COUNTRIES NEED BETTER TRADE LOGISTICS TO COMPETE, REPORTS NEW WORLD BANK STUDY

Kazakhstan, a Landlocked Country, Will Need Innovative Solutions

Almaty, November 5, 2007 — Trade logistics, or the capacity to connect to international markets to ship goods, is critical for developing countries to improve their competitiveness, reap the benefits of globalization, and fight poverty more effectively in an increasingly integrated world, shows a new World Bank Group survey released today.

Connecting to Compete: Trade Logistics in the Global Economy, a study based on a world survey of international freight forwarders and express carriers, indicates that facilitating the capacity to connect firms, suppliers and consumers, is crucial in a world where predictability and reliability are becoming even more important than costs.

"Being able to connect to global markets is fast becoming a key aspect of a country's capacity to compete, grow, attract investment, create jobs and reduce poverty," said Danny Leipziger, World Bank Vice-President for Poverty Reduction and Economic Management. "But for those unable to connect, the costs of exclusion are large and growing."

According to the study, which includes a Logistics Performance Index (LPI)1, Singapore, a major global transport and logistics hub, ranks first. At the other extreme are low-income countries, particularly those landlocked in Africa and Central Asia.

Kazakhstan currently ranks 133 out of 150 countries where logistics performance was surveyed. The ranking aggregates the performance of each country in seven areas, from traditional ones, such as customs procedures, logistics costs (including freight rates), and infrastructure quality, to new areas like the ability to track and trace shipments, timeliness in reaching a destination, and the competence of the domestic logistics industry.

According to the report, landlocked countries and Kazakhstan among them are the mostlogistically constrained. They typically suffer not only from geographical disadvantages resulting in high transport costs and delays but also from limited access to competitive markets for logistics services and dependence upon the performance of other transit countries. In this context, rapidly growing Kazakhstan economy is looking for innovative solutions while trying to adopt best international experience.
One of the areas which greatly affect trade logistics is customs. The Government of Kazakhstan is currently implementing a Customs reform aimed at improving revenue collection, trade facilitation, national security, and fighting corruption and improving business competitiveness. Over the last several years, the Government has made important improvements in the functioning of customs, however, the reform agenda remains large given the complexity of a customs modernization reform. According to the LPI presented in the report, in the particular area of customs Kazakhstan is ranked 139 out of 150, the first rank on customs indicator belongs to the Netherlands.

Upon the request from the Government, the World Bank and the Customs Committee of the Ministry of Finance have prepared the Customs Development Project. The objective of the proposed project is to reform and modernize the Customs administration of Kazakhstan with a view to: (i) promote internationally acceptable practices for processing of international trade flows by Customs, (ii) improve revenue collection, (iii) and reduce potential for corruption. The project is expected to be approved by the World Bank Board of Directors on November 27, 2007, and its implementation will undoubtedly help Kazakhstan improve its logistics performance and overall competitiveness.

But the new study notes that individual reforms, such as customs modernization, need to be combined with improvements in all aspects of the supply chain. "Countries need to better coordinate border procedures with other agencies, improve telecommunications, information technology, physical infrastructure, and facilitate the functioning of competitive private services, such as trucking, customs brokering, and warehousing," said Jean Francois Arvis, World Bank Economist and co-author of the report.

"As a main driver of competitiveness, logistics can make you or break you as a country in today's globalized world," said Uri Dadush, World Bank Trade Director. "You can have very good customs, but poor performance in only one or two areas of the supply chain has serious repercussions in the country's economic performance creating a perception of unreliability."

According to Connecting to Compete, success in improving logistics performance will also depend on the overall governance and institutional context. While solicitation of informal payments (e.g. bribes) is rare among the top 30 countries of the LPI, it turned out to be common among lower performers.

The report and related material are available at: [www.worldbank.org/lpi](http://www.worldbank.org/lpi)

For more information on the World Bank activities in Kazakhstan please visit: [www.worldbank.org.kz](http://www.worldbank.org.kz)

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1 The LPI is the first comprehensive cross-country assessment of logistics performance in 150 countries, based on a worldwide survey completed by more than 800 logistics professionals. It aggregates the performance in seven areas, from traditional ones, such as customs procedures, logistics costs (including freight rates), and infrastructure quality, to new areas like the ability to track and trace shipments, timeliness in reaching a destination, and the competence of the domestic logistics industry. The survey had the support and participation of the International Association of Freight Forwarders, the Global Express Association, the Global Facilitation Partnership, and the Turku School of Economics.