

# Enhancing logistics performance to drive SA's economic growth: Lessons from Saudi Arabia

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It is widely acknowledged that an effective, well-functioning trade and transport ecosystem is one of the vital cornerstones on which a country's economic development is built. It's the reason why so many developed nations have comprehensive logistics strategies that not only ensure their domestic and international logistics systems and infrastructure are conducive to trade, but also secure their international economic competitiveness.



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For a variety of reasons, not least the fact that its economy has largely been built on the extraction and exportation of resources, South Africa has long enjoyed a relatively strong logistics and supply chain standing amongst its international peers. But in recent years, the country has been slipping, albeit slowly, down the global logistics performance rankings. The World Bank produces a biennial report entitled *Connecting to Compete: Trade Logistics in the Global Economy*, in which it ranks the logistics performance of over 100 countries around the globe.

In the 2010 report, South Africa was ranked 28th out of 155 countries, on aggregate, in this World Bank Global Logistics Performance Index (LPI). Eight years later, in the 2018 rankings, South Africa had slipped five positions to 33 out of the 160 countries ranked. While this is not an overly significant decline in the aggregate ranking, the country's drop in relative performance for some of the specific metrics is a little more concerning. For example, South Africa was ranked 25th for Logistics Quality and Competence, but in 2018, that ranking declined 14 positions to 39th. And the country's ranking in terms of quality of infrastructure also slipped six positions over the same eight-year period.

On the positive side, South Africa's performance in terms of international shipments improved markedly, from 31st position in 2010 to 22nd in 2018. However, a good performance in just one of the measurement criteria cannot disguise the fact that the country's freight, logistics and supply chain sector needs attention if it is to be the effective driver of national economic growth and development that it should be.

Of course, that begs the question: "What can South Africa do to improve and enhance its logistics?" While there's obviously no silver bullet solution, it is worth looking north for some of the possible answers. In particular to Saudi Arabia, where a concerted effort in recent years has served to lift the country's logistics sector from a position not unlike the one South Africa's logistics currently finds itself in, and position it as a significant economic growth enabler.

Speaking at the recent 2019 Congress of the International Federation of Freight Forwarders Associations (FIATA), co-sponsored by FNB, in Cape Town in October, the Governor of the Saudi Arabian General Customs Authority, His Excellency Ahmed Alhakbani, outlined just some of the strategic initiatives the kingdom has undertaken recently to bolster its position as a global trade facilitator.

Saudi Customs is the Governmental Authority responsible for facilitating the safe and efficient import and export of trade goods and associated services via land, sea and air in the Kingdom of Saudi Arabia.

In his address, H.E. Alhakbani highlighted the significant economic development that is currently taking place in Saudi Arabia as a result of its Vision 2030, which aims to diversify the Kingdom's economy, attract international investment and drive overall growth through ground-breaking technologies and innovative practices. He outlined the ways in which the transformation of the Kingdom's logistics industry is playing a key role in enabling and driving this development. The success of that strategic transformation offers valuable lessons that can and should inform South Africa's own efforts to enhance its logistics and supply chain industry to make it an effective driver of our nation's economic growth. These lessons fall into the following broad categories.

## **Lesson 1: Take an integrated approach**

Recognising the vital role that an effective and efficient logistics industry has to play in national economic reform, the Saudi government decided to actively focus on developing the industry. But rather than viewing logistics in isolation from the rest of the economy, it took a fully integrated approach, establishing a national logistics committee.

This is headed up by the Minister of Transport, but has representation from every government department or ministry that has a relationship, dependency or impact on logistics. This government committee, then appointed a top-level advisory group, made up of logistics stakeholders from the private sector, which offers guidance and insights into the needs and expectations of logistics and supply chain businesses across the country.

## **Lesson 2: Make it easy to do business**

Some of the most significant achievements in terms of transforming logistics in the Kingdom have focused on facilitating ease of business and the free flow of logistics activities. An example of this, at a very practical level, has been the implementation of a unique truck appointment system that has significantly lowered clearance and offloading times, from a number of hours to less than 30 minutes for the complete cycle.

At a regulatory level, the Saudi government has also focused intently on easing logistics red tape, through the creation of efficient and streamlined logistics bonded zones that significantly reduce customs processes, thereby enhancing productivity for sector participants.

According to H.E. Alhakbani, this specific focus on customs process streamlining has reduced the time taken for customs clearance from eight days to an average of less than 24 hours. It has also reduced the amount of paperwork required. Where exports previously required the completion of 12 separate documents, today, exporters only have to fill in two forms, and they can submit these electronically.

### **Lesson 3: Embrace technology**

Technological advancement has been central to the Saudi Customs transformation. In the past two years, the Authority has adopted a fully integrated technical system, moved steadily towards automating its clearance procedures, and launching blockchain technology for shipping operations. A key piece of enabling technology has been the establishment of an innovative single window electronic platform, which makes more than 135 services instantly and conveniently available to customers.

### **Lesson 4: Leverage partnership and global collaboration**

Touching on international cooperation, H.E. Alhakbani emphasised Saudi Customs' commitment to overcoming any obstacles that may hinder the flow of trade through the country, through close cooperation and coordination with global organisations and entities. Just two recent examples of this have been the activation of the Transports Internationaux Routiers (TIR) Convention agreement and the signing of mutual recognition agreements for the Authorized Economic Operator (AEO) programme, which contributes towards strengthening ties between Saudi commercial enterprises and their global counterparts.

The depth and scope of Saudi Customs' strategic logistics transformation roadmap not reflects its commitment as a customs and logistics authority to driving change across all facets of its operations, but also that commitment of government and the private sector in the Kingdom to work together to ensure that logistics is a cornerstone on which economic growth can take place.

Given the proven link between logistics performance and economic development, a similar commitment to improving the sector in South Africa will undoubtedly serve this country and its economy very well by facilitating trade expansion, driving export diversification, and attracting much needed foreign direct investment. And the success of Saudi Arabia in this regard shows us that, with will and determination, it certainly can be done.

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