



WORLD BANK GROUP

Asia Pacific Trade Facilitation Forum

COEX, Seoul, Korea

Oct 4, 2011

IMPROVING LOGISTICS PERFORMANCE

Good Practices

Monica Alina Mustra

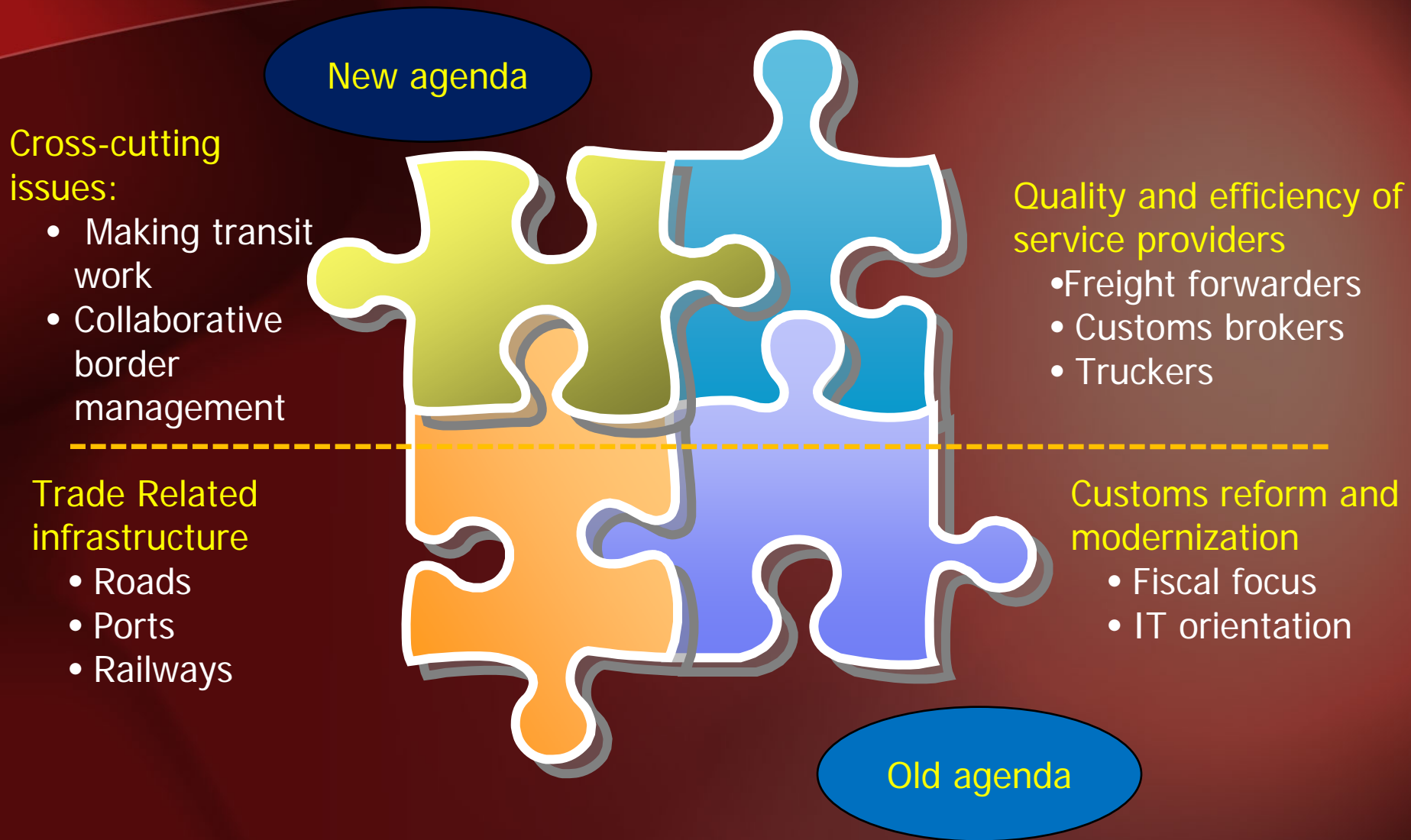
INTERNATIONAL TRADE DEPARTMENT

Agenda

1. Changing Trade Facilitation Agenda

2. Regional Cross-Border Program

A Changing TF Agenda

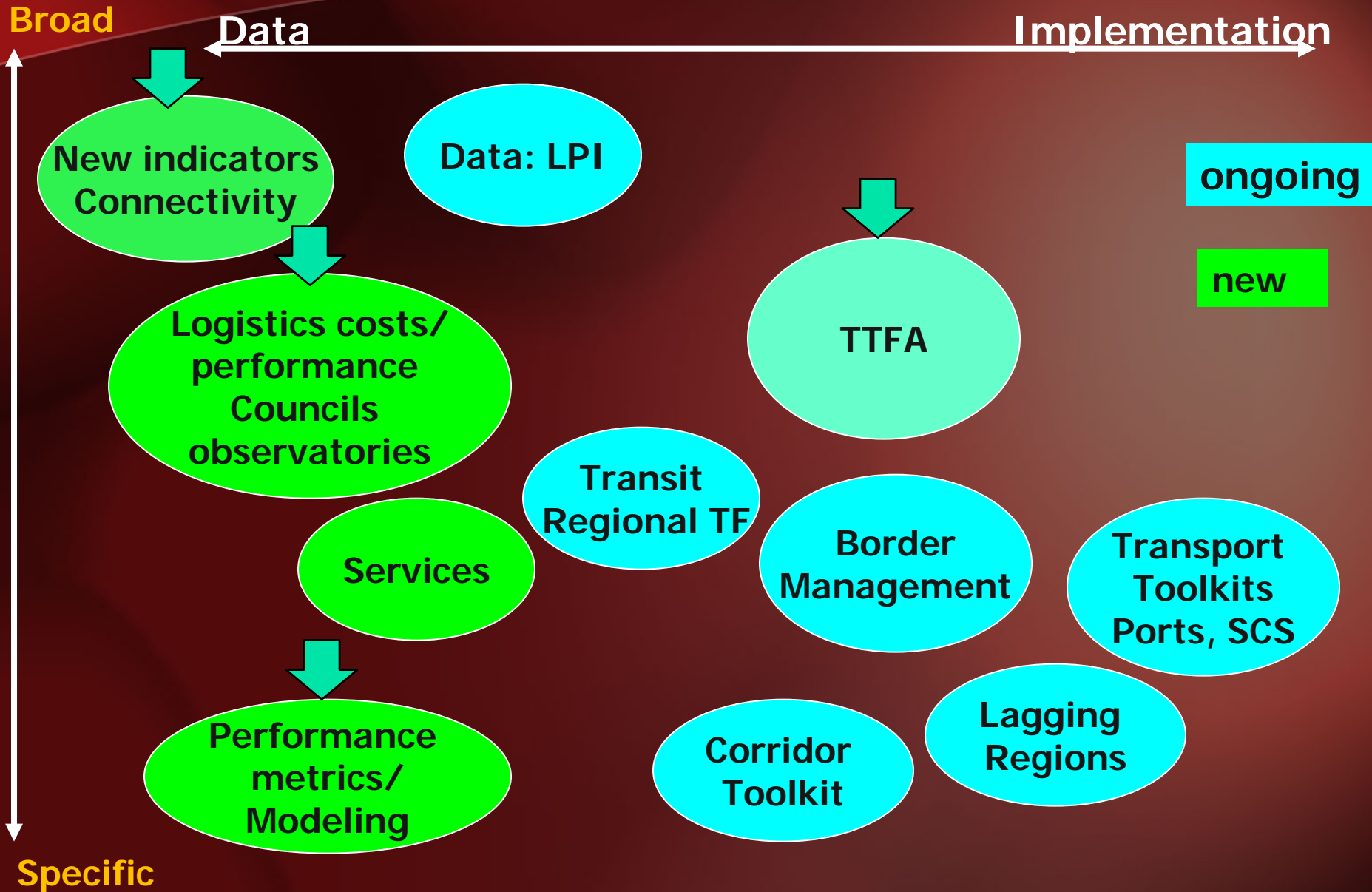


Both the old and new agendas needed

A Changing TF Agenda

- 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



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

2010

Trade Logistics in the Global Economy



The Logistics

A WORLD BANK STUDY

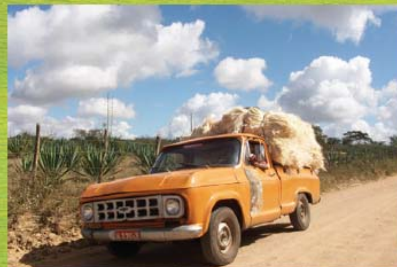


Trade and Transport Facilitation Assessment

A PRACTICAL TOOLKIT FOR COUNTRY IMPLEMENTATION

THE WORLD BANK

A WORLD BANK STUDY



Logistics in Lagging Regions

OVER
GLO



BORDER MANAGEMENT MODERNIZATION



THE WORLD BANK

Gerard McLinden, Enrique Fanta, David Widdowson, Tom Doyle Editors



DIRECTIONS IN DEVELOPMENT
Trade

Connecting Landlocked Developing Countries to Markets



THE WORLD BANK

DIRECTIONS IN DEVELOPMENT
Trade

The Cost of Being Landlocked

Logistics, Costs, and Supply Chain Reliability

Jean-François Arvis
Jean-François Marteau
Gaël Raballand

THE WORLD BANK

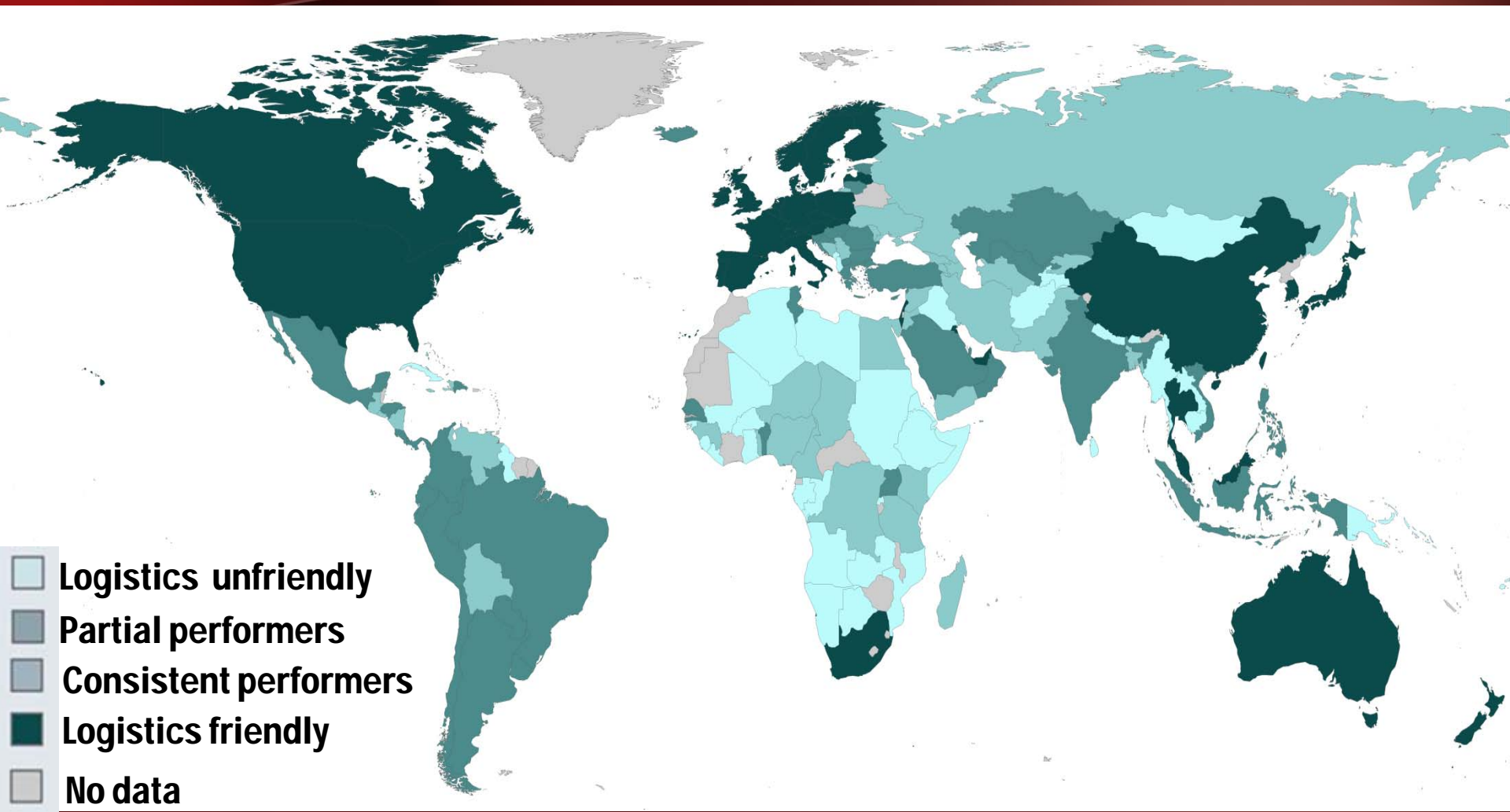
Why Logistics Matter

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

Indicator/policy area	Increase in trade (%)
Logistics Performance Index	15.2
All trade barriers reduced to 10%	8.4
Doing Business, cost of trading	7.4
Tariffs reduced to 5%	5.7

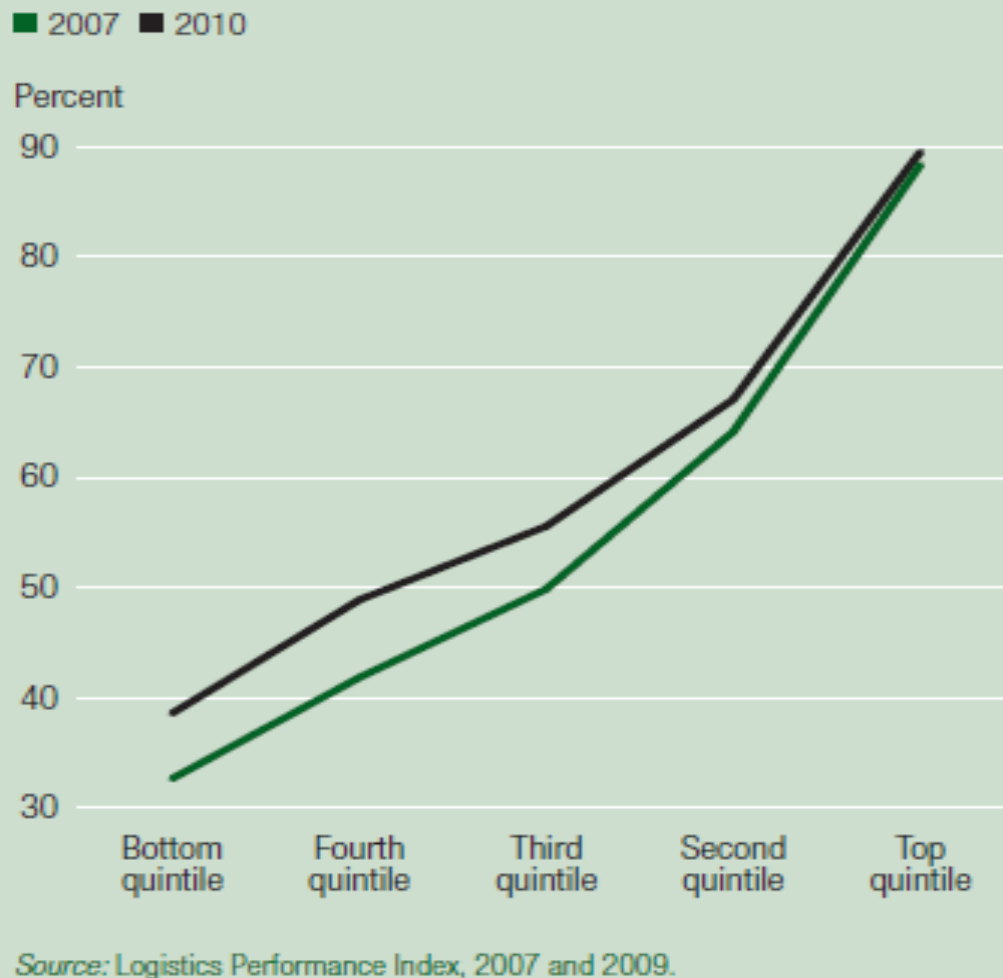
Note: LPI = Logistics Performance Index; Tariffs = TTRI = Trade Restrictiveness Index; All barriers = OTRI = Overall Trade Restrictiveness Index.

Logistics Performance around the world



Countries are improving around the world

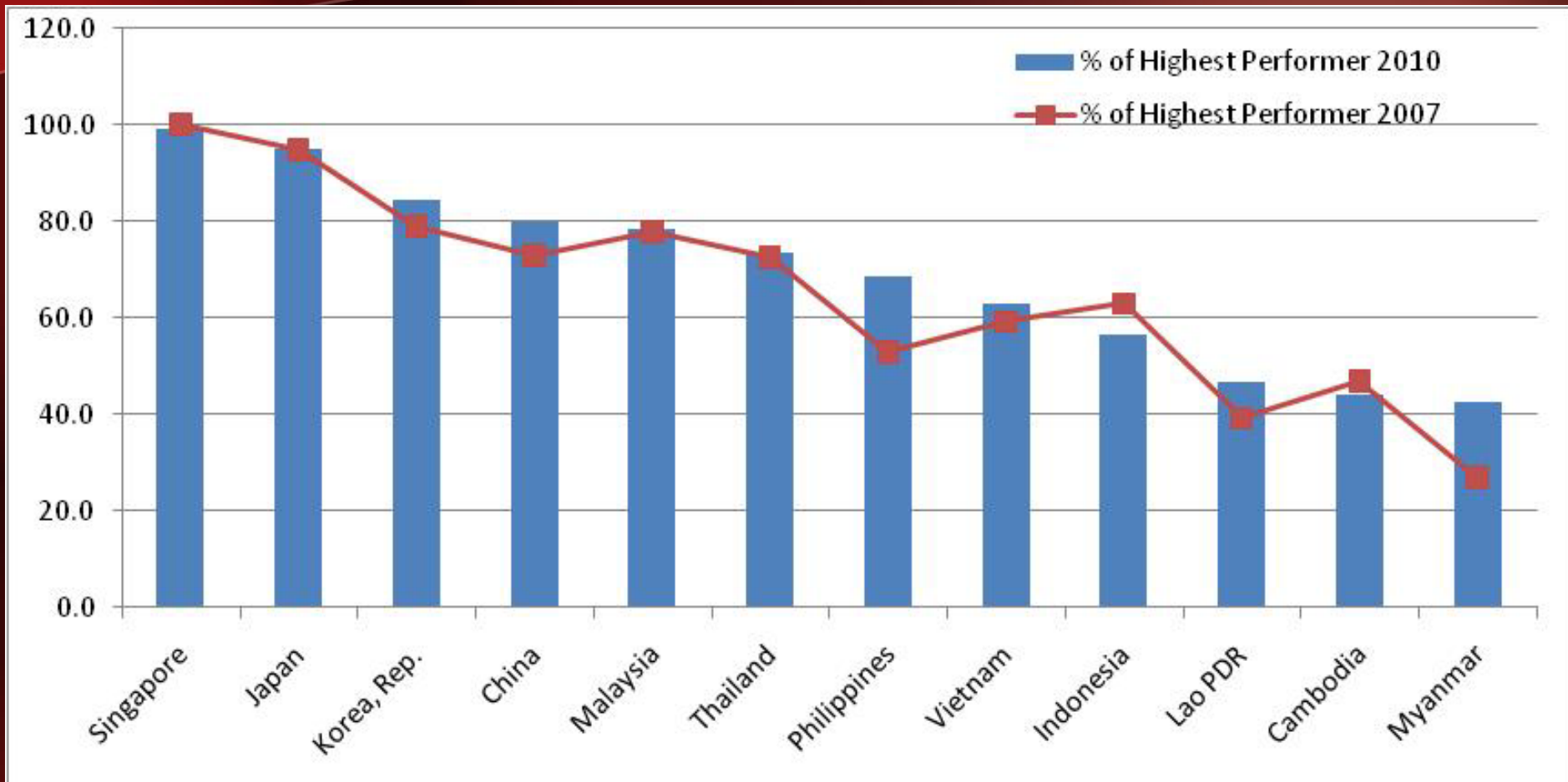
Convergence of logistics performance



LPI score as percentage of highest LPI score, by LPI quintile, 2007 and 2010

- ✓ 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		
Highest performer	Singapore	100%
Lowest performer	Afghanistan	7%

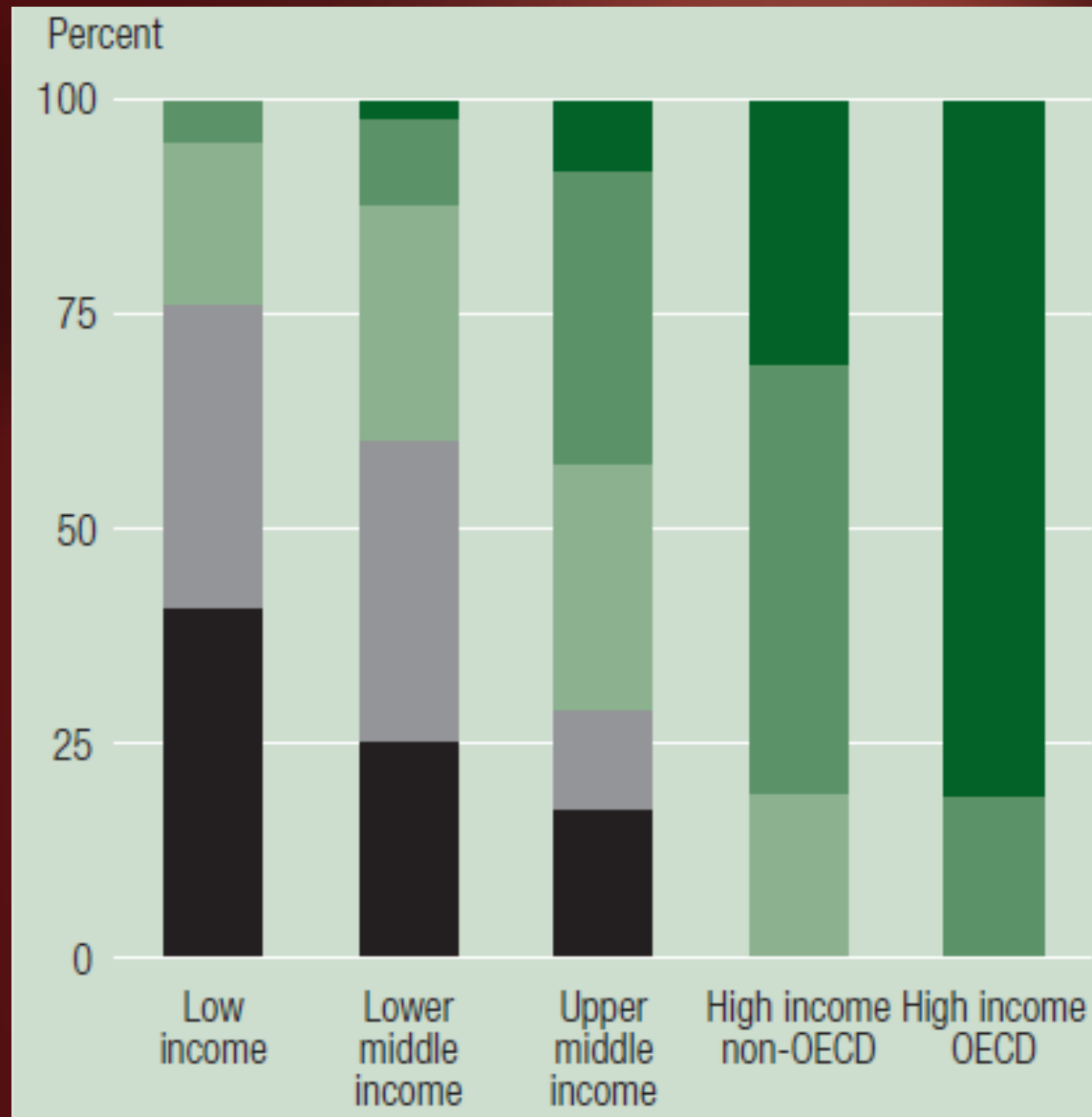
LPI 2010		
Highest performer	Germany	100%
Lowest performer	Somalia	11%

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



- Top quintile, highest performance
- Second quintile, high performance
- Third quintile, average performance
- Fourth quintile, low performance
- Bottom quintile, lowest performance

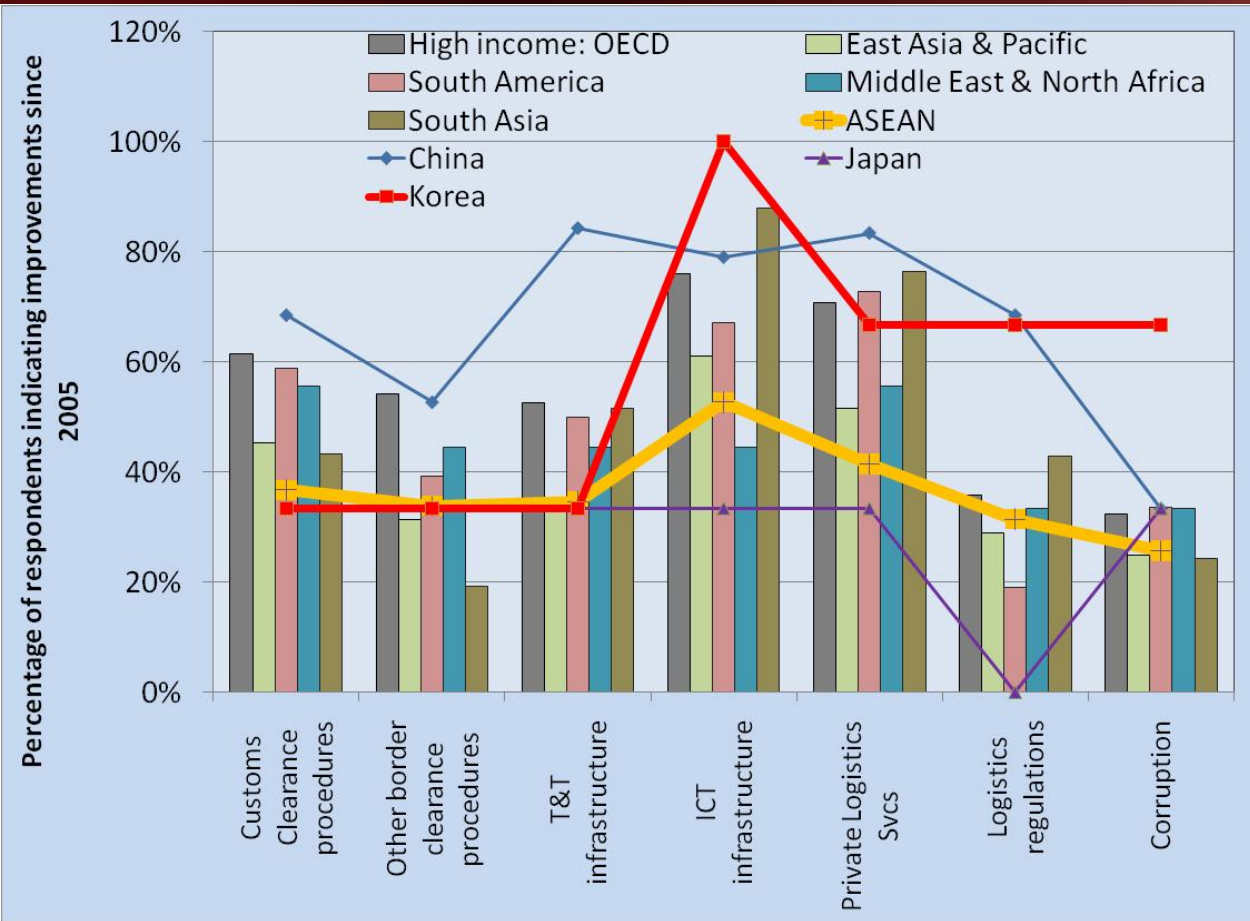
Increased LPI performance from 2007 to 2010

- 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



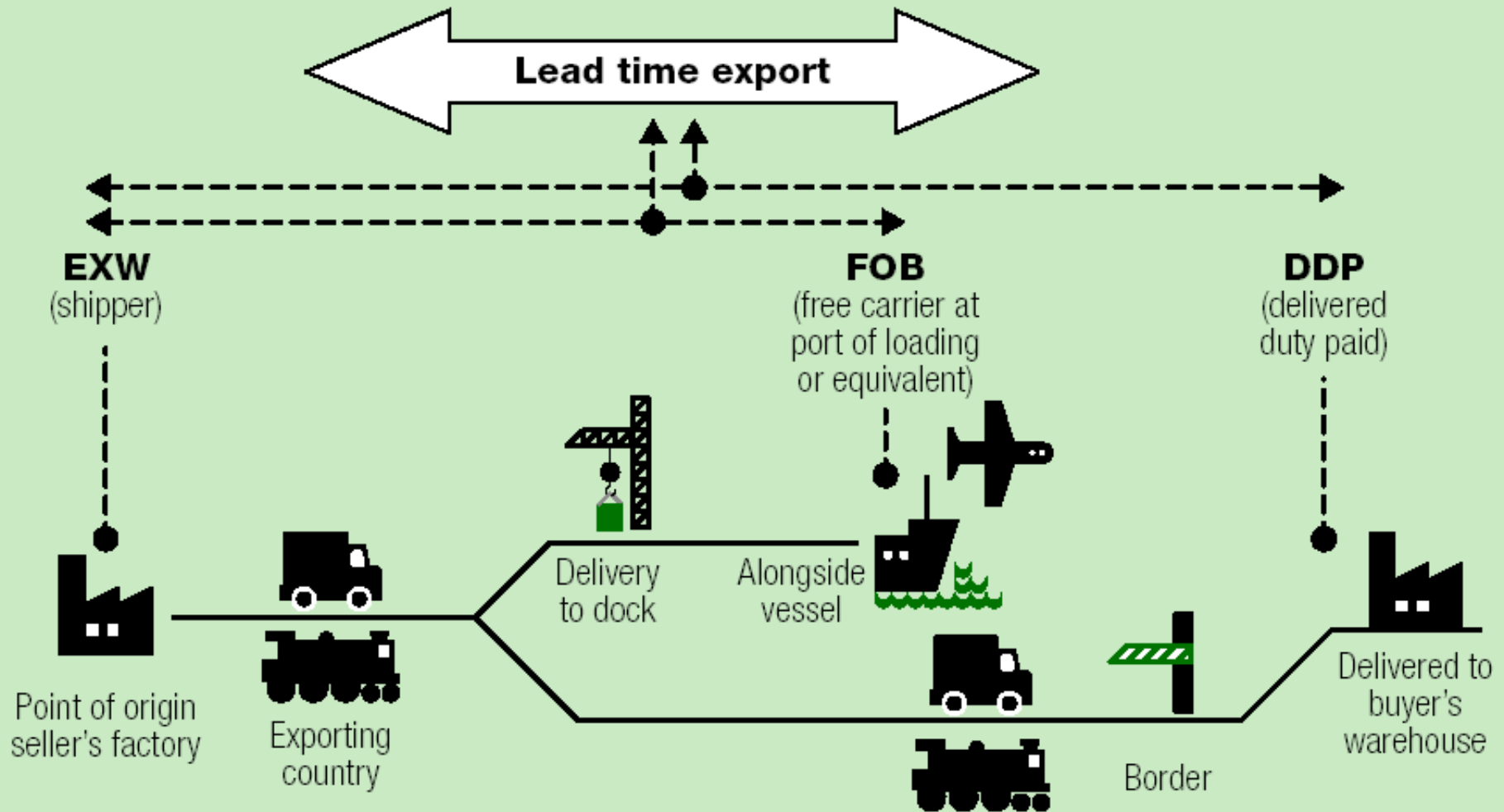
- ✓ Use of standardized **IT solutions** in logistics is widespread worldwide, and
- ✓ **Customs reform** progressed in most countries

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

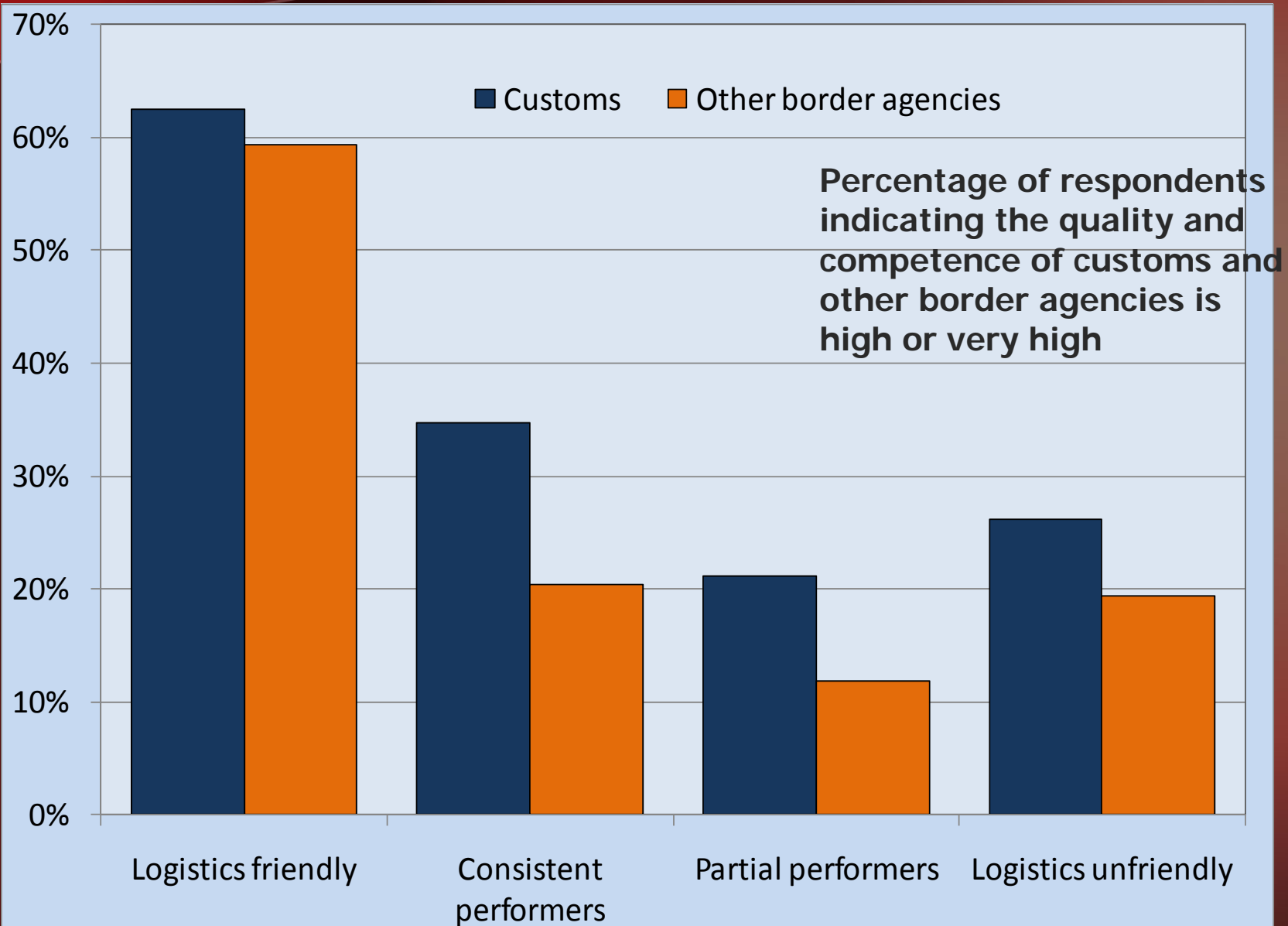




In-country logistics: main findings

- 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

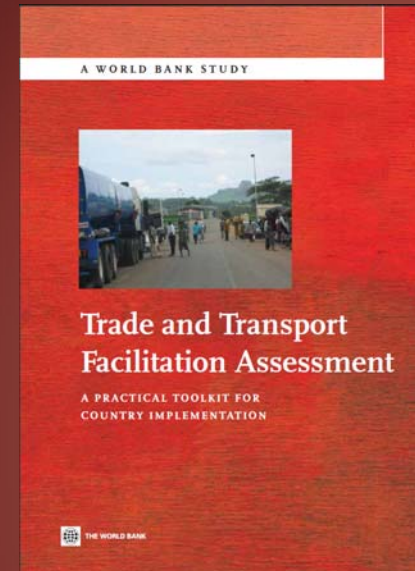


Partnerships



Logistics Performance Index (LPI)

Trade and Transport Facilitation Assessment (TTFA)



- 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

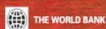
➡ From global benchmarks to country-level assessments

A WORLD BANK STUDY



Trade and Transport Facilitation Assessment

A PRACTICAL TOOLKIT FOR
COUNTRY IMPLEMENTATION



Evaluación de la Facilitación del Comercio y el Transporte

HERRAMIENTAS PRÁCTICAS
PARA SU IMPLEMENTACIÓN EN LOS PAÍSES



BANCO MUNDIAL



World Bank
English

IADB
Spanish

AfDB
French

UNECE,
UNESCAP
Russian

Regional Banks

UN

TTFA Features: a unique assessment

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

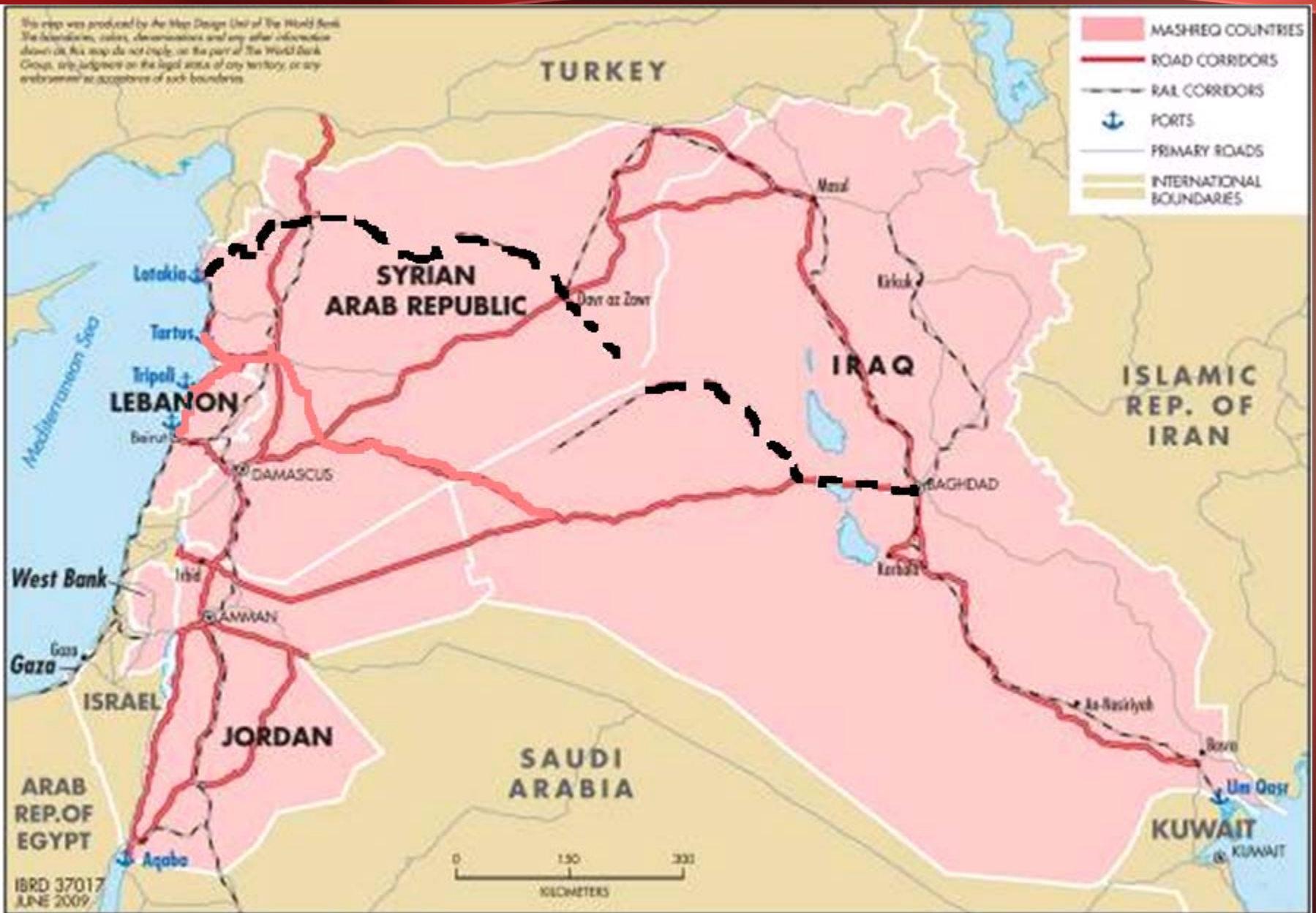
2. Regional Cross-Border Program/Project

Trade Facilitation and Infrastructure

Mashreq Countries

(Iraq, Jordan, Lebanon, Palestine, Syria)

The Mashreq main routes



Trade of the Mashreq countries

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.

Project Objective & Role of Training

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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www.worldbank.org/tradefacilitation
www.worldbank.org/tradelogistics
www.worldbank.org/lpi
www.worldbank.org/tradestrategy

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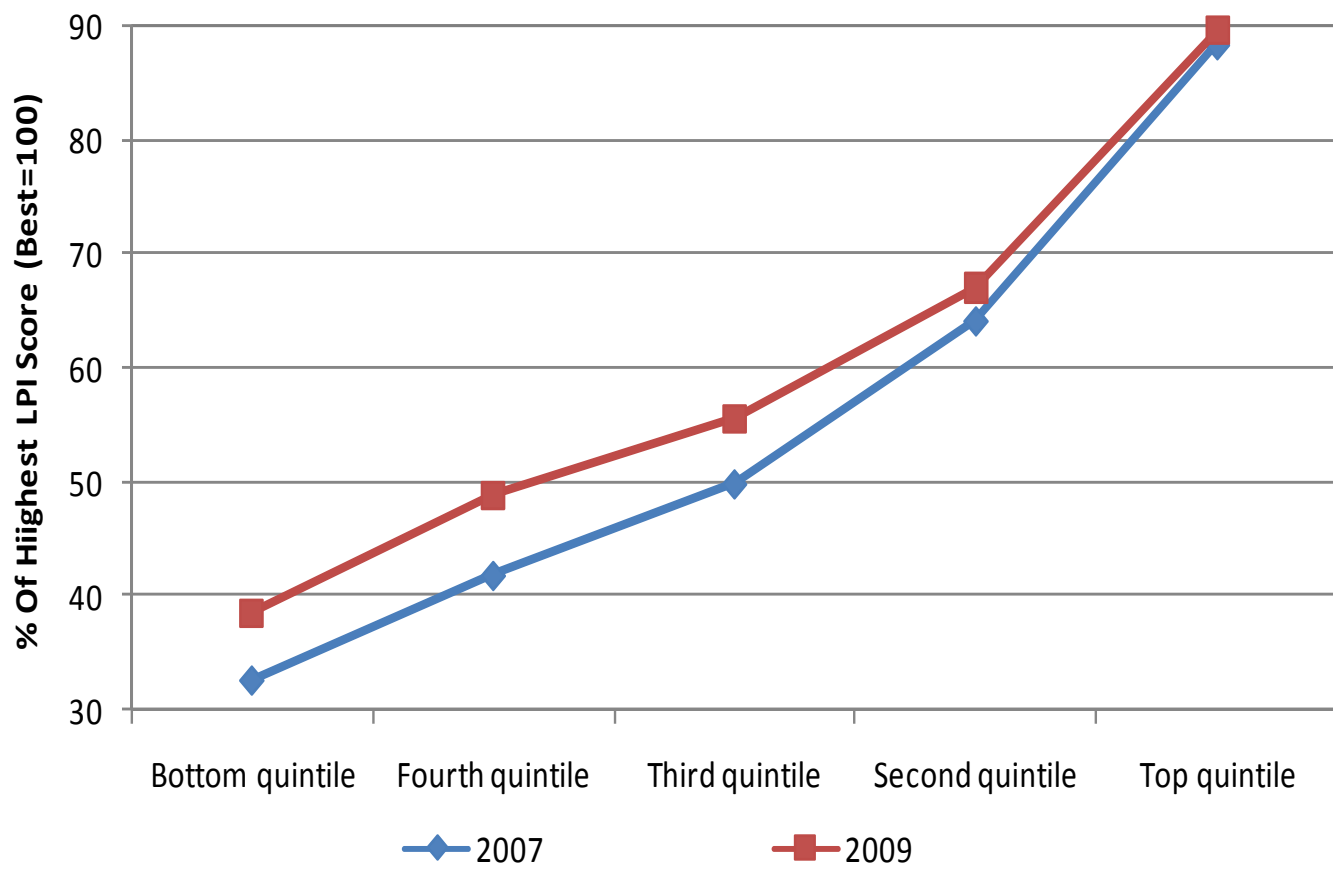
Contact: tradefacilitation@worldbank.org



LPI and DB – separate but complementary

	LPI	DB
Source of data	3 rd country providers of logistics services	In-country entities with knowledge of business regulations
Concept	Performance outcomes	Analytic breakdown in component procedures
Frequency	Every 2 years, since 2007	Yearly, since 2003
Significance	Several indices of performance	Metric of broader business regulatory environment
Questionnaire	Short online	Detailed
Countries	155	183

Both indices provide basic input for policy makers.
Neither are in-depth analysis.



2. Trade Facilitation Facility

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

www.worldbank.org/trade
www.worldbank.org/tradefacilitation
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

Time and Cost Indicators

Lead time export

Lead time import

EXW

FOB

DES

DDP

(Shipper)

(Free carrier at Port of loading or equivalent)

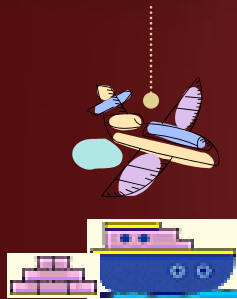
(Carriage paid to Port of discharge or equivalent)

(Delivered duty paid)

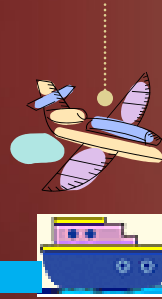
Point of Origin
Seller's Factory



Delivery to Dock



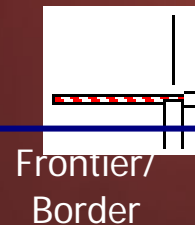
Alongside Vessel



Unloaded on Dock



Delivered to
Buyer's
Warehouse



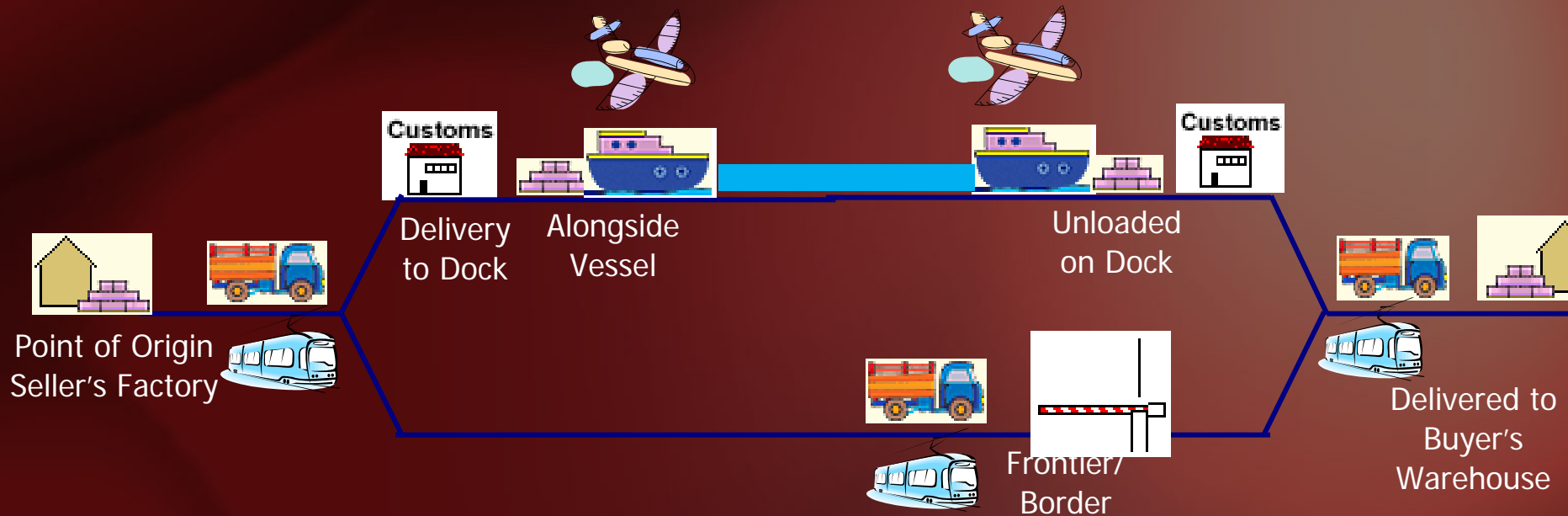
Frontier/
Border



Exporting Country

Importing Country

Supply Chain Framework



Exporting Country

Importing Country

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Training course for field researchers

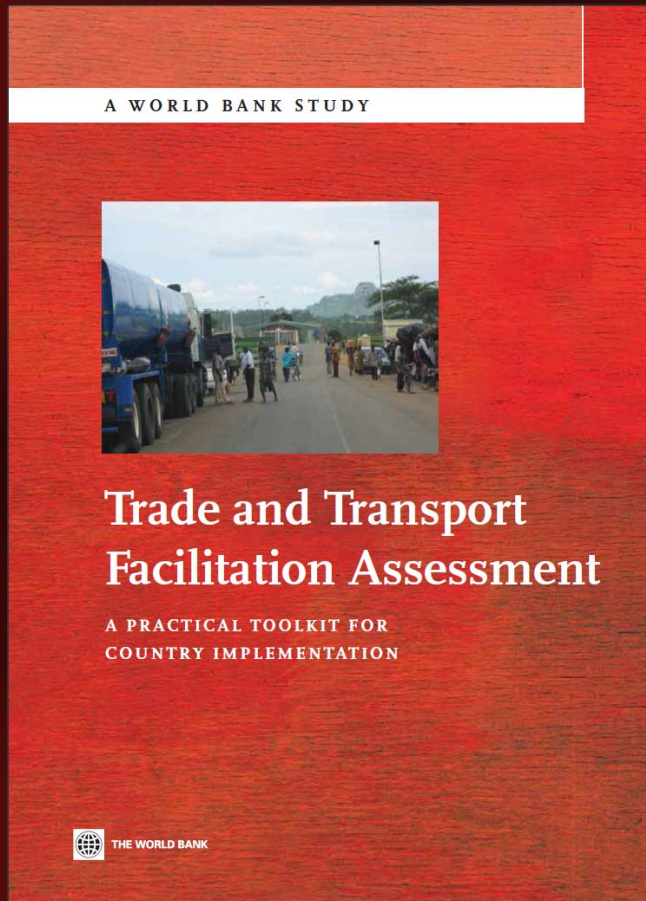
AUDIENCE

- **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









The Trade and Transport Facilitation Assessment



- **First edition 2001, second in 2010**
- **45 concluded to date**
- **5 in progress**
- **Facts and data through interviews with public & private participants**

Trade and Transport Facilitation Assessment

Interview Guide

-  **Important! Printing Instructions**
-  **Search**
-  www.worldbank.org/trade
-  **Contents**
-  **Using the Interview Guide**
-  **Phase 1 Meeting Agendas**
-  **Phase 2: General Topics for Logistics Service Providers**
-  **Phase 2 Pro-forma Interview Checklists**