Connecting

Connecting to Compete 2014
Trade Logistics in the Global Economy

The Logistics Performance Index and Its Indicators

Jean-François Arvis
The World Bank

Daniel Saslavsky
The World Bank

Lauri Ojala
Turku School of Economics

Ben Shepherd
The World Bank

Christina Busch
The World Bank

Anasuya Raj
The World Bank

Foreword

[illegible] Connecting to Compete: Trade Logistics in the Global Economy [illegible]

Ef cient border management is critical for eliminating avoidable delays and enhancing predictability in border clearance

Trade facilitation and border management reforms matter

The LPI shows that the quality of services is driving logistics performance in emerging and richer economies

SECTION 1

The 2014 Logistics Performance Index

Logistics lies at the heart of Europe's single market and is central to daily lives of companies and citizens. European logistics policy supports an environment where transport companies and operators can run their business e ciently, so they can continue growing and innovating in order to keep Europe globally competitive.

What is connectivity?

Since the rst edition of Connecting to Compete in late 2007, many policy packages promoting gains to logistics, trade facilitation, and transport have been labeled “connectivity.” The Asia-Paci c Eco - nomic Cooperation, for example, has a supply chain connectivity

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Key ndings from the 2014 international LPI

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The distribution of LPI scores is broken down into four categories:

Table 1.1 The top 10 performers on the 2014 LPI—largely unchanged since 2010

	2014 LPI			2012 LPI			2010 LPI		
Economy	Rank	Score	% of highest performer	Rank	Score	% of highest performer	Rank	Score	% of highest performer
Germany	1	4.12	100.0	4	4.03	97.0	1	4.11	100.0
Netherlands	2	4.05	97.6	5	4.02	96.7	4	4.07	98.5
Belgium	3	4.04	97.5	7	3.98	95.3	9	3.94	94.5
United Kingdom	4	4.01	96.6	10	3.90	92.7	8	3.95	94.9
Singapore	5	4.00	96.2	1	4.13	100.0	2	4.09	99.2
Sweden	6	3.96	94.9	13	3.85	91.2	3	4.08	98.8
Norway	7	3.96	94.8	22	3.68	85.9	10	3.93	94.2
Luxembourg	8	3.95	94.4	15	3.82	90.3	5	3.98	95.7
United States	9	3.92	93.5	9	3.93	93.7	15	3.86	91.7
Japan	10	3.91	93.4	8	3.93	93.8	7	3.97	95.2

SourceLogistics Performance Index 2010, 2012, and 2014.

	2014 LPI			2012 LPI			2010 LPI		
Economy	Rank	Score	% of highest performer	Rank	Score	% of highest performer	Rank	Score	% of highest performer
Yemen, Rep.	151	2.18	37.9	63	2.89	60.3	101	2.58	50.8
Cuba	152	2.18	37.8	144	2.20	38.3	150	2.07	34.3
Sudan	153	2.16	37.2	148	2.10	35.3	146	2.21	38.7
Djibouti	154	2.15	36.8	154	1.80	25.5	126	2.39	44.8
Syrian Arab Rep.	155	2.09	34.9	92	2.60	51.3	2w	15 8	[illegible]

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Logistics unfriendly, partial performers, consistent performers, and logistics friendly

[illegible]

- Partial performers—[illegible]
- Consistent performers [illegible]
- Logistics friendly [illegible]

Countries can still outperform their income group peers

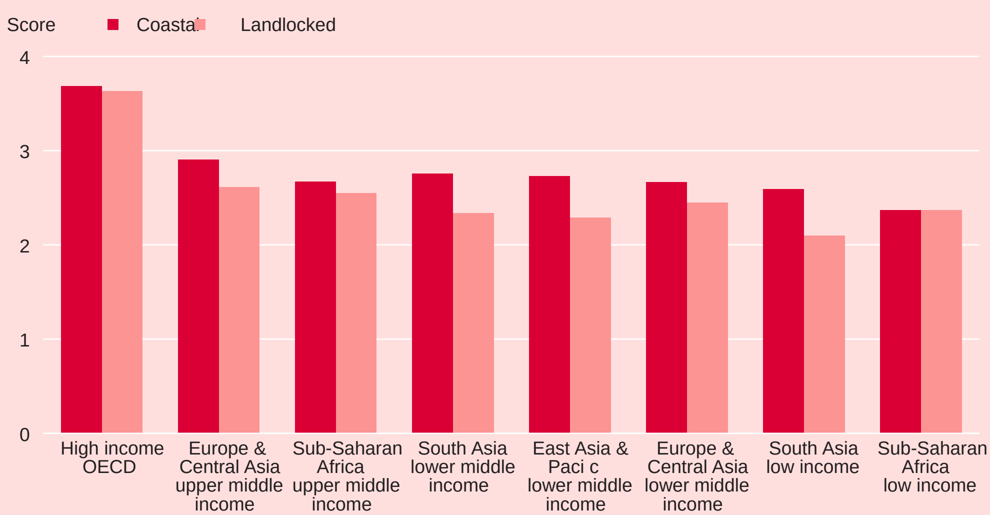
An unbridged logistics gap

Box 1.6 The LPI scores of landlocked and coastal countries

In development economics generally, and in trade and transport facilitation particularly, much attention has been paid to the disadvantaged position of low- and middle-income landlocked countries. Lack of access to the sea poses persistent challenges to the growth and development of landlocked developing countries and hinders their ability to better integrate with the global trading system. The transit of export and import goods through the territory of at least one neighboring state and frequent change of transport mode lead to high transaction costs and reduced international competitiveness. The issue of landlocked developing countries has also generated much policy work such as the 2003 Almaty Programme of Action under the United Nations, which is undergoing a review after more than 10 years in existence.

The trade logistics handicap is illustrated by the average overall LPI scores for 2007–14 of landlocked and coastal countries across World Bank regions. This comparison shows a rather consistent pattern, where coastal countries score better than their landlocked peers at similar incomes. In the upper middle-income group, this difference in Europe and Central Asia was 0.29 score points. The difference was even larger for lower middle-income and low-income countries, in East Asia and the Paci c at 0.44 and South Asia at 0.42. The largest regional gap (0.49) within an income level between coastal and landlocked was among low-income countries in South Asia. But in Sub-Saharan Africa, coastal and landlocked countries performed at par within the low-income group. Also with high-income OECD countries, the difference between landlocked (3.63) and coastal countries (3.68) was almost insigni cant (0.05 score points) (see gure).

Overall LPI score averages in 2007–14 of coastal and landlocked countries, by World Bank region and income group



Source: Logistics Performance Index 2007, 2010, 2012, and 2014.

Source: Almaty Declaration 2003; Arvis and others 2011; UNCTAD website; World Bank 2013.

Table 1.9 Range of scores and ranks of 166 countries in the aggregated LPI

Percentage of top performer at lower boundary	Maximum score in the range	Minimum score in the range	Interval of scores in the range	Rank range	Number of countries in the range
90	4.096	3.785	0.311	1–17	17
80	3.782	3.503	0.279	18–29	12
70	3.443	3.170	0.273	30–41	12
60	3.165	2.856	0.309	42–65	24
50	2.836	2.551	0.285	66–106	41
40	2.543	2.244	0.299	107–155	49
20	2.222	1.625	0.597	156–166	11

NoteEach year's scores are weighted as follows: 6.7 percent for 2007, 13.3 percent for 2010, 26.7 percent for 2012, and 53.3 percent for 2014.
SourceLogistics Performance Index 2007, 2010, 2012, and 2014.

Respondents in all LPI quintiles are most satis ed with ICT infrastructure

Services

Table 2.3 Respondents rating the quality and competence of each service provider type “high” or “very high,” by LPI quintile

Percent of respondents

LPI quintile	Road transport	Rail transport	Air transport	Maritime transport and ports	Warehousing, transloading, and distribution	Freight forwarders	Customs brokers	Trade and transport associations	Cosignees or shippers
Bottom quintile	14	10	14	16	12	16	24	14	9
Fourth quintile	17	3	38	45	34	50	50	28	31
Third quintile	19	5	31	32	25	44	30	18	24
Second quintile	33	17	49	54	52	57	45	36	36
Top quintile	69	31	71	67	71	71	71	58	47

Source: Logistics Performance Index 2014.

Box 2.1 Rail’s poor performance

Rail freight offers several advantages over road transport, including a smaller environmental footprint and potentially lower costs for shippers, at least over long or very long distances. But the nature of rail operations makes rail less exible and potentially less reliable than trucking. In many countries, lower reliability offsets the cost bene ts of rail freight, except for high-volume bulk traf c. In the domestic LPI, the quality of rail freight services was rated poorer than other transport modes, and even more so in low- and middle-income countries.

An exception to this dismal performance is in high-income countries, which are rated far higher than their developing peers, though they still show wide variation in ratings. Germany, for instance, outperforms many of its peers in Europe, while some operators in the United States, Canada, and Europe have managed to establish reliable scheduled container services that represent a viable alternative to road freight, and can even compete with maritime-based logistics solutions. Operational excellence is accessible to other countries too, if there is enough freight volume.

Innovations in this sector are emerging, catering to the needs of shippers as they adjust their supply chain strategies. For example, several large multinational companies have partnered with forwarding rms and railway operators in Europe, the Russian Federation, and Central Asia, and have established regular routes between the European Union and China through Kazakhstan (the “New Silk Road”) as an alternative to shipping by sea.

One nding that persists across LPI editions is the strong correlation between quality of services and infrastructure in rail, but even then ef cient operators can manage operations where the state of infrastructure is less than ideal. More often than not, management and operational challenges (especially pervasive in the developing world) contribute the most to diluting potential gains from use of rail. In less sophisticated environments, delays and complex procedures add time and cost to operations, often for landlocked developing countries, where imbalanced freight ows may create added costs due to the wait for a return load.

In some regions like Africa, railways have only a marginal role in most transit freight corridors. Among many constraints, the poor quality of infrastructure, the way the infrastructure costs have been shared between railway agencies (representing the governments) and concessionaires, and the nature of companies that have won the concessions—sometimes largely disconnected from ports, inland container depots, or container terminal operations—have harmed their competitiveness relative to road transport.

Source: Based on Arvis, Raballand, and Marteau (2010) and Arvis and others (2011).

Many low-income countries have long export lead times, hurting their export competitiveness and ability to trade internationally

Connecting to Compete 2012,

Countries in the top quintile typically require two supporting documents for trade transactions; those in the bottom, four—a persistent logistics gap

Percent of respondents

LPI quintile

Red tape

Doing Business

Delays and unexpected costs are common in bottom quintile countries, undermining overall supply chain performance

Predictable, reliable supply chains are central to good logistics performance

Addressing the causes of unexpected delays should be an important part of logistics reform in low-performing countries

SECTION 3

The way forward: New challenges in trade facilitation and logistics

“Our program is focused on how to enhance our global competitiveness, especially in logistics.” . . . “ e LPI is our reference to improve logistics performance.” . . . “ e LPI helps us to formulate our policy in logistics, pointing which sector or fac tor we have to improve in order to increase our competitiveness.”

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[illegible]

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Fact-based policymaking

Connecting to Compete 2012,

LPI component	Bottom quintile	Third and fourth quintiles	Second quintileqTJ ET 0 0 0 0 k 36 343.416 104 ecquiintile

Notes

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APPENDIX **2**

Percent of respondents

Question	Response categories	Region				Income group
		East Asia and Paci c	Europe and Central Asia	Latin America and Caribbean	Middle East and	

Question	Response categories	Region: East Asia and Paci c	Region: Europe and Central Asia	Region: Latin America and Caribbean	Region: Middle East and North Africa	Region: South Asia	Region: Sub-Saharan Africa	Income group: Low income	Income group: Lower middle income	Income group: Upper middle income	Income group: High income
Health/sanitary and phytosanitary agencies	Low or very low	52	36	55	40	37	44	49	53	37	25
	High or very high	21	24	6	25	17	18	13	17	20	42
Customs brokers	Low or very low	19	8	22	31	32	14	18	22	16	8
	High or very high	29	52	22	37	35	37	34	31	39	65
Trade and transport associations	Low or very low	21	39	34	51	26	35	32	34	37	17
	High or very high	25	23	12	19	26	30	21	21	25	51
Consignees or shippers	Low or very low	23	19	11	28	9	8	17	11	17	11
	High or very high	22	32	14	18	47	30	17	26	30	42
Question 20: Ef ciency of processes											
Clearance and delivery of imports	Hardly ever or rarely	29	21	21	20	7	22	31	17	19	5
	Often or nearly always	55	62	37	52	47	47	39	49	54	83
Clearance and delivery of exports	Hardly ever or rarely	4	4	12	5	2	18	4	8	13	8
	Often or nearly always	75	60	63	62	85	64	67	62	68	88
Transparency of customs clearance	Hardly ever or rarely	53	39	28	20	22	20	32	41	23	11
	Often or nearly always	30	48	38	31	58	38	28	35	48	80
Transparency of other border agencies	Hardly ever or rarely	51	37	41	4	20	22	38	40	22	11
	Often or nearly always	28	52	39	26	50	40	24	36	48	77
Provision of adequate and timely information on regulatory changes	Hardly ever or rarely	45	38	28	43	34	33	37	35	36	23
	Often or nearly always	23	32	23	40	35	35	25	27	35	67
Expedited customs clearance for traders with high compliance levels	Hardly ever or rarely	31	35	41	28	7	34	53	23	30	14
	Often or nearly always	34	49	35	39	38	19	20	37	38	66
Question 21: Sources of major delays											
Compulsory warehousing/ transloading	Often or nearly always	7	10	33	24	18	39	21	26	24	11
	Hardly ever or rarely	40	57	26	21	34	32	27	38	38	67
Preshipment inspection	Often or nearly always	14	10	46	44	33	36	35	23	33	13
	Hardly ever or rarely	37	79	14	16	27	24	25	34	37	67
Maritime transshipment	Often or nearly always	12	20	39	26	47	40	40	22	33	12
	Hardly ever or rarely	32	60	17	19	24	26	28	37	28	60
Criminal activities (such as stolen cargo)	Often or nearly always	10	13	36	5	24	10	20	12	19	2
	Hardly ever or rarely	57	74	43	91	49	61	48	63	66	85
Solicitation of informal payments	Often or nearly always	25	25	49	12	18	40	38	35	28	7
	Hardly ever or rarely	38	57	24	28	28	38	35	29	43	77

APPENDIX 3

Economy	Question 23: Export time and cost						Question 25: Import time and cost	
	Port or airport supply chain[a]			Land supply chain[b]			Port or airport supply chain[c]	Land supply chain[b]
	Distance[d] (kilometers)	Lead time (days)	Cost[e] (US$)	Distance (kilometers)	Lead time (days)	Cost		

	LPI		Customs		Infrastructure		International shipments		Logistics quality and competence		Tracking and tracing		Timeliness	
Economy	Rank	Mean score	Rank	Mean score	Rank	Mean score	Rank	Mean score	Rank	Mean score	Rank	Mean score	Rank	Mean score
Venezuela, RB	83	2.69	124	2.27	89	2.46	76	2.83	87	2.61	76	2.79	80	3.15
São Tomé and Príncipe	84	2.69	97	2.41	98	2.42	69	2.87	94	2.58	60	3.01	131	2.82
Albania	85	2.69	107	2.35	102	2.38	80	2.78	97	2.57	103	2.55	57	3.41
Paraguay	86	2.68	93	2.42	95	2.44	95	2.66	84	2.65	77	2.77	83	3.12
Kazakhstan	87	2.68												

APPENDIX 5

The LPI methodology

Constructing the con dence intervals

Constructing the domestic LPI database

APPENDIX 6

Respondent demographics

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Geographic dispersion of respondents

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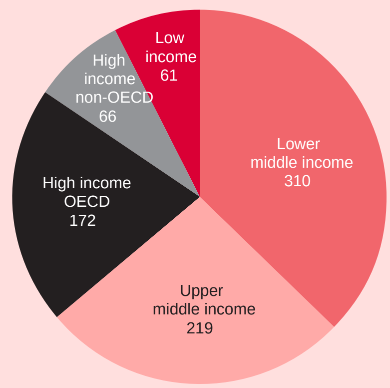
Figure A6.1 2014 LPI survey respondents, by World Bank income group

Number of respondents



Source: Logistics Performance Index 2014.

Respondents' positions in their companies

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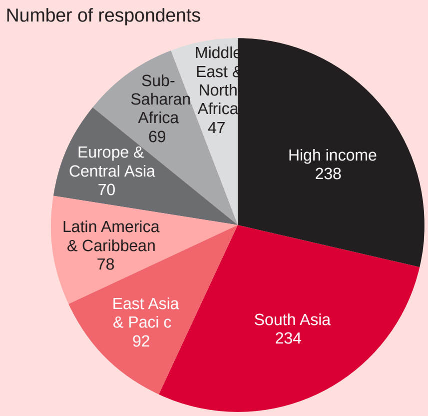
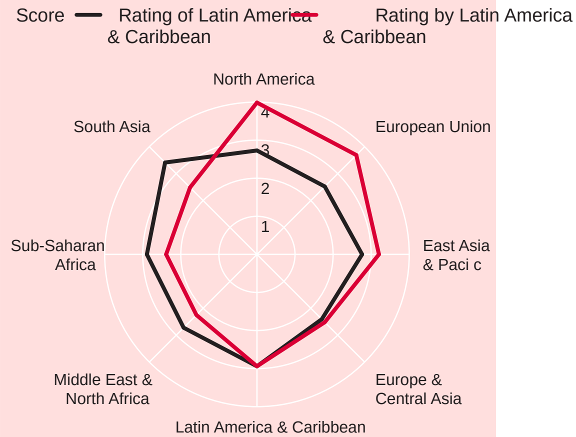
Figure A6.2 2014 LPI survey respondents, by World Bank region



Note: World Bank regions do not include high-income countries, so they are included as a separate category.
Source: Logistics Performance Index 2014.

Figure A6.3 Latin America and Caribbean, ratings of and by other regions



Source: Logistics Performance Index 2014.

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