

Simplifying “trading across borders” Need for an integrated view on logistics development

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1. Introduction

1.1 The Foreign Trade Policy 2015-20 envisages making India a significant player in the global trade landscape by 2020. The policy targets³ doubling India’s exports, from 2014 levels, to approx US\$ 900 bn by 2020 and raising India’s share in world exports from 2% to 3.5% by the same year.

1.2 To facilitate achievement of this, the government has been implementing a range of measures that not only target the *hardware* (essentially augmenting, modernizing and improving efficiency of logistics and connectivity) of trade but also its *software* (essentially simplifying business processes, incentivizing trade, re-engineering broader policy matters etc.).

1.3 A review of these ongoing actions suggests that addressing the deficits and inefficiencies within logistics space is clearly a highest priority for the government. For instance, to address the hardware deficits, the government is investing more than INR 8 lakh crores as part of the Sagarmala program to modernize existing ports, enhance multi-modal connectivity, develop new economic corridors and multi-modal logistics parks and increase the speed and efficiency of cargo evacuation. Most recently⁴, the government also included logistics sector in the harmonized master list of infrastructure sub-sectors thereby enabling access to more funds and at easier terms for its long term development.

1.4 To plug deficits related to procedures and governance, reforms such as reduction in the total number of mandatory documents required for trade, setting up Single Window Interface for Facilitating Trade (SWIFT) for customs clearance etc. have already been undertaken. To further simplify trading across borders, the government also articulated a clear focus to provide trade facilitation services. A National Committee on Trade Facilitation (NCTF) was also set up under the Cabinet Secretary to develop a broader road map for trade facilitation. New initiatives such as Contact@DGFT (a single window contact point for exporters and importers) are being planned in the recently released (December 2017) mid-term review of the Foreign Trade Policy 2015-2020. A team of professionals is also proposed to be set up to provide necessary assistance to trade.

1.5 There are signs that the reforms undertaken over the last three years have now started showing positive results on ground. Exports are showing signs of a turnaround despite continued global economic uncertainties. The country recorded its best ever performance in Doing Business rankings recently released by the World Bank (Doing Business 2018). On an overall basis, India’s rank jumped 30 places (from 130 out of 190 countries in 2016 to 100 out of the same number of countries in 2017) making it the biggest improver across all countries this year. Similarly, in the Logistics Performance

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³ Source: [FTP 2015-20](http://dgft.gov.in/exim/2000/policy/FTP_Statement.pdf) statement accessed at http://dgft.gov.in/exim/2000/policy/FTP_Statement.pdf

⁴ Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=173674>

Index released by the World Bank in 2016, India saw a jump of 19 positions (from 54 rank out of 160 countries in 2014 to 35 rank in 2016 out of 160).

1.6 Despite these positive improvements, user feedback shows that the time and cost to trade continues to stay high. For instance, findings of Doing Business (DB) 2018 suggest that it took more than 6 days to export and more than 13 days to import in India. This was considerably higher as compared to that in the developed world (average of OECD: High income group countries). That “ease of trading” remains a challenge is also evident from the point that while India’s overall rank in DB project jumped significantly, rank in “Trading across borders” (one of the key component parameters within DB) slipped from 143 (in 2016) to 146 (in 2017). The Distance to Frontier⁵ score for “Trading across border” was 58.56 (on a scale of 100); indicating the considerable gap between the “ease of trading” situation in India as compared to that in the “frontier” or the “best performing” nation.

1.7 Clearly, there is a need to step up the momentum and implement more reforms in the logistics space. While a range of initiatives are ongoing, given the nature and expanse of this sector, multiple departments are responsible for implementation of these initiatives. This aspect complicates the situation and affects the efficacy of reforms. Clearly, there remains a space for a framework that can bring development of logistics sector to the center stage. Therefore, there is an urgent need to identify measures that not only supplement the ongoing initiatives but also create grounds for facilitating a holistic development of logistics sector.

1.8 Assessments as part of the Doing Business Project and the Logistics Performance Index throw some useful insights regarding the above. These studies outline major impediments and gaps in India’s logistics sector outputs and hence provide some evidence to policy suggestions that ought to be taken on a priority basis. The above studies also benchmark India’s logistics performance with respect to the best performers across the world thereby indicating the path that needs to be targeted through the above policies.

1.9 With the above background, the objective of this paper is to leverage the above mentioned studies and outline a high level framework for holistic development of logistics sector. The paper also attempts to sensitize public and private stakeholders about the challenges that we must overcome to make trade simple, efficient and less costly. In doing so, the paper acknowledges various measures that the government is taking already and argues for considering an integrated approach (that brings inter-departmental and inter-governmental synergies) to tackle the logistics challenge. From that perspective, strategies that complement existing measures have been suggested to improve the overall efficacy of government policy.

⁵ “Distance to Frontier” measures the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005. ... An economy’s distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in 2017 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time. Source: <http://www.doingbusiness.org/data/distance-to-frontier?topic=Trading-across-Borders>

2. Key issues and challenges: Areas needing focused interventions

2.1 Analysis of Doing Business Report 2018 and the Logistics Performance Index 2016 throws useful insights on the major impediments and gaps that the country's logistics sector faces. Paragraphs below attempt to highlight key findings of these studies.

A. World Bank's Doing Business (DB) Project

2.2 World Bank's Doing Business (DB) Project assesses the broader regulatory environment within which businesses operate in a country on a day-to-day basis. Logistics sector is one element of this larger assessment. Published annually, the DB report is widely considered an important benchmark to understand how easy it is to do business in a particular country and the key issues and challenges that needs attention of policymakers.

2.3 DB Project ranks economies on the basis of "Distance to Frontier (DTF)" score. DB collates responses from stakeholders on an economy's performance in 41 indicators across 10 Doing Business topics (presented in the table subsequently). Based on this feedback, DTF score quantifies the gap between an economy's performance vis-a-vis the best performer (the "frontier" economy(ies)) across the world for that particular indicator.

2.4 To illustrate how this computation works, let's take an indicator - "Number of procedures" within a topic say - "Starting a business". This indicator measures the total number of distinct procedures needed to start a business. Under this, New Zealand is the frontier with just 1 procedure required to start a business. The worst performing country(ies) (there were multiple countries) required 18 procedures. Under this indicator, the DB study reported that it took 12 procedures to start a business in Mumbai. Given the above sets of information, DTF for Mumbai would be computed using the following equation: $(100 \times (\text{worst} - y) / (\text{worst} - \text{frontier}))$; where y is the data for Mumbai, "worst" is the data of the worst performing country and "frontier" is the data of the best performing country. Putting numbers, DTF under this indicator for Mumbai will be $(100 \times (18 - 12) / (18 - 1)) = 35.29$. This equation is followed to compute DTF by and large across other 41 indicators as well (with a few exceptions).

2.5 After computing DTF scores for each indicator, DTF scores for a topic is calculated by aggregating scores of all indicators within that topic. Finally, DTF score for a country is aggregated for all the 10 DB topics and that country is ranked by sorting its score in a descending order. A higher DTF score means that country's performance is closer to the "frontier". It therefore gets a higher rank. Note here that, in the case of India, the DB project collates data values pertaining to only 2 cities – Mumbai and Delhi. For aggregation at the country level, DTF score for Delhi is given a weightage of 53% while that of Mumbai is given a weight of 47%.

2.6 The table below presents the list of 10 topics and 41 indicators as per DB 2018 assessment.

Table 1: List of 10 topics & 41 indicators as per DB 2018

Topic	Indicators
Starting a business	Number of procedures (number)
	Time taken (in days)
	Cost incurred (as a % of income per capita)
	Minimum capital (as a % of income per capita)

Dealing with construction permits	Number of procedures (number)
	Time taken (in days)
	Cost incurred (as a % of warehouse value)
	Building quality control index (0-15)
Getting Electricity	Number of procedures (number)
	Time taken (in days)
	Cost incurred (as a % of income per capita)
	Reliability of supply & transparency of tariffs index (0-8)
Registering Property	Number of procedures
	Time (in days)
	Cost (as a % of property value)
	Building land administration index (0-30)
Getting Credit	Strength of legal rights index (0-12)
	Depth of credit information index (0-8)
Protecting minority investors	Extent of disclosure index (0-10)
	Extent of director liability index (0-10)
	Ease of shareholders suit index (0-10)
	Extent of shareholders right index (0-10)
	Extent of ownership and control index (0-10)
	Extent of corporate transparency index (0-10)
Paying Taxes	Payments (number per year)
	Time (hours per year)
	Total tax and contribution rate (% of profit)
	Post-filing index (0-100)
Trading across Borders	
<i>Time to Export</i>	Documentary compliance (hours)
	Border compliance (hours)
<i>Cost to Export</i>	Documentary compliance (US\$)
	Border compliance (US\$)
<i>Time to Import</i>	Documentary compliance (hours)
	Border compliance (hours)
<i>Cost to Import</i>	Documentary compliance (US\$)
	Border compliance (US\$)
Enforcing Contracts	Time (in days)
	Cost (as a % of claim)
	Quality of judicial processes index (0-18)
Resolving Insolvency	Recovery rate (cents on the dollar)
	Strength of insolvency framework index (0-16)

Source: World Bank DB 2018 report

2.7 Out of the 10 topics, the topic “Trading across Borders” captures the key issues and challenges that the logistics sector faces. DB measures⁶ ease of “trading across borders” (as per DB 2018 methodology) through the following indicators:

- a) Time to comply with documentary requirements for exports and imports (measured separately for exports and imports): Time incurred (in hours) to undertake all documentary compliance for exports and imports as required in the economy of origin and destination. This encompasses all activities such as obtaining, preparing and submitting documents during transport, clearance, inspections, port/border handling etc. All documents required by law and in practice including electronic submissions are covered;
- b) Time to comply with border clearances for exports and imports (measured separately for exports and imports): Time incurred (in hours) to get customs clearances as well as inspections by other government agencies at port/border for exports and imports;
- c) Cost (in USD) incurred for getting the above two compliances (border and documentary compliance) done; measured separately for imports and exports.
- d) Note here that the “time” above includes only the time for undertaking export or import procedures within the port/border area. It does not include time for end-to-end logistics; i.e time for loading/unloading at factory, time for cargo aggregation/disaggregation at multi-modal hub station/ICD’s, internal transport through roads/railways within the hinterland and so on. Similarly, data for “costs” correspond to only such costs that are incurred in documentary and border compliance related activities. Other costs such as tariffs, insurance fee, informal payments for which no receipt is issued are not included.

2.8 Final findings (time and cost data) for all indicators under “trading across border” are shown in the table below.

Table 2: Indicator-wise time and cost data – Trading across borders

Indicator	Delhi	Mumbai	South Asia	OECD: High Income	Overall Best Performer
Time (in hours)					
Export: Border Compliance	125	85	59.4	12.7	0 (17 economies)
Export: Documentary Compliance	21	58	77	2.4	1 (25 economies)
Import: Border Compliance	262	267	113.8	8.7	0 (21 economies)
Import: Documentary Compliance	58	65	104.7	3.5	1 (30 economies)
Cost (in USD)					
Export: Border Compliance	413	348	369.8	149.9	0 (19 economies)
Export: Documentary	90	94	179.5	35.4	0 (19)

⁶ The methodology of DB keeps changing. The paragraphs detailing the methodology of measuring and scope of DB data collection are as per methodology adopted in DB 2018 study released recently.

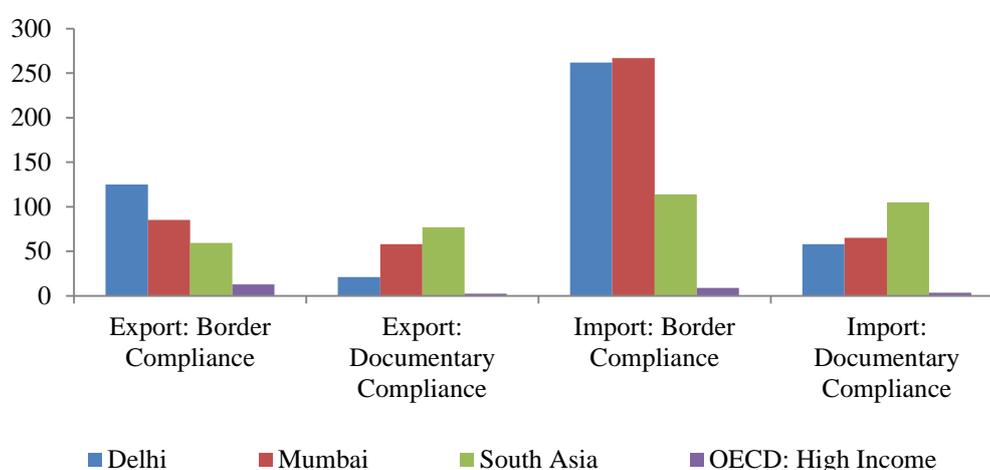
Compliance					economies)
Import: Border Compliance	550	536	638	111.6	0 (27 economies)
Import: Documentary Compliance	140	129	341.6	25.6	0 (30 economies)

Source: DB 2018 report for India

Note: Values for South Asia indicate average data for countries in “South Asia” region such as Sri Lanka, Bangladesh, Bhutan, Pakistan etc. That for OECD means average data for OECD High income countries such as US, New Zealand, Germany, France etc. Data for “Overall Best Performer” shows the best value observed and the number of economies where this value was observed.

2.9 For easy analysis, the above table is presented graphically below. The first graph depicts the indicator-wise time for documentary and border compliance (except the best values).

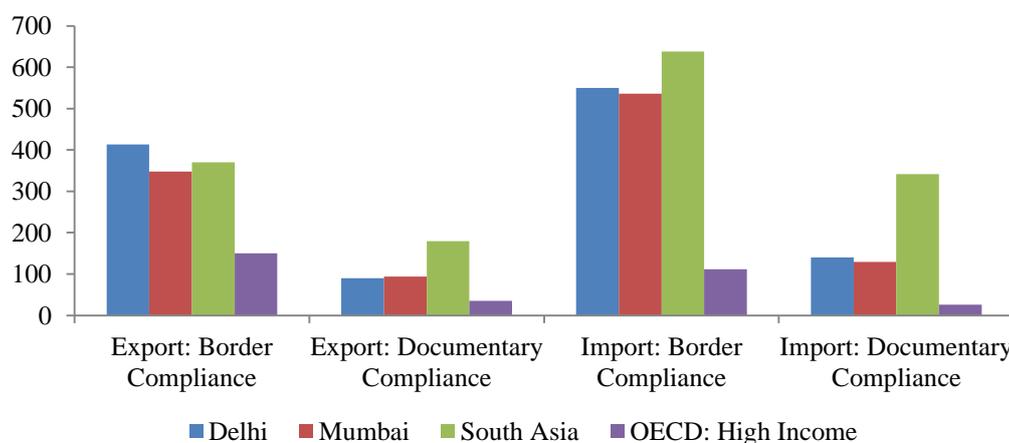
Figure 1: Indicator-wise time (in hours) for “trading across borders” (DB 2018)



Source: DB 2018 report for India

2.10 The second graph shows the indicator-wise cost (in USD) incurred for documentary and border compliance (except the best values).

Figure 2: Indicator-wise cost (in USD) for “trading across borders” (DB 2018)



Source: DB 2018 report for India

2.11 The following key observations are made based on analysis of the DB 2018 data presented above:

- a) Time taken to undertake border and documentary compliance for trade is significantly higher in Delhi and Mumbai as compared to that in OECD: High Income countries.

Respondents reported that it takes about 125 hours (i.e more than 5 days) to undertake border compliance for export in Delhi. This was about 10 times the time taken (12.7 hours or half-a-day) for the same activity in OECD: High Income countries. Similarly, respondents reported that it takes about 262 hours (i.e around 11 days) for import border compliance activities in Delhi. This was more than 30 times higher than that for OECD countries (reported as 8.7 hours);

- b) Data for cost incurred to undertake above compliances shows that trading in Delhi and Mumbai is considerably costlier than that in OECD countries. The cost comparison is particularly contrasting for imports. For instance, for Delhi, it costs around 90 USD to undertake documentary compliance for exports. This was about 2.5 times higher than the average in OECD countries (35.4 USD). However, for imports, respondents reported that documentary compliance costs about 140 USD in Delhi. In contrast, the same for OECD countries was 25.6 USD (i.e 5.5 times lesser than that of Delhi);
- c) Data also showed that, except for some indicators, doing trade is by and large similar to or even slightly more expensive and time taking in India as compared to that in South Asia. Considering that India is the most robust economy in this region, the above findings show that users do not experience a superior trading proposition in India as compared to its average neighborhood;
- d) Interestingly, the above data also shows that differentials exist even between Delhi and Mumbai. For example, the time taken for border compliance activities in exports in Mumbai was reported as 85 hours. The same was reported as 125 hours in Delhi. It may be noted here that values for Mumbai correspond to the Nhava Sheva Port and that for Delhi to Mundra Port (closest port). Similarly, the time taken for documentary compliance in exports in Mumbai was 58 hours while that in Delhi was 21 hours.
- e) Finally, on a cumulative basis (i.e adding up the time for border compliance and documentary compliance), DB findings show that it takes more than 6 days (146 hours on Delhi and 143 hours in Mumbai) to undertake exports in India. For imports, the cumulative time was more than 13 days (320 hours in Delhi and 342 hours in Mumbai).

The cumulative picture presents the state of existing situation that we must address to make trade simpler and faster. The contrast is even more stark when cost and time values of India are compared with the best performing economies (best observed data).

2.12 Above observations clearly show that we need to boost our efforts to reduce time and cost of trade in India. The existing situation is not worthy of an economy like India – which is the world’s fastest growing major economy and which is aspiring to double its trade in the next 3-4 years. Therefore these challenges need priority attention. While the DB report does not specifically identify the key drivers for this, review of the DB India report indicates that procedural complexity (number and multiplicity of procedures

required for trade), multiple documentations and involvement of multiple agencies for approvals and clearances may be the major factors slowing the speed of trade.

2.13 The table below shows that almost 70% of the delays (both in exports and imports across Delhi and Mumbai) are on the account of “Port or border handling processes” which essentially pertain to the multiplicity and complexity of the overall procedures at ports.

Table 3: Activity-wise break-up of time and cost for Delhi and Mumbai

Description	Delhi		Mumbai	
	Time (Hrs)	Costs (USD)	Time (Hrs)	Costs (USD)
Export: Clearance & Inspections required by customs authorities	30%	38%	40%	43%
Export: Port or border handling processes	70%	62%	60%	57%
Import: Clearance & Inspections required by customs authorities	27%	38%	27%	36%
Import: Port or border handling processes	73%	62%	73%	64%

Source: DB 2018 report for India

2.14 As can be noted from the table above, activities that take higher time also cost proportionately higher. And therefore it is reasonable to reason that procedural and documentary complexities that slow down trade also make it more expensive. Another point that aggravates the above situation is that some reforms, that have already been implemented, are not working as effectively as they were intended to. For example, respondents reported that they need to submit 5 documents for exports and 7 for imports. This is when the government has already reduced the number of required documents for exports and imports to three⁷. Put together, the above situation also reflects the overall sub-optimal quality of services currently being offered to trade and hence substantiate the need for more reforms.

2.15 Having summarized the key insights from DB 2018 report, the paragraphs below discuss the findings of World Bank’s Logistics Performance Index (LPI) report. While DB focuses on the larger aspects of doing business of which assessment of logistics is one component, LPI primarily focuses into logistics from the perspective of both international trade (exports and imports) as well as the environment that prevails domestically.

B. World Bank’s Logistics Performance Index (LPI)

2.16 Logistics Performance Index⁸ (LPI) is a benchmarking tool that helps identify the challenges and opportunities in trade logistics space across countries. LPI is based on analysis of responses through a worldwide survey of operators and logistics professionals (global freight forwarders, express carriers etc.) who provide feedback on the logistics “friendliness” of countries. LPI consists of a survey where questions are asked to capture both qualitative and quantitative aspects of logistics environment of the country they operate in as well of countries they trade with. Since LPI comprises of an International LPI and a Domestic LPI, the survey questions are administered in two parts; responses to the

⁷ Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=116935>

⁸ Source of paragraphs explaining about LPI and its methodology: <https://lpi.worldbank.org/> and LPI 2016 report

first part are used to construct the International LPI and responses to the second for Domestic LPI.

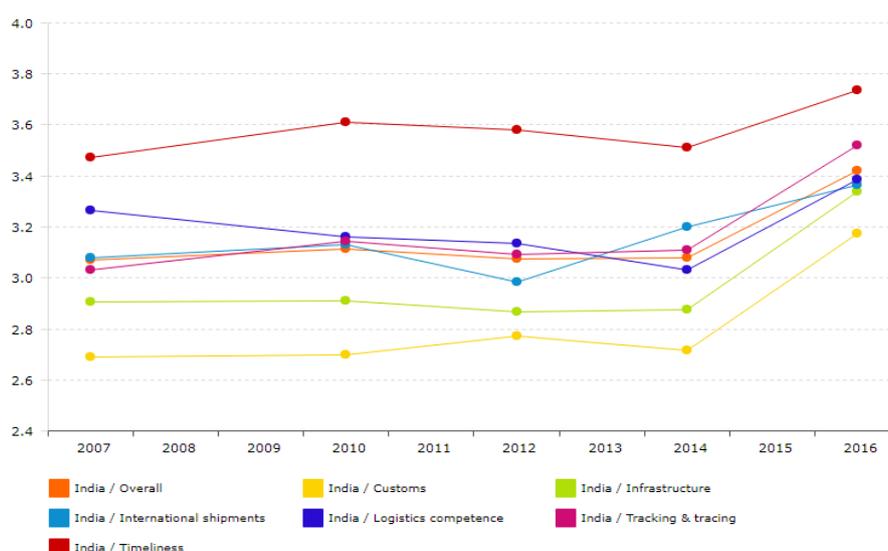
2.17 International LPI analyses relative position of countries on the basis of their performance in six dimensions of trade. Each survey respondent rates eight overseas markets that are chosen at random based on the most important export and import markets of the country where the respondent is located. These survey respondents are trading partners for the country but they work outside the country. For example, if United States is one of the top 3 export partners of India, then professionals based out of United States but who trade primarily with India will be the target respondents for questions related to India's International LPI assessment. The six core dimensions of trade measured in International LPI include (responses on each dimension is asked in the form of a specific question in the survey questionnaire):

- a) efficiency of customs and border management clearance ("Customs"), rated on a scale of very low (1) to very high (5);
- b) quality of trade and transport infrastructure (Infrastructure"), rated on a scale of very low (1) to very high (5);
- c) ease of arranging competitively priced shipments (Ease of arranging shipments"), rated on a scale of very difficult (1) to very easy (5);
- d) competence and quality of logistics services—trucking, forwarding, and customs brokerage ("Quality of logistics services"), rated on a scale of very low (1) to very high (5);
- e) ability to track and trace consignments ("Tracking and tracing"), rated on a scale of very low (1) to very high (5); and
- f) frequency with which shipments reach consignees within scheduled or expected delivery times ("Timeliness"), rated on a scale of hardly ever (1) to almost always (5).

2.18 LPI uses principal component analysis to aggregate response data into a single indicator (weighted average of all 6 dimensions) for cross-country comparisons. The output of this statistical analysis is the International LPI. Countries are ranked on the basis of aggregate score (out of 1 to 5). The higher the score, the better the logistics friendliness of a country and hence higher its rank.

2.19 As per the latest release in 2016, India saw a jump of 19 positions in International LPI (from 54 rank out of 160 countries in 2014 to 35 rank in 2016 out of 160 countries). India's overall LPI score increased from 3.08 in 2014 to 3.42 in 2016 (out of maximum 5 in both years). As can be seen from the graph below, India's scores across all core parameters witnessed maximum increase between 2014 and 2016 after staying nearly stagnant over the period 2007 (when LPI was launched) till 2014.

Figure 3: Trends of scores in International LPI (over 2007-2016)



Source: <https://lpi.worldbank.org/international/scorecard/line/254/C/IND/2014#chartarea>

2.20 Since International LPI benchmarks logistics performance of a country based on feedback of stakeholders who are based outside the country, it is more relevant to understand the feedback of logistics operators and professionals who are based within the country itself. The Domestic LPI component captures this aspect. In the Domestic LPI, the surveyed professionals assess the broader logistics environment prevailing in their own country of operation and provide qualitative and quantitative feedback on the state of the same. Domestic LPI assesses responses under a set of performance parameters that include: a) Level of fees and charges across various transport modes and logistics services; b) Quality of trade and transport related infrastructure; c) Key sources of delays and bottlenecks in the logistics supply chain and d) efficiency of logistics processes.

2.21 The table below presents responses of respondents (who operate out of India) on select logistics performance parameters for India. The table also presents a comparison of India's performance with Germany (rank 1 in LPI 2016), OECD: High income countries (average representative of this group) and South Asia region. Please note that findings only for a select set of indicators been presented.

Table 3: Domestic LPI: India's performance on some key LPI parameters vis-à-vis select countries and regions (2016)

Description	India	Germany	OECD: High Income	Region: South Asia
Level of Fees and Charges- Based on your experience in international logistics, please select the option that best describes the operational logistics environment in your country of work. Percent of respondents answering high/very high				
Port charges	62.50%	47.37%	43.10%	48.90%
Airport charges	52.08%	57.89%	43.04%	32.80%
Road transport rates	47.92%	32.56%	32.63%	42.17%
Rail transport rates	36.96%	35.14%	48.70%	17.61%
Warehousing/transloading charges	31.91%	30.23%	35.25%	34.32%
Agent fees	20.83%	21.95%	15.68%	23.67%

Sources of major delays: How often in your country of work do you experience. Percent of respondents answering often or nearly always				
Compulsory warehousing/transloading	28.26%	0%	1.79%	20.08%
Pre-shipment inspection	27.66%	5.26%	3.48%	21.40%
Maritime transshipment	36.17%	0%	6.90%	27.68%
Criminal activities (e.g., stolen cargo)	8.51%	2.44%	1.19%	21.82%
Solicitation of informal payments	31.91%	5%	2.63%	39.73%
Evaluate the efficiency of the following processes in your country of work: Percent of respondents answering often or nearly always				
Clearance and delivery of imports	72.92%	87.80%	94.08%	64.01%
Clearance and delivery of exports	81.25%	87.80%	96.37%	85.25%
Transparency of customs clearance	60.42%	82.93%	92.96%	35.50%
Transparency of other border agencies	50%	67.50%	87.85%	35.14%
Provision of adequate and timely information on regulatory changes	64.58%	65.85%	78.87%	46.35%
Expedited customs clearance for traders with high compliance levels	62.50%	67.50%	79.27%	45.65%
Since 2013, have the following factors improved or worsened in your country of work: Percent of respondents answering improved or much improved				
Customs clearance procedures	68.09%	43.90%	66.74%	68.32%
Other official clearance procedures	53.33%	30.00%	57.99%	45.18%
Trade and transport infrastructure	60%	31.71%	59.28%	54.07%
Telecommunications and IT infrastructure	80.85%	65.85%	75.12%	81.73%
Private logistics services	65.96%	68.29%	64.56%	76.34%
Regulation related to logistics	57.45%	21.95%	25.14%	45.50%
Solicitation of informal payments	43%	19.51%	33.23%	47.71%

Source: LPI 2016 assessment, https://lpi.worldbank.org/domestic/environment_institutions

Note: Values for South Asia means average data for countries such as Sri Lanka, Bangladesh, Bhutan, Pakistan etc. included in "South Asia" and that for OECD means average data for OECD High income countries such as US, New Zealand, Germany, France etc.

2.22 The following key observations can be made based on analysis of the data presented above:

- a) Regarding level of fees and charges, more than half of all respondents reported that the charges for key transport modes – ports & roads are high/very high in India. For port sector in particular, more than 62% of respondents said that port charges in India are high/very high. In contrast, about 47% respondents stated the same for Germany, 43% for OECD: High Income countries and 49% for South Asia;
- b) For railways, about 37% respondents in India stated that rail tariffs are high/very high. Lesser number of respondents felt the same for OECD countries but higher for South Asia. In any case, these responses point out a need to optimize the cost of transport and logistics across modes;
- c) On the assessment related to sources of major delays, comparison of the % of respondents citing this aspect as a challenge is much higher for India than that

for Germany and OECD group. This observation implies that larger number of respondents in India cite delays in trade and logistics as a major issue. This observation is largely consistent with the observations made in DB project as well;

- d) More than 50% of respondents state that the levels of transparency in clearance of customs and other border agencies are much lower in India. The number for India is higher as compared to that for Germany or OECD. Around 65% respondents in India also stated that adequacy and timeliness of sharing of information related to regulatory changes is a major concern. Though various government agencies have operationalized online single window clearance systems and are pushing for greater digital governance to enhance transparency and promote faster sharing of information, more needs to be done;
- e) Finally, findings also suggest that several components in the overall logistics ecosystem are improving since 2013. For example, more than 80% respondents indicated that Telecom and IT infrastructure in logistics has improved/much improved. Similarly, about 60% respondents stated that trade and transport infrastructure is also improved since 2013. These aspects highlight some important areas where the efforts of the government have worked satisfactorily.

2.23 On an overall basis, assessments under International LPI benchmarks India's performance in core logistics areas and Domestic LPI provides crucial guidance on key issues and challenges that trade logistics sector faces. Similar to DB, the LPI assessments also do not specifically identify underlying reasons driving the issues and challenges within logistics space. However, analysis of the findings suggest that high charges/tariffs for transport, major delays in trade, inadequate transparency in clearance procedures and lack of timely access to regulatory information are some major concerns that logistics industry faces on a day-to-day basis.

2.24 Having said that, both studies (DB and LPI) mainly focus on issues related to one aspect of the logistics value chain – which is trade (exports and imports). From that perspective, both these studies provide an incomplete and an inadequate view of the overall logistics situation in the country. Therefore benchmarking the performance of other elements of the overall value chain is equally critical, if not more. These segments include activities such as loading/unloading at factory, cargo aggregation/disaggregation at multi-modal hubs/ICD's, challenges faced in transportation through roads/railways, issues such as inter-state border checks, lack of timely availability of railway rolling stock, last-mile connectivity issues and so on.

C. Summary of key issues and challenges

2.25 Based on the review and analysis discussed in paragraphs above, the following points briefly summarize the key issues and challenges that the studies point out:

- a) *First*, on a cumulative basis (i.e adding up the time for border compliance and documentary compliance), DB findings show that it takes more than 6 days to export in India. For imports, the cumulative time was more than 13 days. Speed of trade in India clearly continues to be significantly slow and hence is a challenge that needs priority attention;
- b) *Second*, almost 70% of the delays (both in exports and imports across Delhi and Mumbai) are on the account of “Port or border handling processes” which

essentially pertain to procedural complexity (number and multiplicity of procedures required for trade), multiple documentations and involvement of multiple agencies for approvals and clearances. While the government has already reduced procedural and documentation requirements considerably, increasing digitalization and seamlessly integrating multiple agencies onto a single digital platform can reduce these procedural inefficiencies significantly and improve user experience substantially;

- c) *Third*, time delays and procedural inefficiencies end up pushing cost to trade. Besides these, higher levels of tariffs/charges of various transport also push up the overall cost to trade;
- d) *Fourth*, inadequate transparency in clearance procedures and lack of timely access to regulatory information are major concerns that logistics industry faces on a day-to-day basis. Though various government agencies have operationalized online single window clearance systems and are pushing for greater digital governance to enhance transparency and promote faster sharing of information, more needs to be done. The case for setting up an integrated digital framework may be considered to address the above concerns;
- e) *Last*, both studies (DB and LPI) focus only on assessments related to the last leg of logistics value chain i.e trade (exports and imports). From that perspective, they provide an incomplete and an inadequate view of the logistics situation in the country. Currently, no other study benchmarks the performance of segments across the entire logistics value chain such as time and cost for loading/unloading at factory, cargo aggregation/disaggregation at multi-modal hubs/ICD's, challenges faced in transportation through roads/railways, issues such as inter-state border checks, lack of timely availability of railway rolling stock, last-mile connectivity issues and so on.

In this regard, there is a clear need for an initiative that comprehensively assesses the entire logistics situation and identifies the specific pain points that users face on a day-to-day basis. This is critical as such an analysis will help policy makers design a holistic and an integrated solution (which may involve actions to be taken by multiple agencies such as roads, railways, customs, ports, states etc.) to create a smooth seamless environment for logistics users from the point of origin to the point of destination.

2.26 Keeping in mind the above, the next chapter proposes a framework to address the challenges above and create grounds for making logistics in the country simple, efficient and less costly.

3. Policy recommendations: Proposed Framework for holistic development of logistics sector

3.1 The paragraphs below outline a high level framework to put logistics development into the center stage and create grounds for significantly enhancing “*ease of doing trade*”. The framework recognizes that several reforms have been implemented in this direction and that several others are in the process of being implemented. Some policy initiatives taken recently are summarized below for easy reference:

- a) Creation of a high level institutional structure for logistics sector governance: The Union government recently constituted a National Committee on Trade Facilitation (NCTF)⁹ under the chairmanship of the Cabinet Secretary. This committee is tasked to develop a pan-India road map for trade facilitation. The committee comprises of Secretaries from multiple line ministries such as Revenue, Commerce, Agriculture, Road Transport, Ports etc., senior officials from relevant agencies such as Director General Foreign Trade and representatives from trade associations such as Confederation of Indian Industries (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and Federation of Indian Export Organizations (FIEO). The NCTF has set up 4 working groups to study issues under the following: i) Infrastructure, ii) Legal Issues, iii) Outreach and iv) Time release study. The groups are expected to finalize their reports in the due course;
- b) Creation of a new “Logistics Division”: The government has also set up a “Logistics Division” under the administrative control of Department of Commerce. The division is headed by a senior official of the rank of the Secretary to the Government. The logistics division will act as a project management agency that will facilitate implementation of the common action plan and that will also co-ordinate inter-departmental and inter-governmental issues. The division will also work towards identifying gaps and bottlenecks, improving existing procedures and introducing use of technology in logistics sector;
- c) Mid Term review (December 2017) of Foreign Trade Policy 2015-2020¹⁰: The recently announced mid-term review of the Foreign Trade Policy 2015-2020 articulates a focus on “ease of trading across borders”. The following proposals of the trade policy in this regard are noteworthy i) Introducing a new trust based self-ratification scheme to allow duty free inputs for export production with self-declaration. This scheme will target reducing the time and cost to trade significantly; ii) Launching a Contact@DGFT – a single window service for complaint resolution for exporters and importers; iii) Setting up a team of professionals to hand-hold, assist and support exporters for trade related activities. This team will also examine the process and procedures related to trade clearances and suggest solutions to simplify and rationalize them and track implementation;
- d) National Trade Facilitation Action Plan 2017-2020¹¹: The Central Board of Excise and Customs (CBEC) has recently come out with a National Trade Facilitation Action Plan. This plan identifies 76 trade facilitation measures to be implemented within 3 years. In particular, this plan aims to bring down overall cargo release time from Indian Ports to 3 days from imports and 2 days for exports and reach a paperless regulatory regime in trade to help India reach top 50 position in DB in the next 3-5 years.

3.2 Taking into account the developments above, the proposed framework essentially comprises three actions. These actions attempt to leverage ongoing policy initiatives of the government and help convergence into one consolidate platform to enhance their efficacy

⁹ Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=148862>

¹⁰ Source: Highlights of Mid –Term review of the Foreign Policy 2015-2020

¹¹ Source: <http://www.cbec.gov.in/resources/htdocs-cbec/implmntin-trade-facilitation/national-trade-facilitation.pdf;jsessionid=37182CACF6B54E60AD9F1DF5DE1FCEC9>

and efficiency. The three actions are introduced below followed by details in the subsequent paragraphs.

- a) Develop an integrated logistics policy: To consolidate and streamline multi-departmental initiatives. This policy should set the overall development vision and outcomes for this sector, create an governance and institutional structure for implementation of initiatives and address issues such as monitoring outcomes, proposing interventions, addressing grievances etc;
- b) Create an integrated digital platform for trade (National Portal for Trade Facilitation): Create a single window digital platform that links all trade stakeholders and facilitates executing multi-disciplinary regulatory functions. This would not only reduce delays significantly but will also improve transparency, access to information and overall user experience substantially;
- c) Create a tool for periodic benchmarking of logistics sector performance: To benchmark logistics performance and to incentivize all stakeholders to constantly strive for easing regulatory environment. This will help policy makers identify what needs to be done to create a smooth seamless environment for logistics users.

A. Integrated Logistics Policy: For Ease of Administration and to consolidate and streamline multi-departmental policy initiatives

3.3 Bulk of the delays in exports and imports are on account of “Port or border handling processes”. These are mainly due to multiplicity and complexity of overall regulatory procedures at ports. Stakeholders routinely interact with multiple agencies such as port authorities, customs, shipping lines, other government agencies (Food Safety and Standards Authority of India (FSSAI), Asstt. Drug Controller (ADC)) etc. This ends up increasing the number of interactions with regulatory agencies as well as the documentary requirements.

3.4 Echoing the above concern, Jayanta Roy (ex Economic Advisor in the Ministry of Commerce) wrote in a recent article¹², “*Our first priority should be to reduce the massive trade transaction costs that are plaguing the Indian economy. Paper work and signatures required to undertake trade defy all logic..... First, we have a complex set of documents required for export clearance from 29 different government agencies, requiring 257 signatures. Hence, several days are lost before goods reach ports and airports. Second, after this paper chase, the exporter/importer has to wait for days to ship cargo from airports and ports. Typical cargo dwell time at airports is about two days, against an international norm of about 12 hours. For containerised sea freight, the cargo dwell time for imports is over a week, compared with the global norm of a few hours*”.

3.5 From the perspective of government, the fact that clearing agencies are administratively governed by multiple ministries complicates the situation. For example, while port authorities are administratively governed by the Department of Ports & Shipping, customs is part of the Ministry of Finance. Most of the other government agencies such as FSSAI, ADC etc. are also controlled by different line ministries. If one takes a broader view, then ministries such as Ministry of Railways, Ministry of Road

¹² Source: http://www.business-standard.com/article/opinion/jayanta-roy-time-for-north-block-to-think-big-115122600625_1.html

Transport & Highways and even multiple state governments also have a critical role in the overall situation.

3.6 Hence it is imperative that an integrated policy is considered. This policy should target bringing together multiple departments in the Union government and even multiple levels of government (state, urban local bodies etc.), thereby facilitating a unified approach towards addressing issues and challenges. The NCTF and Logistics Division can provide the desired governance and institutional base to implement this. Leveraging the key developments discussed earlier, it is suggested that an Integrated Logistics Policy may cover the following essentials:

- a) Outline the overall vision and target for the logistics sector in the country;
- b) Create framework for an integrated infrastructure planning for seamless logistics movement. This planning may cover elements such as multi-modal transport linkages - rail/road/waterway/air links, warehousing, logistics parks, value add services, tracking and tracing of cargo etc;
- c) Unified regulatory framework with clear department-wise outcomes for simplifying procedures, increasing trade speed and reducing logistics costs;
- d) Facilitate standardization of processes, documentation requirements, timelines etc.;
- e) Push simplification of documentation requirements, faster review and clearances and increased use of technology across the logistics value chain;
- f) Create a framework for facilitating inter-departmental and inter-governmental co-ordination including frequency of meetings, timelines for decision making, unified grievance redress mechanisms etc.;
- g) Mechanism for regular feedback and interactions with industry, private stakeholders and trade customers.

B. Create an integrated digital platform for trade

3.7 Both DB project and LPI assessments show that delay in trade is a significant concern. Independent assessments indicate that a major portion of these delays are on account of interactions with multiple regulatory agencies as well as lack of a seamless integrated digital platform that links customers with all regulatory agencies together.

3.8 The table below shows that, at present, different stakeholders in trade use different digital platforms/systems. Most of these platforms do not have interfaces and data exchange protocols with each other. As a result, each stakeholder continues to use its own platform forcing trade to not only access multiple windows but also multiple exchanges of documents. This also affects the levels of transparency in clearances and access to regulatory information.

Table 4: Digital platforms used by trade stakeholders (indicative list)

Stakeholders	Platforms
Ports	Port Community System (PCS)
Customs	SWIFT, ICEGATE
Port Terminals	Terminal Operating Systems: Navis, CITOS
Importers/Exporters/CHA's	ODeX, Visual IMPEX
CFS/ICDs	CODEX, RFID technology
Shipping Lines	Intra, etc

Source: Information obtained from a recent research study on Indian logistics sector

3.9 To address the above challenges, it is suggested to create an integrated digital platform that links all trade stakeholders and facilitates executing multi-disciplinary functions. This would not only reduce delays significantly but will also improve transparency, access to information and overall user experience substantially.

3.10 The Department of Industrial Policy & Promotion (DIPP) had recently initiated a study to examine feasibility of creating such integrated platform. The Mid Term Review of the Foreign Policy also mentions that a “National Logistics Information Portal” which will act as a common e-marketplace for all stakeholders is being examined.

3.11 It is therefore suggested that all such efforts be consolidated and an Integrated Digital Portal (say “National Portal for Trade Facilitation”) be setup in a time-bound manner. The Logistics Division may be requested to facilitate implementation of this portal under the overall supervision of NCTF. A timeline of 6-8 months be agreed for rolling out pilot version. The following functionalities may be considered while finalizing the overall design of such portal:

- Overall Objective: Target integrating all trade and logistics stakeholders, functionalities and applications in a manner that trade processes be digitalized as far as practicable;
- Number of trade documents be rationalized and the requirement of submission of physical copies of these documents be reduced with an intent to do-away physical submissions over a period of time;
- Target integrating all stakeholders particularly all Government Agencies that process trade related clearances;
- Target extending multiple functionalities such as exchange of information, document submissions, processing approvals, receiving payments etc.
- Leverage efforts invested in creating existing systems such as SWIFT, PCS etc.
- Ensure security and confidentiality of data;
- Compatible with future upgrades/adaptations;
- Compatible with digital signatures and e-verifications;
- Provide for 24x7 operational capabilities;
- Uniform messages and standardised formats for documentation requirements;
- Enable transmission to multiple parties at the same time.

C. Benchmarking logistics performance

3.12 DB and LPI assess limited elements of the entire logistics value chain. Currently, no mechanisms benchmark critical parameters such as time and cost for loading/unloading at factory, cargo aggregation/disaggregation at multi-modal hubs/ICD’s, challenges faced in transportation through roads/railways, inter-state border checks, timely availability of railway rolling stock, last-mile connectivity and so on.

3.13 There is a clear need for an initiative that comprehensively assesses the entire logistics value chain and identifies the specific pain points that users face on a day-to-day basis. This is critical as such an analysis is needed to identify the key bottlenecks and hence policy interventions (which may involve actions to be taken by multiple agencies of the Union as well State governments) for creating seamless logistics environment from the point of origin to the point of destination.

3.14 It is important to mention here that to improve Doing Business, DIPP prepared a Business Reforms Action Plan that has more than 400 reforms spread across various areas. It also set up a real time online portal that ranks states on the basis of implementation of these reforms. Infact, this portal created a competitive push between states and incentivized each of them to go for time-bound implementation of reforms thereby helping the entire country improve its doing business scenario.

3.15 The Department of Commerce has also instituted a study to formulate a preliminary State-level Logistics Performance Indicators. The study intends to develop a framework for benchmarking logistics performance across states. There are plans to take support of World Bank LPI team at a later stage to expand this concept and make it more comprehensive.

3.16 It is suggested that the above much needed efforts be expedited. The table below presents some indicative parameters that may be considered while finalizing the above state-level performance benchmarking framework. It is further suggested that the government may consider designing the benchmarking framework in a manner that data/information related to the following aspects are captured: a) perception of users about the quality of various pieces that make the end-to-end logistics of cargo (from point of origin to point of destination); b) Outcomes/Quantifiable parameters. Such a framework (combination of perceptions and hard-core data) will facilitate clear identification of problem, something necessary for designing the policy response. Note again that the table below is not exhaustive and aims to illustrate conceptual areas relevant for the benchmarking exercise.

Table 5: Suggested parameters for devising state-level logistics performance benchmarking framework (indicative suggestions)

A	Perception based considerations
1	Quality of Physical Infrastructure (Assessment of the quality of physical infrastructure and gaps across the logistics value chain)
1.1	Road Transportation
1.2	Rail
1.3	Multi-modal links
1.4	Warehousing/Storage
2	Quality of Logistics Services (Assessment of the quality and ease of access to logistics services available within a state/point of origin)
2.1	Loading/Unloading/Packing etc. of cargo
2.2	Multi-modal linkages
2.3	Access to get third party agents / service providers
2.4	Quality of services provided by third party agents/service providers
3	Ease of compliance with regulations (Assessment of the Ease of compliance with regulations)
3.1	Clarity of regulatory requirements
3.2	Transparency in changes/updates to regulations
3.3	Inter-State Border Checks
3.4	Inspection/Quality check related, wherever applicable
3.5	Taxation related (GST and any other if applicable)
4	Automation/Digitization (Assessment of the levels of automation/digitization)
4.1	Interactions with government agencies

4.2	Filing documents for regulatory clearances
4.3	Payment of fees and charges
4.4	Real time tracking and tracing of cargo
5	Law and Order (Assessment of the levels of safety in cargo transportation. Aspects such as theft, pilferage, presence of illegal groups such as mafia etc.)
B	Quantitative considerations
1	Total Logistics Cost
1.1	Transportation
1.2	Warehousing/Storage
1.3	Value Add Services (including cost of third party service providers)
1.4	Regulatory compliance
2	Time
2.1	Speed of cargo movement within state as a broader proxy to speed outcome (indicative ratio of total distance travelled in a state to the time taken to cover that distance)
2.2	Time to undertake regulatory compliance (in hours)
2.3	Time at inter-state borders
3	Documentation related
3.1	No. of documents required from end to end (point of origin to point of Destination)

3.17 It is also suggested that, along the lines of Ease of Doing Business ranking Portal of States, Department of Commerce also considers creating an online portal for ranking states based on logistics outcomes. The department may evolve a methodology that can include giving appropriate weightage to reforms implemented by states. This online portal can also serve as a platform for real time monitoring of logistics performance outcomes and track improvements at regular intervals.

4. Conclusion

4.1 The need and urgency for developing logistics sector in India cannot be underestimated. Logistics sector not only accounts for a significant share of our national economy¹³, but it also is one of most important sources of employment and jobs. Besides this, the state of logistics also significantly impacts our trade competitiveness. It is therefore not a surprise that addressing the sectoral deficits is highest priority for the government.

4.2 Over the last 3 years, a range of policy initiatives have been implemented to address both the hardware and software deficits in this space. The results of which are evident in our ranking improvements under DB project and LPI. Several other initiatives are in the pipeline as has been described earlier. Despite these efforts, studies show that logistics sector continues to face challenges. It took more than 6 days to export and more than 13 days to import. Information in the secondary domain suggests that the overall logistics cost in India is in the range of 15% – 16% (of the total consignment value). This cost is high as compared to the same in developed countries (around 10%). These issues reduce our trade competitiveness and directly impact our potential to export.

¹³ As per recent estimates, Logistics sector contributes to more than 13% of India's GDP and employs more than 22 million.

4.3 Clearly, while the government is taking all the right reform measures, the involvement of multiple departments and agencies is somewhere limiting the efficacy of these reforms. And therefore there is a need to have a framework that consolidates all these initiatives and facilitates taking a holistic integrated view of logistics space. The proposed framework comprises three broad policy actions. First relates to converging multi-departmental actions into an integrated logistics policy. Second relates to creation of an integrated digital platform to facilitate paperless environment across the logistics value chain. Third relates to creating a mechanism for periodic diagnostics and benchmarking of sectoral outputs.

4.4 Besides the above specific measures, another important aspect that will boost development of logistics sector is Goods and Services Tax (GST). Besides reducing complexities generated by multitude of indirect taxes that slowed trade, GST is also expected to benefit logistics sector in the following important ways: a) facilitating faster conversion of informal logistics setups to formal setups and b) increasing speed of movement of freight at inter-state borders due to dismantling of check posts. From this perspective, GST is also a major strategic lever that will boost (as it plays out) efforts to enhance efficiency of logistics sector.

4.5 To sum up, while a lot of initiatives have already been identified, the need is to take a step back and institute a framework that facilitates convergence and integration of these initiatives. This integration is needed to ensure that the reforms deliver results they intend to and that too within a short time frame. This is also a must to realize the ambitious target articulated by the Hon'ble Prime Minister – to achieve top 50 rank in DB in the next 3-5 years.