

## Effective regulatory reform to promote Indonesia's international connectivity

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### Agenda

- ▶ Government of Indonesia acknowledges the importance of sound logistics
- ▶ World Bank's Logistics Performance Index (LPI) helps to identify priorities
- ▶ Case: logistics bottlenecks in Indonesia linkages between Jakarta port and industrial export zones (international connectivity)
- ▶ Conclusion: regulatory reform to tackle the bottlenecks requires a coordinated and structured approach

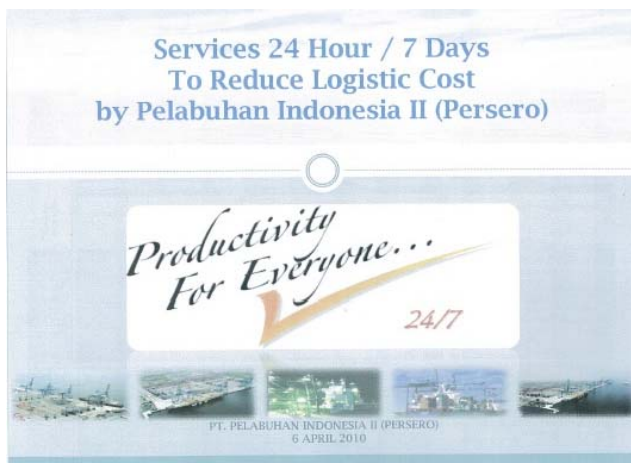


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## Logistics YES!



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## Logistics NO.....



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## Recent Indonesian Government initiatives to promote logistics reform

- ▶ An inter-department debottlenecking team has been created
- ▶ The Ministry of Trade established a Directorate for Logistics
- ▶ The new Master Plan of the Government includes a 2011-2025 connectivity strategy
- ▶ The Government issued a logistics blueprint with motto “domestically integrated and globally connected”.
- ▶ DIFFERENT DEPARTMENTS TAKE THE LEAD FOR EACH INITIATIVE



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## But how to determine priorities?

- ▶ The inter-department debottlenecking team identified more than 30 regulations that need to be urgently revised
- ▶ Directorate for Logistics has a 20 page action plan
- ▶ The connectivity strategy includes 720 projects....
- ▶ The logistics blueprint has 120 actions.....
- ▶ *Coordination.....????*



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## LOGISTICS PERFORMANCE INDEX (LPI), 2007, 2010, 2012



- The World Bank has developed a simple indicator to assess the logistics performance of countries
- Source of data : international suppliers of logistics services that trade with a certain country (5000 respondents)
- Rates logistics performance on a scale of 1 to 5



## LOGISTICS PERFORMANCE INDEX (LPI), 2007, 2010, 2012 - Priorities



- The LPI provides information on international connectivity only (import-export logistics)
- It is a tool that helps to determine weak links in connectivity/logistics
- It helps to determine priorities: tackling the weak links



**Logistics Performance Index**

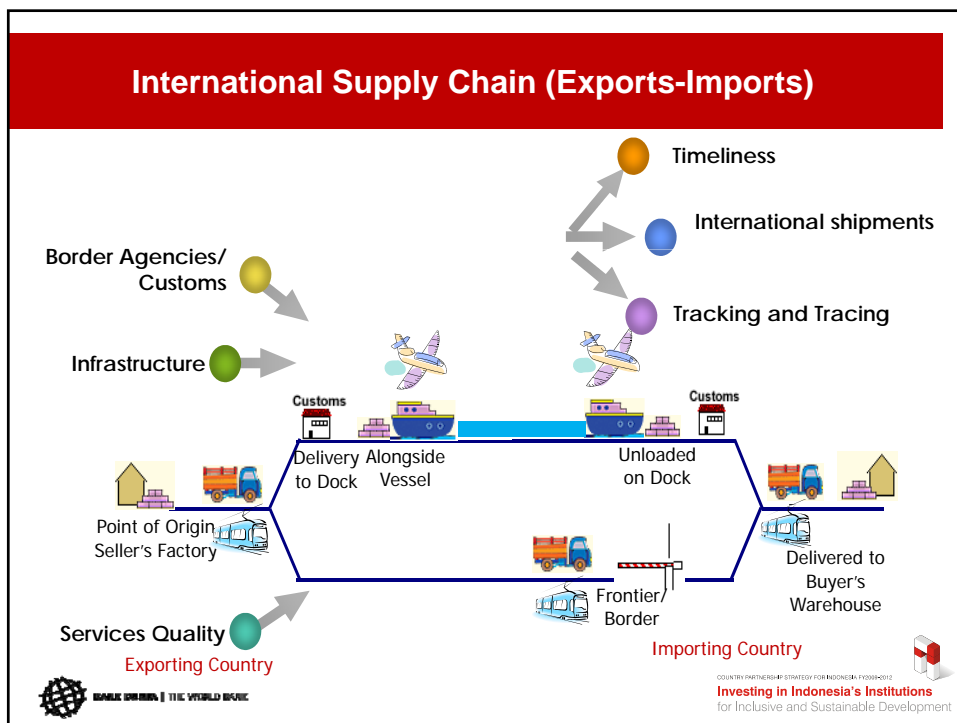
**LPI 2012**

**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
- Tracking and tracing
- Timeliness

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## LPI 2010 – much discussed in Indonesia...ranking dropped to 75 from 2007

### TOP 10 COUNTRIES UPPER MIDDLE INCOME

Country	LPI Rank
South Africa	28
Malaysia	29
Poland	30
Lebanon	33
Latvia	37
Turkey	39
Brazil	41
Lithuania	45
Argentina	48
Chile	49

### TOP 10 COUNTRIES LOWER MIDDLE INCOME

Country	LPI Rank
China	27
Thailand	35
Philippines	44
India	47
Tunisia	61
Honduras	70
Ecuador	71
Indonesia	75
Paraguay	76
Syrian Arab Republic	80

### TOP 10 COUNTRIES LOW INCOME

Country	LPI Rank
Vietnam	53
Senegal	58
Uganda	66
Uzbekistan	68
Benin	69
Bangladesh	79
Congo, Dem. Rep.	85
Madagascar	88
Kyrgyz Republic	91
Tanzania	95



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## LPI 2012 – Indonesia ranking improved to 59...

### TOP 10 COUNTRIES UPPER MIDDLE INCOME

Country	LPI Rank
South Africa	23
China	26
Turkey	27
Malaysia	29
Bulgaria	36
Thailand	38
Chile	39
Tunisia	41
Brazil	45
Mexico	47

### TOP 10 COUNTRIES LOWER MIDDLE INCOME

Country	LPI Rank
India	46
Morocco	50
Philippines	52
Vietnam	53
Egypt, Arab Rep.	57
Indonesia	59
Yemen, Rep.	63
Ukraine	66
Pakistan	71
Guatemala	74

### TOP 10 COUNTRIES LOW INCOME

Country	LPI Rank
Benin	67
Malawi	73
Madagascar	84
Niger	87
Tanzania	88
Guinea-Bissau	94
Togo	97
Central African Republic	98
Cambodia	101
Zimbabwe	103

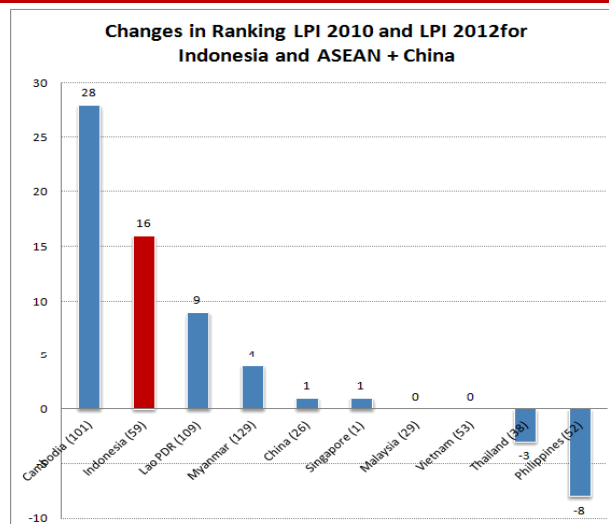


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## LPI 2012 – Indonesia's ranking improves from 75 to 59...

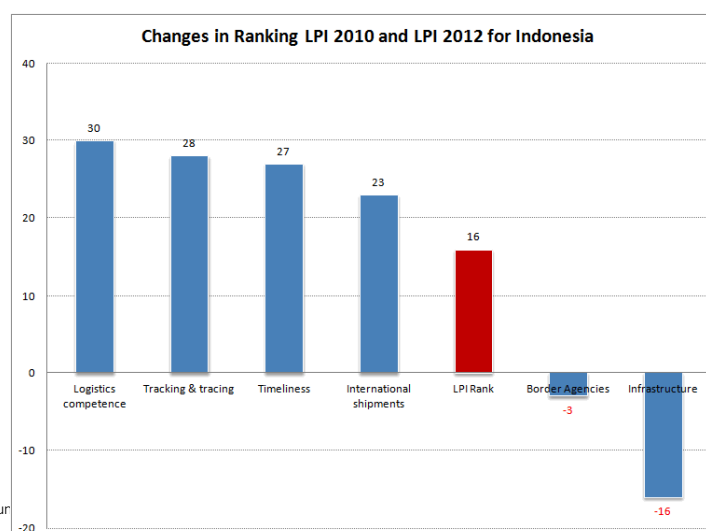


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## Better LPI Rankings for most indicators except Infrastructure and border agencies....



Smaller the number

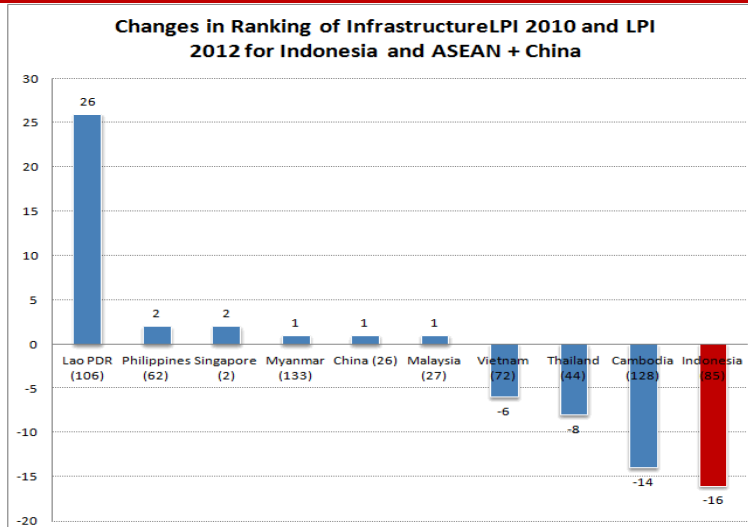


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## Dimension of LPI where Indonesia's position has worsened during 2010-2012 - Infrastructure

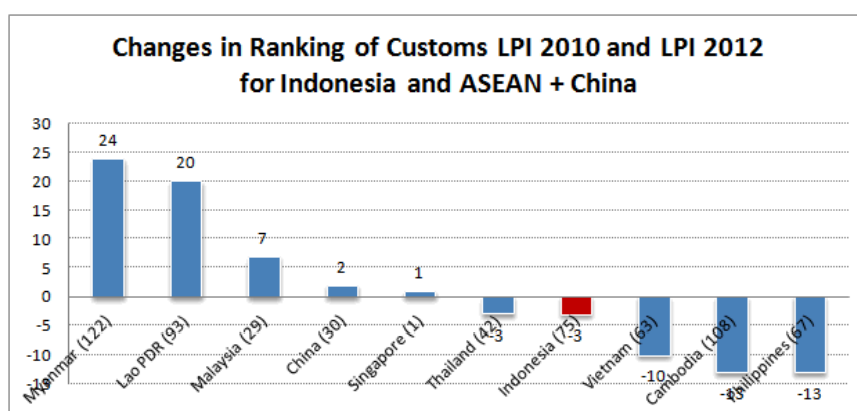


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## Dimension of LPI where Indonesia has made little progress during 2010-2012...Border agencies



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## LPI helps to identify logistics reform priorities

- ▶ Indonesia's LPI absolute score improved from 2.76 to 2.94
- ▶ The LPI data suggest that Indonesia is somewhat catching up with neighbors (Malaysia, Thailand, Vietnam and The Philippines)
- ▶ Weak links remain the performance of border agencies and infrastructure. But this is also true in many neighboring countries.
- ▶ Let's look into what can be done to *strengthen the performance of border agencies through regulatory reform*



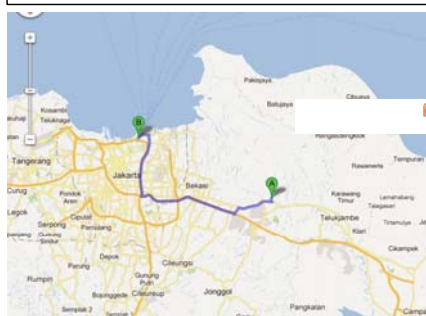
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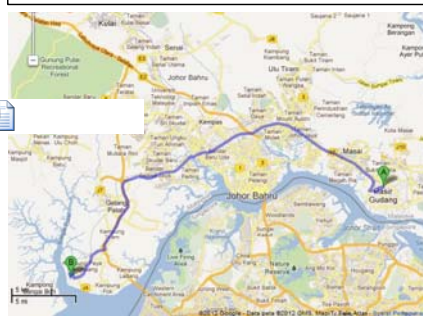
## Logistics costs from industrial zones to ports are higher in Indonesia than in Malaysia

### ▶ Cikarang to Tanjung Priok (Indonesia)



Truck Distance: 55.4 Km  
Logistics costs: US\$750

### ▶ Pasir Gudang to Tanjung Pelepas (Malaysia)



Truck Distance: 56.4 Km  
Logistics costs US\$450

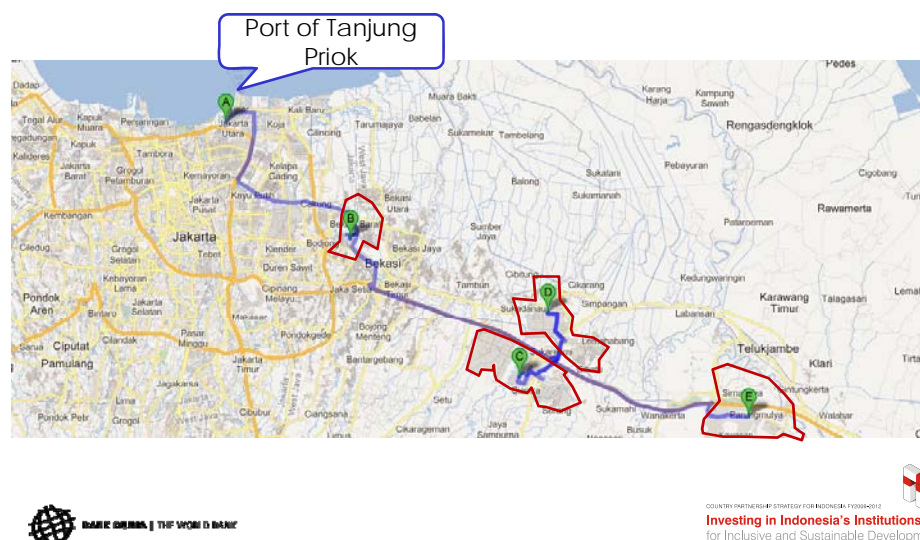


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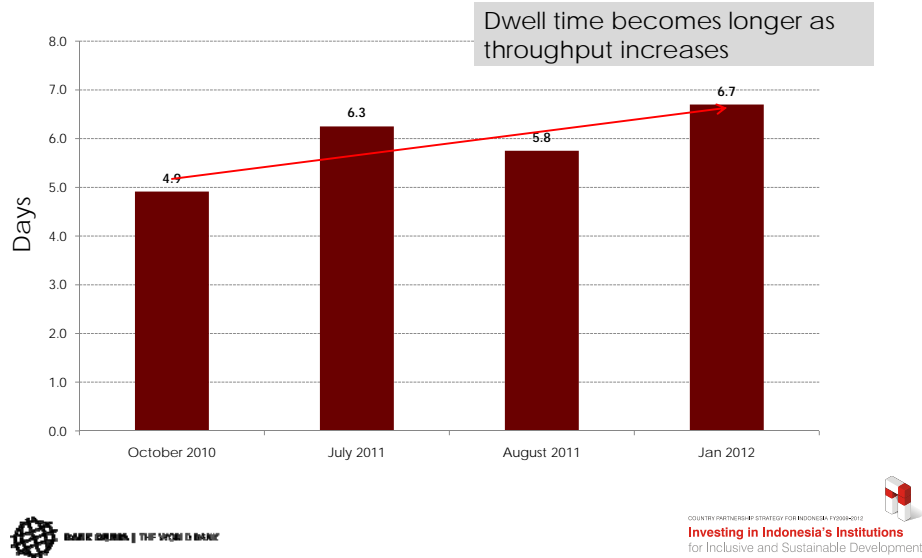
## Industrial Regions East of Jakarta. Border agencies operate in both port and industrial areas (dry port)



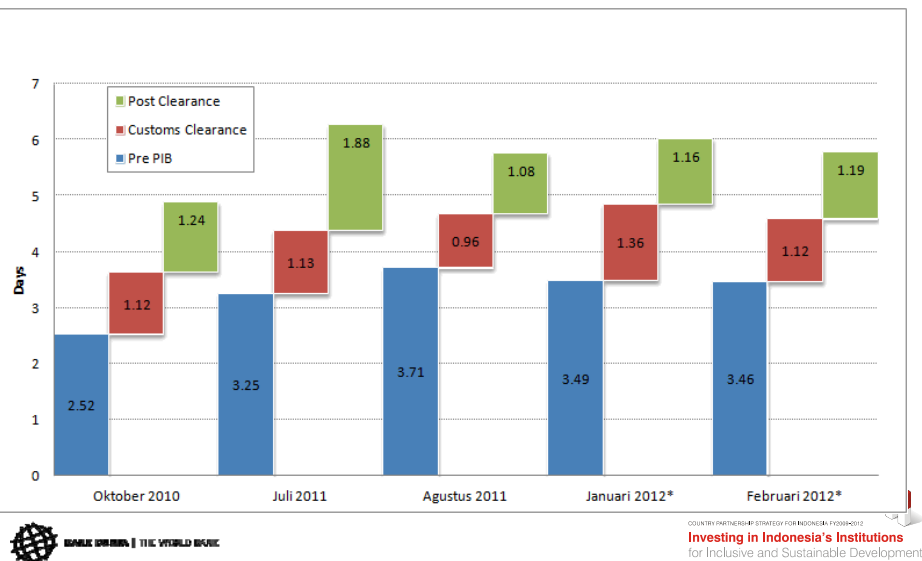
## Can regulatory reform reduce the logistics costs between Jakarta port and industrial areas?

- ▶ There are many areas of possible regulatory reform to reduce logistics costs: port efficiency, transport links, warehouses, and establishment of dry ports.
- ▶ World Bank team presently concentrates on:
  - ▶ A. Improving port efficiency by reducing import dwell time (time container spends in the port)
  - ▶ B. Optimizing the dry port established in the industrial zones

## Dwell time in the Jakarta port is increasing



## Breakdown of dwell time in Tanjung Priok



## Dwell time analysis in the port of Jakarta

- What is worrisome: pre-clearance is becoming longer
- Current systems can no longer cope with the doubling of the number of imported containers in the last few years
- Customs clearance itself is fast however....its requirements are stringent, cumbersome and time consuming. Payments and clearance by other agencies are a prerequisite for Customs clearance
- Modernization of the performance of the border agencies requires regulatory reform.....



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## Dwell time analysis in the port of Jakarta - 2

- The main question is:

*Should we prioritize a Customs clearance process which is very well designed and waterproof but which contributes to longer overall dwell time?*

*Possible regulatory changes:*

- Integrated operations of border agencies
- Introduce flexibility in changing the manifest
- Consider clearance at the dry port as an asset and not a threat

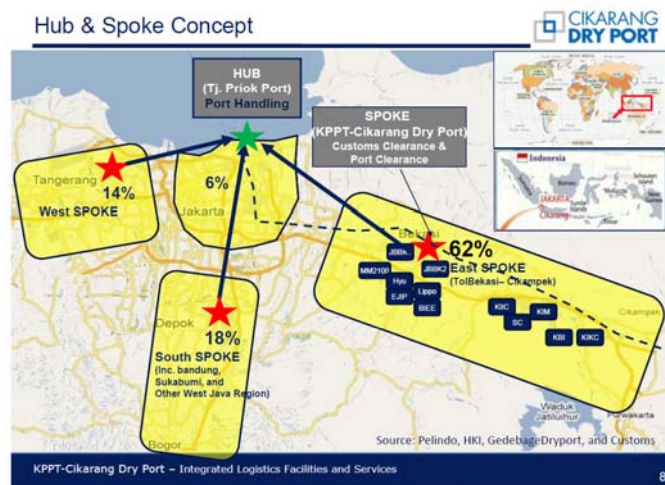


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## Development of dry ports in the greater Jakarta area (so far East of Jakarta only)



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## Dry ports may reduce congestion in the port of Jakarta

- ▶ Dry ports may help to reduce dwell time of containers in the ports.
- ▶ The dry port operates as a dedicated zone for integrated checks by all border agencies but right now handles 2 percent of imports only
- ▶ However... Customs only allows full clearance at the dry port whenever the bill of lading clearly states the dry port as port of discharge
- ▶ Regulatory adjustments required to optimize use of dry port by allowing changes in the manifest



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## Conclusions

- ▶ Indonesia's logistics performance is increasing
- ▶ The performance of border agencies can be improved
- ▶ There is no coordinating agency responsible for port and dry port
- ▶ Therefore, regulatory measures taken into the port do not necessarily support those that are needed to get the dry port up and running
- ▶ Need for a corridor reform committee?