delivered to buyer’s warehouse

**Exporting country**

**Border**
In-country logistics: main findings

- Broadly positive trends in customs, ICTs, private logistics services and logistics regulations
- Other border agencies often lag behind customs in terms of efficiency
- Importers in low performing countries face nearly twice as many border agencies and documents as in high performing countries
- Uncertainty of clearance procedures and quality problems impact supply chain reliability and performance
- Inefficient regulation of core logistics services increases prices and reduces quality
- Physical infrastructure remains a major constraint in many countries
Customs ahead of other border agencies

Percentage of respondents indicating the quality and competence of customs and other border agencies is high or very high.
Partnerships

Strategic Alliances

- UN
- Regional Banks
- WCO
- WTO
- WEF
- FIATA
- GEA
- MNCs
- ACADEMIA
Logistics Performance Index (LPI)  
Trade and Transport Facilitation Assessment (TTFA)

From global benchmarks to country-level assessments

• **Measures** the trade logistics efficiency of a country

• **Fundamental premise**: Efficient logistics drives economic performance and competitiveness

• **Diagnostic tool** for countries to perform an in-depth assessment and inform policy

• Plans of action to **improve** logistics performance
1. Analyzes supply chains of specific commodities for specific trade routes

2. Analyzes performance of private sector transport and logistics services, as well as public sector services and regulatory functions

3. Examines not only the physical movement of goods, but also the transactions and exchange of documents that take place
A flexible and adaptable toolkit

Emphasis on

Logistics Sector Performance or Specific Trade Corridors

- Activities of logistics service providers

Value Chain Analysis for Specific Commodities

- Activities of shippers, importers or exporters, responsible for the organization of the inbound and outbound logistics
2. Regional Cross-Border Program/Project

Trade Facilitation and Infrastructure
Mashreq Countries
(Iraq, Jordan, Lebanon, Palestine, Syria)
The Mashreq main routes
1. In relation to comparable countries, total Mashreq exports as a share of GDP are significantly lower and imports are higher.

2. Intra-Mashreq trade is low
   - more trade with the EU (25% of their total) than with each other (17% of their total).

3. Iraq (66%) and Jordan (51%) have comparatively high export shares to the rest of the world compared with Lebanon (26%) and Syria (9%).
A 2009 study identified main Regional issues:

1. Lack of coordination of national projects and policies related to trade facilitation, logistics and transport
2. No integration of cross border facilities or procedures between countries
3. Low quality of trucking fleets ...long delays at borders with third countries
4. No regional trade hub to serve north of Mashreq region
5. Lack of sub-regional economic or corridor management agency
and proposed recommendations

- Implementation would be best in a trade corridor context, managed by a Corridor Management Agency rather than a new economic institution
- Focus on Trade Facilitation improvements

- The World Bank’s Mashreq Corridor Program (MCP)
  - Implementation over 15 years (2 phases)
  - USD 6.8 billion
Methodology of the Study

- Study based on Regional Trade and Transport Facilitation Assessments (TTFAs) and
- Review of relevant previous studies:
  - UNESCWA
  - European Union (through its EuroMed scheme)
  - World Bank
  - Other international and bilateral organizations
Benefits of improved trade facilitation for the Mashreq countries

Potential trade and GDP benefits of improved trade facilitation would include:

- Annual **cost savings** more than **USD 600 million** per year
- This translates into **additional exports of about USD6 billion** per year by 2020.
Improved trade within the region and between the region and the rest of the world

Project Cost is mostly in infrastructure (border crossings facilities, road and rail improvements) but the main benefits will come from the trade facilitation measures which include:

- Training Programs and
- Professional Competence Certification
  - Forwarders (with FIATA)
  - Customs Brokers (with IFCBA)
  - Truck Companies (with IRU - play a major role)
Further Regional Studies: Maghreb Countries

- The Mashreq study was the first in a series
- The World Bank is currently undertaking a similar study in the Maghreb Countries
- And will soon start a trade facilitation assessment in Egypt
Contact Us

The World Bank Group
International Trade Department

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LPI and DB – separate but complementary

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<th>DB</th>
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<tbody>
<tr>
<td><strong>Source of data</strong></td>
<td>3rd country providers of logistics services</td>
<td>In-country entities with knowledge of business regulations</td>
</tr>
<tr>
<td><strong>Concept</strong></td>
<td>Performance outcomes</td>
<td>Analytic breakdown in component procedures</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>Every 2 years, since 2007</td>
<td>Yearly, since 2003</td>
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<tr>
<td><strong>Significance</strong></td>
<td>Several indices of performance</td>
<td>Metric of broader business regulatory environment</td>
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<tr>
<td><strong>Questionnaire</strong></td>
<td>Short online</td>
<td>Detailed</td>
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<td><strong>Countries</strong></td>
<td>155</td>
<td>183</td>
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Both indices provide basic input for policy makers. Neither are in-depth analysis.
2. Trade Facilitation Facility
Trade Facilitation Facility

- Multi-donor trust fund
- Managed by the World Bank
- Support concrete improvements in TF systems
- Help reduce developing countries’ trade costs
- Emphasis on Africa/low-income countries
Training outcomes and follow up

- TTFA work in the region is initiated
- TTFA phase I/II implementation
- Preparation of TTFA workshop based on implementation of TTFA in region
The World Bank Group
International Trade Department

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www.worldbank.org/tradelogistics
www.worldbank.org/lpi
www.gfptt.org

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What are efficient logistics?

The LPI measures six dimensions of country performance:

- Efficiency of the clearance process
- Quality of trade and transport infrastructure
- Ease of arranging competitively priced shipments
- Logistics competence and quality of logistics services
- Ability to track and trace consignments
- Timeliness of shipment delivery

A country’s performance is only as good as its weakest link
**EXW**
(Shipper)  
Point of Origin  
Seller’s Factory

**FOB**
(Free carrier at Port of loading or equivalent)  
Alongside Vessel

**DES**
(Carriage paid to Port of discharge or equivalent)  
Unloaded on Dock

**DDP**
(Delivered duty paid)  
Delivered to Buyer’s Warehouse

**Time and Cost Indicators**

**Exporting Country**

**Importing Country**
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Training course for field researchers

AUDIENCE

- Policy makers willing to implement an assessment
- International organizations interested in the subject
- Private sector professionals including local consultants and firms

Provides background information on the:

- **Topics** to be covered in the interviews and
- **Analysis** of the information
• First edition 2001, second in 2010
• 45 concluded to date
• 5 in progress
• Facts and data through interviews with public & private participants