TRADE FACILITATION PERFORMANCE INDICATORS
What Gets Measured, Gets Managed

Monica Alina Mustra
Trade Facilitation and Logistics Specialist
INTERNATIONAL TRADE DEPARTMENT

May 3, 2010
Agenda

1. Overview of Trade Activities
2. Trade Facilitation Agenda
3. LPI 2010
4. Further Increasing Impact
5. Trade Facilitation Facility (TFF)
6. Want to learn more?
1. Overview of Trade Activities

Trade Strategy Consultation
Bank scaling-up trade activities

5 Pillar Strategy

- **Competitiveness** (trade policy strategy, proactive policies to support exports, ancillary service inputs)
- **Trade facilitation** (policy, institutions, finance)
- **Trade-related infrastructure** (transport, ports, and telecoms)
- **Regional integration**: promoting open regionalism
- **Multilateral agenda**: Doha, Aid for Trade, data, trade and climate change
Objective: Lowering trade costs through improved border management

- *Policy reforms* (tariff collection procedures, licensing and regulations, transit regimes)
- *Trade-related institutions* (customs reforms, infrastructure planning)
- *Trade finance* (IFC guarantee program; monitoring)

Instruments (1): Technical Assistance

- *Needs assessments* for some 60 countries (with WTO)
- In-depth national logistics strategies: Morocco, Tunisia, Colombia, Argentina, and Brazil
- *Trade and Transport Facilitation Audits* in over 40 countries over the past 5 years
Enhancing multilateralism

- **Supporting a successful conclusion of Doha**
  - Analysis: “what is on the table”
  - Direct support to trade facilitation negotiations

- **Aid for trade**
  - Working with WTO and OECD on indicators and conferences
  - Collaboration with the Enhanced Integrated Framework

- **Knowledge, tools, and capacity building**
  - **Data:** Logistics Performance Index (LPI); World Trade Indicators (WTI); Trade-related indicators in the *Doing Business* Report
  - **Toolkits:** Trade facilitation audits; revenue impacts (TRIST); trade policy and trade flow software (WITS)
  - **Research:** Trade in services; agricultural trade policy; adjustment costs; trade and poverty; export competitiveness
  - **Capacity building:** On-line and face-to-face courses; handbooks

- **Emerging issues:** Trade and climate change
  - Analyses and policy papers
Trade Strategy Consultation
Why a Trade Strategy?

- Increase the effectiveness of Bank Group’s aid for trade programs in supporting our overarching goals
  - Poverty reduction; sustainable and inclusive growth

How?

- Mobilizing a consensus on priority issues and activities
- Improved internal coordination
- Better leverage of external partnerships
- Agreed results framework for monitoring of results and impact evaluation
Emerging Pillars of the Strategy

- **Trade competitiveness and promotion**
  - **In country**: Incentive framework, policies to support trade (e.g., SEZs), reducing the cost of inputs (e.g., infrastructure & related services), improving value chains
  - **Export markets**: Market access and entry constraints (tariffs, rules of origin; standards, etc.) – research, advocacy, projects

- **Trade facilitation and logistics**
  - Border management institution building, logistics services, trade transport infrastructure

- **Trade finance**
  - IFC facilities, trade insurance, working capital for SMEs – lower costs of financial intermediation

- **Trade cooperation**
  - Regional integration (e.g., transit corridors),
  - Making the multilateral trading system more supportive of development; participation in aid for trade initiative; other collective actions to use trade for development (e.g., climate change)

- **Trade data and information systems**
  - Data as a public good; needed for the results framework
The strategy will present a results framework to improve monitoring and evaluation

- **Operational monitoring**
  - Improved tracking of inputs, outputs, outcomes
  - Core sector indicators for trade projects

- **Impact evaluations**
  - E.g., rigorous evaluations of projects

- **Global indicators**
  - Benchmarking indicators to assess success of policy reforms and aid for trade
Questions

- What are the WBG’s core areas of comparative advantage?
- What is the appropriate balance between resource allocated to low-income and middle-income countries?
- How much to focus on supporting regional integration?
  - Adequacy of existing WBG instruments
- Where are there opportunities for better collaboration with partners?
  - RDBs, specialized agencies, private sector etc.
- Balance between global analysis and public goods vs. engagement and implementation of country/regional programs
- Balance between sector level vs. economy wide engagement
For feedback and input: Contact

www.worldbank.org/tradestrategy

Contact: tradestrategy@worldbank.org

Richard Newfarmer:
Rnewfarmer@worldbank.org

Bernard Hoekman:
Bhoekman@worldbank.org
2. Trade Facilitation Agenda
Different perspectives …
What to measure?
The object = the International Supply Chain

**Partner Country**
- Logistics Operator
  - Correspondence
  - Supply Chain in Partner Country

**Country Being Assessed**
- Logistics Operator: Freight Forwarder
  - Gateway
    - Land Transport/Transit
      - Warehouse/Factory
    - Incoterms:
      - Exports: EXW
      - Imports: CIF
- Typical Participants:
  - Customs & Border Agencies
  - Port Operators
  - Customs Brokers
  - Shipping Agents
  - Land Transport/Transit
    - Incoterms:
      - Exports: FOB
      - Imports: DES

**Gateway**
- Logistics Operator
  - International Shipping
  - Incoterms:
    - Exports: FOB
    - Imports: DES

**Incoterms**
- Exports: EXW
- Imports: CIF
Thick borders imply high trade costs that:

- constrain access to regional and global markets, and
- lower competitiveness of firms and their scope to exploit scale and diversify

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
- Customs brokers
- Truckers
- Freight forwarders

Customs reform and modernization
- Fiscal focus
- IT orientation

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
3. LPI 2010
Key messages

• Trade logistics is an important element of national competitiveness
• A country’s performance is only as good as its weakest link
• The LPI dataset can be used to identify key bottlenecks in your own country and therefore
• Help frame your needs and priorities in the trade facilitation and logistics area reform
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
How it works?

Role of LPI

- Most comprehensive data on country performance
- Broad indication of where problems are
- Awareness raising to stimulate public-private dialogue on priorities for reform
- Trigger fresh impetus for reforms
- Monitor progress over time
Logistics broadly defined matters most

Effects of convergence by low income countries to middle income average

<table>
<thead>
<tr>
<th>Indicator/policy area</th>
<th>Increase in trade (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics Performance Index</td>
<td>15.2</td>
</tr>
<tr>
<td>Doing Business, cost of trading</td>
<td>7.4</td>
</tr>
<tr>
<td>Tariffs for low income countries reduced to 5%</td>
<td>5.7</td>
</tr>
<tr>
<td>All trade barriers for low income countries reduced to 10%</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Note: LPI = Logistics Performance Index; Tariffs = TTRI = Trade Restrictiveness Index; All barriers = OTRI = Overall Trade Restrictiveness Index.
LPI 2010 – performance varies around the world

Countries are improving around the world

- Logistics unfriendly
- Partial performers
- Consistent performers
- Logistics friendly
- No data

Countries are improving around the world
More than income: the “logistics gap”

With the right investment and policies, lower income countries can also be high performers.

Tajikistan
Overperformers and underperformers

Kazakhstan
Kyrgyzstan
Tajikistan

LPI score

Kazakhstan

Log of GNI per capita (US$)
### LPI 2010 Ranks

#### TOP 10 COUNTRIES

**UPPER MIDDLE INCOME**

<table>
<thead>
<tr>
<th>Country</th>
<th>LPI Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>28</td>
</tr>
<tr>
<td>Malaysia</td>
<td>29</td>
</tr>
<tr>
<td>Poland</td>
<td>30</td>
</tr>
<tr>
<td>Lebanon</td>
<td>33</td>
</tr>
<tr>
<td>Latvia</td>
<td>37</td>
</tr>
<tr>
<td>Turkey</td>
<td>39</td>
</tr>
<tr>
<td>Brazil</td>
<td>41</td>
</tr>
<tr>
<td>Lithuania</td>
<td>45</td>
</tr>
<tr>
<td>Argentina</td>
<td>48</td>
</tr>
<tr>
<td>Chile</td>
<td>49</td>
</tr>
</tbody>
</table>

**LOWER MIDDLE INCOME**

<table>
<thead>
<tr>
<th>Country</th>
<th>LPI Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>27</td>
</tr>
<tr>
<td>Thailand</td>
<td>35</td>
</tr>
<tr>
<td>Philippines</td>
<td>44</td>
</tr>
<tr>
<td>India</td>
<td>47</td>
</tr>
<tr>
<td>Tunisia</td>
<td>61</td>
</tr>
<tr>
<td>Honduras</td>
<td>70</td>
</tr>
<tr>
<td>Ecuador</td>
<td>71</td>
</tr>
<tr>
<td>Indonesia</td>
<td>75</td>
</tr>
<tr>
<td>Paraguay</td>
<td>76</td>
</tr>
<tr>
<td>Syrian Arab Republic</td>
<td>80</td>
</tr>
</tbody>
</table>

**LOW INCOME**

<table>
<thead>
<tr>
<th>Country</th>
<th>LPI Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>53</td>
</tr>
<tr>
<td>Senegal</td>
<td>58</td>
</tr>
<tr>
<td>Uganda</td>
<td>66</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>68</td>
</tr>
<tr>
<td>Benin</td>
<td>69</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>79</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>85</td>
</tr>
<tr>
<td>Madagascar</td>
<td>88</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>91</td>
</tr>
<tr>
<td>Tanzania</td>
<td>95</td>
</tr>
</tbody>
</table>
25 countries achieved significant improvement in LPI
25 countries achieved significant improvement in LPI

- **LICs:** Afghanistan, Chad, Haiti, Myanmar, Niger, Tajikistan, Tanzania, and Uzbekistan
- **LMICs:** China, Djibouti, Honduras, Philippines, and Syria
- **UMICs:** Brazil, Colombia, Costa Rica, Dominican Republic, Kazakhstan, Lebanon, Mexico, Poland, Russian Federation, and Uruguay
- **HICs:** Saudi Arabia and the Czech Republic

Source: Logistics performance survey data, 2010 and 2007
Domestic LPI measures

- Logistics environment
  - Trade infrastructure
  - Service providers and Processes
- Core logistics processes
  - Customs and border management institutions
  - Border procedures
- Time and cost data for import and export transactions
In-country logistics: main findings

- Broadly positive trends in customs, ICTs, and private logistics services
- 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.
Customs ahead of other border agencies

Percentage of respondents claiming improvement in Customs and other border agencies since 2005

- OECD
- East Asia & Pacific
- Europe & Central Asia
- Latin America & Caribbean
- Middle East & North Africa
- South Asia
- Sub-Saharan Africa
Key Policy Implications

- Expand the traditional reform agenda beyond customs reform and infrastructure development
- Improve the quality of logistics services and increase border agency coordination
- Embark on comprehensive reform—processes, services, and infrastructure—with broad public and private support
- 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
<table>
<thead>
<tr>
<th>Country</th>
<th>LPI 2010 Rank</th>
<th>LPI 2010 Score</th>
<th>% of highest performer</th>
<th>LPI 2007 Rank</th>
<th>LPI 2007 Score</th>
<th>% of highest performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>62</td>
<td>2.83</td>
<td>58.9</td>
<td>133</td>
<td>2.12</td>
<td>35.2</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>91</td>
<td>2.62</td>
<td>52.0</td>
<td>103</td>
<td>2.35</td>
<td>42.3</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>131</td>
<td>2.35</td>
<td>43.2</td>
<td>146</td>
<td>1.93</td>
<td>29.3</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>89</td>
<td>2.64</td>
<td>52.6</td>
<td>111</td>
<td>2.29</td>
<td>40.5</td>
</tr>
<tr>
<td>Georgia</td>
<td>93</td>
<td>2.61</td>
<td>51.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>94</td>
<td>2.61</td>
<td>51.6</td>
<td>99</td>
<td>2.37</td>
<td>42.9</td>
</tr>
<tr>
<td>Ukraine</td>
<td>102</td>
<td>2.57</td>
<td>50.6</td>
<td>73</td>
<td>2.55</td>
<td>48.7</td>
</tr>
<tr>
<td>Armenia</td>
<td>111</td>
<td>2.52</td>
<td>48.9</td>
<td>131</td>
<td>2.14</td>
<td>35.6</td>
</tr>
</tbody>
</table>
% of the highest performer

LPI 2007

Highest performer: Singapore, 100%
Lowest performer: Afghanistan, 7%

LPI 2010

Highest performer: Germany, 100%
Lowest performer: Somalia, 11%
LPI Scores

<table>
<thead>
<tr>
<th>Country</th>
<th>LPI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>2.8</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>2.7</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>2.7</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>2.7</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>2.7</td>
</tr>
<tr>
<td>Georgia</td>
<td>2.6</td>
</tr>
<tr>
<td>Russian Fed.</td>
<td>2.6</td>
</tr>
<tr>
<td>Ukraine</td>
<td>2.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.4</td>
</tr>
<tr>
<td>Armenia</td>
<td>2.4</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>2.3</td>
</tr>
<tr>
<td>South Asia</td>
<td>2.2</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>2.1</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Consistent performers: Kazakhstan, Uzbekistan, Europe & Central Asia.
Logistics unfriendly: South Asia, Tajikistan, Afghanistan.
Performance in the 6 areas of the LPI

2010 Average LPI Score
High Charges and Fees

% of respondents answering “high or very high”
Poor infrastructure

% of respondents answering “low or very low”

- Kazakhstan
- Kyrgyz Republic
- Tajikistan
- South Asia
- Europe & Central Asia

% of Respondents

Ports
Airports
Roads
Rail
Warehousing/trading facilities
Telecommunications and IT
High quality of services

% of respondents answering “high or very high”
Efficiency of processes

% of respondents answering “often or nearly always”
Sources of Major Delays

% of respondents answering “often or nearly always”
Positive trends in logistics performance since 2005

% of respondents answering “improved or much improved”
Border clearance times / rate of physical inspection

High inspection rates causing uncertainty
Red tape affecting import and export transactions

Lack of coordination at the border imposes a burden on private logistics operators.
4. Further Increasing Impact

From benchmarks to in-depth assessments
Objective: Making Trade Logistics work for competitiveness through:
- *In-depth multidimensional assessment:* audits, surveys
- *Action plans:* inter-agency and private/public

Scope of work
- Components (understand impediment to service delivery taking different perspectives):
  - *TTFAs* (performance of services and process)
  - *Value chain analysis* in key sectors, e.g. textile, automotive, agro and distribution
  - *User surveys*
  - *Thematic:* e.g. skills and training, regional logistics
- Strong client participation:
  - Inter-agency and private sector working group

From benchmarks to in-depth assessments

**Trade and Transport Facilitation Audits (TTFA)**
Initially proposed by Raven (2001)
Currently high demand for implementation

Scope of work
- Respond to new demand and put TTFA in a broader policy perspective (competitiveness);
- Current policy focus: beyond the initial focus on simplification of procedures to better cover service and transport infrastructure
- Take into account the experience of actually carrying out such audits
- Enhance the role of the toolkit as a pedagogical instrument and guidebook for policy makers and other practitioners

More comprehensive, more policy oriented and more practical
Objective: Lowering trade costs through improved border management

- *Policy reforms* (tariff collection procedures, licensing and regulations, transit regimes)
- *Trade-related institutions* (customs reforms, infrastructure planning)

Instruments: Technical Assistance

- *Needs assessments* for some 80 countries (with WTO)
- In-depth *national logistics strategies*: Morocco, Tunisia, Colombia, Argentina, Brazil, Mexico, Thailand
- *Trade and Transport Facilitation Audits* (TTFA) in over 40 countries over the past 5 years
- *New Trade Facilitation Facility* (TFF) – April 2009
  - Demand driven, rapid response to support project implementation
  - Pipeline of 30+ projects identified by regions
  - Bank Group-wide, incl. IFC/FIAS and Transport units
5. Trade Facilitation Facility (TFF)
What is the TFF

**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
Focus Areas include

<table>
<thead>
<tr>
<th>Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border management</td>
<td>Improvement in border management in a broad sense: integration of customs, product standards, tax, rules of origin, etc.</td>
</tr>
<tr>
<td>Trade Infrastructure</td>
<td>Improvement in the management of key trade related infrastructure, especially gateways and multimodal facilities</td>
</tr>
<tr>
<td>Logistics services</td>
<td>Improvement of the quality/professionalism of private logistics services, through technical/economic regulation and capacity building</td>
</tr>
<tr>
<td>Regional</td>
<td>Regional trade facilitation including transit systems</td>
</tr>
<tr>
<td>Indicators</td>
<td>Performance monitoring and indicators: e.g., data on time, cost, and reliability along corridors</td>
</tr>
<tr>
<td>Action plan</td>
<td>Implementation of comprehensive action plan addressing all of the above</td>
</tr>
</tbody>
</table>
6. Want to learn more?
Flagship products

- Transit and Land-Locked Developing Countries
  - New knowledge and approaches to deal with the critically important area of transit
- New TTFA toolkit
  - Helps assess the inefficiencies of supply chains and identify competitiveness constraints
- Corridor Management Toolkit: Trade and Transit Facilitation on Trade Corridors
- Border Management Modernization: A Practical Guide for Reformers

New knowledge products

- Trade Facilitation in Lagging Regions
- Logistics services
- Logistics costs and competitiveness (assessments at country level)
- Performance Metrics (e.g. port facilitation performance)
What is next?

- Global Launch January 15, 2010 in Berlin
- Availability of Trade Department for regional presentations, and discussions.
- For further questions, please contact main authors:
  - Jean Francois Arvis; [jarvis1@worldbank.org](mailto:jarvis1@worldbank.org)
  - Monica Alina Mustra; [mmustra@worldbank.org](mailto:mmustra@worldbank.org)
Nearly 1,000 logistics professionals from international logistics companies in 130 countries

55 percent of the respondents are located in middle-income (45%) and low-income (10%) countries

Large corporations account for 45% of the responses: multinational freight forwarders (34%) and global express carriers (11%).

Survey responses come from senior executives (35%), area or country managers (25%) and department managers (24%).

The majority are located in country branch offices (39%) or corporate or regional headquarters (36%).

54% of the respondents typically provide all or most logistics services. Others provide full-container or full-trailer load transport (15%) or customer-tailored logistics solutions (12%).

50% typically deal with multimodal transport, maritime (19%) or air (12%).

Half of respondents usually oversee both domestic and int’l operations.

Almost 40% works in most of the regions. Others are mainly involved with operations in Europe (21%), Asia (19%) and the Americas (13%).