



Transport Forum and Learning Week - 2007

## Helping LAC to develop a trade and freight logistics agenda to raise competitiveness



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# Several activities were implemented in LAC during the last years to support efficiency in freight logistics

## *Diverse lending and non-lending Bank products were used ...*

- ▶ ESWs directed at freight transport and logistics
  - Colombia, Argentina, Brazil (ongoing)
- ▶ DPLs aimed at competitiveness, that include a logistics component
  - México, Perú, Uruguay
- ▶ Service Agreements, usually directed to one specific issue
  - Colombia (ports)
- ▶ Other Bank products, like REDIs or ICAs
  - El Salvador



***... which altogether help us to***

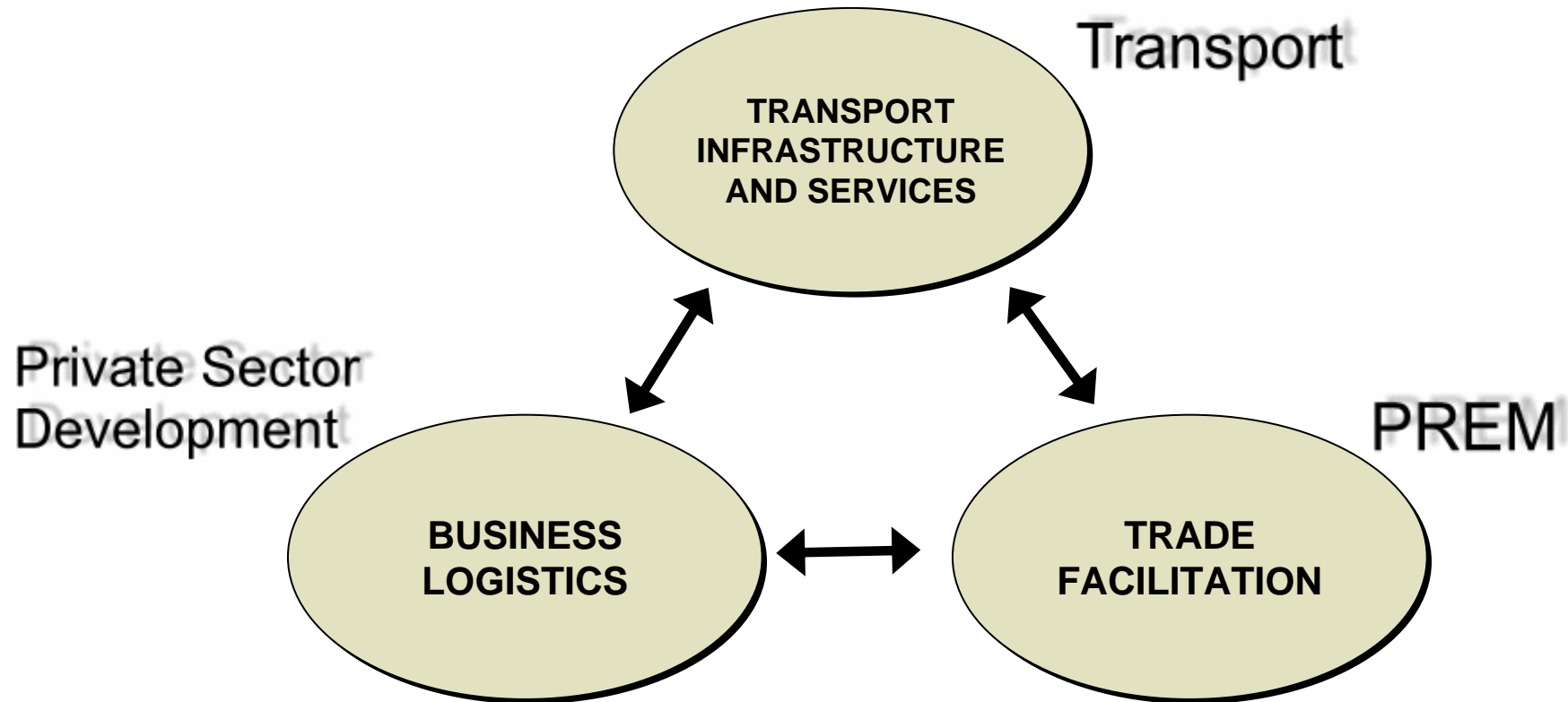
***develop an integrated approach***

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***have a better understanding of the logistics challenges in the Region***

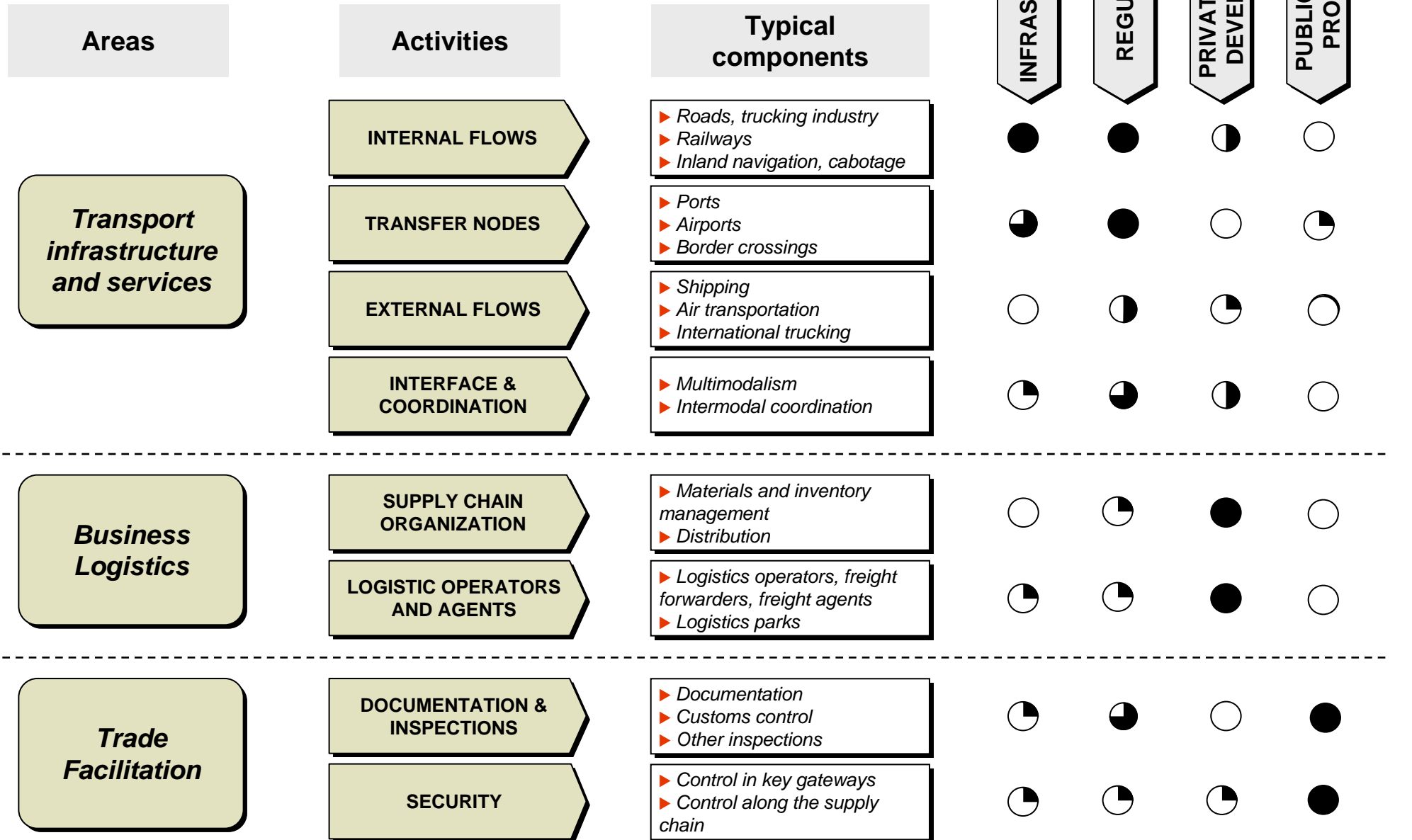
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# Ensuring the flow of goods throughout the logistics chains implies dealing with three main areas



*The multi-sector characteristic of the issue requires the involvement of several private and public stakeholders in the Country, and – from the Bank side – a coordinated effort from several networks*

# The emerging framework and the policy levers



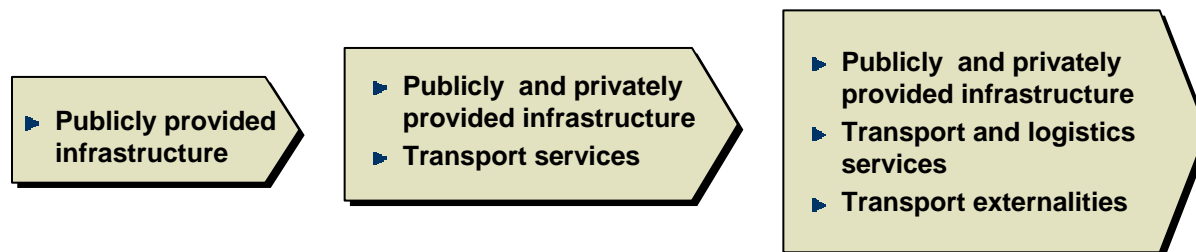
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# The complexity of the agenda is a challenge for typical Transport Ministries

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- ▶ Transport Ministries in LAC are basically focused on infrastructure provision, and usually run below other infrastructure services (e.g., energy and telecommunications) in terms of institutional capacity to deal with policy and regulatory issues
- ▶ The agenda is evolving, becoming more complex:



- ▶ There is a growing gap between the modernization of the private sector logistics and the stagnation of the transport government structures
- ▶ The strengthening of the Transport Ministries and the coordination with other public and private stakeholders, are necessary conditions to implement a comprehensive logistics-for-competitiveness agenda

# Logistics performance is difficult to measure (and to interpret as well)

## Macro approach

*Logistics costs as a % of GDP*

- ▶ Based on the national accounts
- ▶ Logistics costs as a % of GDP
- ▶ Demands many assumptions
- ▶ Provides overall results
- ▶ Example: Guasch and Kogan (2002)
- ▶ Alternative approaches (Michigan State Univ.)

## Micro approach

*Logistics performance based on firms' surveys*

- ▶ Based on firms surveys
- ▶ Logistics costs as a % of sales value
- ▶ Other logistics performance indicators
- ▶ Needs large samples for robustness
- ▶ Example: LALC Observatory
- ▶ Corridor approach (USAid's Fast Path)

## Perception

*Recent Logistics Perception Index*

- ▶ New exercise: World Bank, GFP and Turku
- ▶ Perception from pooled information provided by freight forwarders
- ▶ Allows for a unique indicator, which can be correlated to others (WEF, WB, etc.)
- ▶ Other hard data also collected

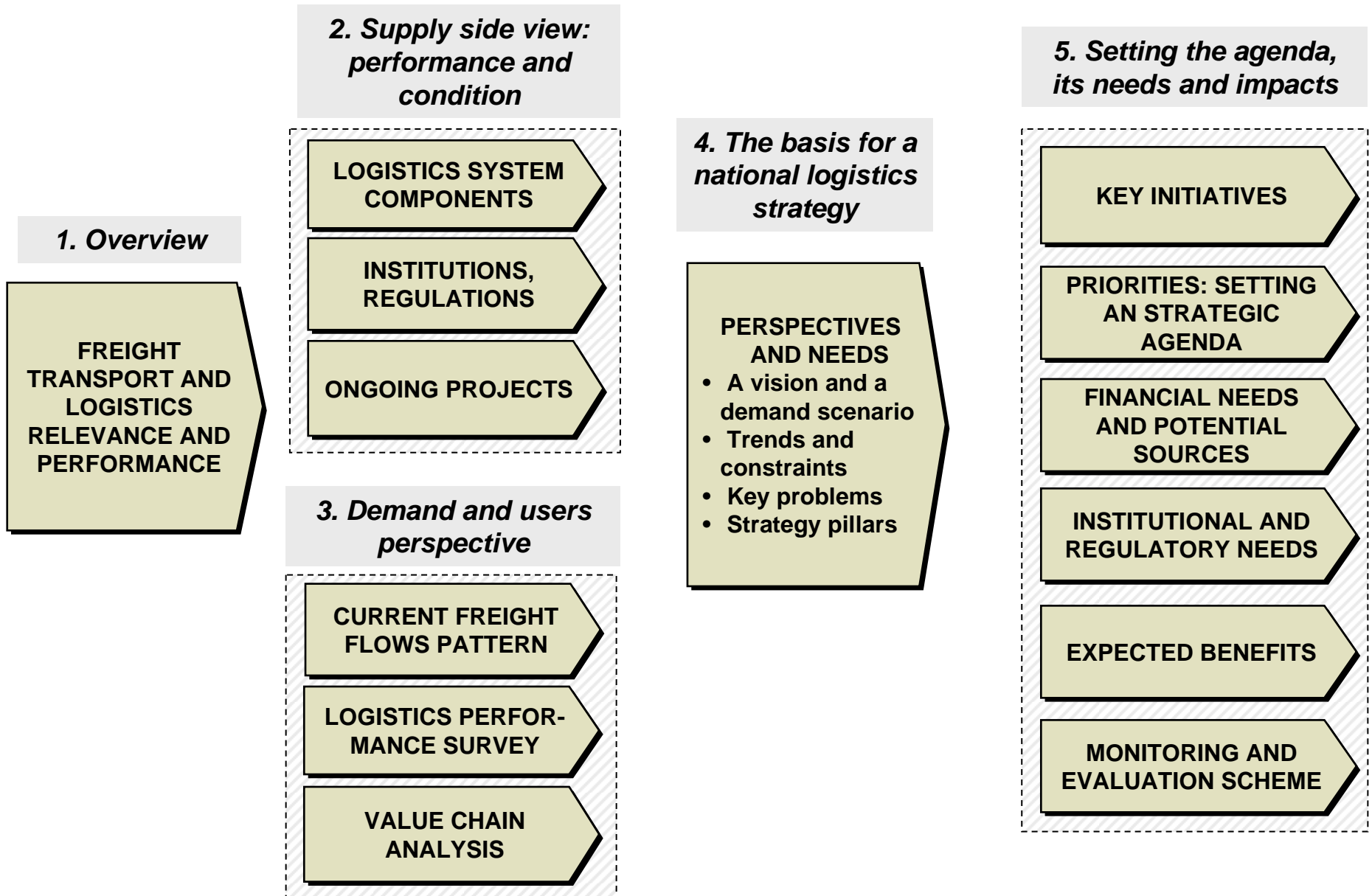
***“The logistics of international shipments is a complex combination of services and procedures involving many public and private operations that does not lend itself easily to measurement”.***

***“There is no statistical indicator that proxies the performance of the entire supply chain, or even a major part of it”.***

# A blueprint for a national logistics strategy study

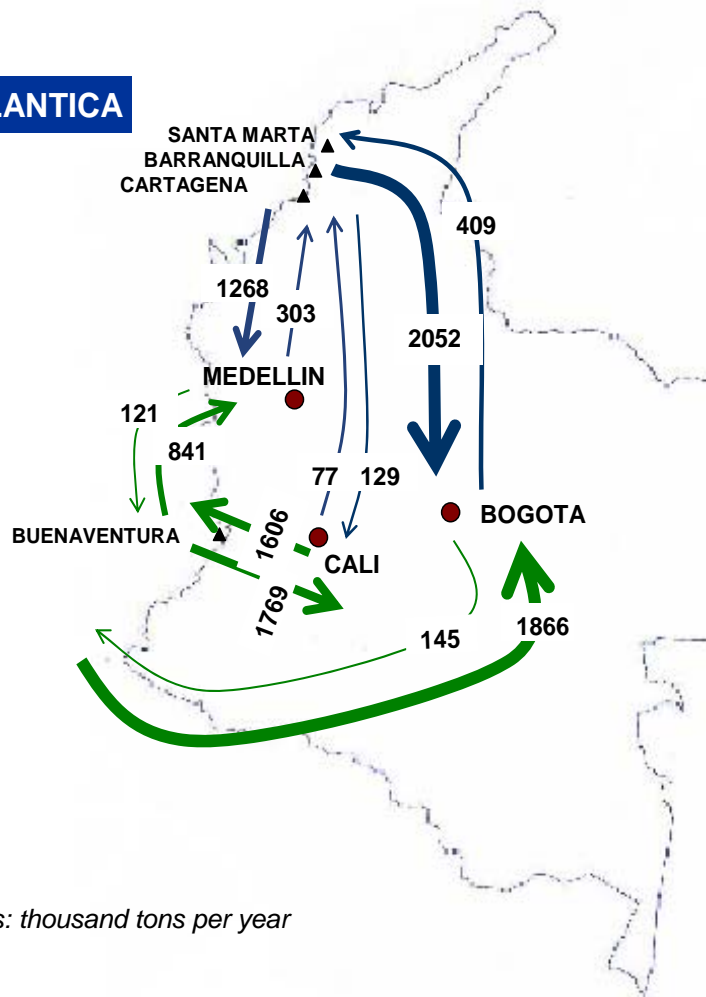
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# Colombia – Illustrative findings **Logistics is a major obstacle to competitiveness ...**

**COSTA ATLANTICA**



Units: thousand tons per year

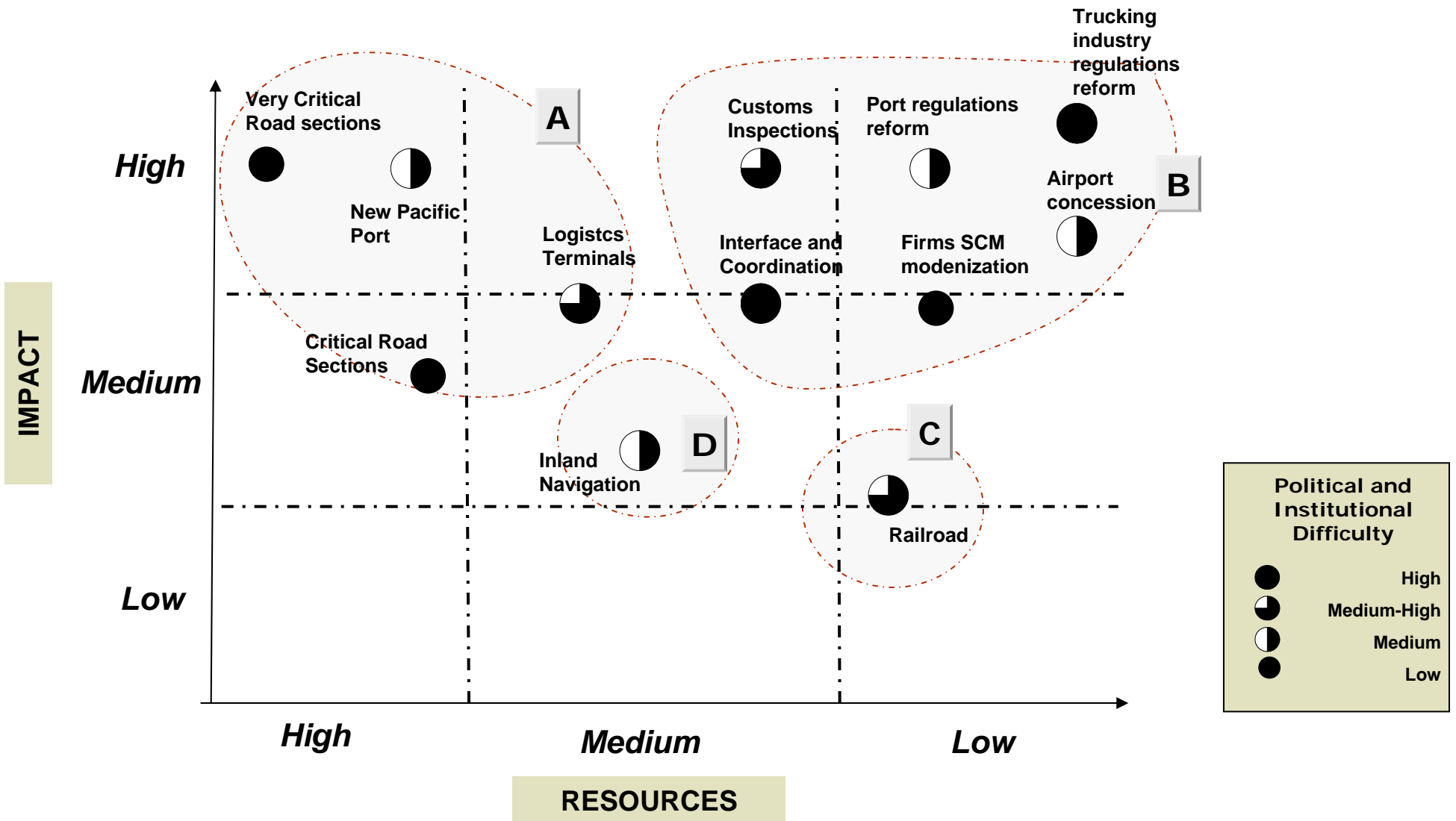
## MAJOR LOGISTICS PROBLEMS

<b>HIGHWAYS</b>	Bottleneck in critical segments, geometry
<b>TRUCKING INDUSTRY</b>	Low efficiency and quality of service
<b>RAILROADS</b>	Bottlenecks for coal; no participation in other markets
<b>INLAND NAVIGATION</b>	Great potential, navigational constraints
<b>AIRPORTS</b>	Need to expand freight facilities
<b>PORTS</b>	A 2 <sup>nd</sup> generation regulatory reform badly needed
<b>INTERFACES</b>	Lack of efficient standards, procedures and information systems; i.e.: port-truck
<b>SCM ORGANIZATION</b>	SMES with logistics costs three time higher than average
<b>FISCAL CONTROLS</b>	High inspection costs; lack of coordination among agencies

... due to obvious infrastructure needs, as well as regulatory weakness

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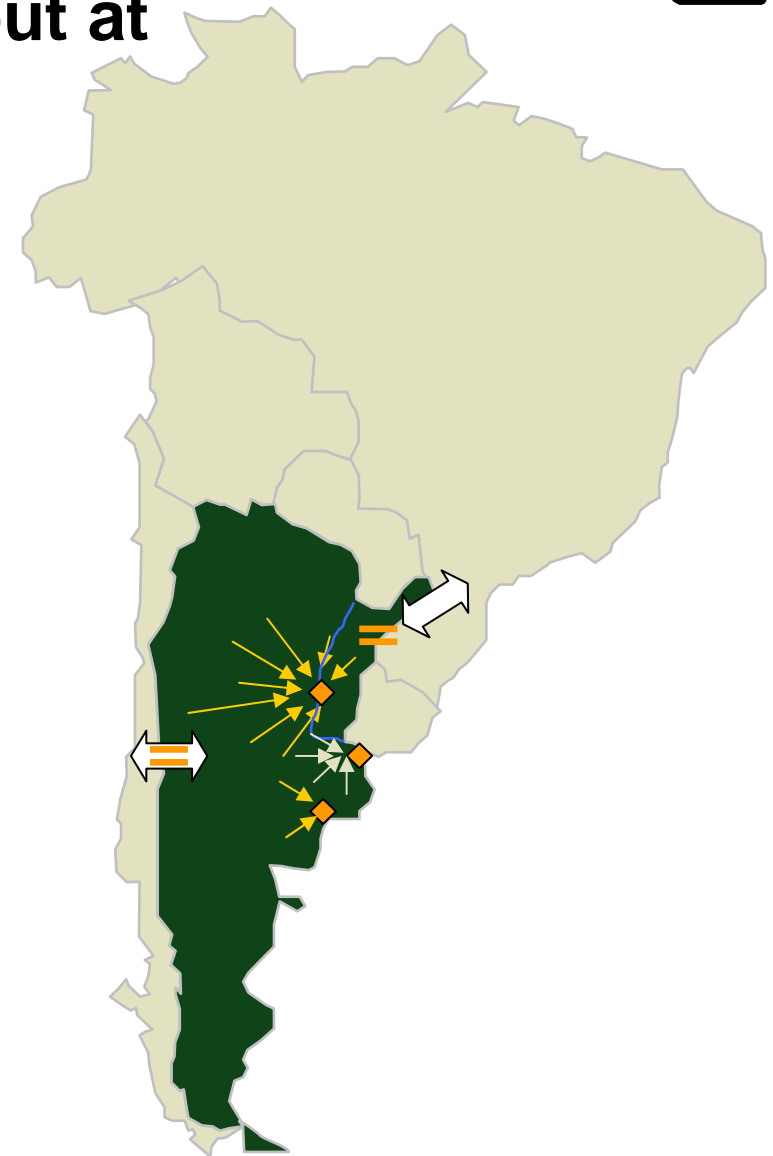
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## Argentina – Illustrative findings

### The increased expected flows may put at risk the logistics performance of the three main trade circuits

- ▶ Logistics performance is lower than in developed economies, but not bad at the regional level (later confirmed by LPI, only second to Chile in LAC)
- ▶ The three main export circuits are facing a high demand and will receive substantially more pressure, raising congestion at the gateways
  - **Grain and oilseeds around Rosario**, increased costs due to landside port access congestion
  - **General cargo (mostly containers) in the Buenos Aires area**, insufficient terminal space, landside and seaside access constraints
  - **Regional trade (by truck)**, congestion in the border crossings with Brazil and Chile



# Some structural weaknesses should be corrected, and congestion should be managed in key gateways

## Two main objectives ...

Improve logistics performance correcting some current weaknesses

Avoid the risk of rising logistic costs due to congestion in key gateways

## ... leading to 5 strategic pillars ...

Ensure capacity and quality of service in key nodes

Promote internal transport efficiency through a better modal split and combination

Strengthen borders crossings and regional corridors

Provide support to SMES and logistics operators

Improve trade documentation and inspection procedures

## ... leading to multiple actions

- ▶ Highway-railroad belt around Rosario
- ▶ Dredging of main waterways
- ▶ Port railroad access in Buenos Aires

- ▶ Enforcement of trucking ind. regulations
- ▶ Complete railways renegotiations
- ▶ Multimodal law

- ▶ Support to private railway land bridge
- ▶ Improve firms behavior in border cr.
- ▶ Add capacity in some border crossings

- ▶ Workshop to improve SMES processes
- ▶ Support to develop logistics operators
- ▶ Support diffusion of best practices

- ▶ Review some customs procedures
- ▶ Paper less transaction in ports
- ▶ Information systems in port communities

## Next steps

- ▶ Continue deepening our knowledge of logistics problems in the region
  - New ESW at the national and sub-national level (Brazil, Colombia)
  - Across-countries analysis (trucking industry, ports institutional organization)
  
- ▶ Move into a Bank operational agenda:
  - DPLs with logistics components
  - Investment lending with TA that emerged from the ESW (Argentina)
  - Advisory services to help countries to make policy decisions (Mexico), and to address second generation reforms in key sectors (ports)

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**Thanks !**

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