TRADE LOGISTICS FACILITATION: KEY TO COMPETITIVENESS

AN OVERVIEW OF THE WORLD BANK TRADE LOGISTICS AND FACILITATION PORTFOLIO
Our work aims to reduce the cost of trading throughout the supply chain by:

- Enhancing transport and logistics services;
- Improving border management and enhancing customs capacity; and
- Supporting efficient movement of goods through trade corridors.

**Trade Facilitation is pivotal to development.** It enhances countries’ competitiveness by allowing them to trade goods and services on a timely basis with lower transaction costs. Conversely, inefficient logistics, procedures and infrastructure can pose a significant obstacle to trade, by making it difficult for countries to tap new market opportunities or improve their overall competitiveness in the trading system.

**The concept of Trade Facilitation involves improving all aspects in the operations of global, regional and local supply chains.** It involves reforms in border and behind-the-border operations, including the reliability and efficiency of transportation infrastructure, logistics operations, and customs and border management regulations and procedures. Reducing these barriers is crucial for developing countries, especially landlocked and post-conflict low-income countries.

**Focusing efforts on Trade Facilitation reform is key to competitiveness.** Such measures are more complicated and costly to implement than other types of trade reforms such as tariff reductions. They often involve multiple stakeholders, including both private and public sector entities, an array of government agencies and sometimes several countries that share a common border. But as the first generation of trade reforms have been - or are being - implemented, the successful integration of developing countries into the world economy will largely depend on the implementation of complex measures that fall under the heading of trade facilitation.
Our team of experts promotes awareness, information-exchange and best practices in trade logistics and facilitation activities.

The World Bank attaches great importance to trade facilitation, evidenced by its existing trade facilitation projects which constitute the World Bank’s largest and more rapidly increasing trade-related work. In Fiscal Year 2009 alone, the World Bank funded $2.3 billion worth of trade facilitation projects, which was 68 percent of the value of World Bank trade-related projects, $3.4 billion, during that period.

In addition to lending for trade facilitation projects, the World Bank also provides technical assistance and advice as well as training in trade facilitation.

For our client countries, we organize and help deliver training in key areas of transport systems regulation, organization and management. Within the World Bank, we promote awareness, provide expertise and conduct training for staff to familiarize them with the latest issues on the trade facilitation agenda.

In Fiscal Year 2009, the World Bank provided US$2.3 billion for trade facilitation projects.

These projects focused on:
- Customs and Border Management
- Streamlining Documentary Requirements
- Trade Infrastructure Investment
- Port Efficiency
- Transport Security
- Logistics and Transport Services
- Regional trade facilitation and trade corridors
- Transit and Multimodal Transport
- Indicators
- Action Plans
Our Work

Our work on Trade Facilitation encompasses a range of knowledge products, data and diagnostic tools, and implementation toolkits – that aim to help developing countries improve their transportation and supply chain performance, thereby enhancing their overall competitiveness in trade.

**Knowledge Products:**

- **Trade and Transit Facilitation for Landlocked Developing Countries:** Provides new knowledge and approaches to deal with the critically important area of transit.
- **Logistics in Lagging Regions: Overcoming Local Barriers to Global Connectivity:** Identifies strategies to reduce logistics costs for small scale producers in lagging regions in low and middle income countries.
- **Customs and Border Management Modernization:** Provides policymakers a practical guide to address border management reform and modernization issues.
- **Customs Modernization Handbook:** Provides practical advice on Customs reform principles.
- **Logistics Services:** Studies regulatory policies that are conducive to the development of integrated logistics.

**Data, Diagnostic Tools and Implementation Toolkits:**

- **Logistics Performance Indicators:** An interactive benchmarking tool covering 155 countries that help countries identify the challenges and opportunities they face in logistics performance.
- **Trade and Transport Facilitation Assessment:** Helps assess the inefficiencies of supply chains and identify competitiveness constraints. New version of tool already implemented in over 40 countries over the past 5 years.
- **Corridor Management Toolkit:** A toolkit designed to help task teams assess, identify measures to improve and monitor the performance of international trade corridors.
  
  *Along with the Bank’s Transport Unit:

- **Supply Chain Security (SCS) Guide:** Describes all components of SCS with an emphasis on maritime containerized transport.
- **Port Reform Toolkit:** An effective decision support mechanism to policymakers in developing countries.
The Logistics Performance Index (LPI) is a comprehensive index of logistics performance in 155 countries. The LPI 2010 is based on a survey of nearly 1,000 logistics professionals worldwide.

The LPI is a useful tool in comparing logistics performance across countries and identifying key reform priorities within countries. The LPI survey was carried out through our partnership with the International Association of Freight Forwarders (FIATA), the Global Express Association (GEA), and the Global Facilitation Partnership for Transportation and Trade (GFP).

The LPI consists of two parts—an international and domestic component—based on ratings of 1 (weakest) to 5 (strongest) to assess logistics performance.

**International LPI** - based on the assessment of foreign operators located in the country’s major trading partners, and is a weighted average of the six components. (1) Efficiency of the customs clearance process; (2) Quality of trade and transport-related infrastructure; (3) Ease of arranging competitively-priced shipments; (4) Competence and quality of logistics services; (5) Ability to track and trace consignments; and (6) Frequency with which shipments reach the consignee within the scheduled or expected time.

**Domestic LPI** - based on logistics professionals’ assessments of the country where they work, and contains detailed information on individual aspects of logistics performance: (1) Quality of trade-related infrastructure; (2) Competence of service providers; (3) Efficiency of border procedures; and (4) Data on the time and cost of moving goods across borders.

The LPI includes both an online dataset and a report summarizing findings from the LPI survey.

The LPI report, titled “Connecting to Compete: Trade Logistics in the Global Economy” was published in early 2010.

It is the second edition of the Logistics Performance Index and its component indicators (the first edition was issued in November 2007).

The updated LPI database is available at: www.worldbank.org/lpi.
The TTFA is a tool for identifying trade facilitation and logistics inefficiencies in global supply chains.

The TTFA is conducted through structured interviews with private service providers (freight forwarders, transport operators and financial intermediaries) and public agencies (customs and other border management agencies, port authorities and transport regulators).

It provides an in-depth assessment of a country’s supply chain to help identify corrective measures to facilitate trade and transport.

The TTFA involves a two-phase approach.

Phase I identifies bottlenecks and provides a roadmap through reports and terms of reference for the assessment. Phase II provides a more in-depth assessment of problems identified in the earlier phase and defines a plan of action with specific project components. Phase I can be carried out in a relatively short period with a smaller team of experts, whereas Phase II requires substantial resources mobilized over a longer period of time.

The TTFA is a new edition of an earlier version published in 2001, and provides a more comprehensive evaluation of the performance of supply chains.

The publication, “Trade and Transport Facilitation Assessment: Interview Guide and Interpretation, Action Plans” will be available soon.
Focusing on comprehensive border management reforms beyond just customs.

Recognizing that poor customs and border processing performance as a significant barrier to export competitiveness, our work focuses on customs and border management agencies’ role in facilitating trade, improving national competitiveness and fostering regional integration.

Our research suggests that customs is often only responsible for a third of delays at the border, so unless other border agencies are included in reform efforts, the impact on competitiveness is likely to be limited.

In recent years, our customs and border management strategy has expanded to include a range of other government agencies operating at the border. Efforts have focused on the implementation of seamless 'single window' regimes that allow traders to submit any required information once instead of providing the same information manually to many different government entities.

A forthcoming publication will highlight practical aspects of a comprehensive approach to border management reform. It aims to provide policymakers with a survey of key developments and principles for achieving trade facilitation improvement through better border management.

“Border Management Modernization: A Handbook for Reformers” will be available soon.
About one out of five countries in the world is landlocked. Twenty of 54 low-income economies are landlocked, the majority of them in sub-Saharan Africa. Landlocked countries suffer an array of disadvantages compared to countries that have a coastline and deep sea ports. Trade is more difficult because access to most markets is more costly. Many landlocked developing countries are also the poorest in the world.

Our aim for this project is to assist landlocked developing countries in defining the specific issues they face and provide a conceptual framework that will facilitate the design or re-engineering of transit regimes and trade corridors.

Our forthcoming publication on this topic focuses on providing a new conceptual approach to understand the incentives that shape the institutions that govern transit along corridors.

A related project is compiling a Trade Corridor Management Toolkit to help World Bank teams and clients in assessing the performance of trade corridors and designing interventions to improve their performance. It draws on existing knowledge to define core corridor performance indicators, proposes a methodology on how data should be collected and analyzed to describe overall performance, and identifies tools to assess, improve and manage trade corridors.

The publication, “Connecting Landlocked Developing Countries to Markets: Trade Corridors in the 21st Century” will be available soon.
At the height of the recent crisis, more than a quarter of enterprises in North America and Europe that used third party logistics service providers decided to shorten their supply chains and reduced their inventories. Due to a lack of efficient logistics, such patterns can present challenges to small-scale farmers and enterprises in low and middle-income countries, who risk losing out on the benefits of connecting to integrated global supply chains. Moreover, the high cost of shipping small volumes often prevents producers in low-income regions from participating in global trade.

A forthcoming working paper focuses on lagging regions in large middle-income countries and explores the role different intermediaries plays in organizing and facilitating logistics for small-scale producers and enterprises. This working paper identifies the impact on freight flows of measures to consolidate volumes through provision of infrastructure, services and timely information. It also proposes potential measures that governments, SMEs and large enterprises can adopt to help small-scale producers to better connect to global supply chains.

The Working Paper, titled “Logistics in Lagging Regions: Overcoming Local Barriers to Global Connectivity”, will be published later this year.
The Trade Facilitation Facility (TFF) is a $40 million multi-donor trust fund launched in April 2009 to help developing countries improve their competitiveness through concrete improvements in their trade facilitation systems and by reducing trade costs, with initial emphasis on Africa / low-income countries.

It is designed to respond rapidly to government requests for assistance in improving infrastructure, institutions, services, policies, procedures, and market-oriented regulatory systems that enable firms to conduct international trade on time and at lower costs. Recently funded TFF projects include:

- Vietnam Trade Facilitation Audit and Strategic Planning (US$750,000)
- Customs Collaboration between the Lesotho Revenue Authority and the South African Revenue Authority (US$930,000)
- Trade Facilitation Audit in the Democratic Republic of Congo (DRC) (US$249,585)
- Trade Facilitation for Regional Integration Project in Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) (US$50,000)
- Addressing Trade Logistics Bottlenecks and Facilitating International Trade and Transportation in Central Asia (Kazakhstan, Kyrgyz Republic, Tajikistan, and Turkmenistan) (US$660,000)
- Cameroon Customs Technical Assistance (US$373,000)
- Trade Corridor Support, Customs Modernization and Assessment of Infrastructure for the Greater Mekong Sub region (Cambodia, Lao PDR, Myanmar, Thailand and Vietnam) (US$500,000).
PROJECT HIGHLIGHT

**Abidjan-Lagos Trade and Transport Facilitation Project** is currently under development and includes a $20 million component on customs and trade facilitation. The project covers Ghana, Côte d'Ivoire, Togo, Benin and Nigeria. The Abidjan-Lagos trade corridor, although one of the busiest in Africa, faces many obstacles, including illegal checkpoints, long and costly customs procedures, lack of adequate border infrastructure, lack of appropriate automated systems and high levels of smuggling and corruption. The customs component of this project focuses on providing technical assistance for customs modernization efforts, the establishment of single window systems and operating modalities in the ports of Lagos, Cotonou and Lomé, and strengthening the regulatory framework and capacity of customs brokers and freight forwarders.

GLOBAL PARTNERSHIPS

Our team of trade logistics and facilitation professionals work collaboratively with a network of partners worldwide. Our partners include:

**Private Sector Associations:**
- Global Express Association (GEA)
- International Air Cargo Association (TIACA)
- International Federation of Freight Forwarders Associations (FIATA)
- International Road Transport Union (IRU)

**International Organizations:**
- International Monetary Fund (IMF)
- International Trade Center (ITC)
- Organization for Economic Co-operation Development (OECD)
- Regional Development Banks
- United Nations (UN) and its affiliates
- World Customs Organization (WCO)
- World Economic Forum (WEF)
- World Trade Organization (WTO)
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