

CONNECTING TO COMPETE

THE 2018 LOGISTICS PERFORMANCE INDEX (LPI)



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**How can multimodal connectivity and digital platforms
turn trade into a growth engine ?**



WORLD BANK GROUP

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1. Introduction and LPI methodology

How the LPI is constructed

- The LPI measures performance along the logistics supply chain within a country and offers two different perspectives: international and domestic.
- Based on a global survey of mainly freight forwarders, providing feedback on the logistics “friendliness” of the countries in which they operate and those with which they trade.

International LPI	Domestic LPI
<ul style="list-style-type: none">• Provides qualitative evaluations of a country in six areas by its trading partners (from the <u>outside</u>):<ol style="list-style-type: none">1. <i>Customs and border management</i>2. <i>Infrastructure</i>3. <i>Logistics competence and quality</i>4. <i>International shipments</i>5. <i>Tracking & tracing</i>6. <i>Timeliness of shipments</i>	<ul style="list-style-type: none">• Provides qualitative and quantitative evaluations of a country by logistics professionals from <u>within</u>.• Includes detailed information on the logistics environment, core logistics processes, institutions, and performance time & cost data

The LPI *ranking* is solely based on the *International* LPI.

LPI Methodology; covering 160+ countries

Connecting
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Trade Logistics in the
Global Economy

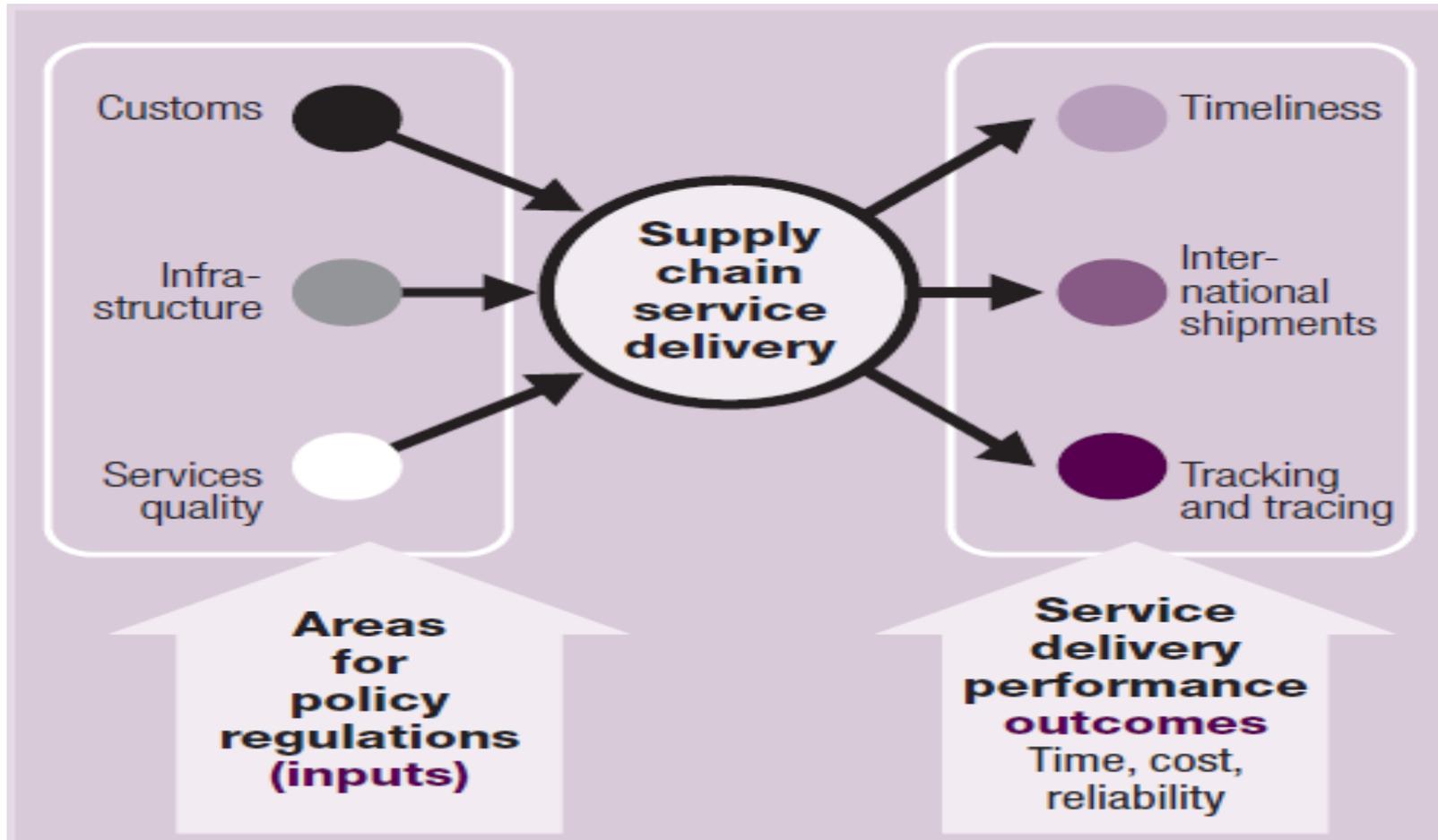


The Logistics Performance Index and Its Indicators

2018

- Built on **> 5,000 country assessments** by around **1,000 freight forwarders & express carriers** worldwide conducted **every 2 years**
- Survey respondents rate logistics performance of own country and 8 other countries on a **scale from 1 to 5**:
 - Outreach via partners such as FIATA, nat'l associations of FF firms
 - Direct contacts via a mailing lists
 - Respondent base incl. multinationals, large local firms and SMEs
 - No sampling involved

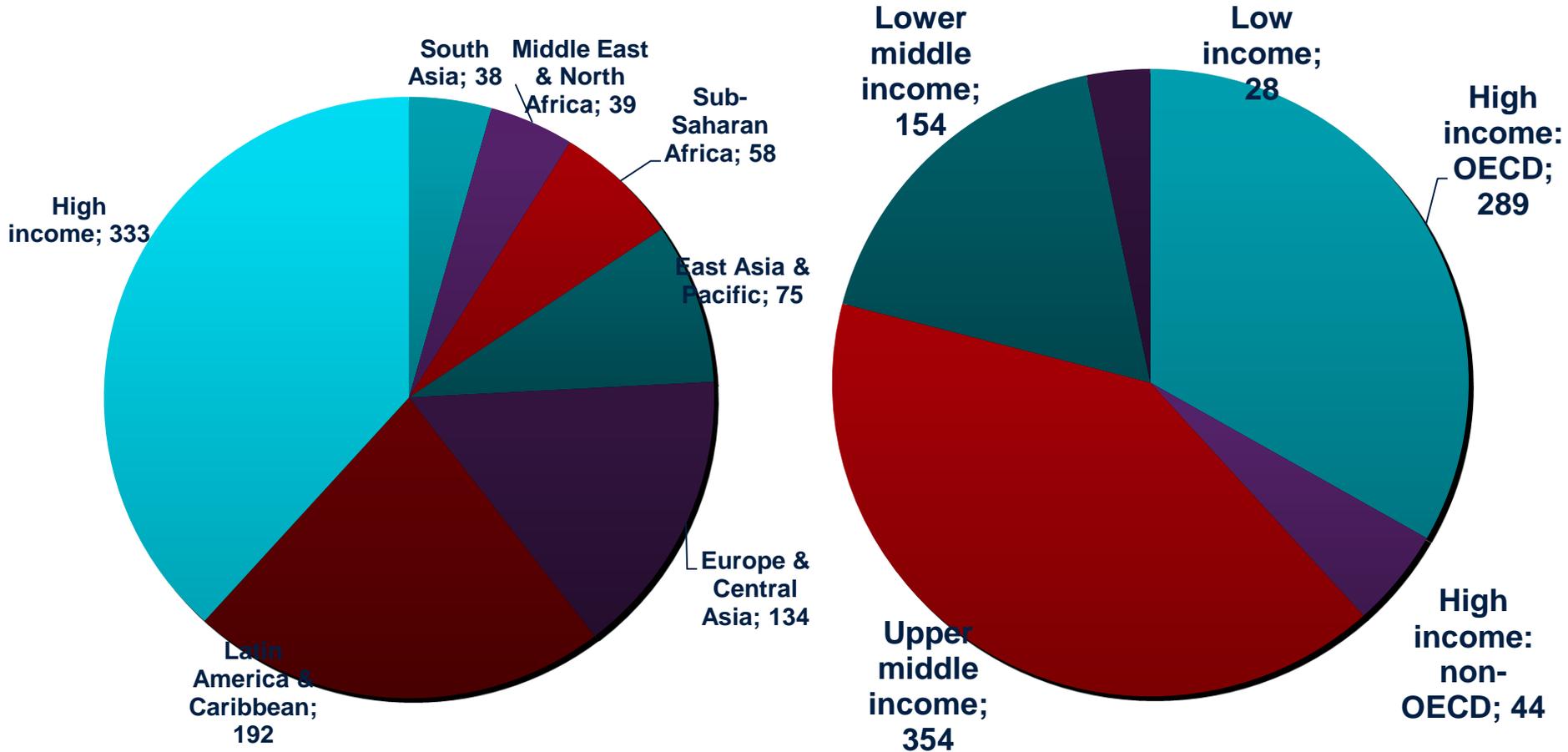
Input and outcome indicators in the LPI



Actual questions from the LPI questionnaire on the 6 LPI components

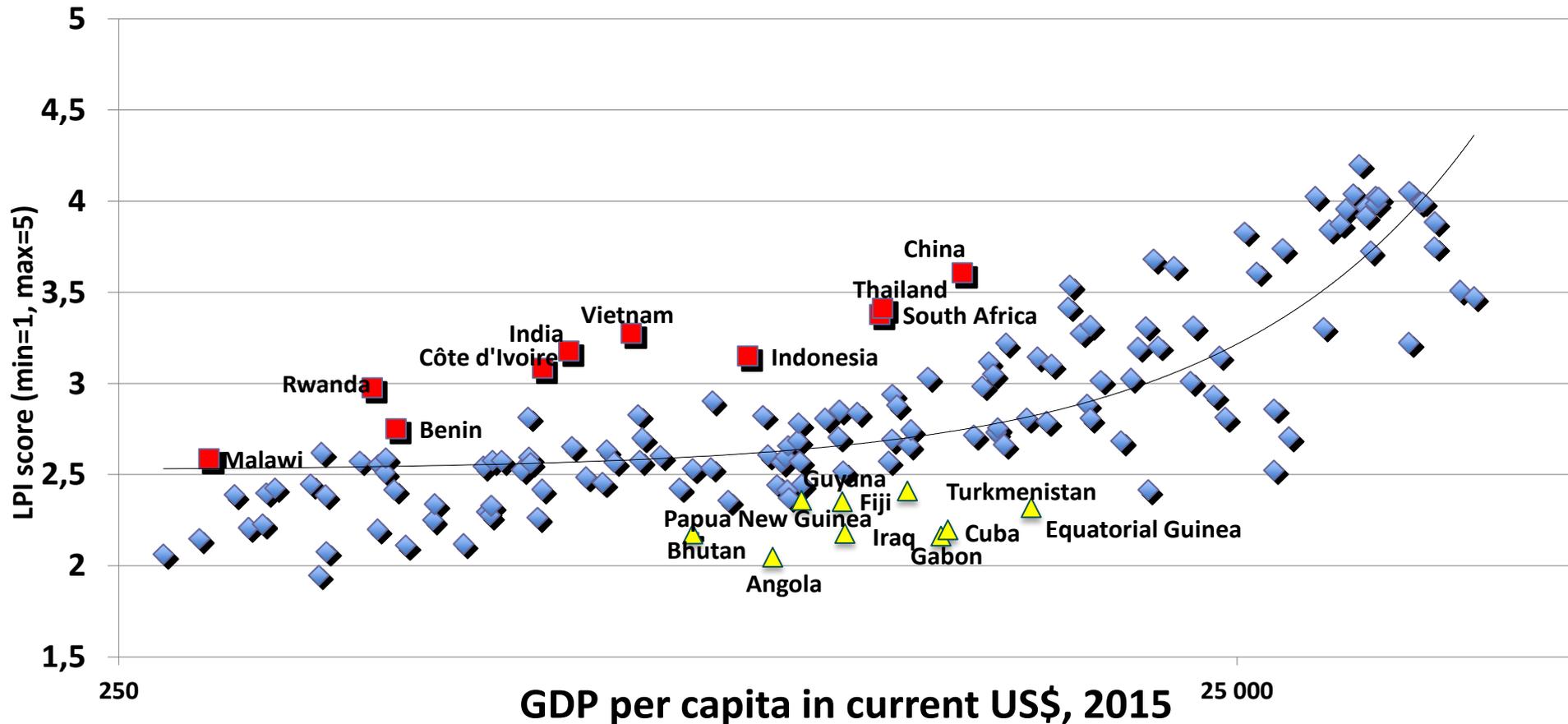
- Rate the efficiency of the clearance process (speed, simplicity and predictability of formalities) by border agencies, incl. Customs, in [x].
- Evaluate the quality of trade- and transport-related infrastructure (e.g. ports, railroads, roads, information technology) in [x].
- Assess the ease of arranging competitively priced int`l shipments to [x].
- Evaluate the overall level of competence and quality of logistics services (e.g. transport operators, customs brokers) in [x].
- Rate the ability to track and trace your consignments when shipping to [x].
- When arranging shipments to the countries listed below, how often do they reach the consignee within the scheduled or expected delivery time?

LPI 2018 respondent base by region and income group



2. LPI 2018 results: International section

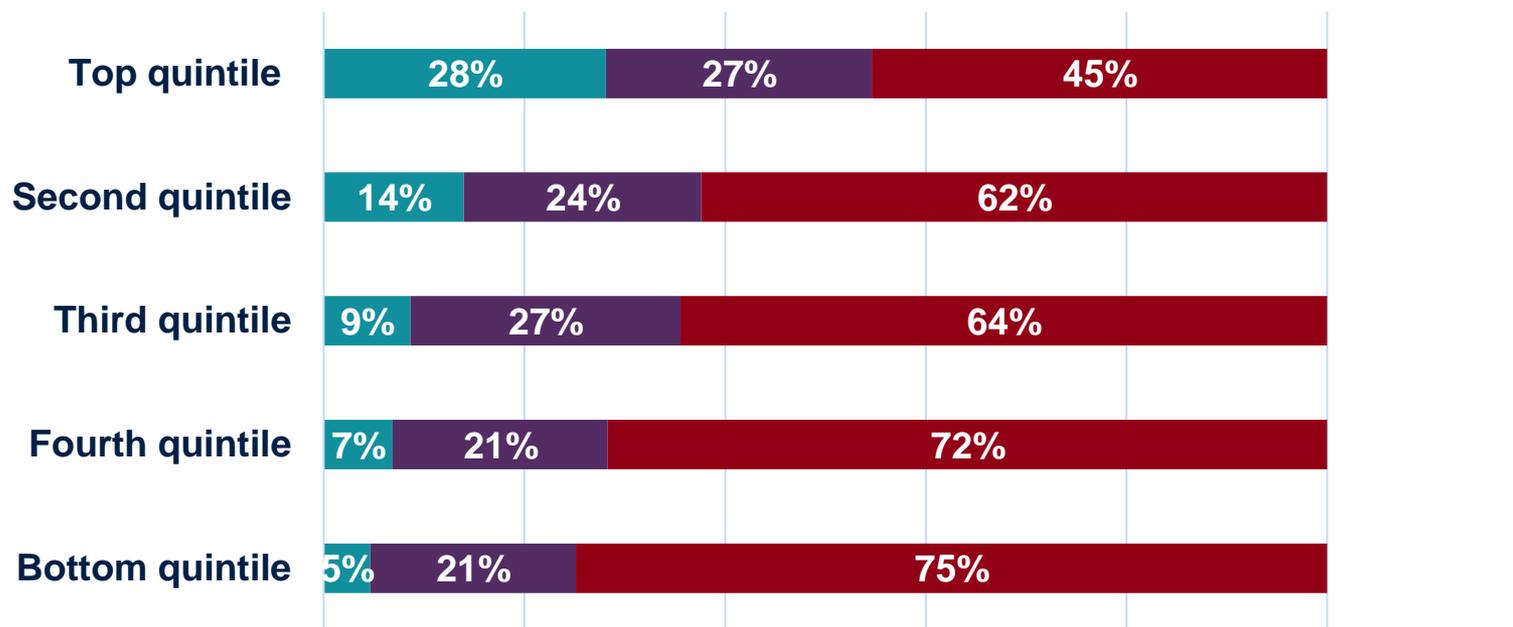
LPI 2018 overperformers and underperformers



Note: Fitted values are based on an ordinary least squares regression using data for all countries. Underperformers (triangles) are the non-high-income countries with the 10 smallest residuals. Overperformers (squares) are the non-high-income countries with the 10 largest residuals. Source: LPI 2018

Demand for Sustainable or 'Green' Logistics

How often do shippers ask for environmentally friendly options?

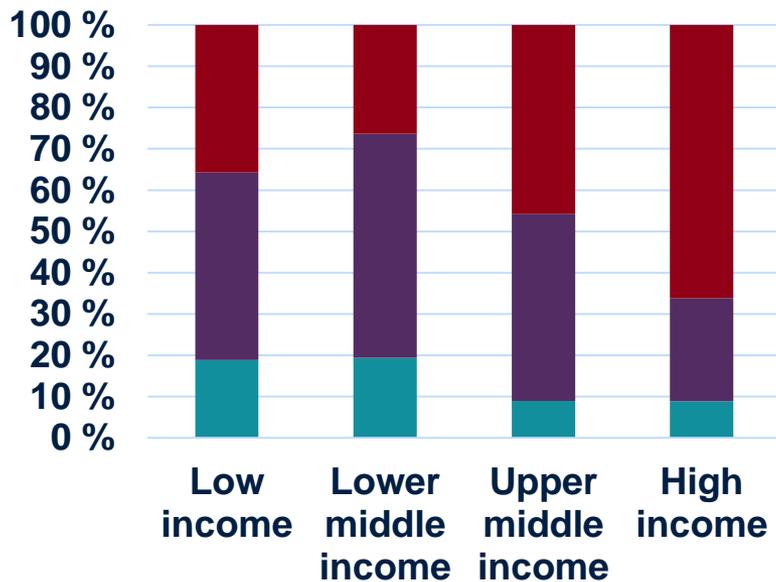


The demand for environmentally friendly solution is strongly and positively associated with logistics performance.

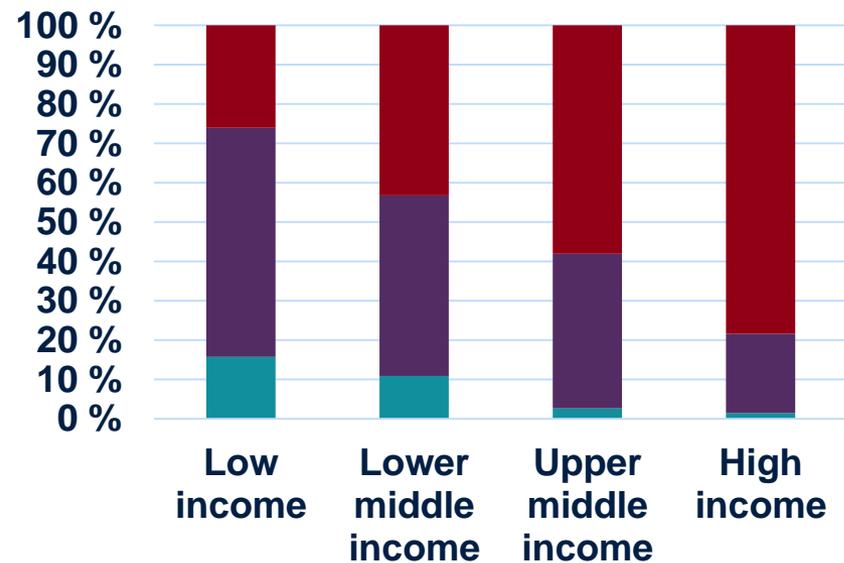
3. LPI 2018 results: Domestic section

New question in 2018 LPI: Supply chain resilience and cyber threats in logistics

Cybersecurity threats in logistics have...



Our firm's preparedness for cyber threats has...



■ (Much) decreased ■ About the same

■ (Much) decreased ■ About the same

■ (Much) increased

The perceived magnitude of cyber threats and preparedness to mitigate their effects go hand in hand.

4. LPI 2018 key messages and policy recommendations

LPI 2018: Key messages

- **The performance gap persists between the bottom and the top.**
- **SC reliability and service quality drive logistics performance.**
- **Infrastructure and trade facilitation at the core of assuring basic connectivity and access to gateways for most developing countries.**
- **The logistics policy agenda continues to broaden, with growing focus on SC resilience, cyber security, environmental sustainability, and skills shortages.**

Logistics performance is not primarily about speed or costs, but about the reliability of supply chains and service delivery, which depends on many factors: infrastructure, competition, skills, etc.

The importance of good quality logistics services for lower performing countries

- **Service quality drives logistics performance in all economies.**
- **Developing advanced 3/4PL services requires a complex policy agenda as those services cannot be created purely domestically.**
- **The more affordable advanced services are available, the more manufacturers and traders will outsource their logistics.**
- **Low-scoring countries should focus on the performance of road freight and warehousing and on logistics skills.**

Logistics reform in low performing countries should focus on improving logistics services reliability, increasing clearance predictability and avoiding inland transit delays.

The LPI is a well-established benchmark, but it does not do everything:

- The LPI is a measure of supply chain efficiency.**
- Provides information of where a country stands and gives a crude indication of problems.**
- Is not, on its own, a diagnostic tool and needs to be supported by specific tools for that function.**
- Targets international supply chains, and does not fully reflect the quality of internal logistics connectivity e.g. in geographically large countries.**

Thank you!

- ...and an Ex. of an on-going EU project in the Baltic Sea Region (BSR) on Seaport Safety & Security:



HAZARD mitigates the effects of emergencies and security incidents in key seaports in the BSR in 2016-2019+, budget 4+ M€.

It comprises Seaports, Rescue Services, and knowledge partners.

<https://blogit.utu.fi/hazard>

