



# KAZAKHSTAN



## Logistics Performance – Kazakhstan and Central Asia

### SUPPLY CHAIN CHALLENGES FOR NATIONAL COMPETITIVENESS

#### Round Table

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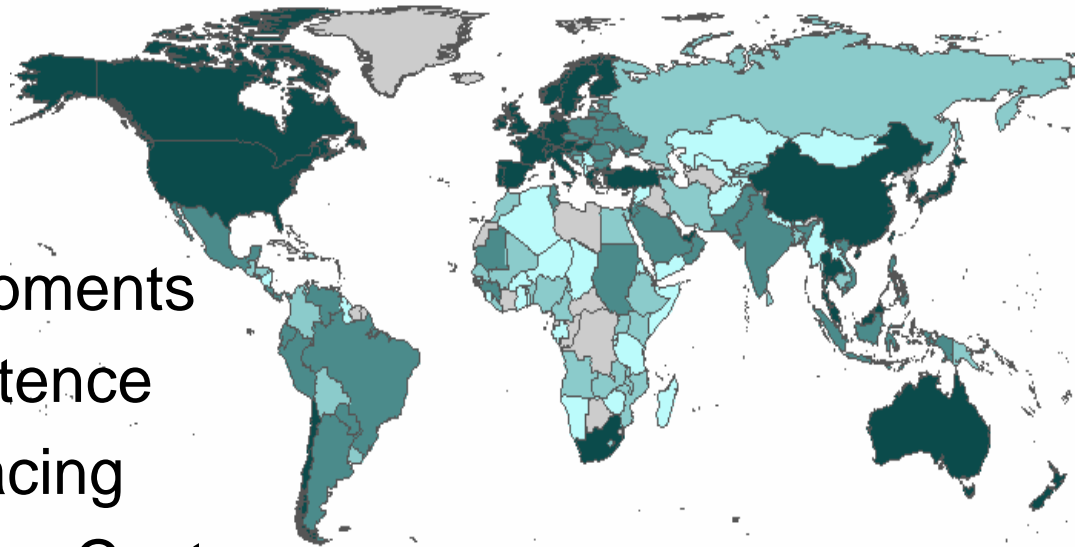
Geneva, Switzerland  
2 December 2009



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## Logistics Performance Index (LPI) 2007 Evaluates 150 countries by 7 parameters with 5-point scale

- Customs
- Infrastructure
- International Shipments
- Logistics Competence
- Tracking and Tracing
- Domestic Logistics Costs
- Timelines





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## Logistics Performance Index (LPI) 2007 Central Asia is at the bottom

| Rank       | Country           | LPI         | Customs     | Infrastructure | International shipments | Logistics competence | Tracking & tracing | Domestic logistics costs | Timelines   |
|------------|-------------------|-------------|-------------|----------------|-------------------------|----------------------|--------------------|--------------------------|-------------|
| 30         | China             | 3.32        | 2.99        | 3.2            | 3.31                    | 3.4                  | 3.37               | 2.97                     | 3.68        |
| 103        | Kyrgyzstan        | 2.35        | 2.2         | 2.06           | 2.35                    | 2.35                 | 2.38               | 2.8                      | 2.76        |
| 129        | Uzbekistan        | 2.16        | 1.94        | 2              | 2.07                    | 2.15                 | 2.08               | 2.91                     | 2.73        |
| <b>133</b> | <b>Kazakhstan</b> | <b>2.12</b> | <b>1.91</b> | <b>1.86</b>    | <b>2.1</b>              | <b>2.05</b>          | <b>2.19</b>        | <b>2.81</b>              | <b>2.65</b> |
| 146        | Tajikistan        | 1.93        | 1.91        | 2              | 2                       | 1.9                  | 1.67               | 2.33                     | 2.11        |
| 150        | Afghanistan       | 1.21        | 1.3         | 1.1            | 1.22                    | 1.25                 | 1                  | 3.13                     | 1.38        |



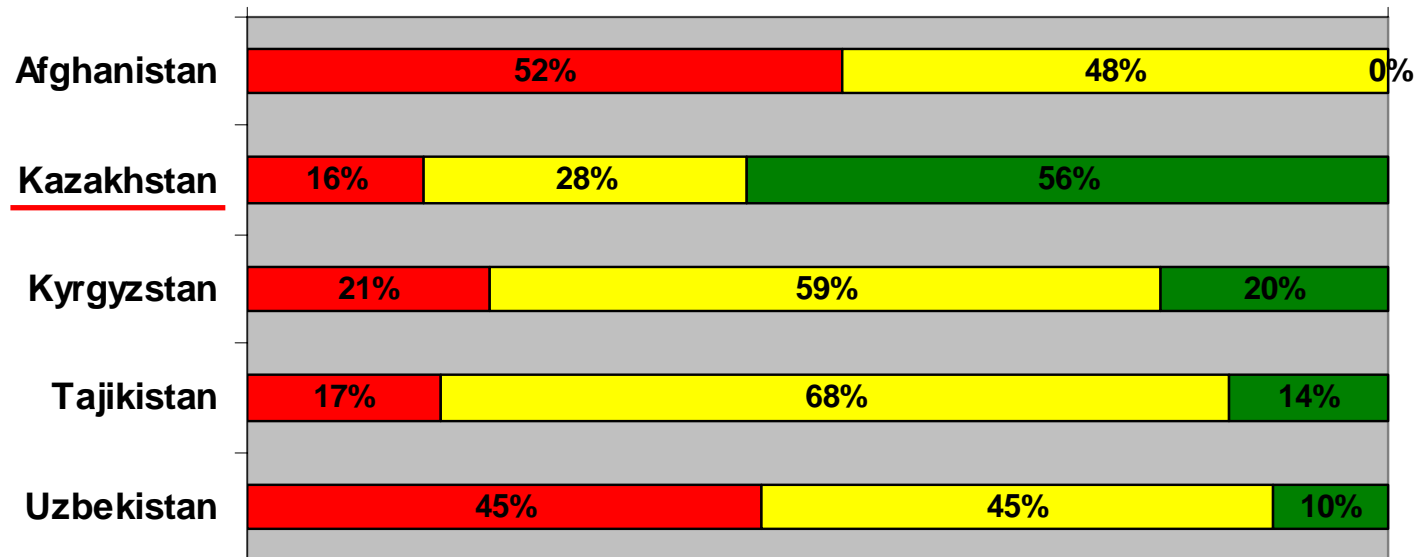
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## Logistics Performance Index (LPI) - 2009

Changes from previous study

Preliminary data

### Customs control procedures



■ Got Worse    ■ About the same    ■ Improved



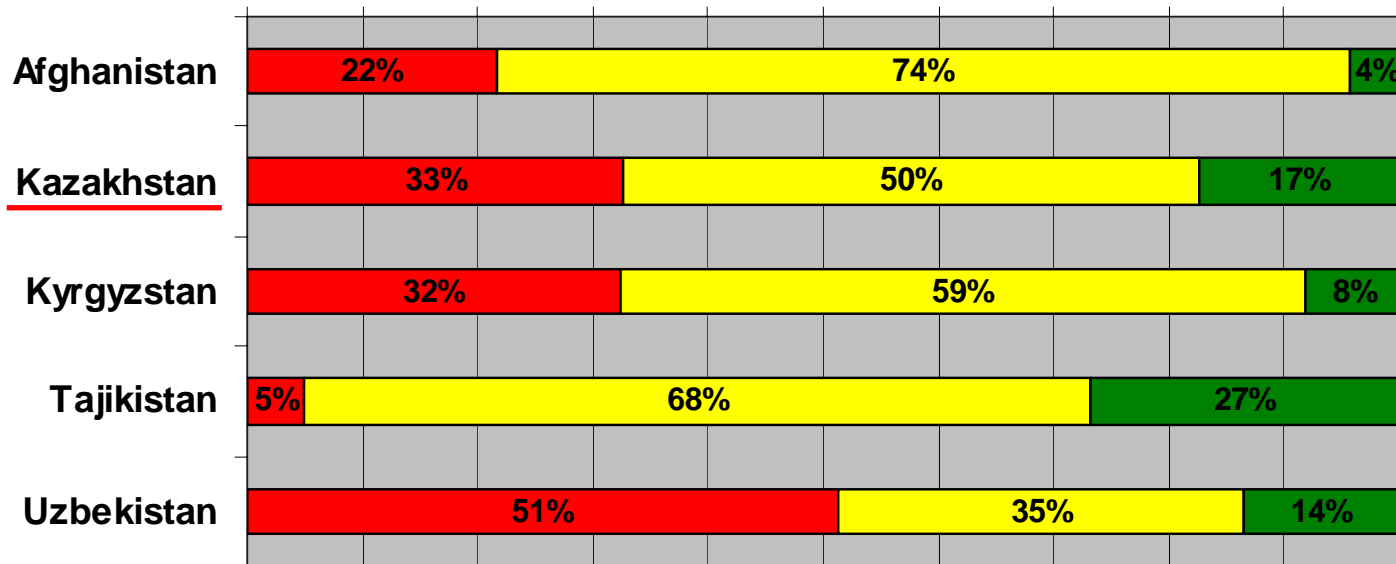
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## Logistics Performance Index (LPI) - 2009

Changes from previous study

Preliminary data

### Other control procedures at the borders



■ Got Worse    ■ About the same    ■ Improved

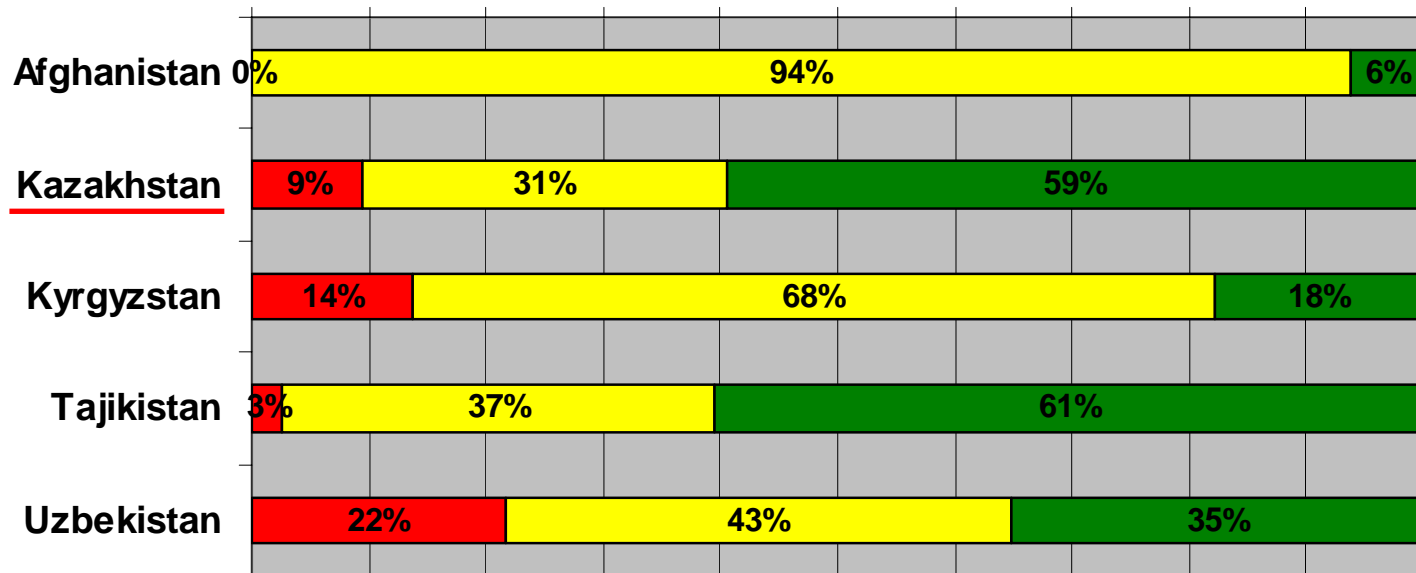


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## Logistics Performance Index (LPI) - 2009

Changes from previous study  
Preliminary data

### Logistics Infrastructure



■ Got Worse    ■ About the same    ■ Improved



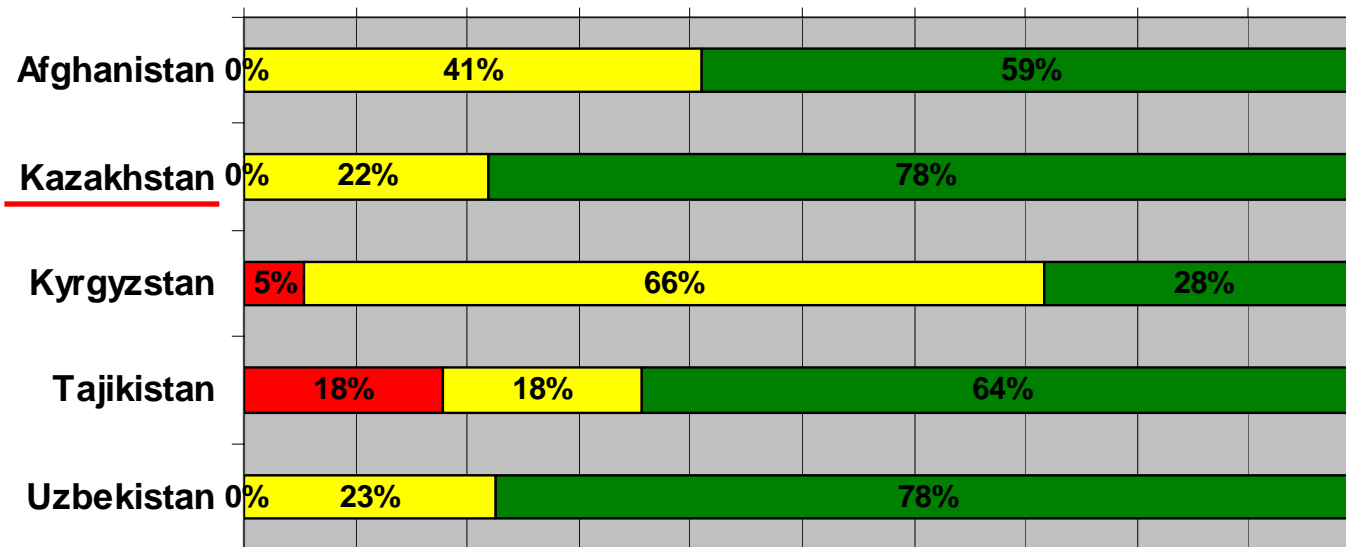
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## Logistics Performance Index (LPI) - 2009

Changes from previous study

Preliminary data

### Telecommunications / IT Infrastructure



■ Got Worse    ■ About the same    ■ Improved



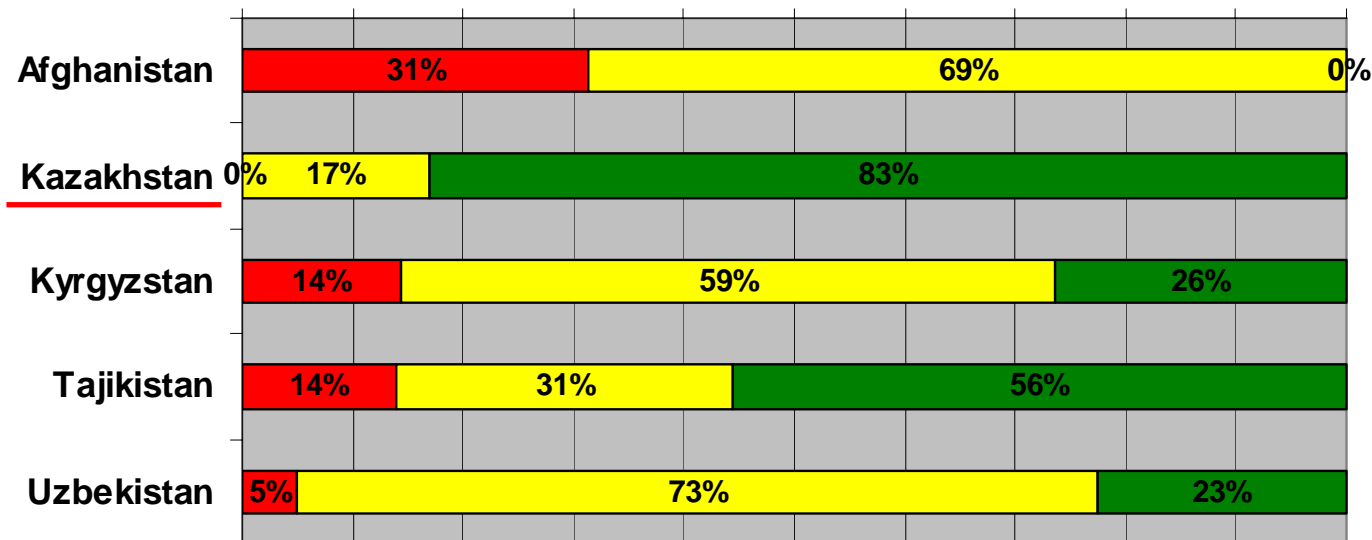
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## Logistics Performance Index (LPI) - 2009

Changes from previous study

Preliminary data

Quality and availability of logistics services



■ Got Worse    ■ About the same    ■ Improved



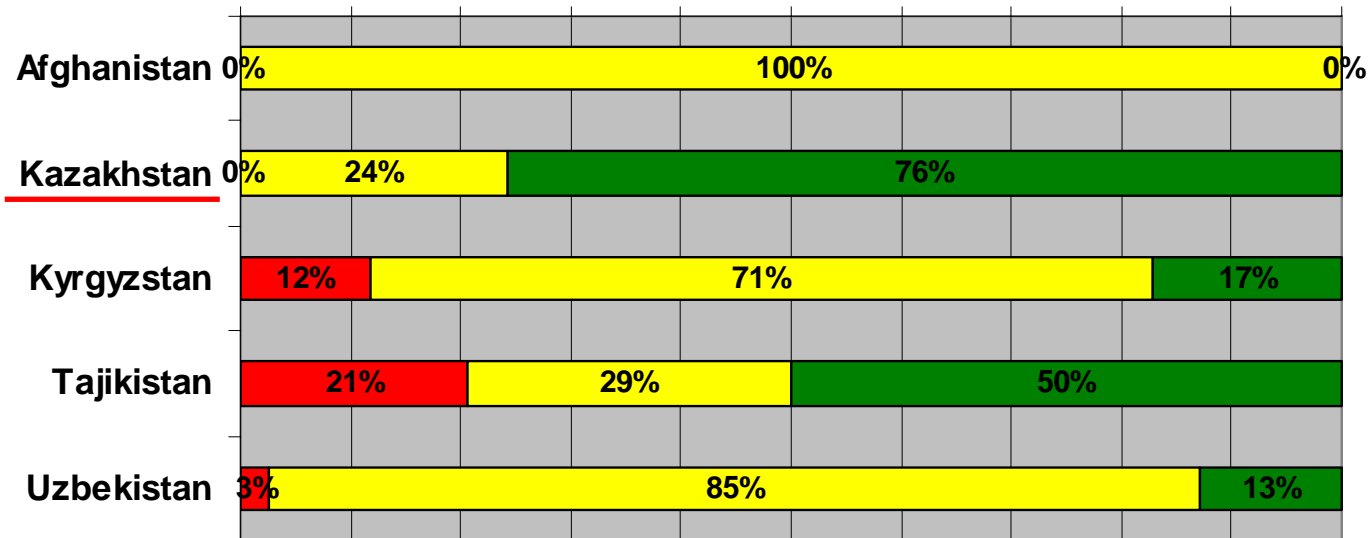
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## Logistics Performance Index (LPI) - 2009

Changes from previous study

Preliminary data

### Logistics legislation



■ Got Worse    ■ About the same    ■ Improved



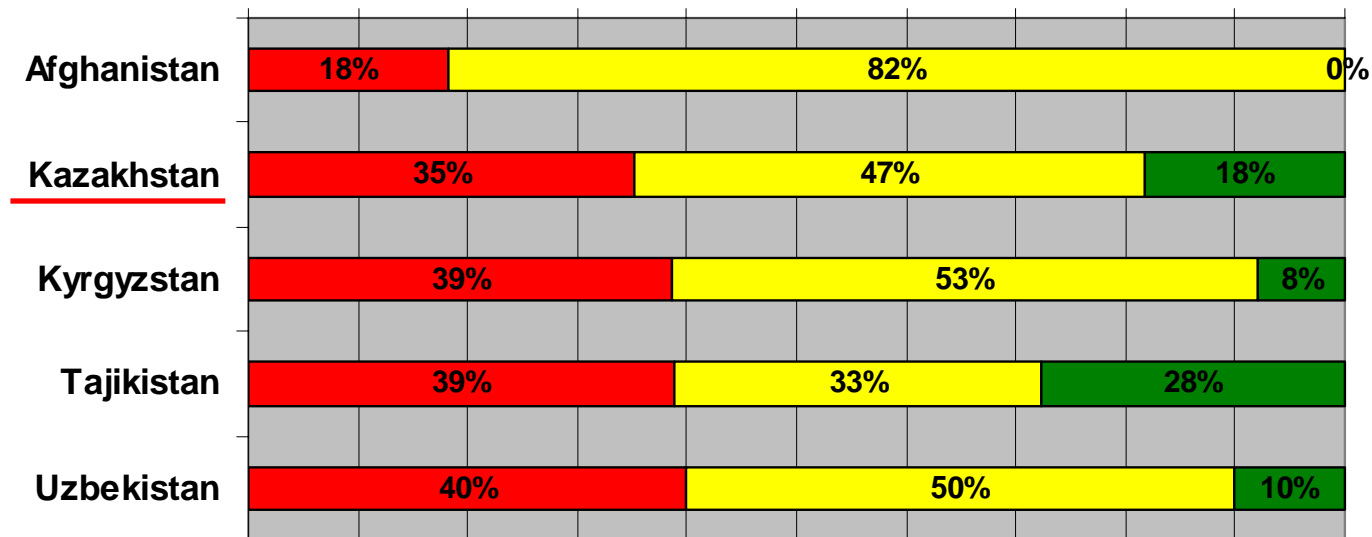
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## Logistics Performance Index (LPI) - 2009

Changes from previous study

Preliminary data

### Corruption in logistics



■ Got Worse    ■ About the same    ■ Improved



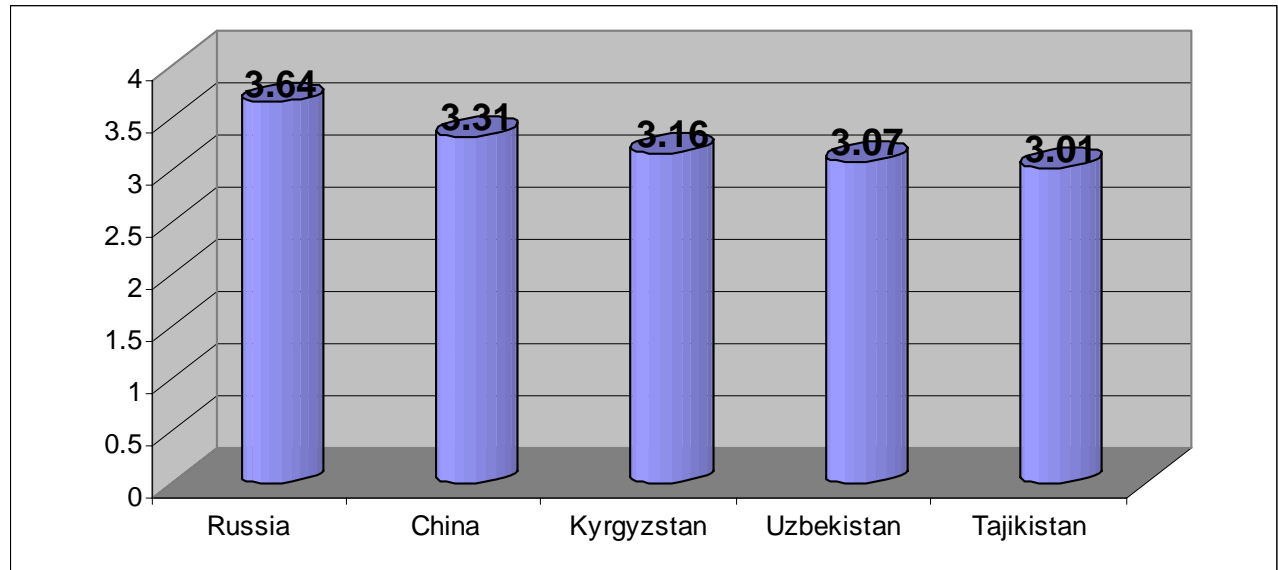
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## Logistics Performance Index - 2009

### Ranking of neighbors by Kazakh freight forwarders\*

| Country    | Clearance (customs and other) | Competitive pricing | Quality of logistics services | Tracking and tracing | Delivery on time | Average score |
|------------|-------------------------------|---------------------|-------------------------------|----------------------|------------------|---------------|
| Russia     | 3.98                          | 2.59                | 3.52                          | 3.86                 | 4.27             | <b>3.64</b>   |
| China      | 3.21                          | 3.33                | 3.25                          | 3.31                 | 3.44             | <b>3.31</b>   |
| Kyrgyzstan | 2.63                          | 2.94                | 2.72                          | 3.61                 | 3.92             | <b>3.16</b>   |
| Uzbekistan | 2.56                          | 3.33                | 2.51                          | 3.24                 | 3.71             | <b>3.07</b>   |
| Tajikistan | 2.53                          | 3.02                | 2.71                          | 3.25                 | 3.52             | <b>3.01</b>   |

\* Preliminary data  
Interviewed 300 freight forwarders in 5 Central Asian countries





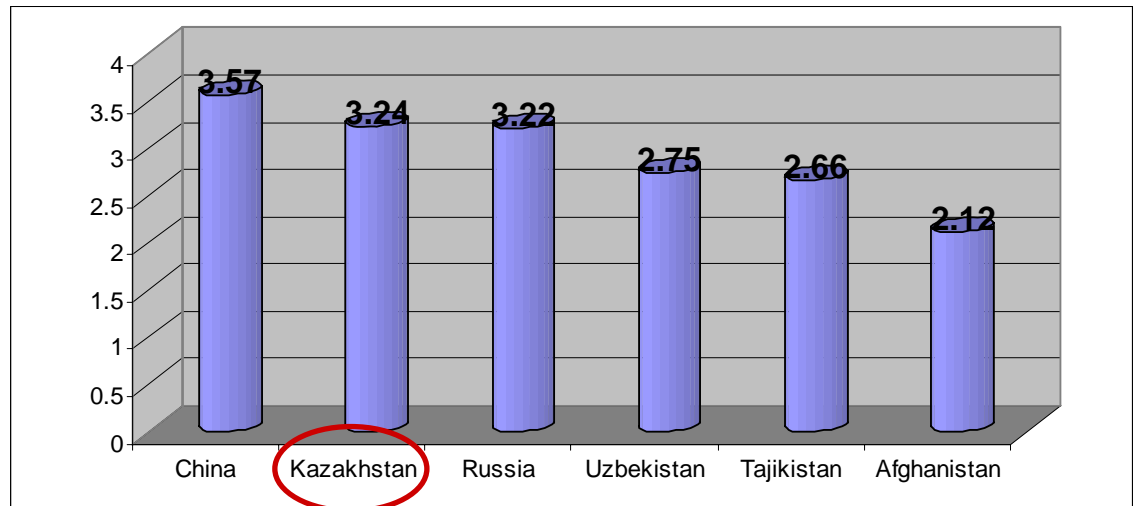
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## Logistics Performance Index - 2009

### Ranking of neighbors by Kyrgyz freight forwarders\*

| Country           | Clearance (customs and other) | Competitive pricing | Quality of logistics services | Tracking and tracing | Delivery on time | Average score |
|-------------------|-------------------------------|---------------------|-------------------------------|----------------------|------------------|---------------|
| China             | 3.48                          | 3.52                | 3.62                          | 3.02                 | 4.22             | <b>3.57</b>   |
| <b>Kazakhstan</b> | <b>2.86</b>                   | <b>3.13</b>         | <b>2.95</b>                   | <b>3.09</b>          | <b>4.16</b>      | <b>3.24</b>   |
| Russia            | 2.82                          | 3.14                | 2.89                          | 3.18                 | 4.05             | <b>3.22</b>   |
| Uzbekistan        | 2.21                          | 2.95                | 2.26                          | 2.48                 | 3.86             | <b>2.75</b>   |
| Tajikistan        | 2.06                          | 3.00                | 2.29                          | 2.38                 | 3.56             | <b>2.66</b>   |
| Afghanistan       | 1.63                          | 2.33                | 1.61                          | 2.00                 | 3.05             | <b>2.12</b>   |

\* Preliminary data  
Interviewed 300 freight forwarders in 5 Central Asian countries





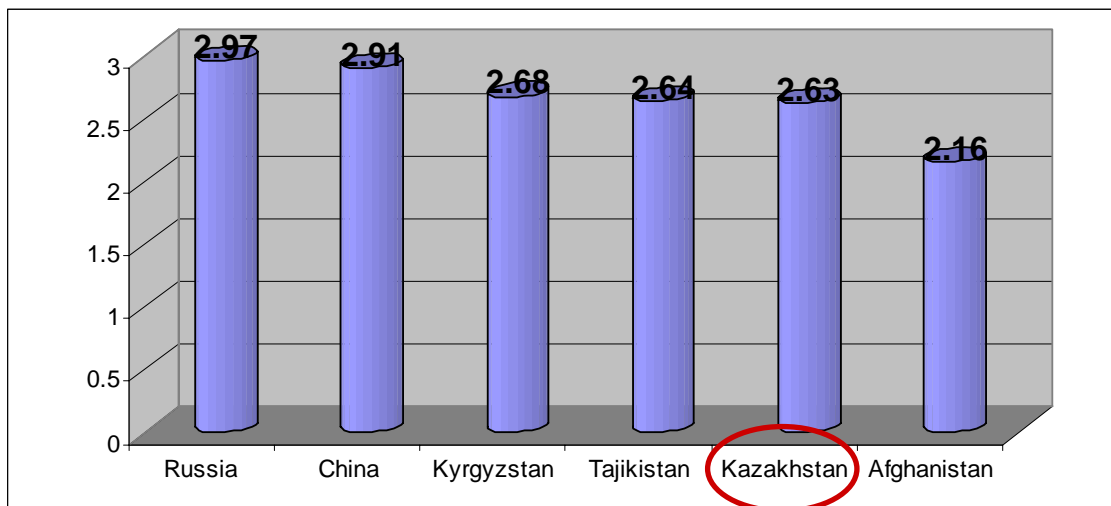
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## Logistics Performance Index - 2009

### Ranking of neighbors by Uzbek freight forwarders\*

| Country           | Clearance (customs and other) | Competitive pricing | Quality of logistics services | Tracking and tracing | Delivery on time | Average score |
|-------------------|-------------------------------|---------------------|-------------------------------|----------------------|------------------|---------------|
| Russia            | 2.76                          | 2.79                | 2.94                          | 3.18                 | 3.18             | <b>2.97</b>   |
| China             | 3.13                          | 2.91                | 2.72                          | 2.81                 | 3.00             | <b>2.91</b>   |
| Kyrgyzstan        | 2.38                          | 2.91                | 2.50                          | 2.49                 | 3.12             | <b>2.68</b>   |
| Tajikistan        | 2.39                          | 2.66                | 2.50                          | 2.50                 | 3.13             | <b>2.64</b>   |
| <b>Kazakhstan</b> | <b>2.32</b>                   | <b>2.85</b>         | <b>2.33</b>                   | <b>2.61</b>          | <b>3.06</b>      | <b>2.63</b>   |
| Afghanistan       | 1.73                          | 4.09                | 1.35                          | 1.74                 | 1.88             | <b>2.16</b>   |

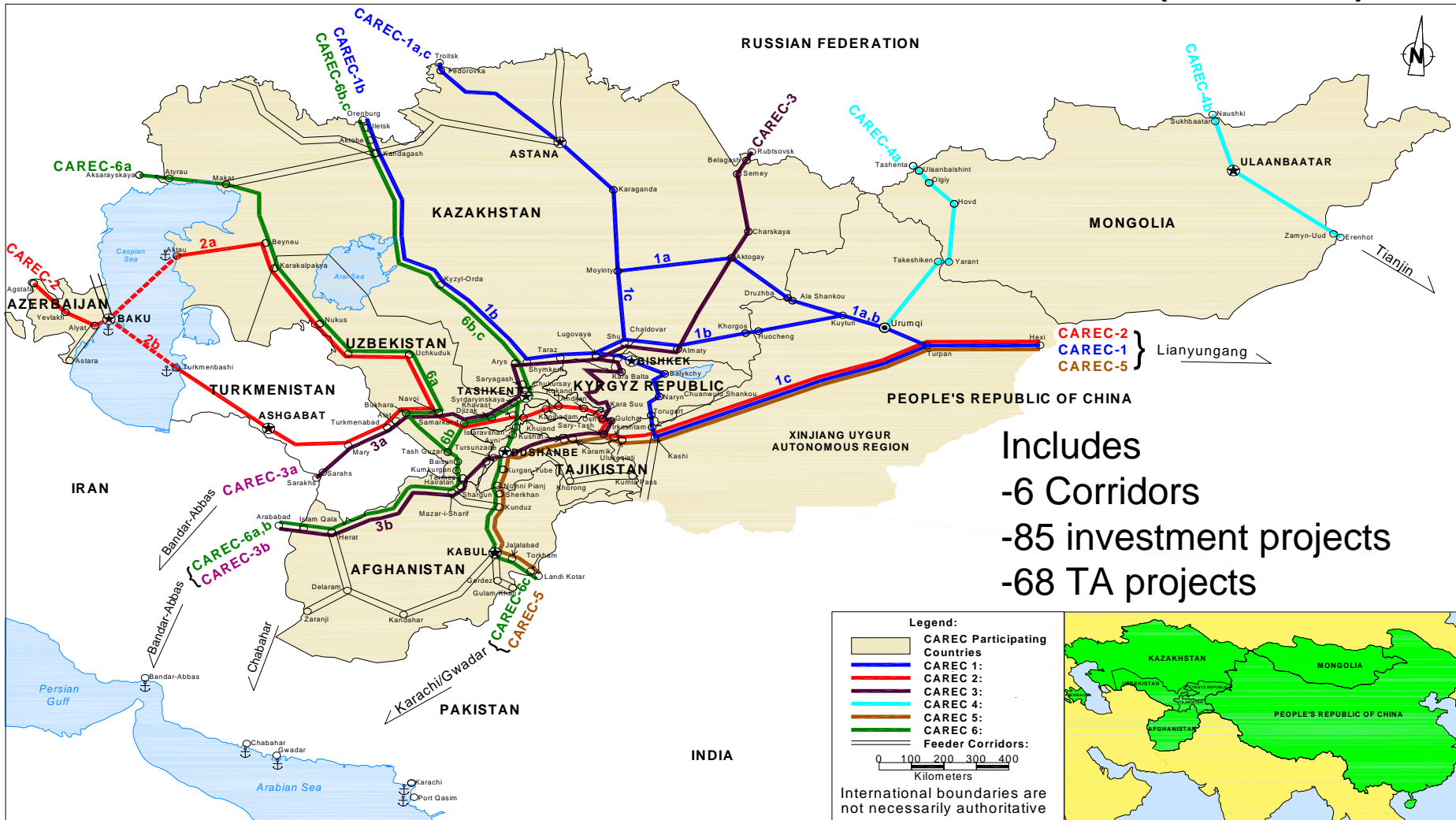
\* Preliminary data  
Interviewed 300 freight forwarders in 5 Central Asian countries





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Best document to define regional logistics master plan is  
**CAREC TRANSPORT AND TRADE FACILITATION STRATEGY (ADB, 2008)**





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## Key national programs for transport and logistics development



Kazakhstan: Transport Strategy. 2015

- Development of transit landbridge
- Development of logistics centers in major population centers and key Border Crossing Points



Tajikistan: National program for development of Transport is focused on road infrastructure and rolling stock. 2010-2025

De-facto:

- Tajikistan diversifies transport routes to overcome the dependency on Uzbek transit
- Afghan transit of non-lethal materials
- FEZ Sugd and Nijnij Pianj as future logistics centers
- Need to develop logistics of agricultural produce



Kyrgyzstan: Strategy of transport sector development is focused on road infrastructure and maintenance. 2007-2010

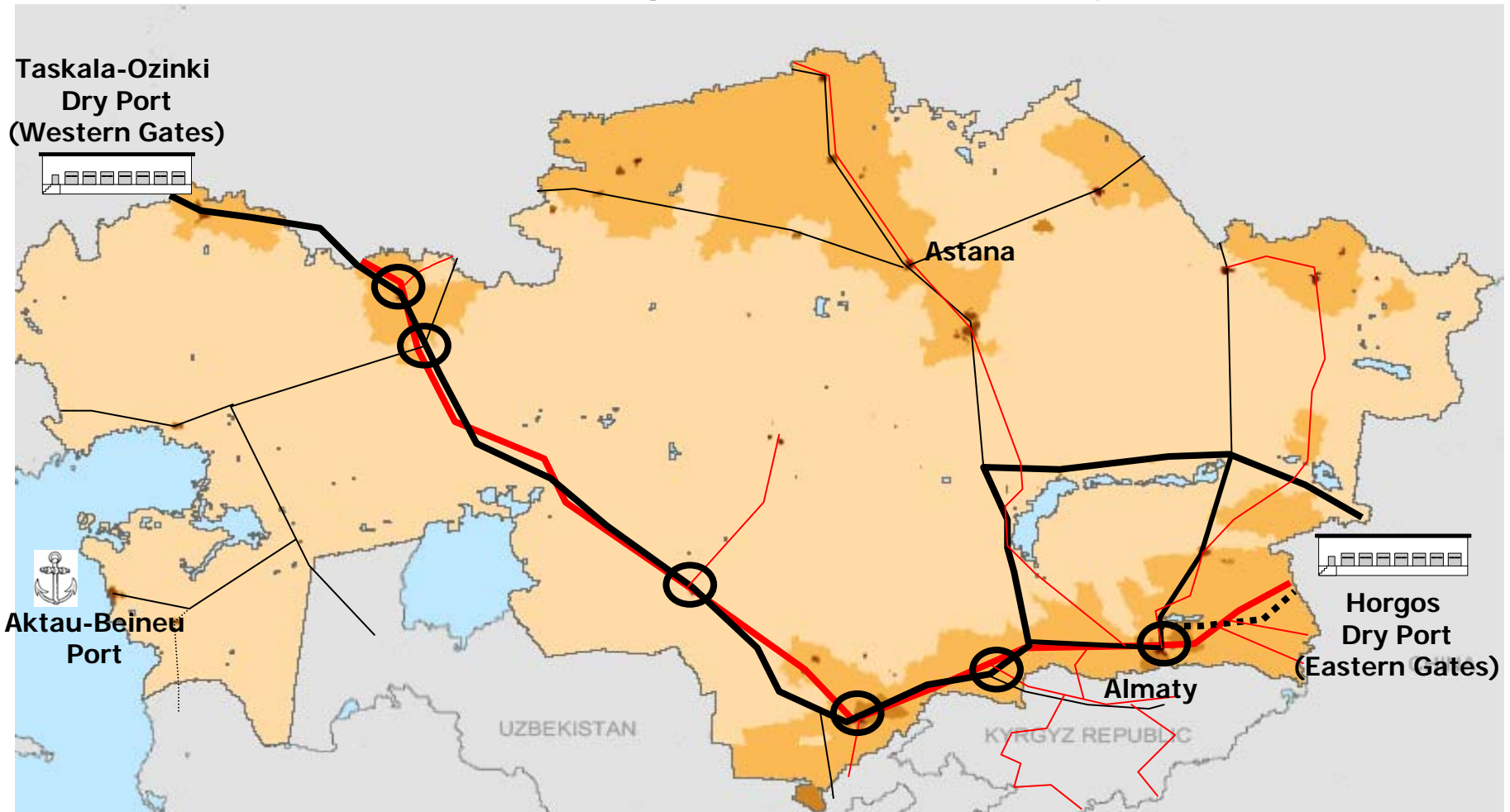
- Rehabilitation of key road, including 2 corridors to China
- Logistics and marketing centers for agricultural produce



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## Logistics Triangle Concept

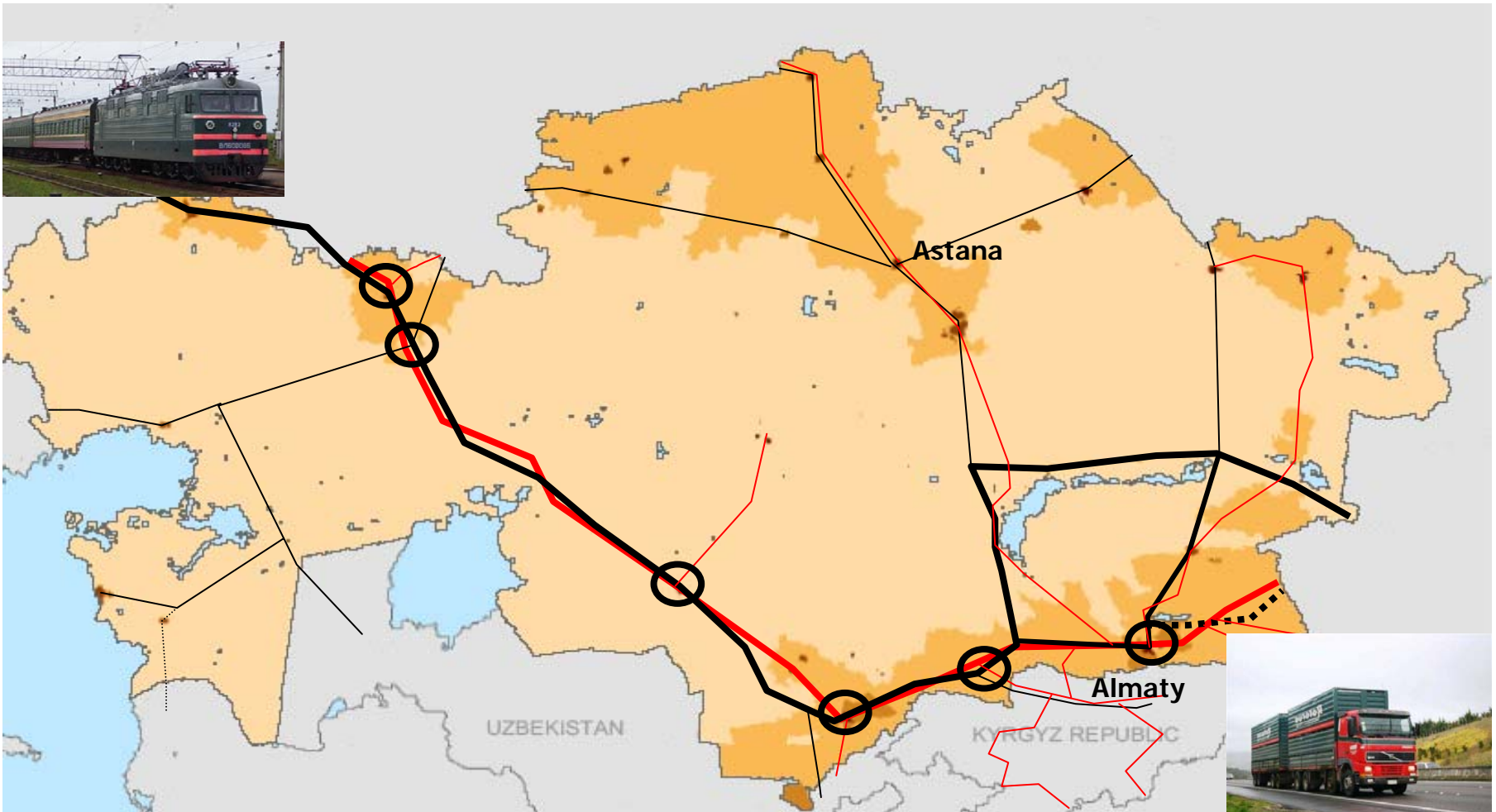
But, several alternative triangles were proposed by different teams





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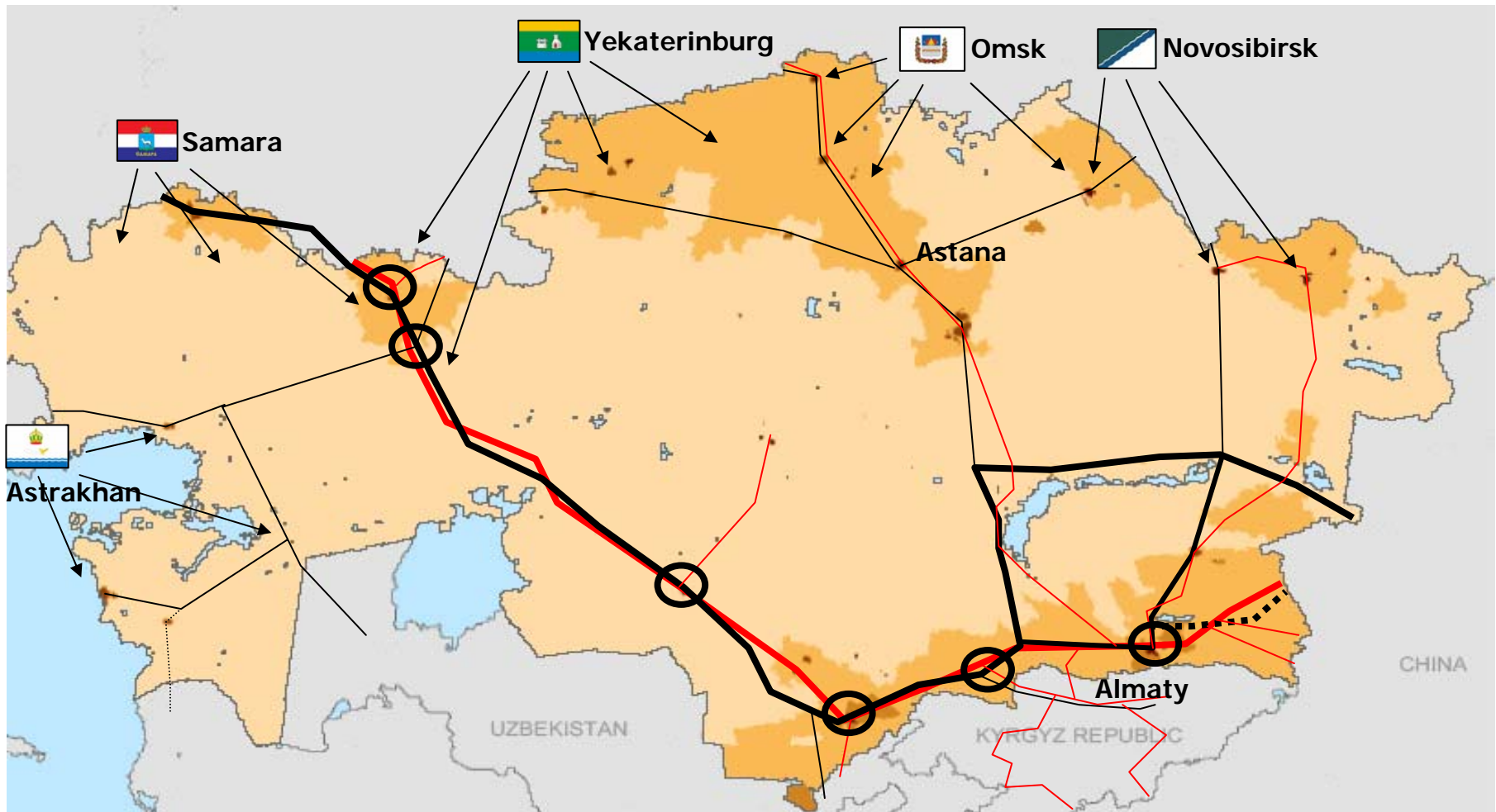
**International Road Corridor Western China – Western Europe**  
**Multibillion US dollar project (2009 – 2013)**





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**Customs Union Russia – Belarus – Kazakhstan (from 2010)**  
**Regional physical distribution patterns in the North will change**





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## Role of professional associations in development of demand for value added logistics services

| Professional organization                        | Country | Web  |
|--|---------|--|
| European Logistics Association                   | EU      | <a href="http://www.elalog.org">www.elalog.org</a>       |
| Council of Supply Chain Management Professionals | US      | <a href="http://cscmp.org">cscmp.org</a>                 |
| Chartered Institute of Logistics and Transport   | UK      | <a href="http://www.ciltuk.org.uk">www.ciltuk.org.uk</a> |
| National Logistics Association                   | Russia  | <a href="http://www.nla.ru">www.nla.ru</a>               |
| Eurasian Logistics Association                   | Russia  | <a href="http://www.eala.ru">www.eala.ru</a>             |
| Logistics Association of Volga Region            | Russia  | <a href="http://www.logovolga.ru">www.logovolga.ru</a>   |
| Ukrainian Logistics Association                  | Ukraine | <a href="http://ula-online.org">ula-online.org</a>       |

**Establishment **Central Asian Logistics Association** can be the next step in development of logistics and supply chain management in the region**



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## Key challenges in Supply Chain Management

- **Weak and fragmented logistics private sector (small organizations, no cooperation between professionals)**
- **Too much focus on fixed assets, too little on lean operations**
- **High property prices and availability of capital in 2004 -2007 followed by financial crunch => redundant and expensive warehousing space**
- **Little understanding of inventory value => excessive inventory, limited use of LTL/LCL and other lean logistics operations**
- **Different from EU, and not properly examined logistics cost structure (high transport, customs and unofficial payments, relatively low labor and warehousing, etc.) often make global best practices not very relevant**
- **Logistics management is focused on customs and border crossing issues, supply chains are long and disjointed (many inventory holding points, change of transport documents, physical transloading, etc.)**



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## Logistics Performance - Central Asia

# SUPPLY CHAIN CHALLENGES FOR NATIONAL COMPETITIVENESS

## Round Table

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**Geneva, Switzerland**  
**2 December 2009**