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PERSPECTIVES ON THE PRIORITIES OF A NEW DEVELOPMENT AGENDA FOR THE LANDLOCKED DEVELOPING COUNTRIES

Report of a Brainstorming Meeting held as part of the preparatory process for the Comprehensive 10 Year Review of the Implementation of the Almaty Programme of Action

United Nations Headquarters, New York
20–21 March 2013

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Note

This publication contains written statements and summaries of PowerPoint presentations delivered at the Brainstorming Meeting on the priorities of the Almaty Programme of Action and key elements for a successor Programme, held at the United Nations Headquarters in New York on 20 and 21 March 2013.

The views expressed therein are those of the authors and do not necessarily reflect the views of the United Nations.

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ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
APoA	Almaty Programme of Action
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
BSEC	Black Sea Economic Cooperation
CDDCs	Commodity Dependent Developing Countries
CDM	Clean Development Mechanism
CFC	Common Fund for Commodities
DLDD	Desertification, land degradation and drought
EACIN	East Africa Climate Innovation Network
EATL	Euro-Asian Transport Links
ECO	Economic Cooperation Organization
FDI	Foreign Direct Investment
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GMS	Greater Mekong Sub-region
GNP	Gross National Product
GSP	Generalized System of Preferences
HDI	Human Development Index
ICC	International Chamber of Commerce
ICT	Information, communication and technology
IRU	International Road Transport Union
ITC	International Trade Center
ITU	International Telecommunication Union
LLDCs	Landlocked Developing Countries
MDGs	Millennium Development Goals
MVA	Manufacturing value added
NAPs	National adaptation plans

NCTA	Northern Corridor Transit Agreement
NELTI	New Euro-Asian Land Transport Initiative
NTMs	Non tariff measures
ODA	Official Development Assistance
OSCE	The Organization for Security and Co-operation in Europe
PPP	Public-Private Partnerships
REC	Regional Economic Community
SADC	Southern African Development Community
SCO	Shanghai Cooperation Organization
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SS-GATE	South-South Global Assets and Technology Exchange
TFF	Trade Facilitation Facility
TIR	International Road Transport Convention
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UN DESA	UN Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UN ECE	United Nations Economic Commission for Europe
UN ESCAP	United Nations Economic and Social Commission for Asia and Pacific
UNIDO	United Nations Industrial Development Organization
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States
UNOSSC	United Nations Office for South-South Cooperation
WCO	World Customs Organization
WDI	World Development Indicators (World Bank)
WTO	World Trade Organization
ZNLD	Zero Net Land Degradation

EXECUTIVE SUMMARY

This is a report of the Brainstorming Meeting on the Priorities of a New Development Agenda for the Landlocked Developing Countries that was held in New York on 20 and 21 March 2013. The meeting was organized by United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) in accordance with the United Nations General Assembly resolution 66/214, in which it decided to hold in 2014 a comprehensive ten-year review conference of the Almaty Programme of Action. The aim of the meeting was to discuss the key development challenges and needs of the Landlocked Developing Countries (LLDCs) and identify the priorities of a new development agenda for the LLDCs. The Meeting involved delivery of statements, presentations, brainstorming of ideas and discussions.

The ultimate objectives of the development strategies of LLDCs are poverty reduction, achieving higher levels of wellbeing of their people and sustained economic growth. However their geographical disadvantages such as remoteness from international markets, lack of direct access to the sea ports, additional border crossings, compounded by infrastructure deficiencies, logistical bottlenecks and weak institutions puts them at a disadvantage in fully harnessing their potentials to support their sustainable development efforts. Landlockedness is a major impediment to trade, income and subsequently development. This is the reason why LLDCs need a global partnership with special measures and support that could assist them to end their marginalization in the international trading system.

The Almaty Programme of Action (APoA) adopted in 2003 set the parameters for this partnership with clear undertakings in transit policy issues, infrastructure development and maintenance, international trade and trade facilitation, regional integration and international support measures. Since then while a lot has been accomplished, more needs to be done to establish a firm foundation for development and progress in these countries.

One remarkable achievement of the Almaty Programme to date has been the universal recognition of the special needs of LLDCs, which has generated tangible actions by not only the transit countries and the LLDCs themselves, but also by the partner countries, international and regional institutions. The last ten years have seen stronger support from development partners towards transport infrastructure development, and trade facilitation and support from transit countries to harmonize transport and transit policies, simplify border control and procedures and facilitate trade. Flows of official development assistance from traditional donors increased substantially from US$11.1 billion in 2000 to US$ 24.3 billion in 2011 and Aid for Trade disbursements to landlocked developing countries rose from US$4.7 billion in 2006 to US$6 billion in 2010. Foreign Direct Investment net inflows to LLDCs increased from $3.9 billion in 2000 to $35.0 billion in 2011.

Since the adoption of the APoA, the LLDCs as a group have achieved higher annual rates of economic growth which averaged 7.8% between 2003 and 2007. However this was affected by the global financial and economic crisis and slowed down in 2008 and 2009 but recovered to 7.4% in 2010 but fell to 6.0% in 2011. Almost half of the LLDCs have a low per capita GDP of less than US$1000. In addition when compared to other groups of countries (including transit developing countries, all developing countries and developed countries) the LLDCs have the lowest GDP per capita.

On the social development front, LLDCs have experienced a positive trend in the Human Development Index between 2003 and 2011 - nevertheless 15 of the LLDCs are still in the lowest HDI ranking. LLDCs have made advances on some MDGs including: primary education, gender parity in primary education, increased percentage of women in decision-making power and stemming the spread of HIV/AIDS. Progress has been slow on reducing widespread poverty, hunger, child and maternal mortality and improving access to sanitation. New and emerging challenges linked to the food, energy and economic crises, as well as the negative impacts of climate change and environmental degradation including loss of biodiversity have increased tremendously the burden on LLDCs' economies – a burden that none of the countries can afford to confront themselves alone.

Exports from LLDCs as a group increased from US$43 billion 2003 to US$221 billion in 2011. LLDCs heavily rely on natural resource-based commodities for their exports including bulky primary agricultural commodities, oils and minerals, making them highly vulnerable to commodity price fluctuations. Whilst the export concentration ratios for other developing countries have remained relatively stable below 0.15, since 2000, they have dramatically increased for the LLDCs from 0.17 in 2000 to 0.38 in 2010 mostly owing to higher world demand for minerals and fuels.

Some key challenges continue to impede the ability of LLDCs to more effectively engage in international trade. Transit transport infrastructure is still inadequate and inefficient and as a result, transport costs in LLDCs are still the highest in the world, resulting in high and uncompetitive costs of doing business. According to the World Bank's Doing Business 2013 Report, the average costs of exporting and importing a container for LLDCs are US$ 2600 and US$ 3300, while transit developing countries are only paying 50 percent of these costs. Physical transport infrastructure remains inadequate and of poor quality and much more needs to be done to make trade facilitation more effective and help reduce the high transaction costs and long time it takes LLDCs to conduct trade.

In view of these mixed developments, the challenge before many LLDCs is to secure a sustained positive economic growth that delivers decent jobs and enables these countries to make significant strides towards poverty reduction and broad based sustainable development. Limited export diversification, lack of up gradation in value chain and lack of productive capacities including human resource development continue to be some of the stark challenges to the group.

In order to achieve more sustained economic growth, the brainstorming meeting proposed that it is important for LLDCs to transform their economic structures by promoting competitive industries and export structures that produce higher value-added products. Robust and prudent national efforts and vision are also indispensable. The meeting underscored the importance of the service industry, the role of the private sector and the growing importance of regional and south-south cooperation.

The meeting also highlighted some of the major challenges that were experienced in implementing the APoA. These include lack of implementation of good legal frameworks that had been established at all levels - international, regional, sub-regional and bi-lateral. Some relevant policies, regulations and procedures were still not yet harmonized. The meeting noted that human capacity building was not adequate in many areas including customs, trade negotiations, etc. Similarly financial resources were not adequate to enable the LLDCs to effectively implement the Almaty Programme.

The deliberations suggested that the objective of development in LLDCs in the new decade should be focused on improving employment intensive and inclusive economic growth that should be driven by productive capacity development and addressing poverty.

The meeting suggested that the new development agenda for the LLDCs must not be designed simply as a sectoral programme but must concretely address LLDCs' challenges in a more holistic manner, with measurable targets and indicators. While the new programme should focus on addressing social and economic development, poverty reduction and sustainable development, it must retain international trade, transport and transit issues at its core and emphasize industrial development.

The meeting suggested the following priorities for the new development agenda for the LLDCs.

Development of hard infrastructure

Transport infrastructure development and maintenance, in both LLDCs and transit countries

- Further development and upgrading of the transport infrastructure and addressing the missing links and transit bottlenecks;
- Development of transit infrastructure with a view of creating businesses and development corridors along transit highways and railroads;
- Give special focus on the development of roadside ancillary infrastructure for the transit systems;
- Design sustainable (green) and resilient transit transport systems;
- Promote economies of scale for transport systems, including through intermodal transport development, dry ports, transshipment facilities and similar hubs;
- Modernize border crossing points and its equipment;

- International and regional banks should finance regional infrastructure projects;
- Innovative mechanisms of transport projects' funding, for the development, maintenance of roads including regional infrastructure funds, private-public partnerships (PPPs) at the national and regional levels;
- Promote multi-stakeholder involvement in transit transport framework, including LLDCs and transit country authorities, services providers and PPPs.

Energy

- Invest into a reliable, modern and affordable energy infrastructure;
- Improve industrial energy efficiency;
- Attach importance to the promotion of renewable energy;
- International and regional banks should finance regional infrastructure projects.

ICT infrastructure

- Promote implementation of infrastructure sharing between transport, energy and ICT;
- Improve the access of LLDCs to international optical fibre networks;
- Improve the ability of LLDCs to use satellite by lowering costs through space segment consolidation efforts;
- LLDCs should develop a national broadband plan or strategy or include broadband in their universal access and service definitions;
- LLDCs should develop domestic ICT laws that must conform to others and to the Global ICT policy;
- LLDCs should develop regulatory frameworks that can facilitate and support improved ICT connectivity;
- The international community should facilitate access to technologies and transfer of know-how on ICTs;
- Promote e-Business, e-Government, e-Banking, e-Trading; cyber security;
- Forge partnerships between the governments, inter-governmental organizations and the private sector in developing and implementing ICT plans;
- Collect ICT statistics and indicators and report regularly.

1. Development of the soft infrastructure – Trade facilitation, transit policies, legal and regulatory framework

- Increase ratification/accession and implementation of UN and other international conventions (including the TIR Convention), regional and sub-regional agreements on transport and trade facilitation by LLDCs and their transit neighbours;
- Ensure effective implementation of the conventions and regional agreements at the national level;
- Implement effectively the existing international standards and best practices for customs transit, safety and security of transport chains;
- Promote efficient, transparent and predictable customs services to reduce the cost of trade and trade facilitation;
- Modernize customs operations, by for example introducing the concept of single window and automation of documentary requirements;
- Reduce multiple clearances;
- Minimize physical inspections and promote use of ICT and non-intrusive inspection methods at border crossings;
- Promote simplification and harmonization of legal and administrative regulation and requirements on road/rail transport, border crossing and customs procedures;
- LLDCs and their transit neighbours should consider acceding to the Revised Kyoto Convention on simplification and harmonization of customs procedures so as to eliminate the divergence of customs procedures and practices and facilitate trade;
- Promote use of intelligent transport systems including modern computer and satellite navigation technologies to improve efficiency and security;
- Develop efficient logistics systems, by aligning incentives for efficient transport and transit operations, promoting liberalization and competition, phasing out anti-competitive practices such as cartels and queuing system wherever possible;
- Ensure full and inclusive representation of the private sector and increasing its voice in trade facilitation initiatives;

- Increase involvement of road transport business associations in PPP projects;
- Consider industry-specific trade facilitation programs;
- Trade facilitation initiatives that have worked in some LLDCs such as one stop border posts and dry ports should be promoted for replication;
- Promote transit transport liberalization including transport reforms;
- Reflect gender dimension particularly in trade facilitation and trade logistics;
- Promote implementation of permit-free transit road transport and expansion of multilateral quota system of road transport;
- Promote transit transport safety and security;
- LLDCs should play a more active role in the trade facilitation negotiations at the WTO;
- Conclusion of the WTO agreement on trade facilitation is important for unlocking the export competitiveness of LLDC.

2. Enhancing Trade

- Reduce commodity dependence through the diversification of the export base;
- Promote value addition in production and export;
- LLDCs should diversify their export markets;
- Provide preferential market access for LLDCs to help alleviate some of the problems associated with their geography;
- Support LLDCs and their SMEs in joining global and regional value chains;
- LLDCs should identify national actions that would help SMEs in joining value chains;
- Address supply side issues through technical and infrastructure support;
- Undertake more research to understand how the Non tariff measures (NTMs) are affecting LLDCs;
- Provide support to build capacity in LLDCs to deal with the NTMs and to meet international standards and requirements;
- Promote harmonization of NTMs and rules of origin;
- Provide targeted support to countries that are in the process of WTO accession.

3. Promoting structural change, economic diversification, enhancing the productive capacity and building resilience to global economic and financial shocks

- LLDCs need to develop a strategy for industrialization/ industrial policy;
- At the regional level coordinate policies for industrial development and link the region as a whole into global markets through regional value chain mechanisms;
- Encourage value addition and forward and backward linkaged activities;
- LLDCs should focus on "Trade in tasks" by specializing in tasks that are most suited to the skills available, are compatible with locational constraints and enter global value chains;
- LLDCs need to create industrial clusters, such as export-processing zones, and regional centres of excellence;
- Invest in the agricultural sector for increased productivity and promote agro-based industries;
- Build productive capacities to enhance competitiveness;
- LLDCs need to diversify both the export base and markets.

4. Enhancing the role of the private sector

- LLDCs need to provide a supportive legal and regulatory framework and create macroeconomic conditions and systems that address the concerns of both local and foreign investors;
- Governments should engage the private sector in the formulation of relevant development policies at national level and in the sub-regional, regional and international development processes;

- LLDCs need to provide an operating environment conducive to growth and development of the private sector, including: peace and stability, the rule of law, good governance with accountability and transparency, the absence of corruption, adequate infrastructure, an educated workforce, clear property rights and enforceable contracts;
- Build private sector resilience to new challenges;
- Promote SMEs which are important for job creation, economic empowerment of women and contributing to poverty reduction, including household and women-led enterprises;
- The private sector should meet on a regional basis to discuss concrete issues and share success stories;
- Enhance entrepreneurship by providing a supportive business and institutional environment;
- Harness the benefits that diaspora provides for private sector development, particularly through remittances and technical and managerial know-how, as well as global knowledge networks;
- Governments, the private sector including Chambers of Commerce and the development partners should organize and facilitate initiatives for documenting and sharing of relevant experiences and capacity building seminars or workshops on enhancing the role of the private sector in LLDCs' development.

5. Promoting trade in services

- Undertake research to identify the sectors where LLDCs have a competitive edge;
- Provide support for the development of the services sector in LLDCs;
- Enable trade in services;
- LLDCs need to enhance development of human skills and education which are critical for improved services.

6. Addressing vulnerability to climate change, desertification and land degradation and improving environmental sustainability

- LLDCs need to address problems related to climate change, desertification and land degradation into their national development plans;
- LLDCs need to develop their National Adaptation Plans;
- In order to fully address, mitigate ensuing problems and build resilience in LLDCs, there is need to scale up adaptation and mitigation actions on the ground, secure global participation and scale up funding for climate change mitigation measures;
- LLDCs as a group should make a special case for its capacity and resource needs for climate change adaptation, and support to address desertification and land degradation;
- Address desertification and land degradation in a holistic way addressing all the areas linked to land productivity such as poverty, climate change, food security, biodiversity, deforestation and others;
- Partners need to help LLDCs to identify their specific needs on these issues when compared to other groups of countries.

7. International support measures

i. ODA
   - Increase ODA flows to LLDCs to support infrastructure development, improvement in trade facilitation, capacity development and other areas.
   - Ensure a more equitable distribution

ii. Aid for trade
   - Increase the allocation of Aid for Trade to LLDCs
   - Ensure a more equitable distribution
   - LLDCs should identify their priorities and needs for Aid for Trade

iii. Market access

- Improve market access for LLDCs in the global and regional markets, especially for processed products
- Consider providing preferential market access for LLDCs
- Grant preferential market access to all LLDCs in existing preference schemes, such as Everything But Arms.

iv. Technical assistance

- Provide technical assistance and capacity building to LLDCs to understand and implement transport, trade, trade facilitation and investment agreements and regulations
- Provide technical assistance to enhance LLDCs' ability to effectively participate in WTO negotiations

v. FDI

- LLDCs should create a conducive business environment to attract FDI
- Promote use of FDI to support local processing and value addition in the LLDCs

vi. South-South cooperation

- Foster South-South cooperation on transfer of technology and innovations, opening markets, investment and sharing of experiences and knowledge.
- The UN system, acting as one, needs to facilitate South-South trade, investment and technology transfer and the sharing of knowledge and best practices on South-South cooperation.

vii. Technology transfer

- Promote and support transfer of technology and know how to LLDCs
- Eliminate tariff and customs duties on technologies
- Create an LLDC technology bank and other high level technological centers

viii. Explore innovative funding such as regional infrastructure funds, infrastructure PPPs, debt markets and creation of universal service fund for ICT investors.

ix. The development partners, the UN, multilateral institutions including WTO, World Bank, regional development banks, relevant international organizations and some sub-regional organizations should mainstream the new LLDC programme of action into their work and programmes.

10. Regional integration

- Improve regional infrastructure networks – transport, energy and ICT;
- Develop and implement key regional transport projects and regional transport agreements for facilitating the cross border movement of goods and passengers;
- Promote development of regional technology centers and regional networks of excellence;
- Promotion of harmonized regional policies provide an opportunity to improve transit transport connectivity and for ensuring greater intra-regional trade;
- Promotion of common regulatory policies, border agency cooperation and harmonized customs procedures;
- Promote the development, adoption and effective implementation of Regional Trade Agreements.

11. Enhancing capacity building in all areas (institutional capacity, education, human capacity and skills building)

- Provide training on customs and border management; improved trade facilitation and transport safety; trade negotiations; how to utilize the trade preferences; use of ICTs; how to effectively implement conventions and also for policy formulation and implementation and institutional building.

12. Sharing of experiences and dialoguing

- Set up an observatory specific to LLDCs;
- Need to systematically collect and document good practices that have worked and lessons at national and regional levels that can be capitalized as opportunities and shared for wide scale dissemination and utilization;
- Undertake research into country-specific needs;
- Utilize the International Think Tank on LLDCs for sharing of experiences and online databases and resources amongst LLDCs, and for mobilizing research work on LLDC issues.

13. Enhancing the follow-up mechanisms through enhancing monitoring and evaluation

- Identify and develop indicators that can be monitored;
- Introduce peer pressure into monitoring processes.

14. Post 2015 development agenda

- LLDCs' views and concerns must be strongly reflected in the discussions relating to the Post-2015 development agenda.
- A strong focus on LLDC specific issues, along with ways of addressing them, including means of implementation and accountability framework should be incorporated in the Post 2015 development agenda.
- Ensure that trade, economic growth and LLDCs are at the centre of the post-2015 MDG planning.

INTRODUCTION

The United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) organized a Brainstorming Meeting on the Priorities of a New Development Agenda for the landlocked developing countries (LLDCs) held on 20 and 21 March 2013 as part of the preparatory process of the Ten-Year Review Conference of the Almaty Programme of Action that will be held in 2014.

The aim of the two-day meeting was to discuss the key development challenges and needs of the LLDCs and identify the priorities of a new development agenda for the LLDCs. UN-OHRLLS prepared a study "The Development Economics of Landlockedness: Understanding the development costs of being landlocked" that was used as a background document for the meeting.

The meeting was chaired by Mr. Gyan Chandra Acharya, Secretary-General of the Second UN Conference on LLDCs, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. Ambassador Saleumxay Kommasith, Permanent Representative of the Lao People's Democratic Republic to the United Nations, and Global Chair of the LLDC Group participated in the meeting in his capacity as the Chair of the Group.

The meeting was attended by more than 70 participants that included Ambassadors and Permanent Representatives to the United Nations, and delegates from LLDCs, transit developing and donor countries and experts from the United Nations System organizations, as well as international and regional organizations, the private sector, and other stakeholders. List of participants is presented in the annex.

The Meeting involved delivery of statements, presentations, brainstorming of ideas and discussions. The welcome address made by Mr. Gyan Chandra Acharya. He provided an update of the preparatory process for the Ten Year Review Conference of the Almaty Programme of Action under the three main tracks that include: the Intergovernmental track; the UN Inter-Agency track; and the Private Sector track. He also highlighted main objectives of the Brainstorming Meeting that included: (1) To analyze and assess the impact of geographical handicaps on the development prospects of landlocked developing countries and their participation in international trade markets, and their achievement of the internationally agreed development goals; (2) To share ideas, lessons and best practices on how to address the key development needs and challenges of landlocked developing countries including the new landscape of international trade, the increasing role of commodities; the architecture in development cooperation and global economic and financial crises, climate change; and (3) To exchange views on future policies, programmes and initiatives that can address these bottlenecks at bi-lateral, regional and global levels.

The rest of the report is structured by thematic areas of the meeting as follows: Section 1. Overview of the development challenges of LLDCs; Section 2. LLDCs and International Trade and Trade Facilitation; Section 3. Transit transport cooperation at bilateral, regional and global levels; Section 4. Emerging challenges for LLDCs: Climate change; desertification, land degradation; and economic and financial shocks; Section 5. Priorities to structurally transform LLDCs' economies and harnessing emerging opportunities, promote trade, diversify the production base, build productive capacities and develop the services sector; Section 6. International support measures and special attention to LLDCs; and Section 7. LLDCs and the Post-2015 development agenda and sustainable development goals.

SECTION 1

OVERVIEW OF THE DEVELOPMENT CHALLENGES OF LLDCs

OVERVIEW OF THE DEVELOPMENT CHALLENGES FACED BY LANDLOCKED DEVELOPING COUNTRIES

Mr. Gyan Chandra Acharya, Secretary-General of the Second UN Conference on LLDCs, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

Introduction

The ultimate objectives of the development strategies of LLDCs are poverty reduction, achieving higher levels of wellbeing of their people and sustained economic growth. However their geographical disadvantages such as remoteness from international markets, lack of direct access to the sea ports, additional border crossings, compounded by infrastructure deficiencies, logistical bottlenecks and weak institutions puts LLDCs at a disadvantage in fully harnessing their potentials to support their sustainable development efforts. Landlockedness is a major impediment to trade, income and subsequently development.

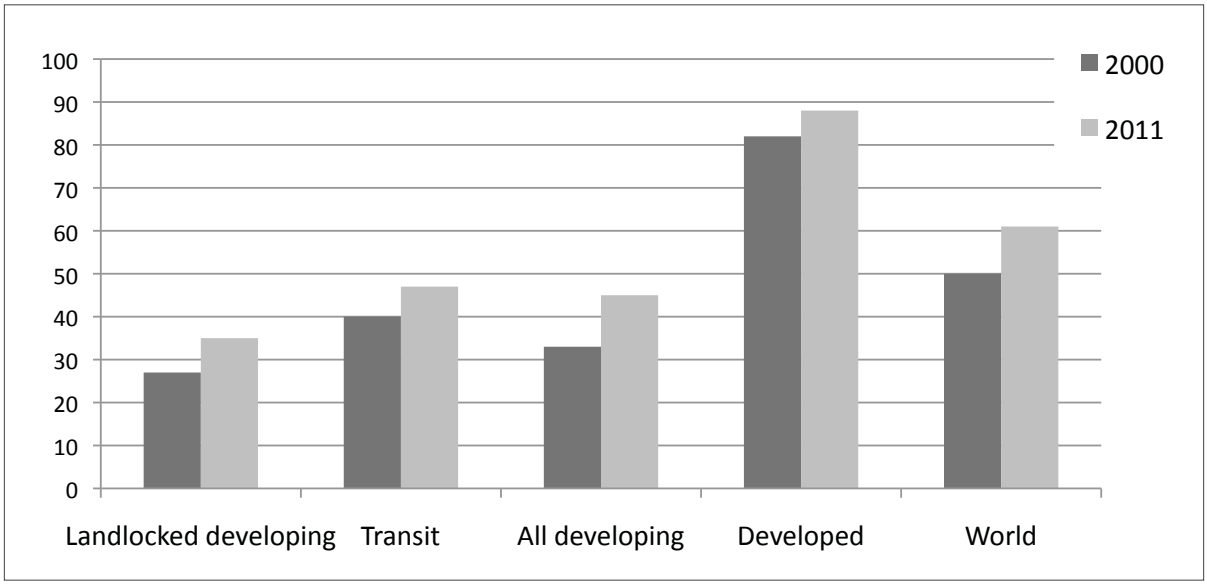
LLDCs also lack the necessary financial and technical capacities to overcome the geographical handicaps, hence the need for a global partnership with special measures and support that could assist them to end their marginalization in the international trading system and ensure sustainable development. This paper presents an overview of the development challenges faced by LLDCs. The paper is based on the study prepared by UN-OHRLLS entitled "The Development Economics of Landlockedness: Understanding the development costs of being landlocked".

Hard physical infrastructure

Transport is a lifeline to the modern economy. It's smooth and efficient functioning determines the speed and scale of integration and thus benefits generating from it. Progress has been made on the development and upgrading of road and rail infrastructure and improved maintenance of existing infrastructure at national, sub-regional and regional levels since 2003. Dry ports are being established in all regions, for instance, Burkina Faso, Ethiopia, Mongolia and Nepal. In addition, all the LLDCs have experienced an increase in cellular subscriptions and internet users over the review period.

Yet despite the progress made, physical infrastructure development remains inadequate, of poor quality and poses a major obstacle to the trade potential of LLDCs. As shown in figure 1, the percentage of paved roads for LLDCs is lower than that of transit developing countries and is less than half when compared to developed countries. Energy which is vital for reducing delays in transit time for LLDCs' consignments, is still insufficient and unreliable for many LLDCs. It can leverage facilitation in a substantive manner.

Figure 1. Percentage of paved roads



Source: World Bank, World Development Indicators

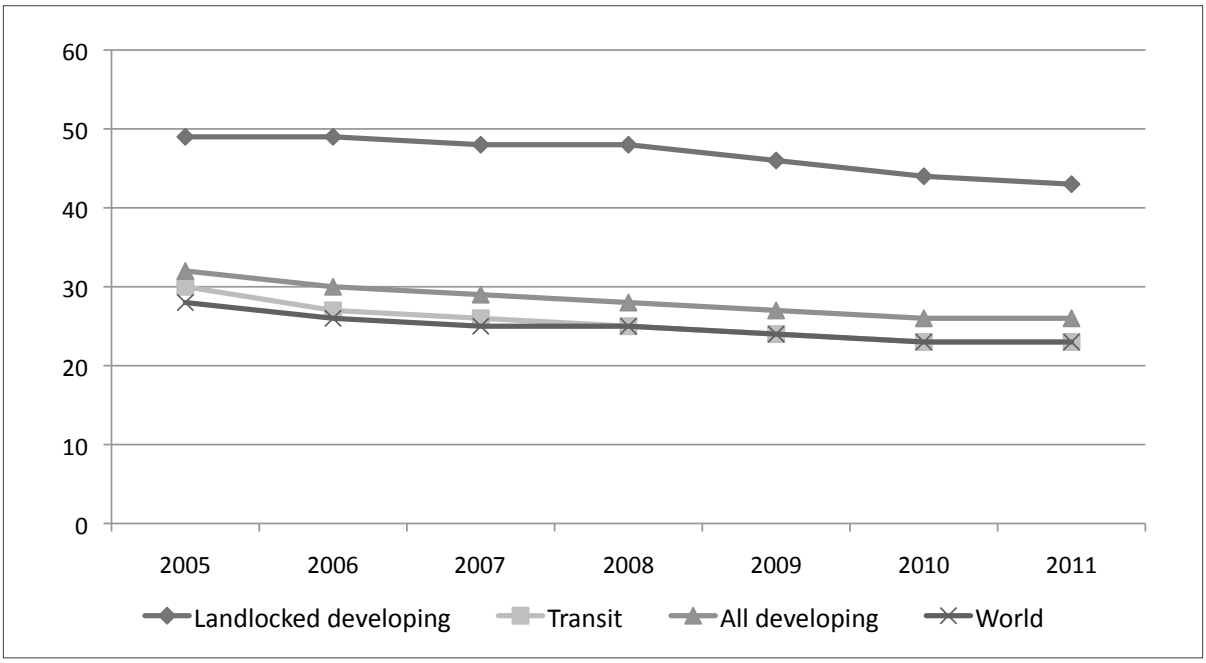
Transport, energy and communication infrastructure development is expensive. Mobilization of capital and enabling institutional mechanisms remain as major challenges, and as such regional and international development assistance as well as public-private partnerships are essential.

Soft infrastructure or trade facilitation

Progress has also been achieved in addressing the non-physical barriers. LLDCs and transit developing countries are working to make transit and border regulations more transparent, streamline administrative procedures, harmonize and standardize rules and documentation and further simplify border control and procedures and remove delays and enhance transparency by making use of ICT. Many trade facilitation initiatives are being implemented including the TIR Convention, one stop border posts; single window processing; harmonized road customs transit declaration document; third party motor insurance schemes; removal of roadblocks and others. But there is still more to do to make it very effective.

As shown in figure 2 although there has been improvement in the time to export by all groups including LLDCs, between 2005 and 2011, they still take almost double the number of days that transit developing countries take.

Figure 2. Days to export



Source: World Bank Database

The same is true with documents to export – the average in 2011 for transit and developed countries is 7 whereas the LLDCs require an average of 8 documents.

High transport and trade transaction costs

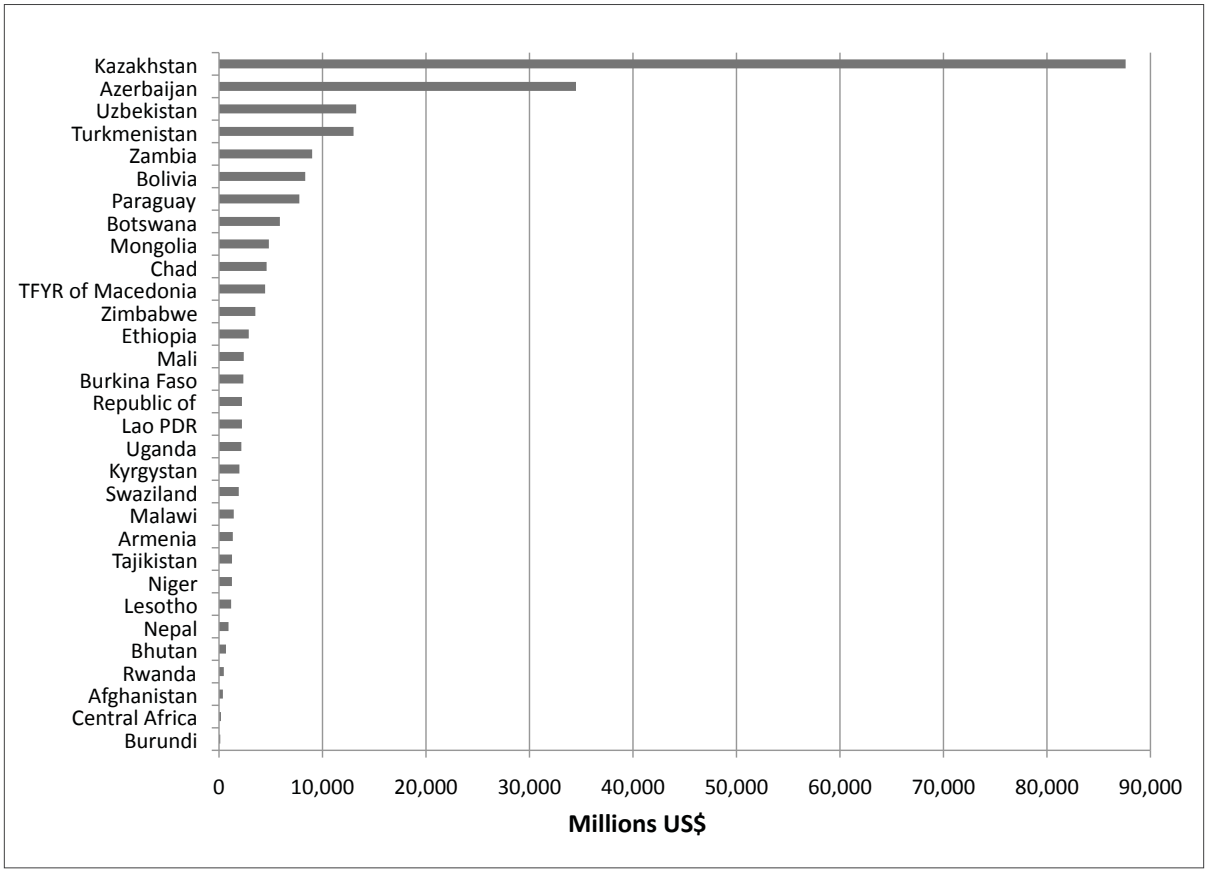
With the limited improvement in physical connectivity, less than optimal trade facilitation, and lack of effective implementation of relevant conventions and regional agreements on the ground, LLDCs continue to incur high transport and trade transaction costs. According to World Bank 2013 estimates LLDCs spend, on average 2.5 times more than transit/coastal countries to export or import a standardized container of cargo. These extra costs maybe considered as diverted resources that could be invested in building their productive capacities. The establishment of a secure and efficient transit transport system remains critical to reduce transport costs and enhance the competitiveness of their exports.

Trade performance of LLDCs

The trade performance of LLDCs is affected by the high transport and trade transaction costs. The total trade comprising both exports and imports from LLDCs increased since 2003. However when compared to the world's total merchandise and services exports, LLDCs account for a very low proportion of only 1.2%. This demonstrates the marginalization of the LLDCs from the global markets.

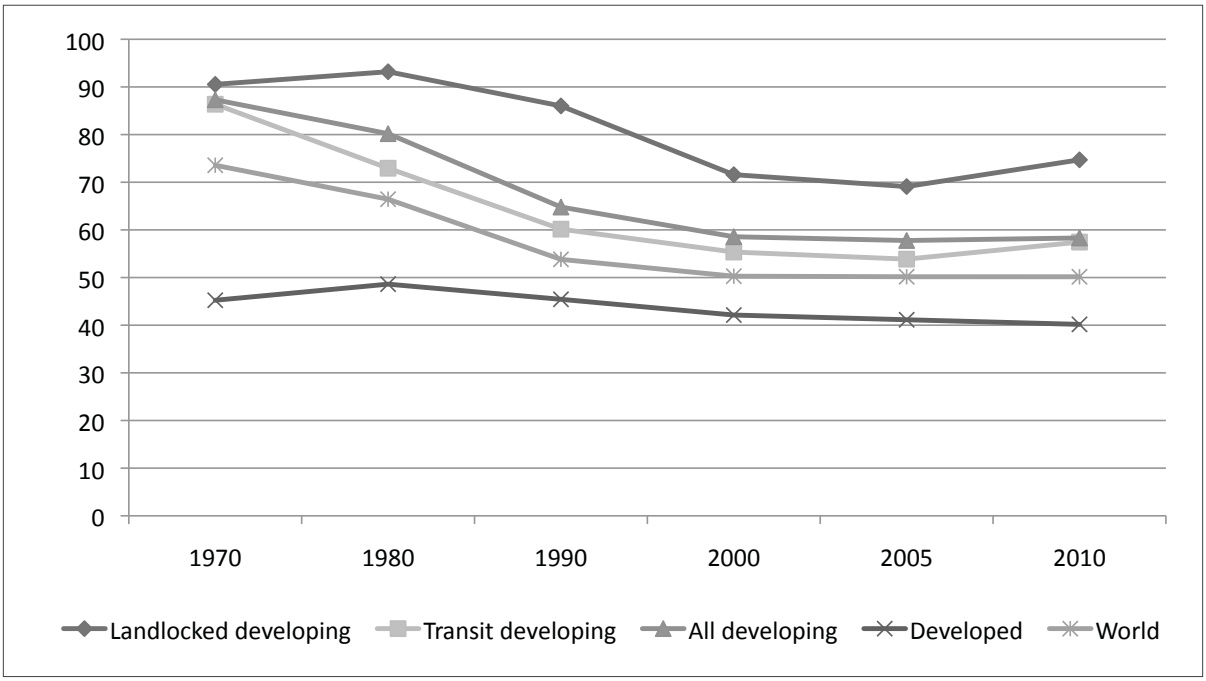
Even when we analyze the trade performance, we find wide variation in the trade position of LLDCs, About ten percent of the LLDCs account for over 60% of the exports as shown in Figure 3 and 30% of the imports.

Figure 3. Exports per country (US$m) 2011



LLDCs have a less diversified export structure than the other groups. They heavily rely on the export of primary commodities and this makes them highly vulnerable to commodity price volatility. In spite of a significant decline since 1970, exports of primary commodities still represent almost ¾ of total exports of LLDCs. The proportion is smaller in transit developing countries (57%) (Figure 4).

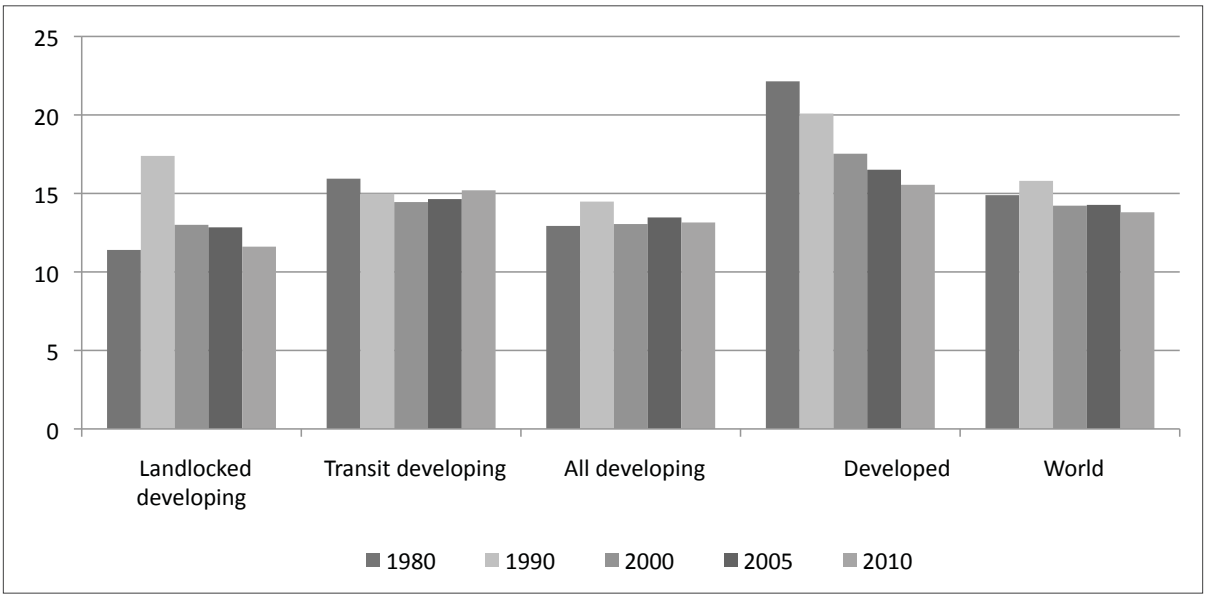
Figure 4. Exports of primary commodities in percent of total exports



Source: OHRLLS Calculations based on data from UNCTAD

Many LLDCs also have low productive capacities, which limit their ability to add value to their exports or diversify their exports. Their share of manufacturing in GDP is the lowest when compared to other groups of countries (Figure 5). Thus limited export diversification, lack of up gradation in value chain and lack of productive capacities including human resource development continue to be some of the stark challenges to the group.

Figure 5. Manufacturing share of GDP (%)



Source: UN-OHRLLS Calculations based on data from UNCTAD

However their share of services as a percentage of GDP has been growing and presents an opportunity that the LLDCs can effectively harness. The value added share of the services sector in LLDCs' GDP increased from 36 per cent in 1992 to 43 per cent in 2011. The trading capacity of LLDCs has direct impact on their economic and social development.

Economic development trends

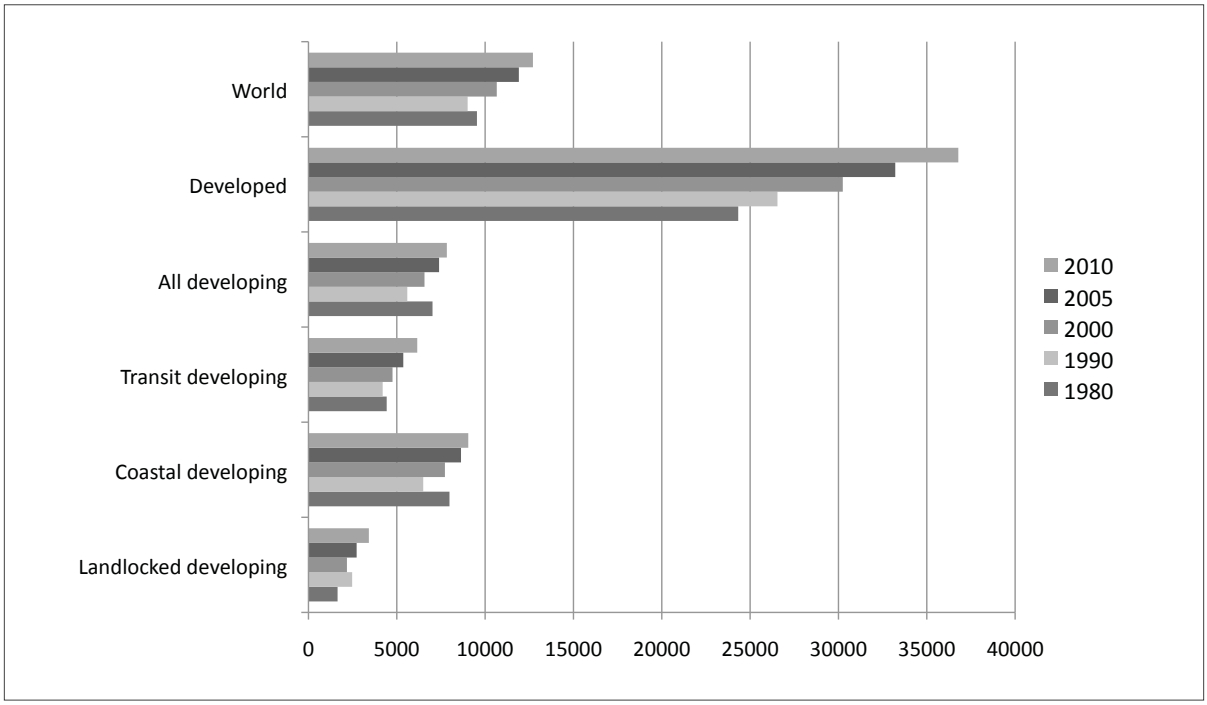
Increased economic growth has been achieved by LLDCs since 2003. However while the overall trend is positive across all the LLDCs, the following are the major challenges:

First – There are very wide disparities of achievement among the countries. While about two fifths of the LLDCs were able to achieve and maintain high annual growth rates of more than 7% over the period 2003 to 2011, the majority of LLDCs had much lower rates. In addition, there are also wide disparities at national level.

Second – The percentage of the poor is still very high in LLDCs and most of them have high income inequalities.

Third – when compared to other groups of countries the LLDCs have the lowest GDP per capita as shown in the figure in Figure 6. The gap vis-à-vis the transit developing countries is quite large, although it has been decreasing over time. More than half of the LLDCs had a low per capita GDP of less than US$1000 in 2011.

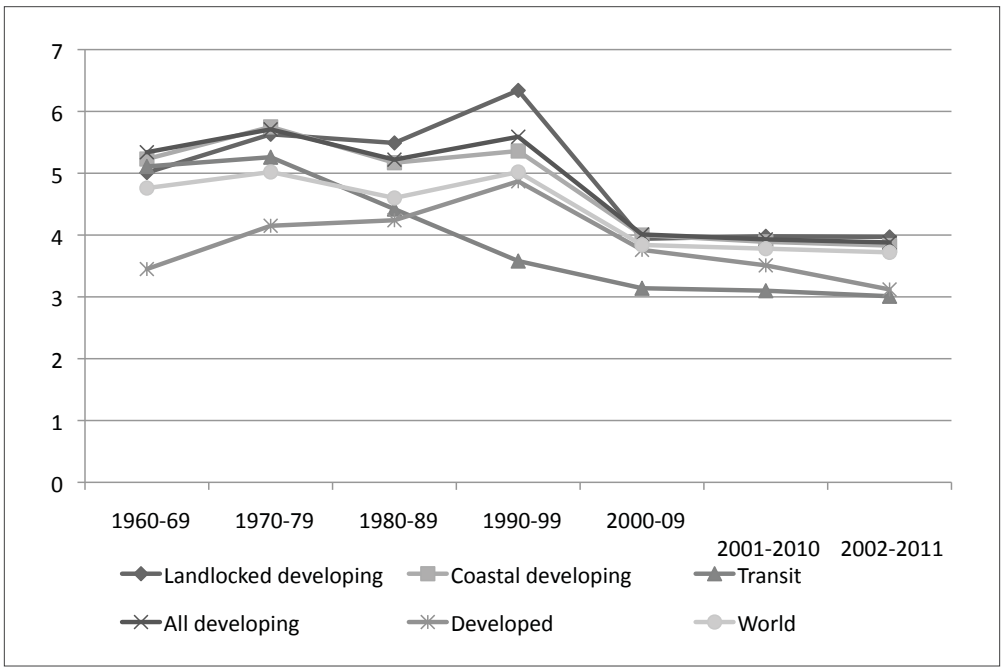
Figure 6. Per-capita GDP (constant 2005 PPP US dollars)



Source: United Nations Statistical Database and World Bank, World Development Indicators

Fourth – Data on GDP volatility indicate that the LLDCs have the highest fluctuations when compared to all the other groups as shown in Figure 7. This is partly because of their high commodity dependence and vulnerability to external factors such as the global financial and economic crisis that slowed down economic growth in 2008 and 2009.

Figure 7. Volatility of real GDP growth (%)



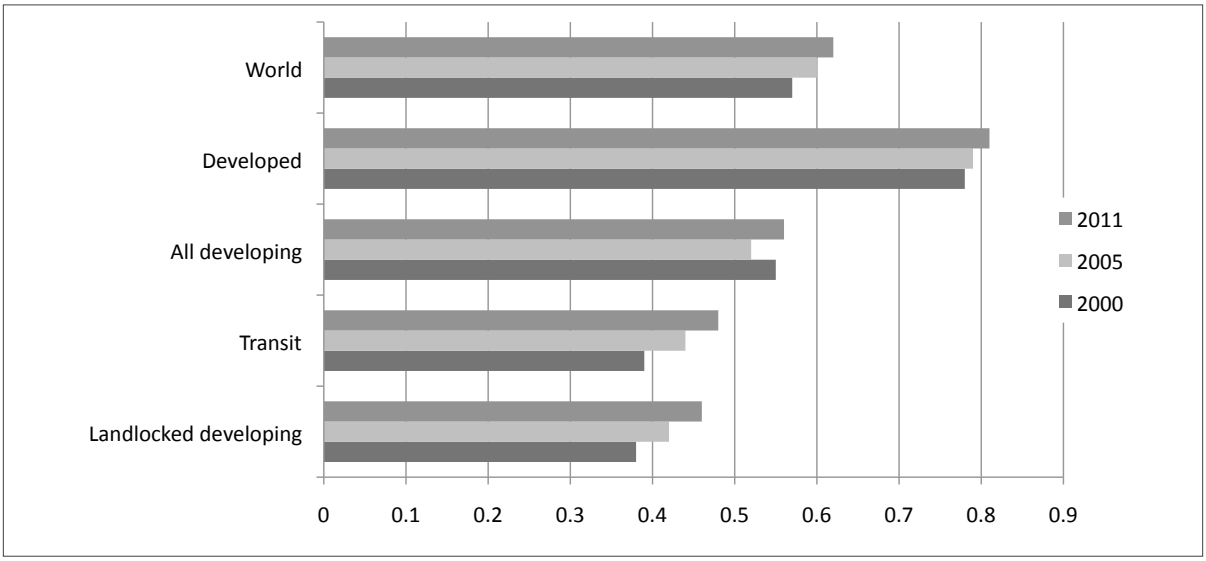
Source: United Nations Statistical Database

Thus given this mixed and uneven performance, one can conclude that LLDCs countries lag significantly behind coastal developing countries and transit developing countries in terms of broad economic development.

Human and Social Development

On the social development front, LLDCs have experienced a positive trend in the Human Development Index between 2003 and 2011 – nevertheless 15 of the LLDCs are still in the lowest HDI ranking. Furthermore LLDCs lag behind transit developing and other developing countries as shown in Figure 8. LLDCs have made some advances in net primary enrolment, gender parity in primary education, increased representation of women in decision-making, and there has been a measure of success in stemming the spread of HIV/AIDS. Progress has been made but it is very slow on reducing widespread poverty, hunger, child and maternal mortality and improving access to sanitation.

Figure 8. Human Development Index (HDI)



Source: United Nations Development Programme.

New and emerging challenges linked to the food, energy and economic crises, as well as the negative impacts of climate change and environmental degradation including loss of biodiversity have increased tremendously the burden on LLDCs' economies – a burden that none of the countries can afford to confront alone.

The development cost of being landlocked

Being landlocked tremendously affect trade, economic and social development. LLDCs lag behind other groups of developing economies on several development dimensions. An attempt has been made in the UN-OHRLLS study to estimate the development cost of being landlocked using an econometric methodology.

The empirical evidence indicates that being landlocked is a fundamental obstacle to development. The analysis quantifies the development cost of landlockedness as the percentage decrease in development due to landlockedness. This percentage averages around 20%-25%, meaning that because of landlockedness the level of development in the LLDCs is on average 20% lower than what it would have been if the countries were not landlocked.

Therefore, the attention that is being given to the special development needs of LLDCs is fully justified. The United Nations which is founded on the principle of fundamental sovereign equality, justice and common prosperity to all is therefore committed to give special attention to the concerns and aspirations of one of the most vulnerable groups of countries.

International support measures

Official development assistance (ODA) remains the main source of external finance, accounting for 10 percent or more of Gross National Income in 2011 in 13 LLDCs. In almost half of the LLDCs net ODA as a percent of total government expenditure is more than 15 percent. Flow of ODA from traditional donors increased substantially from US$11.1 billion in 2000 to US$ 25.7 billion in 2011. However there is a wide disparity in the distribution of ODA receipts across the LLDCs.

There has been a continued increase in Aid for Trade disbursements to LLDCs, which rose from US$4.7 billion in 2006 to US$6 billion in 2011. This is an important trend to maintain as Aid for Trade flows form crucial resources to building productive capacity, infrastructure development and maintenance and institution and capacity building. This should go to as many LLDCs as possible.

Over the past decade, Foreign Direct Investment (FDI) net inflows to LLDCs increased from $3.9 billion in 2000 to $34.6 billion in 2012. However, only 13% of the LLDCs that are resource rich account for 64% of the FDI.

Conclusion

The challenge before many LLDCs is to secure a sustained positive economic growth that delivers decent jobs and enables these countries to make significant strides towards poverty reduction and broad based sustainable development. It is true that robust and prudent national efforts and vision are indispensable, but it is also incumbent upon the international community to come up with comprehensive and coherent support measures in favour of LLDCs.

Indeed all the areas in the foregoing passage are key priority areas for the next development decade of LLDCs that all stakeholders should aim to address.

KEY CHALLENGES FACED BY THE LLDCs

H.E. Mr. Saleumxay Kommasith, Permanent Representative of the Lao People's Democratic Republic to the United Nations, Chair of the Group of LLDCs.

The Almaty Programme of Action (APoA) is the first UN framework aimed at addressing the special needs and challenges faced by the LLDCs in achieving their development goals by setting out actions to be undertaken by LLDCs, transit developing countries and development partners in five priority areas (that include: Fundamental transit policy issues; Infrastructure Development and Maintenance; International Trade and Trade Facilitation; International support measures; and Implementation and Review).

We have seen considerable progress in its implementation over the past decade. However, our Group is of the view that there remains much more work to be done in order to address our special needs and problems as well as the many challenges of the world today especially those related to LLDCs.

In this context, over the past decade the Group of LLDCs has been advocating the cause of LLDCs, calling for effective implementation of APoA while highlighting the fact that LLDCs face very unique geographical challenges that are difficult if not impossible to address only by ourselves. The solution to these unique challenges, we strongly believe, is dependent on cooperation from the international community, particularly genuine partnership between LLDCs and their transit neighbors with sufficient support from development partners. This partnership should not be reflected only at the political level but also its actual implementation on the ground. In addition, I would like to stress that recognizing the special needs and challenges of LLDCs in a document alone would be insufficient unless it is translated into actions in good faith.

The Euro-Asia Regional review meeting on the Almaty Programme held earlier in March 2013 in Laos adopted the Vientiane Consensus. The Consensus identified five key broad priorities for the global review and the debate on the post-2015 development agenda:

Firstly, job-creating and employment intensive growth, by strengthening education and vocational training, nutrition and health, gender empowerment and social protection;

Secondly, diversification of their economies in favour of value-adding products to reduce their vulnerability to commodity price shocks, including among others the development of services sectors like tourism, ICT services, energy production and transmission, education and health, finance and banking, that are not dependent on the access to sea, for creation of incomes, jobs and exports;

Thirdly, providing a stable macroeconomic, trade and investment regime to mobilize domestic as well as foreign private investments and public-private partnerships for closing the infrastructure gaps and for building productive capacities; deepening regional economic integration at sub-regional, regional and broader levels which would assist LLDCs' participation in the regional value chains, enabling them to tap expanding markets in the neighbourhood for their products and services.

Fourthly, trade facilitation by highlighting the need for the WTO accession of LLDCs on easy and expedited terms, transit and transport facilitation by the neighboring countries, enhanced and better quality flows of ODA, aid-for-trade and FDI, and capacity building support for productive and trade capacity development and climate change mitigation.

Fifthly, the post-2015 development agenda should be built on the MDGs along with an explicit focus on inequalities and disparities. At the same time several critical gaps including policy gap, strategy gap, growth gap, resource gap and implementation gap need to be explicitly addressed in order to achieve stipulated goals. Among other things, LLDCs need to target climate change mitigation and reduction of environmental vulnerability.

Some of the key policy challenges that the LLDCs face in moving forward include the following:

i. Addressing internal and external vulnerabilities;
ii. Creating favourable market access;
iii. Promoting employment intensive and inclusive growth, alleviating poverty and reducing economic and social disparities;
iv. Building productive capacities and diversifying the export base;
v. Establishing efficient transit systems, reducing trade transaction costs and improving competitiveness; and
vi. Addressing climate change consequences

The development issues of the LLDCs should be adequately reflected in the ongoing processes such as the post-2015 development agenda and the Sustainable Development Goals.

SUMMARY OF DISCUSSION

In the ensuing discussion, participants noted that the two statements had indeed highlighted the major challenges of the LLDCs that are related to their geographical disadvantage. They noted that the impact of the geographical handicaps of the LLDCs affected all the aspects of development. The meeting also noted that there were some new challenges that emerged after the adoption of the APoA including climate change, and global economic and financial crises. They suggested that the next programme should therefore consider including these issues.

The meeting suggested that the new development agenda should concretely address LLDCs' challenges in a more holistic manner and go beyond just the transport sector. In view of the structural challenges faced by the LLDCs, the participants noted that emphasis should be put on a development framework capable of providing for social development, where among other things, growth is accompanied by social equity and the creation of decent paying jobs. It must also improve trade and trade competitiveness, enhance and develop productive capacities, allow for structural transformation and strengthen resilience to external shocks that include economic and climate change-related. The meeting also stressed that the means of implementation and accountability framework should be incorporated in the Post 2015 development agenda.

Participants expressed their appreciation that the private sector was being involved in the preparatory process at a very early stage unlike in previous UN processes and hoped that this would help them to significantly contribute to the organization of the conference and the preparation of the outcome document. They stressed that indeed, the private sector was very important as it could contribute to both the soft and hard infrastructure required to build efficient transit systems for LLDCs, and in increasing the trade capacity of LLDCs.

The meeting stressed that the three tracks of the preparatory process of the ten year review conference should not run in parallel, instead, both the UN Inter-Agency track and the Private Sector track should work very closely with the Intergovernmental track in developing the new development agenda for the LLDCs.

SECTION 2

LLDCS AND INTERNATIONAL TRADE AND TRADE FACILITATION

INTERNATIONAL TRADE AND TRADE FACILITATION AND THE LANDLOCKED DEVELOPING COUNTRIES: OVERVIEW OF KEY ISSUES

Ms. Arancha González Laya, Chief of Staff in the Office of the Director–General of the World Trade Organization

As we look forward, we must first recognize the improvement in the economic and social situation in the LLDCs that we have seen since the Millennium Development Goals recognized the special needs of these countries. It shows how a global commitment and a smart, targeted approach can unlock levers of development. This is a useful lesson as we look into the post 2015 development agenda.

LLDCs have a very specific trading reality. This is as a result of geographical factors that may sometimes challenge the conventional notion of imports and exports. In the past, these factors were seen very much as obstacles to trade but with the growing role of services in the developing country portfolio and the increase in the reach of technology and transportation increasingly narrowing the distances between and to markets, these "obstacles" can be situated as "opportunities" where a new way of trading can be mapped out.

We have to ensure that trade, and trade negotiations including those at the WTO, work for LLDCs. The constraints are well known if not always as well appreciated as they should be. The on-going implementation of the APoA and the work of the UN-OHRLLS have succeeded in placing the priorities of the LLDCs on the international agenda. The WTO has been particularly sensitive to these needs and has participated in the recent Ministers of Trade meeting in Almaty in September 2012 and will continue to play an important role in the lead up to the 2014 Review meeting of the APoA.

The constraints that LLDCs face include an over reliance on transit and regional neighbours to facilitate imports and exports; comparatively less foreign direct investment than coastal states; and limited diversification both of product base and export markets.

How can we make trade a force for economic growth and poverty reduction in LLDCs? What are the new trends in trade that can be effectively harnessed by LLDCs to increase their participation in and benefit from the multilateral trading system? The evidence shows that trade openness coupled with important domestic complementary policies is an important path to growth and development. This economic growth can also have a profound impact on addressing the social dimension of development namely health, jobs, sustainability, access to education and other institutional and governance issues linked to safeguarding human rights and gender empowerment. It is therefore imperative that a core element of the medium to long term agenda of LLDCs should be in improving their "export competitiveness".

Trade facilitation

Export competitiveness starts with trade facilitation. Trade facilitation comes in many forms. It can include the hardware of roads, bridges, ports, and airports which are the necessary landing docks for the business of doing trade. It can also include the software of the transactions that allow trade to be processed: customs and border procedures; automation of processes; transparent and consistent fees and charges; and regulatory consistency in how rules at the border are applied. The WTO is seeking to address both of these angles in its negotiating and non-negotiating agenda.

The negotiations for a multilateral trade facilitation agreement are on-going at the WTO. This is seen by many WTO Members as a concrete deliverable for the 9th WTO Ministerial in Bali in December. It is not only Governments who see merit in an international agreement that standardizes the software of trading; national and international businesses have raised this as a key expectation from the WTO process. The Business-20, the 2013 Global Summit of the International Chamber of Commerce most importantly, the small and medium sized enterprises which make the backbone of many LLDCs economies are clearly saying that 'we need to reduce the thickness of borders'.

There is also growing evidence that moving towards a more harmonized system of processing trade can have concrete global economic deliverables. A Trade Facilitation Agreement at the WTO could bring down the cost of moving trade today from roughly 10 per cent of trade value to 5 per cent. Globally, removing these barriers could stimulate the US$ 22 trillion world economy by more than US$ 1 trillion. Simply reducing this red tape by half would have the same economic effect as removing all remaining tariffs. Studies show that every dollar spent on reforming trade policy and regulations such as customs clearance and technical barriers, can increase a country's trade by US$ 700 annually on that one initial dollar. Therefore it makes sense to invest in good trade facilitation procedures.

For LLDCs there is even greater urgency to have a set of principles agreed by all. LLDCs depend on their neighbours to have well-oiled procedures for clearing transit goods. Transparency, consistency and predictability are not just of theoretical utility to traders in LLDCs, they are the necessary ingredients for making trade flow in and out of their borders. By creating a common platform which all WTO members would be expected to implement and respect, these three concepts become the norm rather than the exception in the day to day trading of LLDCs' producers and consumers.

LLDCs should play a more active role in the trade facilitation negotiations at the WTO. It is important that their specific concerns are on the table and that the centrality which is given to Trade Facilitation in the Almaty process effectively translates into the negotiations in Geneva.

The architecture of a possible trade facilitation agreement is also aligned with another important LLDC priority, that of trade-related capacity building. It is about Aid for Trade and investing in export competitiveness.

For the first time in history of WTO negotiations a trade agreement will have capacity building as a central pillar. Not only will developing countries be expected to implement the commitments but the expectation is that they would be provided with the necessary capacity building to allow them to undertake this implementation where necessary. Hence a trade facilitation agreement offers the legal certainty that neighbours and trading partners of LLDCs will be expected to reach similar customs and border standards while also providing the necessary assistance to LLDCs to enact and improve their processes.

Aid for Trade

The WTO's work on Aid for Trade continues to put a focus on the needs and priorities of developing countries, especially least developed countries (LDCs). Since the Aid for Trade Initiative was launched in 2005, approximately US$ 200 billion has been mobilized in aid for trade, with some US$ 60 billion directed to LDCs. Aid for trade for least developed LLDCs increased from an average $3 billion between 2002-2005 to $6 billion in 2010.

Value Chains

The notion of value chains should have a particular resonance for LLDCs. Value chains are less and less about geography. Production is multi-localized and value chains can span continents and regions allowing countries, even those that are landlocked, to become important links in the production and distribution chain. Value chains provide 'open air space' for smaller countries and smaller businesses to insert themselves, at a comparatively low cost entry ticket, into the world economy. Unlocking the potential of firms in LLDCs to join in value chains is therefore an important component of a future LLDCs agenda.

Services Trade

The WTO and its partners such as the OECD have recently released statistics on trade in added value. One of the key findings of this work is that services play a greater role in international trade than previously thought. What does this mean for LLDCs? It means that greater attention to this sector- which is not as intimately affected by landlockedness as manufacturing or agriculture- should be a priority for the group moving forward. Engagement in the services discussions in Geneva, including the LDCs Services waiver under which some LLDCs will benefit, is one important step to better using this 'relative comparative advantage'.

PROPOSED ELEMENTS OF A NEW DEVELOPMENT AGENDA FOR LLDCS BASED ON UNCTAD'S EXPERIENCE

Mr. Jose Rubiato, Head, Trade Logistics Branch, UNCTAD

Building on the positive best practices and experiences gathered in countries throughout the 2003-2013 Almaty decade and on the knowledge and practical instruments that those actively engaged in the field, including UNCTAD, have put in place, the new development agenda for the LLDCs should include a comprehensive proposal based on the following elements:

i. Concentrate on multi-stakeholder multinational arrangements involving private and public partners from LLDCs and coastal neighbours;

ii. Implement effectively existing international standards and best practices for customs, transit, safety and security of transport chains;

iii. Promote economies of scale for transport systems, including through the consolidation of cargo flows through the development of dry ports and similar hubs;

iv. Design sustainable and resilient transit transport systems (Under the April 2012 Doha Mandate, UNCTAD is mandated to assist LLDCs in designing and implementing resilient and sustainable transport systems).

UNCTAD's contribution and experience on trade facilitation

UNCTAD has a long-standing experience in working on solutions to alleviate the costs of doing trade in LLDCs and transit coastal countries. There are some achievements that are worth mentioning. In the 80s, the adoption of the Northern Corridor Transit Agreement (NCTA) was the result of 6-year development of a multinational corridor systemic approach. Today the NCTA remains a reference model for the formalization of transit agreements around the world.

In 2003, UNCTAD developed and pioneered the adoption of a supply chain approach applied to transit transport corridors – a sequential systemic optimization approach – and also developed the cluster institutional collaborative arrangements solution to identify and tackle bottlenecks along corridors.

Currently UNCTAD is executing a project in cooperation with UNESCAP for the introduction of a toolkit for cross border and corridor management for LLDCs and transit countries. The toolkit is being introduced in three Central Asian LLDCs and along the Central Corridor in Eastern Africa, which links the Port of Dar Es Salaam with Rwanda and Burundi. The toolkit combines the cluster development approach and the corridor performance measurement methodology named Time/Cost distance Model.

With the Automated System for Customs Data (ASYCUDA), UNCTAD has also contributed to easing of procedural steps of trade and thereby diminishing transaction costs. When adopting ASYCUDA countries also adopt and implement relevant international standards and best practices, including those currently discussed at WTO in the framework of the trade facilitation negotiations. The ASYCUDA Programme continues to work on the development of single window comprehensive solutions combining technology, institutional arrangements, operational and regulatory schemes.

UNCTAD's technical assistance also supports WTO Members and, in particular LLDCs and transit countries, in better understanding the implications of the wording proposed under article 11 of the text currently negotiated at WTO in view of a future agreement on Trade Facilitation.

UNCTAD recently conducted research on transit corridors and will soon publish a document which addresses three main policy actions that should help improve transit operations for both landlocked and transit countries: ensure the security of the transport; consolidate cargo; and operate a multi-stakeholder multinational coordination.

TRADE FACILITATION AND WORLD CUSTOMS ORGANIZATION (WCO)

Takashi Nakao, Regional Development Manager for the Asia Pacific region, Capacity Building Directorate, World Customs Organization

The role of customs has evolved and expanded from the traditional role of revenue collection of import taxes, protection of economic interests of the domestic industry, and protection of society to the role of economic development and promotion of trade and investment, and enhancing security of the supply chain. It is highlighted that efficient, transparent and predictable customs services could reduce the cost of trade and trade facilitation, encourage investment and lead to establishment of international logistics hubs, ultimately contributing to improving the external environment of the trading community in developing countries including LLDCs and boosting their economic competitiveness.

The WCO recently launched its Economic Competitiveness Package to support Members in increasing economic growth and competitiveness through smooth movement of goods, conveyances and people across borders. The heart of this package is the International Convention on the Simplification and Harmonization of Customs Procedures, or so called the Revised Kyoto Convention, which is the international blueprint for making customs regulatory procedures as facilitative as possible. It provides a set of comprehensive customs procedures to facilitate legitimate trade while ensuring the effective customs control, based on key principles of predictability, transparency, due process, maximum use of information technology, and modern customs techniques. The aim of the Convention is also to eliminate divergence between customs procedures and practices of contracting countries.

Landlocked and transit developing countries are encouraged to accede to the Convention so as to eliminate the divergence of customs procedures and practices. The Package also includes measures such as single window, coordination of border management, risk management, authorized economic operator programme and transit practices.

The WCO delivers capacity building assistance to support customs reform and modernization, focusing on the development of soft infrastructure, including training on international customs standards and modern customs techniques. The WCO also provides forum and tools for exchange of information and sharing of experiences on good practices. Close cooperation with other international organizations in Customs capacity building is on going.

INTERNATIONAL TRADE AND TRADE FACILITATION AND THE LANDLOCKED DEVELOPING COUNTRIES: PERSPECTIVES FROM THE PRIVATE SECTOR

Mr. Suraj Vaidya, President of the Federation of Nepal Chamber of Commerce and Industry

General problems faced by LLDCs

LLDCs face many problems associated with their geography, in particular remoteness and inaccessibility to world markets and high transportation costs. LLDCs are dependant on a limited number of export commodities, at a time when many commodity prices are exhibiting a declining trend and together with high cost of inputs, this makes their exports all the more uncompetitive. LLDCs furthermore lack adequate infrastructure and trade facilitation measures.

Lack of capacity in all spheres, including of the private sector to produce competitively, of the civil society to make informed interventions and of the government to implement commitments and conduct negotiations, further exacerbate the problem. In particular, challenges in implementing commitments made at the multilateral, regional or bilateral level lead to the forgoing of the opportunities for locking-in reforms.

LLDCs being unable to influence the international market and having limited absorption capacity are exposed to international shocks. Exclusion from knowledge based economy, the most dynamic sector, exacerbates their vulnerability. Other weaknesses such as conflict, governance problems and policy failures plague LLDCs.

Transport and trade facilitation issues

LLDC are most vulnerable to external and internal shocks. The report commissioned by UN-OHRLLS recently suggests that the LLDCs incur on average about 40 per cent more cost on transportation of their goods compared to coastal countries and their level of development is 20 per cent lower than the average developing countries in the coastal area.

LLDCs are handicapped in two ways. Firstly, many of the LLDCs are LDCs and hence they have the general traits of the LDCs by default; and secondly the landlockedness adds to the cost of transit and therefore the cost of doing business becomes expensive, subsequently making these countries uncompetitive in the international market.

The experience from Nepal over the past few years has shown that there has been substantial development both in software and hardware support in trade facilitation. Many of such developments were the result of support from the development partners. But this has not resulted in the desirable growth of trade, mostly because the infrastructure seems to have developed on the Nepali side, but not on the side of transit country or in the port. The various infrastructure requirements for smooth flow of goods have not been developed or need to be upgraded from the border point to the nearest port. In addition, there are procedural issues too, such as documents that are not harmonized. Therefore, for the benefit of the LLDCs, a holistic approach to trade facilitation, by simplifying and harmonizing the entire process from the port to the final destination of the goods, is required.

For example, Nepal constructed a container depot in Kakadbhitta, Eastern border area of Nepal, supported by a loan from ADB. The project was assumed to generate at least 160 million Rupees as revenue in ten years, rendering it a feasible project. However, based on new revised estimates from ADB, the revenue was estimated at Rs 40 million for ten years based on present trade volume, less than one fourth of the original estimate. The reason for this downgrading is because of developments that are needed inside India and Bangladesh and between Nepal that have not happened (such as railroad connection, transshipment facilities etc) and subsequently trade volume has not increased.

LLDCs also incur additional cost due to unavailability of transshipment and through bill of lading facilities. For example, cargo designated for Nepal has to be cleared at Kolkata port in India, where ship liners provide maximum of 15 days of free time for turn around of the cargo. Even if everything goes on time, 15 days is not sufficient, whereas for coastal countries only 5 days time may be sufficient. A landlocked developing country such as Nepal ends up paying demurrage worth millions of dollars.

Market Access

Genuine market access opportunities have remained a myth so far for developing countries in general and LLDCs in particular. Therefore, LLDCs should continue to receive easy market access from all the developed countries and advanced developing countries with common rules of origin criteria. Non-tariff barriers in the form of health, environment, certificates and safety standards have become one of the major hurdles for products originating from LLDCs.

Nepal as a LDC enjoys market access facility in all different forms at the multilateral trading level (WTO) or regional platform (SAFTA) or at bilateral level (India/China). There is every opportunity to reach the global market through these platforms and at the same time also to attract foreign investment through the provision of the agreements at different levels. However, Nepal has hardly utilized this opportunity because non-tariff barriers in different forms have become the biggest hurdle and challenge for the country's goods and services to penetrate the international market. Therefore, the international community should devise a mechanism to help LLDCs tackle this problem.

Supply side issues

Supply side constraints are the single biggest issue that needs to be addressed if market access opportunities are to be realized. Although supply side issues are equally important for internal trade, they are all the more important for the "competition-driven" international trade. Technical and infrastructure support can play a vital role in promoting international trade for LLDCs.

Policy recommendations on trade facilitation

Transit should not be seen as a one way concession given to LLDCs, but rather an arrangement for achieving the common goal of development through instilling seamless transport system contributing to the global economy. Strong political will on the part of the international community, particularly transit countries is key to making progress on trade facilitation issues. Industry-specific trade facilitation programs for LLDCs, in particular for agricultural products, should be considered.

Simplification, harmonization and automation of trade procedures will help LLDCs to ensure faster and smoother trade across borders. Modernization of customs and port operations with introduction of IT enabled services and introduction of the concept of single window that will allow traders to submit documents only once for all regulatory purposes would in particular speed up border crossings. Harmonization of documentary requirements across countries should also be actively pursued.

In addition, physical inspections should be minimized whenever possible, in particular through adoption of risk management techniques by all organizations involved in the trade process. Healthy competition among transport, logistics and other trade-related service providers as well as among various mode of transportation should be promoted.

LLDCs and transit partners should develop and implement key regional transport projects and agreements for facilitating the cross border movement of goods and passengers. Bilateral and regional free trade agreements should also systematically address trade facilitation issues.

Full and inclusive representation of the private sector in trade facilitation initiatives is essential. Setting up of a LLDC chamber of commerce, as a mechanism for the private sector from LLDCs to come together, should be considered, with national chambers of different LLDCs as its members. Support of the UN system in bringing business communities together in this way would be critical.

SUMMARY OF DISCUSSION

In the discussion that followed, the meeting underscored that services are of great importance to LLDCs and hold great potential to circumvent landlockedness challenges since they are less sensitive to distance. In addition, services were also identified to be less sensitive to non-tariff barriers. The information gathered by WTO from questionnaires from the private sector prepared for the Aid for Trade Review clearly indicates that services are very important to the economies of many LLDCs. Participants agreed that there is a need for more research to identify the categories of the services sector where LLDCs have a competitive edge as well as provide support for the development of the services sector in LLDCs.

The meeting recognized that while the services sector is growing, it is very volatile and questions remain on how to ensure that LLDCs take full advantage of services. The meeting noted that one of the biggest barriers preventing the LLDCs from exploiting services in an efficient way is their limited capacity. The enhanced development of human skills and education are critical. In this regard, the meeting suggested that LLDCs would require support towards enhancing education and skills development.

With regard to Aid for Trade, the meeting stressed the importance of equitably distributing it in order to ensure that the LLDCs gain more benefits from the initiative. The meeting noted that the process has to start with LLDCs themselves identifying their priorities and needs for Aid for Trade.

The meeting discussed the growing number and importance of non-tariff barriers and their impact on the ability of LLDCs to trade. Non-tariff measures (NTMs) were noted to be restricting trade more than tariffs. The proliferation of bilateral and regional trade agreements is further multiplying the divergence in tariff barriers. The World Trade Report 2012 that was devoted to NTMs analyzed their impact on the international trade of goods and services and found that they had a negative impact on trade. The large-scale company surveys on NTMs conducted in developing countries including 5 LLDCs, also showed that a high proportion of companies surveyed were affected by burdensome NTMs. The meeting noted that harmonization or mutual recognition of regulatory standards could help to reduce the trade hindering effects of NTMs. The meeting also suggested that it was important to undertake more research to understand how these barriers were affecting LLDCs and provide support to build capacity in LLDCs to deal with the barriers.

The meeting also discussed the importance of and the need for providing preferential market access for LLDCs to help alleviate some of the problems associated with their geography. The meeting suggested that market access be one of the important priorities of the new development agenda of the LLDCs.

The meeting noted how LLDCs can benefit from joining value chains, especially when they are experiencing tariff escalation in certain sectors. The participants observed that connecting to value chains was problematic for many SMEs, even for countries who benefit from duty free market access schemes. In this regard, the new agenda for LLDCs had to identify national actions that would help SMEs in joining value chains.

On WTO accession, the meeting noted that two new members, Lao PDR and Tajikistan joined the WTO in 2013, with three more countries Kazakhstan, Afghanistan and Ethiopia in advanced stages of the accession process while Azerbaijan, Bhutan and Uzbekistan were still working on the accession process.

Participants emphasized that harmonization of legal and administrative regulation of road/rail transport, border crossing and customs procedures, as well as non-tariff measures, including rules of origin, is critical in ensuring smooth and speedy transport and is at the heart of any trade facilitation package. Participants also noted that the African Union Commission was working on the harmonization of customs systems and rules of origin. Again, it was noted that implementation of transit system policy relied on critical capacity building and human resources.

The meeting highlighted that there is need to systematically collect and disseminate best practices on how to improve the trade potential of the LLDCs. In this regard, the meeting noted that UNCTAD had a package of best practices on border crossings in Central Africa that could be replicated in other regions; and the UNECE in collaboration with the OSCE had produced a recent publication on Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective. The participants also discussed the trade facilitation initiatives that have worked in some LLDCs such as one stop border posts and dry ports and suggested the importance of sharing experiences.

Furthermore, the meeting suggested setting up of an observatory and other means of sharing experiences and successful/best practices. The meeting also noted that there is a need for more research into country-specific needs. The meeting recognized that the International Think Tank on LLDCs could undertake relevant research and organize meetings to examine LLDC specific issues in more detail. The meeting also noted that UNECE is implementing a global project with other regional commissions to improve and pilot out electronic transport data exchange between countries.

Participants agreed that private sector participation in the preparatory process for the conference is critical and that the international community is increasingly recognizing its importance in contributing to both the soft and hard infrastructure required to build efficient transit systems for LLDCs, and increasing the trade capacity of LLDCs. Participants suggested that the private sector should meet on regional basis to discuss concrete issues and share success stories. It was noted that chambers of commerce of Kazakhstan, Afghanistan and India for example have already met.

SECTION 3

TRANSIT TRANSPORT COOPERATION AT BILATERAL, REGIONAL AND GLOBAL LEVELS

THE UNECE AND THE ALMATY PROGRAMME OF ACTION: IMPLICATIONS FOR A NEW DEVELOPMENT AGENDA FOR LLDCS

Ms. Eva Molnar, Director, Transport Division and UN ECE focal point for the Almaty Programme of Action

Introduction

Multilateral agreements alone are unlikely to solve transit transport issues, even though it is anticipated that regional integration agreements are bound to flourish in the short to medium term, in a way that they promote and deepen trade and economic growth. The key transit issues related to the needs of the LLDCs include improving their physical access to the sea ports, transit transport liberalization and facilitation for the smooth movement of LLDCs' cargo in transit.

Transit transport liberalization

Transit transport liberalization involves joining and implementing: multilateral agreements such as the GATT, New York Convention on Transit Trade of Landlocked States of 1965 that has 41 parties, Montego Bay Convention, etc; regional and sub-regional agreements such as the European Union, Black Sea Economic Cooperation (BSEC), Economic Cooperation Organization, ASEAN, African Union, SADC etc; and bilateral agreements for road (freight, passenger, combined) rail, waterways, combined transport and land transport. Transit neighbours are crucial for the implementation of bilateral, regional and multi-lateral agreements on transit issues. Road transit is especially crucial in all LLDCs regions, with the exception of Latin America where river transport also plays a comparatively larger role.

Transit facilitation

The free flow of transit should not be confused with transit freedom: it entails the simplification of the processes that would enable easier and more efficient cross border transit of merchandise. The Harmonization Convention makes a crucial commitment to improve transit facilitation by streamlining administrative procedures and removing cross-border technical barriers. This Convention promotes low-risk, high-reward border crossing and trade facilitation actions. However, LLDCs are lagging behind other regions in joining this important convention that would address some, if not, most of their transit bottlenecks. Only 11 out of 31 LLDCs have joined as of March 2013.

Furthermore LLDCs could also substantially benefit from joining the TIR convention. However most of the contracting parties are in the European and Eurasian region. More countries from the other landlocked regions should join the TIR convention in order to facilitate faster transit of goods across the borders.

Infrastructure development

Infrastructure development means improved access both in terms of the expanded physical transport infrastructure and improved quality. Standards and navigation (signs, signals, E-network) are crucial to improve infrastructure development. Harmonized planning is also very important for infrastructure development particularly at regional level and for resource mobilization. For example the Euro-Asian Transport Links (EATL) Phase II Rail Route 1 requires investment of US$ 26 billion.

Conclusion

The new development agenda for LLDCs should include: improved physical access that has to be based on multi-country planning in order to harmonize standards; the missing links and transit bottlenecks need to be addressed; LLDCs and their transit neighbours should join the UN conventions and effectively implement them in order to improve trade facilitation; and transit liberalization including the transport reforms.

THE SECOND DECADE OF ALMATY PROGRAM OF ACTION–FROM LANDLOCKED TO LAND-LINKED COUNTRIES, ECONOMIES AND CULTURES

Mr. Igor Rounov, Under Secretary General, Head of International Road Transport Union (IRU)

Introduction

The APoA proved to be an effective international instrument through its nearly ten year period of existence and engagement of many states and regions worldwide. A lot has been achieved in the implementation of the APoA during the last decade, however, there is still a lot to be done, as problems remain and their solutions need our joint efforts. In particular transit transport is still cumbersome and slow. An IRU study showed that the average speed for merchandise trucks between Asia and Europe is about 18 km/hr. The slow pace is caused by the many border crossings which are often times inefficient and slow in processing documentation.

IRU activities and projects dedicated to the development of Euro-Asian road transport linkages and revitalization of the Ancient Silk Road (including, Black Sea Ring Highway Truck Caravan, Euro-Asian Truck Caravan in cooperation with the Economic Cooperation Organization (ECO); New Euro-Asian Land Transport Initiative (NELTI), analytical studies, six IRU Euro-Asian road transport conferences etc.) demonstrated that road shipments between Europe and Asia are technically feasible and commercially viable. However, they are extremely held back in the modern times by three main factors including: the absence of harmonized procedures at the borders, outdated border-crossing points, and high level of corruption that results in truck drivers spending 40% of their traveling time in queues at the borders; amount of illegal payments exceeds one third of the freight; and insufficient ancillary infrastructure along Euro-Asian routes results in massive road accidents, security violations, and non-respect of the driver's rest and working time standards.

Based on the above, one of the priorities of the renewed APoA should become a strategy targeted at moving from the concept of international transport corridors towards more complex "development corridors", which could play an important role earlier performed by the Ancient Silk Road. This is the most efficient solution for involving LLDCs in the global trade, transport, tourism and globalization processes.

Suggestions for the priorities of the New Programme of Action for LLDCs (2014-2023)

The following key aspects, in our view, which are not fully covered in the current Almaty Programme should be included in the New Program for next 10 years.

Hard infrastructure

Reconstruction and rehabilitation of the road network should be supplemented by the simultaneous development of roadside support infrastructure. Ancillary infrastructure will ensure not only road safety, but also the involvement of local businesses in the ancillary roadside services distribution along highways.

The need to upgrade transit infrastructure with a view of creating businesses and development corridors along transit highways and railroads would require private-public partnerships (PPPs) at the national and regional levels. This is especially true, if 5-10% of the road investment is to be channeled to ancillary roadside infrastructure along the transit corridors. Involvement of road transport business associations in PPP projects is also very important.

It will allow transformation of the LLDCs to land-linked countries. At the same time it will require changes in international transport policy approaches, greatly moving framework from the concept of international transport corridors towards more complex "development corridors".

Innovative funding mechanisms for the maintenance of roads and ancillary roadside infrastructure development, based on public-private partnership, are increasingly important in view of deficit of budgetary funds in the LLDCs. In particular innovative projects of funding and modernization of ancillary infrastructure on the territories of several landlocked and transit countries should be promoted and implemented.

It is important to modernize the border crossing points and its equipment and to develop logistical supply chains, logistics centers and "dry ports.

Trade facilitation and fundamental transit policy issues – "soft infrastructure"

- Accession of landlocked and transit countries to International UN agreements and conventions. Efforts for expanding participating of Eurasian states to the UN conventions and agreements should be encouraged and continued.
- In the New Programme we should support the use of multilateral mechanisms, such as road transport multilateral quotas systems. Such systems were initially introduced in Europe but now similar mechanisms are being developed in other regions (Black Sea Economic Cooperation (BSEC), ECO, Shanghai Cooperation Organisation (SCO)). Once fully operational in the next Decade those systems will provide valuable contribution to the Almaty Programme of Action.
- Intelligent transport systems, including modern computer and satellite navigation technologies can significantly improve the efficiency and security of the long-distance road transport, optimize routes, reduce the time and costs of delivery and implement international standards of work and rest times of professional drivers. It is therefore crucial to promote the use of intelligent transport systems in the next decade.
- Human development in road transport sector and quality training programs are critical. Training and skills programs, both for drivers and management of road carriers companies will contribute to road safety and quality of goods delivering cargo in LLDCs.
- Geographical expansion of efficient customs transit systems is important. Implementation of permit-free transit road transport systems can help reduce delays at the borders.

General proposals to the New Programme of Action

- Priorities of the new APoA should be structured according to their timeline and urgency of implementation and should include short-term (low hanging fruits) and medium and long-term goals.
- Special attention should be paid to innovative international pilot projects in the area of transport and transit which could become additional stimulus for realization of the new programme of action.
- Optimal solutions for implementation of the above two suggestions could become Individual Plans of Actions for realization of the priorities of the new APoA. LLDCs and transit countries could develop Individual Plans of Actions that could help in ensuring implementation on the ground.

THE WORLD BANK'S CONTRIBUTION TO ALMATY PROGRAMME OF ACTION AND SUGGESTIONS FOR THE NEW PROGRAMME OF ACTION

Mr. Marc Juhel, Sector Manager of the Transport Division in the Energy, Transport and Water Department, World Bank

World Bank's Activities related to the Almaty Programme of Action

The World Bank's work towards the implementation of the APoA include investment Projects under the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA); technical assistance: through the trade facilitation facility and partnerships; and knowledge production and dissemination.

About 8% of the World Bank's projects are on trade facilitation and logistics and one of the themes with a cross sector Global Expert Team is on trade facilitation and logistics. Components of broader concerns of the World Bank are also relevant to Almaty PoA including integration and competitiveness, food security, fragile states, and environment.

World Bank Financing (2003-2012)

Between 2003 and 2013, there are many World Bank funded projects that refer specifically to APoA. During the financial and economic crises, lending to LLDCs peaked, and 3-4% of the World Bank's projects are linked to APoA. In addition, 8 to 10 projects a year directly address APoA concerns, with most of these projects being implemented in Africa.

The World Bank projects are in the areas of road or rail corridors, regional integration, connectivity, national capacity e.g. customs and border management, and agro supply chains. There are many projects that relate to transport and development corridors, which go beyond investment in the transport infrastructure.

IBRD-IDA projects by region (2003-2012)

	Lending	Projects
Africa	45%	64
East Asia and Pacific	7%	14
Europe and Central Asia	44%	35
Latin America and Caribbean	1%	1
South Asia	4%	9

Key projects include Economic Community of Central African States (CEMAC) Transport Transit Facilitation (Douala Corridor), West Africa (Tema Ouaga), North-South Corridor Africa, Central Corridor East Africa, Afghanistan (new tranche customs support), and Pakistan (national corridor), Kazakhstan (Western corridor, customs support), Silk road countries (connectivity project), and Nepal India project (in preparation).

The objective of improving service delivery for traders implies the need to combine: investment in infrastructure; institutional capacity building; and regulatory reforms.

Technical Assistance: Trade Facilitation Facility (TFF)

The World Bank established a trade facilitation facility which is multi-donor trust fund (40 Million US$). The TFF supports concrete improvements in trade facilitation systems. The areas of focus include border management, trade infrastructure, logistics, regional, indicators, etc. The Bank provides technical assistance through the facility to help reduce developing countries' trade costs. The facility's emphasis has been on Africa and low-income countries.

Under border management, the facility supports integration of customs, product standards, tax, rules of origin, etc. On trade infrastructure, the facility aims to improve the management of key trade related infrastructure especially gateways and multimodal facilities. On logistics, the facility aims to improve the quality and professionalism of private logistics

services, through technical and economic regulation and capacity building. On regional issues the facility aims to improve regional trade facilitation including transit systems. On indicators, the facility aims to enhance performance monitoring and indicators: e.g., data on time, cost, and reliability along corridors.

Some examples of technical assistance work include performance management in customs (Cameroon, Togo); Trade Facilitation CEMAC (improvement of transit regime on Douala corridor); Authorized Economic Operators (AEO) in West Africa; DRC Transit Trade Facilitation Technical Assistance; Support to SACU; SSATP; Eastern and Southern Africa corridor study; Central America Transit Trade Facilitation; Central Asia: TTFA and performance measurements; GMS (corridor performance), Vietnam Transit Trade Facilitation and in preparation, South Asia (Nepal, India, Bangladesh).

Knowledge Products and Dissemination

The World Bank has undertaken studies and prepared research and reports that are relevant to LLDCs including The Cost of Being Landlocked (2010) and Connecting Landlocked Developing Countries To Markets (2011). The Bank is releasing very soon: Corridor Management toolkit.

The World Bank collects and analyses global data and manages a database. In cooperation with UNESCAP, the Bank has a trade costs dataset that includes LLDC findings. The Bank prepares and publishes annually the Logistics Performance Index and Doing business Report. Other reports and data sets include corridor data, trucking services agreements database, port performance data, trade costs database and other knowledge sharing tools. The trade costs data shows that LLDCs are at a disadvantage as they incur higher costs to access other markets because of geography. Supply chain constraints like logistics performance also account for the higher trade costs incurred by LLDCs when compared with other neighbors. Hence the importance of improving the soft infrastructure.

The other knowledge products of the Bank include Border Management Handbook; Freight Transport Toolkit; trucking services agreements database; Port performance; revision of the compendium of Sub-Saharan Africa legal instruments.

The lessons for Transit Corridors and APoA

Some of the lessons that the Bank has learnt from its projects include the fact that in addition to lack of infrastructure and legal framework (which are the traditional areas of focus), the lack of implementation mechanisms for transit transport, dysfunctional markets for logistics services and governance and lack of efficient border management, also affect the growth potential of LLDCs.

The key potential for trade cost reduction include (i) efficient transit systems capable of processing and moving goods through corridors cheaply and fast that simplify processes, ensure effective implementation mechanisms, and reduce multiple clearance, differentiated treatment of operators, and (ii) working on the logistics services market to align incentives for efficient transport and transit operations, liberalization and competition, phase out anti-competitive practices such as cartels and queuing system wherever possible.

TRANSIT AND TRADE FACILITATION ALONG THE NORTHERN CORRIDOR: CHALLENGES, EXPERIENCES TOWARDS AN ENHANCED SUSTAINABLE PARTNERSHIP

Mr. Donat Bagula, Executive Secretary, the Permanent Secretariat of the Transit Transport Co-ordination Authority of the Northern Corridor, Africa

Introduction

The Northern Corridor is a multi-modal corridor, encompassing road, rail, pipeline and inland waterways transport. The corridor is the busiest and most important transport route in East and Central Africa. It provides a gateway linking Kenya's Maritime Port of Mombasa to the landlocked economies of Uganda, Rwanda, Burundi and South Sudan. It serves also the eastern part of Democratic Republic of Congo, Northern Tanzania and Ethiopia.

The Transit Transport Coordination Authority of the Northern Corridor (TTCA-NC), whose Secretariat is based in Mombasa, Kenya; was established to oversee the implementation of the Northern Corridor Transit and Transport Agreement provisions, ratified by Member States in 1985 (Kenya, Rwanda, Burundi, Uganda). The DR Congo joined the Organization in 1987 and recently in December 2012, the South Sudan. The Northern Corridor Transit and Transport Agreement's main objectives include: facilitating and enhancing the seamless movement of trade and traffic across the region; stimulating economic and social development in the contracting parties; transforming the Corridor into a development corridor; and implementing strategies for offering safe, fast, competitive transport and ensuring environmental sustainability.

Challenges faced by the Northern Corridor Member states

The international and intra-regional trade as engine of economic growth in the region is hampered by high costs of doing business in particular the high costs of transport and transit delays, numerous non-tariff barriers and associated administrative costs along the transit chain. Other challenges include the lack of implementation by Member States of various protocols on trade and transport facilitation, low level of awareness of laws, regulations and agreements/ conventions, lack of a trade facilitation mindset; and limited capacity to package bankable projects.

The region is a net importer, and is very uncompetitive compared to other economies. 37% of the total logistics costs in landlocked Member States of the Northern Corridor are attributable to road transport costs; direct costs of delay contribute to more than 2% of the total logistics costs and hidden costs of delays constitute 40% of the total logistics costs. Delays on the northern transport corridor is estimated to cause a loss of an estimated $800 per day per truck, hence increasing the cost of doing business in the region

Experiences: lessons learnt from successful solutions along the northern corridor

Some recent initiatives undertaken include: the development of an Infrastructure Master Plan in 2010; the Strategic Plan 2012-2016 towards a seamless transport corridor was also developed outlining the following key strategic areas: Harmonization and streamlining of policies and legal framework for transport and trade facilitation; Development of opportunities for private sector investment and participation in the Northern Corridor; Expansion and improvement of transport infrastructure and services; and Enhancement of knowledge management, partnership and capacity building.

In this line, certain physical infrastructure are being implemented along the corridor notably One Stop Border Posts projects at Malaba, Busia, and Gatuna/Katuna between Kenya and Uganda and Uganda and Rwanda respectively. Feasibility studies for establishing One Stop Border Posts have been finalized for Mpondwe-Kasindi, Gisenyi-Goma and Akanyaru-Kanyaru Haut between Uganda and the Democratic Republic of Congo (DRC), Rwanda and DRC and Rwanda and Burundi respectively.

In terms of trade facilitation, several lessons are learnt from regular road surveys being undertaken to collect important data to monitor the corridor performance. Henceforth, the transport observatory was developed and launched in December 2012 as a successful solution to monitor the corridor performance.

These tools need to be sustained, monitored and evaluated, however the lack of implementation mechanisms and the dysfunction of logistics services and mal governance of the industry is still hampering the success of these solutions

Identification of causes of delays

The Transport Observatory Platform is a web based tool: *http://top.ttcanc.org* or *www.ttcanc.org*; operational to monitor the Northern Corridor's Performance by: identifying and map the various bottlenecks or non-tariff barriers and the causes of delays: Under this initiative, IT and GPS data are collected; road surveys are being undertaken for diagnosing, analyzing and tracking a set of 25 indicators on volume and capacity, transit time and delays, rates and costs, efficiency and productivity. The TTCA is creating a database towards establishing an evidence-based regional platform being used by the policy and decision makers. The transport observatory platform also facilitates formulation of policies leading to better transit and trade facilitation, partnership and cooperation between the member states of the Northern Corridor.

Enhancing a sustainable partnership and opportunities

The partnership agreement between Member States was renewed and the core objectives and mandate extended in 2007. This Legal Partnership framework needs to be sustained. The Membership of the Northern Corridor was increased from 5 to 6 by including in December 2012 South Sudan which is currently the second largest landlocked developing country in terms of volume of transit using the Northern Corridor. The regional integration and cooperation opportunities and willingness also need to be sustained.

Conclusion

The needs of the LLDCs in the Northern Corridor in the new decade include:

a. Sustaining of the partnership in infrastructure development (hard and soft);

b. Strengthening of transport and trade facilitation;

c. Harmonization and streamlining of policy, legal framework and regulations;

d. Capacity building and sustaining the willingness of regional organizations to harmonize their policies and regulations; i.e. The Tripartite (COMESA, EAC, SADC) and Corridor Authorities agreements attested this regional integration willingness and initiatives.

e. Enhancing of productive capacity and promoting private sector investment;

f. Definition of strong monitoring and evaluation mechanisms to foster national and regional ownership and follow-up of the new programme of Action.

OSCE'S INITIATIVES TO SUPPORT LLDCs

Mr. Alexey Stukalo, Deputy Coordinator/Head, Office of the Coordinator of OSCE Economic and Environmental Activities, OSCE Secretariat

One third of the OSCE participating States are LLDCs, including Central Asian countries and Mongolia, and addressing their needs is among key priorities of the Organization. As the largest regional security organization, the OSCE pays particular attention to transboundary and border issues.

The OSCE prepared in collaboration with UNECE, a Handbook of Best Practices at Border Crossings: A Trade and Transport Facilitation Perspective that was published in February 2012. The handbook has now been translated into Russian and this makes it accessible to a larger audience, especially in the CIS region. The Handbook includes over 120 best practice examples from different countries. It also describes methodologies and concepts in specific areas of high importance for the LLDCs. It can be downloaded from OSCE and UNECE websites.

The Handbook itself provides ideas on how international assistance to the LLDCs can be further improved. Some of the suggestions include the following. There is need for more publications like this Handbook, which would compile and synthesize best practices and methodologies of various countries and international organizations in specific areas of high importance for the LLDCs. Better coordination should be achieved between similar concepts of international organizations with varying titles but addressing the same problems. For example, the Handbook makes such an effort by describing and comparing, in a fair and neutral way, three well-known concepts: Integrated Border Management, Coordinated Border Management and Collaborative Border Management.

Co-operation should be further developed between specialized international organizations and inter-governmental organizations. The latter can help to bring specific issues to a high political level, raise awareness among decision-makers about existing problems as well as available ways and instruments to fix them. The private sector representatives must be included in this co-operation. Long-lasting and mutually beneficial ties between the OSCE and UNECE provide an excellent example. And both organizations have close ties with the IRU. The OSCE is enhancing its co-operation with the WCO. Successful trade facilitation and improvements in logistical delivery require collaboration between states, and through PPP.

The OSCE together with its partners have organized seminars and trainings and will continue to do so on: Promoting integrity in Customs and other border agencies; Implementing Authorized Economic Operator programmes; the use of ICT and non-intrusive inspection methods at border crossings; and further developing Euro-Asian transport linkages.

SUMMARY OF THE DISCUSSION

In the ensuing discussion, participants deliberated on why implementation of relevant conventions and agreements has been a major challenge. The meeting noted the need to clarify what to implement, set out the priorities and the doubling of efforts by everybody – LLDCs, transit countries and development partners. LLDCs and their transit neighbours need to join the relevant international conventions such as the Convention on Harmonization. The monitoring of the implementation within the transport corridors was very important and this could be done through peer monitoring by participating countries. Capacity building needs to be enhanced on a regular basis. The meeting also underscored that leadership must be prepared to undertake necessary political reforms.

The meeting suggested the need to identify ways in which transit transport cooperation could reflect gender dimension particularly on trade facilitation and trade logistics. The meeting noted that while transport costs have come down substantially around the world, they remain much higher for the LLDCs. The meeting raised the need for LLDCs to get additional Aid-for-Trade resources in order to help them to address the high cost of transportation. The participants also stressed that improvements of the transport corridors could significantly reduce the transport costs and enhance regional and national competitiveness.

The meeting suggested that the international community must look at political collaboration that delivers mutual benefits to each other and deepen global partnerships at all levels. The lessons and best practices shared by OSCE, the World Bank and Northern Corridor no doubt create the required momentum to improve trade facilitation and promote infrastructure and should be scaled up or replicated.

SECTION 4

EMERGING CHALLENGES FOR LLDCS: CLIMATE CHANGE, DESERTIFICATION, LAND DEGRADATION, AND ECONOMIC AND FINANCIAL SHOCKS

EMERGING CHALLENGES FOR LANDLOCKED DEVELOPING COUNTRIES: CLIMATE CHANGE

Ms. Marcela Main Sancha, Senior Liaison Officer in the Executive Direction and Management Programme, UNFCCC

The emerging climate change challenges for the LLDCs are of special interest to the United Nations Framework Convention on Climate Change (UNFCCC). Article 4, Paragraph 8, Element (i) of the Convention makes a clear reference to LLDCs, along with other vulnerable countries. It states that, "In the implementation of the commitments in this Article, the Parties shall give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and/or the impact of the implementation of response measures, especially on: (a) Small island countries; (b) Countries with low-lying coastal areas; (c) Countries with arid and semi-arid areas, forested areas and areas liable to forest decay; (d) Countries with areas prone to natural disasters; (e) Countries with areas liable to drought and desertification; (f) Countries with areas of high urban atmospheric pollution; (g) Countries with areas with fragile ecosystems, including mountainous ecosystems; (h) Countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption of fossil fuels and associated energy-intensive products; and (i) Land-locked and transit countries".

Adaptation

Parties are encouraged to formulate and implement national adaptation plans (NAPs) as a means of identifying medium- and long-term adaptation needs and developing and implementing strategies and programmes to address those needs. The NAPs are aimed at reducing vulnerability to the impacts of climate change, by building adaptive capacity and resilience and to facilitate the integration of climate change adaptation, in a coherent manner, into relevant new and existing policies, programmes and activities, in particular development planning. Decision 1/CP.16 (of the Conference of the Parties on its sixteenth session, held in Cancun in November 2010): developed the NAP process to enable LDCs. In Decision 5/CP.17, other developing countries are invited to apply the same guidelines.

Decision 12/CP.18: Provide guidance to the Global Environment Facility (GEF) for supporting LDCs for the preparation of the national adaptation plan process through the LDC Fund; and an invitation to GEF to consider how non-LDCs may be supported through the Special Climate Change Fund. The Adaptation Committee will consider relevant modalities for supporting non-LDC interested developing country Parties on the NAP process.

Mitigation

Some initiatives have been established under the Clean Development Mechanism (CDM). For instance, the Nairobi Framework Partnership (partners include UNDP, UNEP, World Bank, AfDB, UNCTAD, UNFCCC), is a mechanism with a specific target of helping developing countries, especially those in sub-Sahara Africa, to improve their level of participation in the CDM.

There are also regional collaboration centers that LLDCs could utilize. They include Lomé, Togo, in partnership with the Banque Ouest Africaine de Développement; and Kampala, Uganda, in partnership with the East African Development Bank. Finance and support is provided by Africa Carbon Asset Development Initiative; African Carbon Support Programme by the AfDB; Carbon Fund For Africa; African Biofuels and Renewable Energy Fund and UNDP'S MDGs Carbon Facility (LDC support).

Adaptation Fund

The Adaptation Fund was established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change.

Green Climate Fund

The Green Climate Fund (GCF) was established by a decision of COP 16 as an operating entity of the financial mechanism of the Convention under Article 11. The GCF will support projects, programmes, policies and other activities in developing country Parties. The Fund will be governed by the GCF Board. The Board has 24 members, composed of an equal number of members from developing and developed country Parties. Representation from developing country Parties include representatives of relevant United Nations regional groupings and representatives from SIDS and LDCs

Secretary-General's engagement with leaders

Climate change remains an issue of great importance to the Secretary-General. He continues to engage with world leaders with the aim of securing a new and ambitious legal agreement to be achieved by 2015. He also seeks to achieve a scaled-up climate financing by using public funds to leverage significant private investment. Against this backdrop, the Secretary-General announced that he will convene world leaders in 2014 to mobilize political will to help ensure the 2015 deadline is met.

LLDCs' 2014 ten year review meeting is an important opportunity to draw leaders' attention to the relevance of climate change for LLDCs. The review meeting could serve as an opportunity to collectively prepare inputs for the SG's leaders'summit.

EMERGING CHALLENGES FOR LANDLOCKED DEVELOPING COUNTRIES: DESERTIFICATION AND LAND DEGRADATION

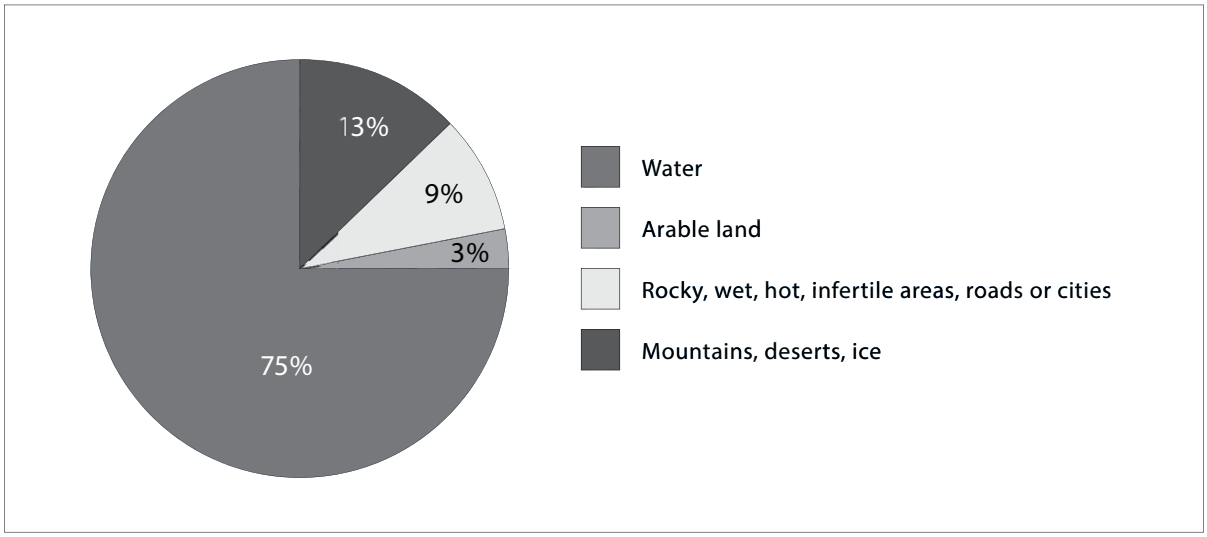
Ms. Nandhini Iyer Krishna, UNCCD Liaison Officer, UNCCD Liaison Office, United Nations Headquarters

Desertification affects 40 per cent of the world land area, impacting all the continents. Two-thirds of Africa is regarded as dryland, with 73 per cent of its land ranging from being moderately to severely affected. One third of Asia is dryland, with 71 per cent of the land area being impacted. In fact, all Pacific islands states face some sort of land degradation. In North America, 74 per cent of the continental landmass is regarded as dryland. One fourth of Latin America and the Caribbean is dryland, with 75 per cent of the land being affected. Five European Union countries are affected, while around the world, 110 countries have drylands that are potentially at risk. Over 250 million people are directly affected and a further one billion being under threat or at risk. It is estimated that the annual loss of revenue directly linked to desertification is US$ 42 billion (constant 1990 US$). This estimate only accounts for some of the resulting socioeconomic costs.

While land degradation and desertification are slow and silent working agents, many LLDCs are bearing the full brunt of them. For instance, Botswana and Burkina Faso are classified as 99 per cent arid and dryland. Desertification has a large human cost in the LLDCs. For example, a sixth of the populations in Mali and Burkina Faso have been displaced from their homes and farmland due to land degradation.

The main causes of land degradation and desertification include human activities such as over-cultivation, over grazing, deforestation, poor agricultural practices, drought and climate change. Desertification, land degradation and drought (DLDD) have far-reaching implications. They foster extreme poverty, food insecurity and hunger. They also contribute to increased droughts and water stress, deforestation, migrations, instability and other social crises. Land degradation jeopardizes biodiversity. Desertification affects the global loss of biodiversity; each year 27,000 species are lost. In addition, DLDD contributes to increased emission of greenhouse gases and ecological migration.

At only three (3) percent of the planet earth, arable land is a truly finite resource that must be carefully used. Yet, land degradation, desertification and droughts are worsening, directly impacting 1.5 billion people globally, with 50 per cent of agricultural land being moderately and severely degraded. Seventy-five billion tons of fertile soil disappears each year, with 12 million hectares of land being lost due to drought and desertification every year. Six million square kilometers of drylands bear a legacy of desertification.



Source: UNCCD (2013).

There is mounting empirical evidence that suggests a strong correlation between child mortality and land degradation, as well as land degradation and conflicts. Child mortality is especially severe in and around the Sahel region of Africa. Yet, if mankind stays the course DLDD is bound to worsen. There is an urgent need for concerted action to prevent

the situation. For instance, it is estimated that Niger loses 8 per cent of its GDP annually due to land degradation, but the cost of taking action to arrest the situation is only 10 per cent that of inaction.

"The Future We Want", the outcome document adopted by world leaders at the Rio+20 conference on sustainable development has relevant and supportive paragraphs to address desertification, land degradation and drought.

Paragraph (205): We recognize the economic and social significance of good land management, including soil, particularly its contribution to economic growth, biodiversity, sustainable agriculture and food security, eradicating poverty, the empowerment of women, addressing climate change and improving water availability. We stress that desertification; land degradation and drought are challenges of a global dimension and continue to pose serious challenges to the sustainable development of all countries, in particular developing countries. We also stress the particular challenges this poses for Africa, the least developed countries and the landlocked developing countries. In this regard, we express deep concern for the devastating consequences of cyclical drought and famine in Africa, in particular in the Horn of Africa and the Sahel region, and call for urgent action through short-, medium- and long-term measures at all levels.

Paragraph (206): We recognize the need for urgent action to reverse land degradation. In view of this, we will strive to achieve a land-degradation neutral world in the context of sustainable development. This should act to catalyze financial resources from a range of public and private sources.

Zero Net Land Degradation (ZNLD)

A noble goal for mankind is the "Zero Net Land Degradation" or ZNLD. Such a goal is urgently required in order to save the world's lands from further degradation processes and thus to meet the nutritional, economic, social and cultural needs of current and future generations, as well as to complement global initiatives to address climate change and biological diversity losses.

Intervention Options for ZNLD

Typology of Degradation of Ecosystem Benefits	Intervention Options
Type 1: High degradation trend or highly degraded lands (25%)	Rehabilitate if economically feasible. Mitigate where degrading trends are high.
Type 2: Moderate degradation trend in slightly or moderately degraded land (8%)	Introduce measure to mitigate degradation
Type 3: Stable land, slightly or moderately degraded (36%)	Prevention interventions
Type 4: Improving lands (10%)	Reinforcement of enabling conditions which foster Sustainable Land Management

Source: FAO (2011) The state of the world's land and water resources for food and agriculture. Managing systems at risk, pp 18

The problems of DLDD in LLDCs should be addressed in a holistic way addressing all the areas linked to land productivity such as poverty, climate change, food security, biodiversity, deforestation, forced migrations and others.

In framing the Post-2015 discourse and the development agenda for the LLDCs, it is important that attention is put on issues and challenges that are peculiar to the LLDCs as a group. A strong focus on LLDC specific issues, along with ways of addressing them, including means of implementation is likely to yield the desired positive outcomes. On the other hand, framing the arguments in general terms has the propensity to crowd out the more urgent LLDC concerns such as DLDD.

PRIORITIES IN ADDRESSING ECONOMIC AND FINANCIAL SHOCKS: SOME PERSPECTIVES FROM ASIA-PACIFIC LLDCS

Dr. Syed Nuruzzaman, Chief, Countries with Special Needs Section, UN ESCAP

Introduction

External shocks emanating from climate change, natural disaster, financial and economic crises as well as political instability and social violence continue to contribute to the slow down and reversal of economic and social gains achieved by the LLDCs. While many of the LLDCs are highly exposed to these shocks, they lack the capacity to cope. The impact of economic and financial shocks on the Asia-Pacific LLDCs is slowing down their pace towards meeting the MDGs. Indeed, there is evidence that most of the LLDCs may be regressing on a number of important MDG indicators.

Overview of the social and economic conditions of the Asian LLDCs

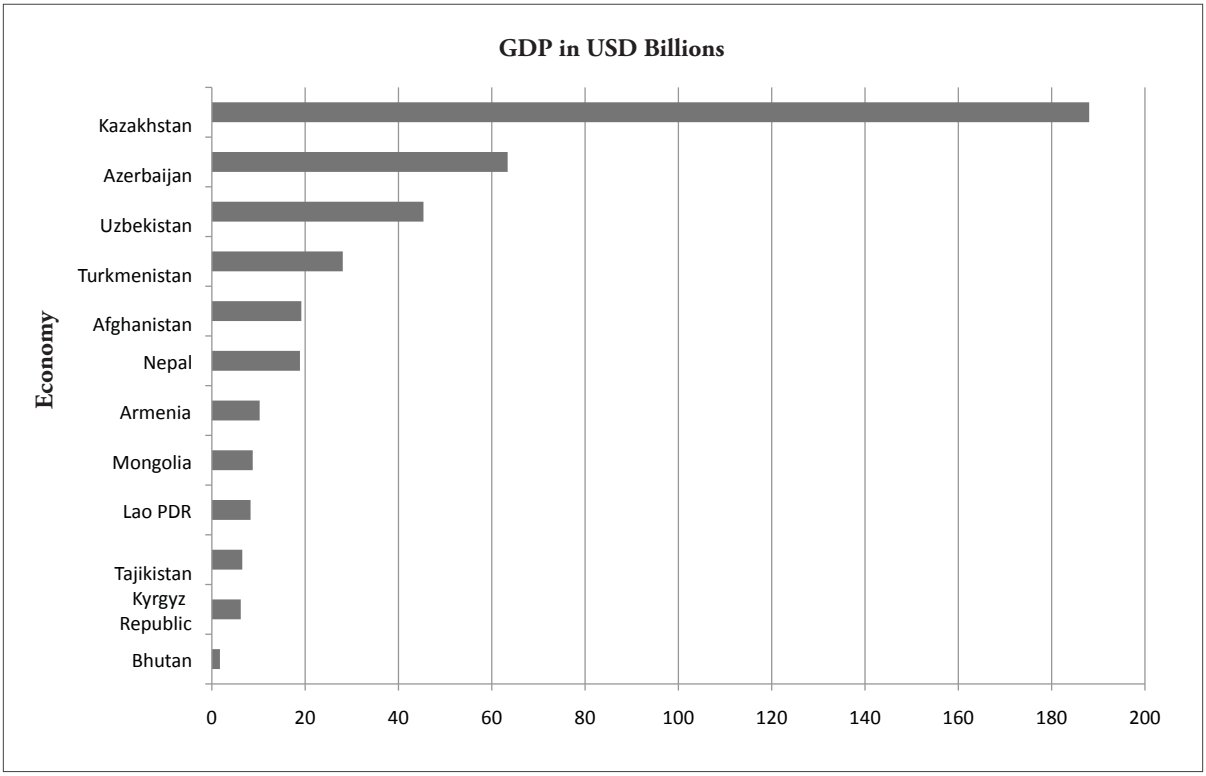
There are a total of 12 diverse LLDCs in the Asia - Pacific region which include: Afghanistan, Armenia, Azerbaijan, Bhutan, Kazakhstan, Kyrgyzstan, Lao Democratic Peoples Republic, Mongolia, Nepal, Tajikistan, Turkmenistan and Uzbekistan. With a population of 35.3 million, Afghanistan is the most populous country in this group, followed by Nepal (30.5 million) and Uzbekistan (29.3 million) (see table 1). On the other extreme, Bhutan has the smallest population, just about 700,000. In all, there are 151.4 million in these countries. While the population of the group increasing at an annual rate of 1.33%, Afghanistan, Bhutan, Mongolia, Nepal and Tajikistan are growing far more rapidly. At a growth rate of 0.2%, Armenia's population is hardly changing, reflecting a common pattern of its neighbors in the Euro Zone, and Eastern Europe.

Table 1. Socio-Economic Indicators of the Euro-Asia LLDCs

	GDP, Billion US$	Population, Million	Population Growth Annual, %	Trade-GDP Ratio, %	Net FDI Inflows, US$	Literacy Rate 15+, %	Life Expectancy at Birth, Years	Under 5 mortality Rate, 1,000 live Births	Maternal mortality Rate, 100,000 live Births
Afghanistan	19.2	35.3	2.7	81	83	…	49	101	460
Armenia	10.3	3.1	0.2	71	664	100	74	18	30
Azerbaijan	63.4	9.2	1.2	87	4,485	100	71	45	43
Bhutan	1.7	0.7	1.6	93	16	52.8	68	54	180
Kazakhstan 188		16.6	1	77	13,227	…	67	28	51
Kyrgyzstan	5.9	5.5	1.1	142	694	99	68	31	71
Laos	8.3	6.3	1.3	82	301	…	68	42	470
Mongolia	8.8	2.8	1.5	149	4,715	97	69	31	63
Nepal	18.9	30.5	1.7	42	94	60	69	48	170
Tajikistan	6.5	7	1.4	73	11	100	68	63	65
Turkmenistan	28.1	5.1	1.2	123	3,187	100	65	53	67
Uzbekistan	45.4	29.3	1.1	59	1,403	99	68	49	28

Source: World Bank Development Indicators

In terms of economy sizes, Kazakhstan is by far, the largest. In 2012 it had a GDP of US$ 188.1 billion, followed by Azerbaijan ($63.4 billion) and Uzbekistan ($45.4 billion). Figure 1 below shows the size of the economy for each country in the group in 2012.



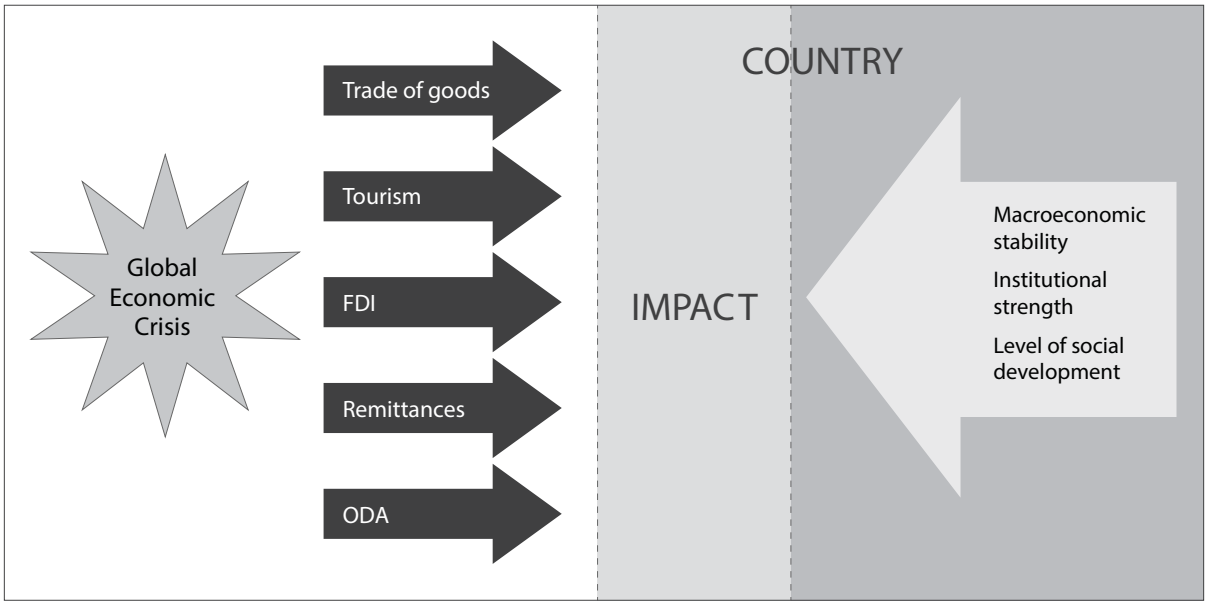
Source: World Bank Development Indicators

LLDCs generally maintain their commitment to keeping trade, investment, finance, and labour markets open. Reforms to improve the business climate and encourage FDI inflows have continued to improve. Despite their geographical disadvantage, trade remains important to the LLDCs in the Euro-Asia and Pacific region. Kazakhstan, for instance, has become a major destination in the global flow of private capital.

Economic and financial shocks and the LLDCs

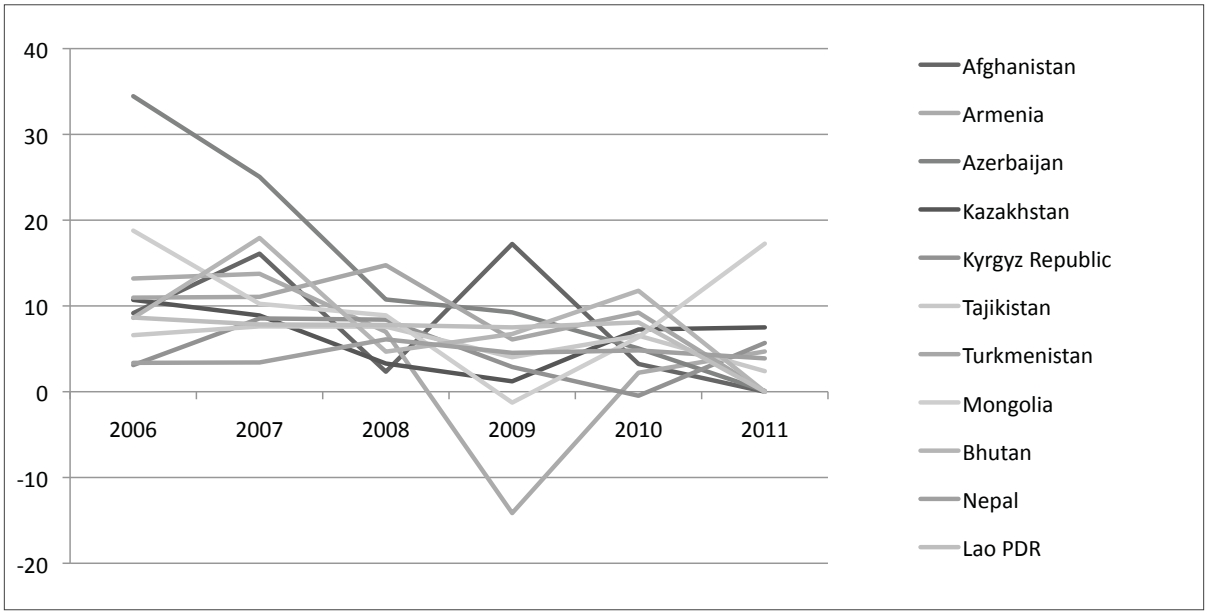
A country's vulnerability to external setbacks depends on the extent of its exposure to global economy and its capacity to cope. The global economic crises may impact a country through multiple channels, among them: the trade of goods and services, tourism, FDI inflow, worker remittances and ODA (see figure 2). Capacity to cope, on the other hand, is dependent on the country's macroeconomic policies, institutional strength and the level of social development. LLDCs tend to be extremely vulnerable to external shocks due to their high proportion of exports to advanced countries, dependency on a few primary commodity exports, highly dependence on capital flows – private, official (ODA) and remittance, as well as high external debt.

Figure 2. The channels of impact of the global financial crisis and economic turmoil on a country



External shocks impact LLDCs through direct balance sheet effects, the credit squeeze and reduced availability of trade credit. As a result, these countries experience a fall in their primary commodity prices, declining export volumes, reduced private investment flows, reduced Official Flows and reduced remittance flows. The great global recession that hit in 2009 has had far reaching implications to the LLDCs as illustrated by figures 3, 4, 5 and 6. The figures reflect the economic performance of the Asia Pacific landlocked developing countries since the onset of the crisis.

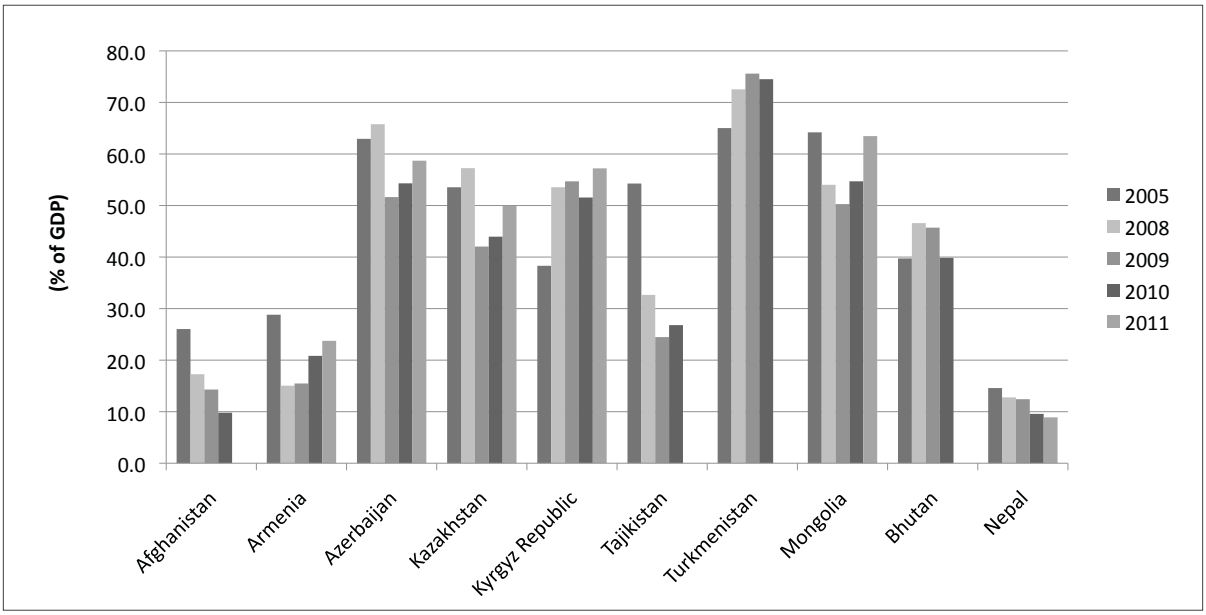
Figure 3. Recent Trends in Economic Growth in LLDCs



Source: Asian Development Bank Database

In 2009, the crisis hit Armenia the hardest due to a sharp fall in remittances which accounts for about 9% of the GDP. Since the onset of the current great global recession, export dependent LLDCs suffered large reduction in GDP growth. Figure 4 shows the trade to GDP ratio and exports as a percentage of GDP for the Asian LLDCs which clearly show high trade and export dependency of some of the LLDC's economies. For instance, Azerbaijan, Kazakhstan, and Turkmenistan have slowed down by 50 per cent since the onset of the financial crisis.

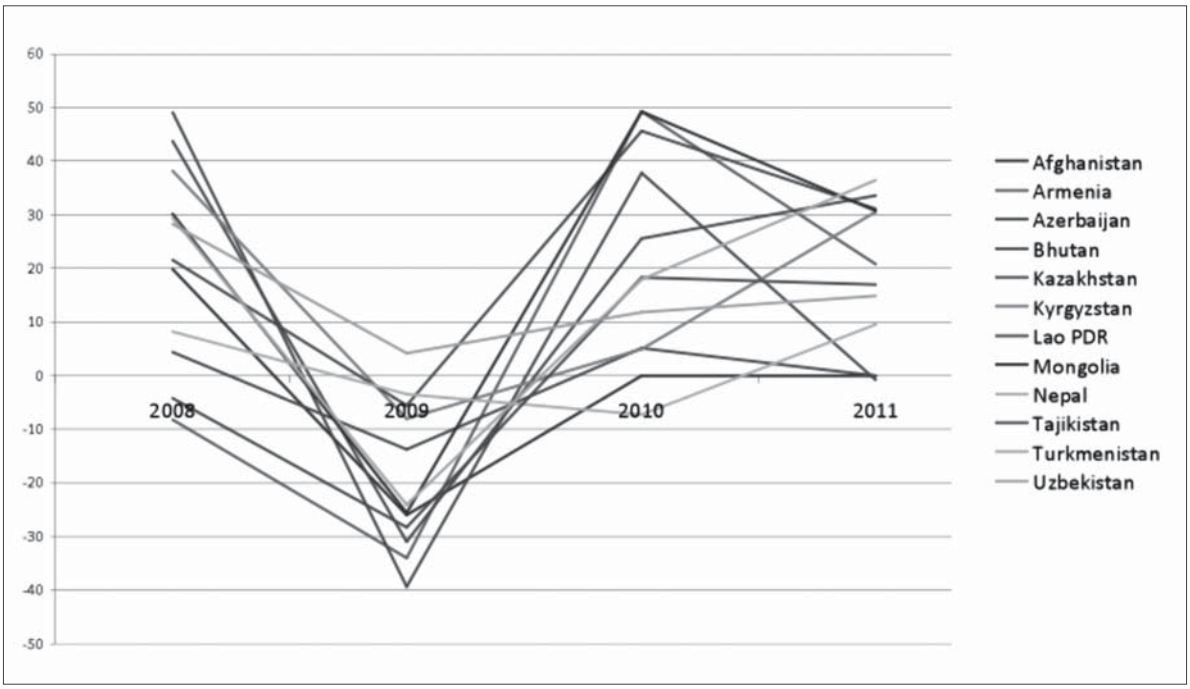
Figure 4. Exports of Goods and Services as % of GDP



Source: Asian Development Bank Database

Figure 5 presenting the growth rate of merchandise exports for Asian LLDCs show that all the countries were negatively affected by the global financial and economic crises that resulted in negative growth in 2009. Although some recovery in growth was made in 2010, all the countries with the exception of 2 experienced a decrease in exports in 2011.

Figure 5. Merchandise Export Growth Rate %



Source: Asian Development Bank Database

Impact of the external shocks on achievement of the MDGs

The global economic crisis could push additional people into extreme poverty. In recent years the Asia-Pacific region, along with the rest of the world, has been assailed by a series of global crises, first the energy and food crises, and more recently the financial and economic crisis – all of which have threatened to reverse the development gains and progress achieved. For instance, it is expected that the on-going financial crisis could pose challenges to reducing poverty and hunger. On the basis of the revised estimates of economic growth for the region, in 2009 the crisis could trap an additional 17 million people below the poverty line of $1.25-a-day, and 21 million based on the $2-a-day poverty line.

The MDG score card for the Asian LLDCs presented in figure 6 shows that although the countries have made progress in addressing poverty, promoting gender equality in primary and secondary education, progress has been slow on the health indicators, addressing hunger and basic sanitation.

Figure 6. MDG Score Card: ESCAP LLDCs

Goal		1		2			3			4		5			6			7					
		$1.25 per day poverty	Underweight children	Primary enrolment	Reaching last grade	Primary completion	Gender primary	Gender secondary	Gender tertiary	Under-5 mortality	Infant mortality	Maternal mortality	Skilled birth attendance	Antenatal care (≥ 1 visit)	HIV prevalence	TB incidence	TB prevalence	Forest cover	Protected area	CO2 emissions	ODP substance consumption	Safe drinking water	Basic sanitation
Landlocked Developing Countries	Afghanistan		▶				■	◀	◀	■	■	■	■	■		▶	●	▶	▶	◀	●	▶	■
	Armenia	●	◀	■	●	●	●	●	●	▶	▶	■	●	▶	◀	●	●	◀	●	◀	●	●	■
	Azerbaijan	●	■	◀	●	◀	●	●	●	■	■	■	▶	■	◀	▶	●	▶	●	◀	●	■	◀
	Bhutan		■	■	■	▶	●	●	■	▶	■	●	▶	▶	◀	●	●	●	●	◀	●	■	■
	Kazakhstan	●	◀	●	●	●	●	●	●	■	■	■	■	●	◀	◀	◀	▶	●	◀	●	◀	■
	Kyrgyzstan	●	●	■	●	▶	●	●	●	■	■	■	◀	●	◀	◀	◀	●	●	◀	●	●	◀
	Lao PDR	▶	■	■	■	■	▶	■	▶	▶	■	■	■	■	◀	◀	●	◀	●	◀	●	■	▶
	Mongolia	■	●	●	■	▶	●	●	●	●	▶	■	●	●	▶	●	●	◀	●	◀	●	▶	■
	Nepal	■	■		■	■	▶	▶	■	▶	■	■	■	■	●	▶	◀	◀	●	●	●	●	■
	Tajikistan	●		●	●	●	●	■	■	■	■	■	■	▶	●	◀	◀	▶	●	◀	●	■	▶
	Turkmenistan	●								■	■	■	●	●		●	◀	▶	▶	◀	●	■	◀
	Uzbekistan	◀	●		●	◀	●	●	◀	■	■	■	●	●	◀	▶	●	●	●	●	●	◀	●

● Early achiever ▶ On track ■ Slow ◀ Regressing/No progress

If the crisis continued to have an impact on economic growth an increase in the number of people trapped in extreme poverty will occur because of increased unemployment opportunities and limited resources to invest into social protection.

Building Resilience to Future Crises in LLDCs

Building the resilience of LLDCs to future crises and to support their achievement of inclusive and sustainable development involves undertaking measures that include: (i) the preparation for 'new normal'- build instability in the global markets and external shocks in development strategy; (ii) Focusing on broad-based, employment-intensive and inequality-reducing development strategy; (iii) Economic growth driven by productive capacity development; (iv) Diversifying the export base and destinations; (v) Investing in internal connectivity; (vi) Building land-linked hubs with strong transport corridors and trade facilitation; (vii) Promoting regional and south-south trade and financial cooperation; (viii) Maintaining macroeconomic stability, rule of law and reducing corruption; (ix) Strengthening international support through trade, investment, remittance, aid, and technology transfer; (x) Strengthening social protection; and (xi) Improving basic services and their delivery.

SUMMARY OF THE DISCUSSION

During the general discussion session held after the presentations, the meeting noted that LLDCs were badly affected by climate change, land degradation, desertification and drought. The participants noted that many LLDCs were primarily agrarian and highly dependent on agriculture as a major source of foreign currency earnings. Addressing these problems was crucial in addition to addressing the transport issues. The meeting discussed the possible sources of funding for implementing the UNFCCC and noted that the GEF is the main financial mechanism where land has been recognized as one of the main areas. However, it was noted that LLDCs suffer from a lack of capacities in terms of accessing the financing mechanism.

On climate change, the meeting discussed how LLDCs could mainstream better climate change into their national development plans. The meeting noted that the group of the LLDCs is an interest group that has only recently come into the discussion on climate change. It is important that the LLDC group makes a special case for its capacity and resource needs for climate change adaptation.

The participants pondered on how the challenges of climate change, desertification, land degradation, droughts and global economic and financial shocks - that tend to be common development challenges faced by all groups of countries - could be integrated into the new development programme for LLDCs. The meeting stressed that every effort must be made in presenting the unique concerns of the LLDCs on these issues and avoid generalities. In this regard some analysis is required to identify and stress on the LLDCs' specific needs.

SECTION 5

PRIORITIES TO STRUCTURALLY TRANSFORM LLDCs, HARNESS EMERGING OPPORTUNITIES, ENHANCE TRADE, DIVERSIFY PRODUCTION AND DEVELOP PRODUCTIVE CAPACITIES AND SERVICES SECTOR

PRIORITIES TO STRUCTURALLY TRANSFORM LLDCS, HARNESS EMERGING OPPORTUNITIES, ENHANCE TRADE, DIVERSIFY PRODUCTION AND DEVELOP PRODUCTIVE CAPACITIES AND SERVICES SECTOR: PERSPECTIVES FROM UNCTAD

Mr. Taffere Tesfachew, Director of the Division for Africa, LDCs and Special Programmes, UNCTAD

The background report prepared by UN-OHRLLS to serve as a basis for facilitating discussion in this meeting is excellent. From the overall assessment of the report, it is evident that LLDCs need a New Development Agenda and a new analytical and policy narrative – about how development can be promoted in LLDCs that suffer from specific structural weaknesses and locational disadvantages. They also need a new approach to international development cooperation that addresses their problems in a more targeted manner. LLDCs face challenges in the areas of trade promotion, transport, transit and trade facilitation. These are – no doubt – critical and persistent problems that require continuous policy attention for some time to come.

However, we also know very-well that the problems of LLDCs go much deeper than having efficient transport and trade facilitation system. In this respect, business-as-usual approach to policy agenda where the priorities and major constraints facing LLDCs are seen primarily in terms of transport, transit and trade facilitation is not sufficient. A New Development Agenda should address broader issues that go beyond the legitimate but narrow concerns related to transport and trade facilitation.

The background report also shows that despite LLDCs impressive growth performance in the last decade, their economic and export structures are generally less diversified and they continue to rely on the export of primary commodities more heavily than any other group of countries. This lack of export diversification – a worrying trend for LLDCs – is explained by the relatively low share of manufacturing in the GDP of the LLDCs. Indeed, the 2012 UNCTAD report on Africa also show that with commodity boom and the intensification of commodity exports between 2002 and 2009, the share of manufacturing exports declined in many African countries – among them LLDCs – signaling a process of deindustrialization. Such a reversal of structural change goes against the whole objective of economic diversification, which all LLDCs badly need and aspire to achieve as a means of producing goods that are less dependent on the very constraints that they face as landlocked countries. Equally worrying is the finding of the background report that regional integration agreements are less frequent in LLDCs than in other developing countries. This trend needs to be remedied, because LLDCs will benefit most from regional value chains based on development-centered regional integration arrangement – in other words, "developmental regionalism".

In designing a programme for the next decade, it is important to identify concrete indicators to measure the progress made by the LLDCs. There is no graduation from "landlockedness". For LLDCs, progress is measured by the advances that they make in diversifying their economies and developing the capacity and technological capability that they require to produce and supply goods that are competitive in global markets and that can be exported without undue constraints from the very weaknesses that they face as landlocked countries – in some cases located a long distance from potential markets.

An essential feature of any development process – and especially relevant for LLDCs – is what is often referred to structural transformation. This is a process that all successful countries have gone through and it is measureable and essential for structurally weak economies such as LLDCs. It describes the creation of new areas of activities through shifting resources from traditional to modern activities and from low-technology and low-productivity to high-technology and higher-productivity activities. Therefore, the structural shift takes place not only across sectors but also by moving from low- to high-productivity activities and the production of more advanced and sophisticated products within sectors. In trade – what you produce matters. The more competitive goods are often associated with higher productivity levels and countries that are able to get into such activities and sectors are the ones that can establish a strong and sustained market presence and long-term development path. The question is, what is the motor that drives structural transformation? For most people, and, in fact, it is also the view of the background report for this meeting – industrial development, in particular the manufacturing sector, is key to structural transformation.

Indeed, it is impossible to imagine LLDCs – or other developing countries – providing productive employment and decent income to the millions of young people that are expected to join the labour market in this decade alone without expanding their manufacturing activities. Therefore, a New Development Agenda for LLDCs that seeks to promote structural change and economic diversification must incorporate a strategy for industrial development. However, it will be wrong to assume that it is only in industry where productivity growth and linkages could take place. It could and does also take place in agriculture and services – the two areas where LLDCs also need to give priority attention in the coming decade.

The services sector holds great potential for economic diversification. There are relevant lessons for LLDCs - from other developing countries, including resource poor economies – where productivity improvement in the services sector has been the main driver of economic growth and export diversification.

In pursuing the structural transformation and productive capacity building agenda, LLDCs could also learn from the experience of countries that have turned commodity dependence - from being a "curse" to a "blessing" through forward and backward linkaged activities. This obviously, will not be an easy task, especially for economies with weak institutions, low-level of skills, product market rigidities, and weak private sector. But, LLDCs have to start somewhere and they have examples like Botswana – a small landlocked country-, which has made major strides in deepening its productive capacity through commodity-related backward and forward linkages.

Finally, regional integration can help foster structural change and economic growth in member States – both as goals per se- and- also as a means of collectively linking the region into the global web of market relations. Regional integration created in the Greater Mekong Sub-region (GMS), can be considered a successful example of developmental regionalism and could be relevant as a model for LLDCs.

What is interesting about this arrangement - apart from the fact that its members include LLDCs – is that its core objective goes beyond the domain of trade per se, and includes other - more ambitious forms of intervention, such as coordination of policies for industrial development and linking the region as a whole into global markets through regional value chain mechanism. The basic strategy is to attract private investment into the region and facilitate cross-border trade, technology transfer and tourism by implementing programmes to strengthen regional transport network, communications, energy supply, trade facilitation and human resource development. This form of regional integration links landlocked and transit members of the regional grouping more closely – thereby facilitating a coordinated and collective effort at trade facilitation. One of the beneficiaries of the GMS initiative is Lao PDR- and perhaps the lessons learnt are worth sharing with other LLDCs.

PRIORITIES TO STRUCTURALLY TRANSFORM LLDCS, HARNESSING EMERGING OPPORTUNITIES, ENHANCE TRADE, DIVERSIFY, DEVELOPMENT OF PRODUCTIVE CAPACITIES AND SERVICE SECTOR: PERSPECTIVES FROM UNIDO

Dr. George Assaf, Director and UNIDO Representative to the United Nations and other International Organizations in New York

Introduction

This presentation will focus on the potential of industrial development to successfully transform the economies of LLDCs. First, the paper will outline why sustainable industrial development is so vital in LLDCs. And second, the paper will highlight a few key priorities upon which industrial policies should focus to achieve successful structural transformation.

Limitations of LLDCs

LLDCs are among the poorest countries in the world. After a period of positive economic growth, GDP growth in these countries was severely hit by the global financial and economic crisis. In fact, it plummeted from 5.8 per cent in 2008 to 3.6 per cent in 2009. In the following year, growth rates in LLDCs climbed to up to 7 per cent. But unfortunately GDP growth plunged again to 5.5 per cent in 2011.

What can we draw from this? The positive economic performance before the crisis and just recently was mainly driven by the boom in minerals and energy demand, as well as rising commodity prices. But, more importantly, as their volatile economic performance indicates LLDCs tend to be highly dependent on agriculture – especially primary commodities – and mining. The focus on a few bulky primary agricultural and mining commodities with a little diversified productive base makes LLDCs especially vulnerable to commodity price changes and other shocks. Unfortunately, the most recent World Economic Situation and Prospects forecasts that commodity exporters, particularly mineral, metal and ore exporters, will remain exposed to downward price pressures. The vulnerability of LLDCs and their lack of resilience to external shocks is therefore a huge development challenge. This vulnerability is primarily due to their geographic and climatic disadvantages and, particularly, their limited industrial and export structures which lack diversification.

With these significant and sometimes overwhelming limitations, it is again not surprising that many of the LLDCs, with a few exceptions, have been unable to achieve successful structural economic transformation. In order to achieve more sustained economic growth, it is important that LLDCs transform their economic structures by promoting competitive industries and export structures that produce higher value-added products. This will, among other things, help LLDCs shield their economies against trade, price and other external shocks.

The historical experience of development is unequivocal on this. Industrial development has been a key factor in creating wealth to lift people out of poverty. The recent experience of East Asian economies demonstrated that sustained industrial growth leads to a significant reduction in poverty. It creates jobs and provides people with formal wage employment, particularly for women. It offers greater scope for skills accumulation and innovation which is the basic requirement to diversify the economies for producing and exporting higher value-added products. Sustainable industrial growth can also be a powerful tool for achieving the Millennium Development Goals.

If industrial development has been the motor for development in most countries that have achieved developed country status, at present it is not much of a motor in LLDCs. 'Manufacturing value added', or 'MVA' provides us with a clearer picture of the degree of industrial development in LLDCs. It measures the contribution of the entire manufacturing sector to GDP in a country. UNIDO statistics indicate that recent manufacturing net output in LLDCs was extremely low. The median MVA in all LLDCs amounted to 7.5 per cent in 2010, and was even considerably lower compared to MVA in all LDCs, which was 11.4 per cent.

Another way to look at the economic structure and potential of LLDCs is through the lens of the Connectedness Index. The recent UNIDO report, entitled "Networks for Prosperity", measures how well countries are connected through international, inter- and intra-organizational networks. The index shows a strong positive relationship between connectedness and various indicators of performance. Better connected countries generally have better economic performance. To give an example, and without implying causation, better connected LLDCs tend to be associated with

more competitive industries, a more effective government or a higher regulatory quality. While some Asian LLDCs like Kazakhstan or Mongolia rank above average in the Connectedness Index, many of them find themselves at the lower end of the ranking, with Nepal ranked second to last. Thus LLDCs need to be better connected to international and other inter- and intra-organizational knowledge networks. Most importantly, they need to be better connected to global value chains to be better able to penetrate global markets. This will also help them to build up the strength of their private sectors.

Policies

How can LLDCs penetrate global markets given their lack of technological competences and limited industrial capacity? UNIDO and others have highlighted a new approach in terms of what the economics literature calls "Trade in Tasks" which may offer a way forward. Over the past decades the global economy has changed fundamentally. One of the major trends is the fragmentation of global production chains. Parts of products are often produced in many different locations around the world. Not only are manufactured products traded, but the process of production itself is increasingly broken down into tasks which are themselves traded. This change now provides tremendous opportunities for LLDCs to participate in and benefit from international markets.

For example, the case of a small Chinese town illustrates this shift towards the so-called "trade in tasks" quite well. Twenty years ago, Qiaotou was a small town. Today, it produces two thirds of the world's buttons. Qiaotou does not produce final goods, such as jackets or shirts, but focuses on a very specific niche market to strengthen its export base. It successfully managed to participate in the global production chain by specializing in a specific task like producing buttons. But not just buttons. It went from producing buttons based on Italian technologies and designs to developing its own technologies and designs to replace the Italian ones. So within 20 years or so it went from a small town struggling to survive to a hugely successful economic region.

What are the lessons for LLDCs? "Trade in tasks" can be a lifeline for countries that have struggled to industrialize and participate in the global market. Put simply, undertaking a single task simplifies the huge challenge of getting started in economic development. Instead of the need to acquire the entire range of skills necessary to produce a product at all once, manufacturing can start with a specialization in tasks that are most suited to the skills available.

But we have to be cognizant that in order to "break in at the bottom", industries must be globally competitive. And more often than not, LLDCs competitiveness are undermined by a number of factors, including by the remoteness to international markets and prohibitively high transport cost. The key issue now is how public action can help companies overcome these handicaps to break into global markets. The new approach to industrial policy may offer a few pointers on the way forward. A credible and effective industrial policy should identify and relax major binding constraints that domestic firms in LLDCs face. It requires joint action by the public and private sectors to identify the constraints to private sector development. And, joint action to develop and implement programmes to overcome these constraints. Because "trade in tasks" requires a good transport infrastructure, one cannot overemphasize the role transport infrastructure plays in LLDCs. Fostering the connectedness of knowledge and other networks, as noted earlier, is another viable way of enhancing industry competitiveness.

A well-proven way of enhancing private sector development is establishing industrial policies that aim at creating geographical agglomerations. LLDCs can do so by establishing export-processing zones or industrial parks that lead to a cluster of companies. Many Asian countries have done so very successfully, as the basis of their astounding economic achievements demonstrate.

Among the main advantages of clustering are the provision of reliable and modern infrastructure and the proximity to suppliers and exporters which will significantly lower transport and transaction costs. Clustering will also foster knowledge networks and the connectedness among companies. Companies in successful clusters will require access to a pool of skilled workers. This can be facilitated by a number of ways, particularly by establishing Regional Centres of Excellence, which concentrate and enhance training, research, science, technology, innovation and tertiary education in general.

Another key requirement for diversification, connectedness and linkage to global markets is in terms of broad-based, affordable and reliable energy infrastructure. Stable energy supply is vital for building productive capacity, increasing industrial productivity and enhancing competitiveness in LLDCs as well as improving the quality of life. Without access

to electricity supplies nothing works. Like transport costs, high energy costs or the lack of energy access are considerable impediments to industry competitiveness and place a significant burden on industrial development.

This is even more significant for LLDCs, because the majority of them are net importers of energy, although a few are energy producers and exporters. Many landlocked central Asian countries have old and inefficient energy systems that use fossil fuels in large power plants.[1] Rising fuel and energy prices are considerable constraints for LLDCs. This necessitates large investments in the development of new technologies and infrastructure for energy production and distribution. There is a need to boost efficiency either by retrofitting old utilities or building new ones and using alternative fuels.

The extreme case of Burundi can illustrate the point. According to the World Bank's 'Doing Business Index', the average cost of getting electricity for a company amounts to a prohibitive 21,500 per cent of national GDP per capita.[2] This is a major impediment to development – particularly private sector development and improvement in the quality of life.

Access to energy is also vital for developing agro-industries. For low-income countries, including LLDCs, leveraging agro-industries can be an opportunity for industrial development providing manufacturing employment and even food security. Agro-industries are very much dependent on energy technologies, especially for irrigation, harvesting, processing and transportation. Professor Vijay Modi of Columbia University in his address to the UN in March 2013, highlighted the fact that a green revolution in India would not have been possible without access to energy technologies. Access to modern energy services is thus a critical enabler not only for economic, but also for social development and food security.

Strategic areas of priority to address energy challenges in LLDCs include also improving energy efficiency in industry. The most recent UNIDO Industrial Development Report 2011 notes that industrial energy intensity in developing countries fell by a staggering 46 per cent over 1990 to 2008. Despite this progress, however, the least developed economies have the highest levels of industrial energy intensity by far. Energy intensity today is highest in Sub-Saharan Africa, where half of the LLDCs are located. High energy intensity is particularly prevalent in LDCs, including LLDCs, where there is a typical dominance of energy-intensive materials processing industries, poor technical energy efficiency, and the use of low-quality fuel such as coal.

It is vital, therefore, that LLDCs should be at the centre of global and national efforts to improve industrial energy efficiency. It would make a major contribution to achieving sustainable development that is at the very heart of Rio+20. Investing in industrial energy efficiency can reap environmental, social and economic dividends.

The key factor that links all the issues is a private sector that is vibrant and competitive. Supported by a conducive business environment the private sector can also play a vital role in boosting diversification, by driving innovation and economic activity and outreach to the global markets. Private companies often stand at the frontier of new sectors and bring innovation to the economy. But many enterprises in LLDCs are informal, small-scale, and lack access to capital, and relevant knowledge and technologies, making it difficult for them to fully exploit business opportunities.

A competent government would, therefore, find ways to enhance entrepreneurship by providing a supportive business and institutional environment incentivised by effective industrial and trade policies.

The private financial sources play a major role in financing for industrial development. Needless to say, structural change and investments in energy and transport infrastructure require vast financial resources. To the extent possible, LLDCs have to avail themselves of wide range of resource mobilization, such as official development assistance, foreign direct investments or debt markets. Of course, many LLDCs are not yet attractive to private capital flows and have to rely on dwindling ODA. But in terms of attracting private sector flows, they have to be more innovative.

Diaspora knowledge and remittance flows to LLDCs can be a powerful source of financing as well as technical and managerial know-how. In fact, the latest LDC Report 2012 by UNCTAD estimates that USD 27 billion flowed to LDCs in 2011, which are almost double the FDI flows in the same year. Remittances and the technical and managerial know-how of LLDC Diasporas can inject new dynamics into building productive capacity and encourage a vibrant domestic private sector and industrial development.

[1] UNESCAP, http://www.unescap.org/esd/Energy-Security-and-Water-Resources/energy/theme/documents/Ch7-LeastDevelopedCountries.pdf
[2] World Bank, Doing Business Report, "Getting Electricity", http://bit.ly/Z8joqe

Conclusion

LLDCs face significant and overwhelming limitations. For them, it is all the more important to transform their economic and export structures by diversification and promoting competitive industries that produce higher value-added products that can show the requisite quality and efficacies to penetrate international markets. As detailed in this paper, sustainable industrial development can play a major role in transforming and diversifying their economies.

"Trade in tasks" presents a viable opportunity for LLDCs to break into global markets by specializing in a very specific niche. A key issue is how to better connect LLDCs to global value chains to be able to penetrate global markets. In this context, public action and effective industrial policies are required to overcome the binding constraints that LLDCs face. They need to develop an effective new industrial policy to create a conducive business environment for private sector development. In this context, they need to create industrial clusters, such as export-processing zones, and regional centers of excellence.

They should also take concrete action to develop a reliable, modern and affordable energy infrastructure, as well as improve industrial energy efficiency. They should also harness the benefits that diaspora provides for private sector development, particularly through remittances and technical and managerial know-how, as well as global knowledge networks.

PRIORITIES TO STRUCTURALLY TRANSFORM LLDCS, HARNESSING EMERGING OPPORTUNITIES, ENHANCE TRADE, DIVERSIFY, DEVELOPMENT OF PRODUCTIVE CAPACITIES AND SERVICE SECTOR: PERSPECTIVES FROM THE PRIVATE SECTOR

Dr. Louise Kantrow, U.N. Representative of the International Chamber of Commerce

Introduction

Founded over ninety years ago by business leaders in five countries, today the International Chamber of Commerce (ICC) represents the views of tens of thousands of businesses in every region of the world from small medium enterprises to multinational companies. Granted consultative status in 1946 through ECOSOC, the core of ICC's mission is to promote economic growth and development via trade and investment while dealing with the challenges and opportunities of globalization in economic, environmental and social areas.

ICC commends the LLDCs on the major development strides achieved since the adoption of the Almaty Declaration and Program of Action in 2003. A synergy between the private and public sectors, backed by urgent action promoting infrastructure development, would not only mitigate the bottlenecks associated with trade and investment but, also stimulate inward FDI essential to maximize efficiency and competition, promote innovation while raising living standards.

The concept note provided by OHRLLS for this particular brainstorming exercise highlights the encouraging progress achieved by LLDCs since 2003. As a group, LLDCs have experienced improvement in annual GDP growth, ratified relevant international conventions and agreements on transit transport and trade facilitation, established regional and sub-regional agreements and increased international trade. While these developments are indeed notable and inspiring, much more needs to be done to ensure that improvements are consistent and more evenly spread out within LLDCs.

Conducting the review process for the Almaty Programme of Action is very timely, especially for the private sector. Going back to even just a decade ago, business contributions and the ways in which the private sector should engage in these discussions as active participants were not well understood. More recently, member states and other non-governmental stakeholders are beginning to accept and welcome business as a legitimate partner in development. This presentation focuses on the potential role of the private sector in the context of LLDCs, going forward.

Important enablers for growth in LLDCs

One critical and over-arching pre-condition for development is good governance and an enabling environment. At all levels – domestic markets, foreign investment and international trade – private enterprise requires an operating environment conducive to growth and development, including: peace and stability, the rule of law, good governance with accountability and transparency, the absence of corruption, adequate infrastructure, an educated workforce, clear property rights and enforceable contracts.

The ICC recognizes that infrastructure is the backbone for economies and urgent action is needed to improve and scale up investment in infrastructure. Railroads, highways, and information and communications technology – the basic tools of transportation and communication – are essential links between regional and international markets, supply chains, and value chains. Improved coordination and infrastructure project preparation between public and private investment has a significant multiplier effect on development assistance.

Business believes that governments play a key role in stimulating investments which they cannot make themselves given the magnitude of these projects. There is a need to ensure a steady and sustainable supply of financeable infrastructure projects. It is therefore vital, that governments work to eliminate the barriers that currently hinder private sector development and investment. As bank project finance is slowly disappearing, it has become more critical to explore the potential contributions of alternative sources of financing such as institutional investors and offer a "new" model for infrastructure investments. Furthermore, Multilateral Development Banks have a key role in facilitating private sector involvement through project preparation, which is crucial to present sound projects and attract long-term capital, and risk guarantees.

The role of ICC

These issues form the core of what ICC does every day – whether locally via its global network of national committees, chambers of commerce and member companies or through the work of experts in policy commissions, special projects and other vehicles. To address the challenge of limited infrastructure, ICC has been working with the Asian Development Bank (ADB) to foster a structured framework initially via the creation of an Infrastructure Working Group, for effective public-private high-level dialogue (aimed at the G20 process) to the preparation and delivery of infrastructure PPPs.

Further, within the context of the transition from a MDG-focused development paradigm towards a Post-2015 Development Agenda, ICC recognizes the special needs of LLDCs in pursuing sustainable development initiatives while tackling impediments to their social and human development. ICC believes that promoting responsible entrepreneurship and developing inclusive business models that incorporate low-income populations into the supply, production, distribution and/or marketing networks, LLDCs can increase access to goods, and services, and create new sources of income for low-income communities.

In the past decade ICC has consistently encouraged the UN to seek out the involvement of the business in these vital efforts, and include private sector representatives in discussions at the policy development stage on how to foster implementation. The contribution of business to development has always been seen as a complement to the role of governments. Ultimately, success will depend on the willingness and capacity of governments to create and implement the appropriate policy frameworks that fit their respective economies, while pursuing partnerships with business and other stakeholder groups. Now is the moment to design a new architecture as to how governments, business and civil society come to the table to design the Post-2015 development agenda.

HARNESSING ICT OPPORTUNITIES: THE CASE OF LLDCs

Dr. Cosmas L. Zavazava, Chief of Department, Project Support and Knowledge Management, Telecommunication Development Bureau, International Telecommunication Union

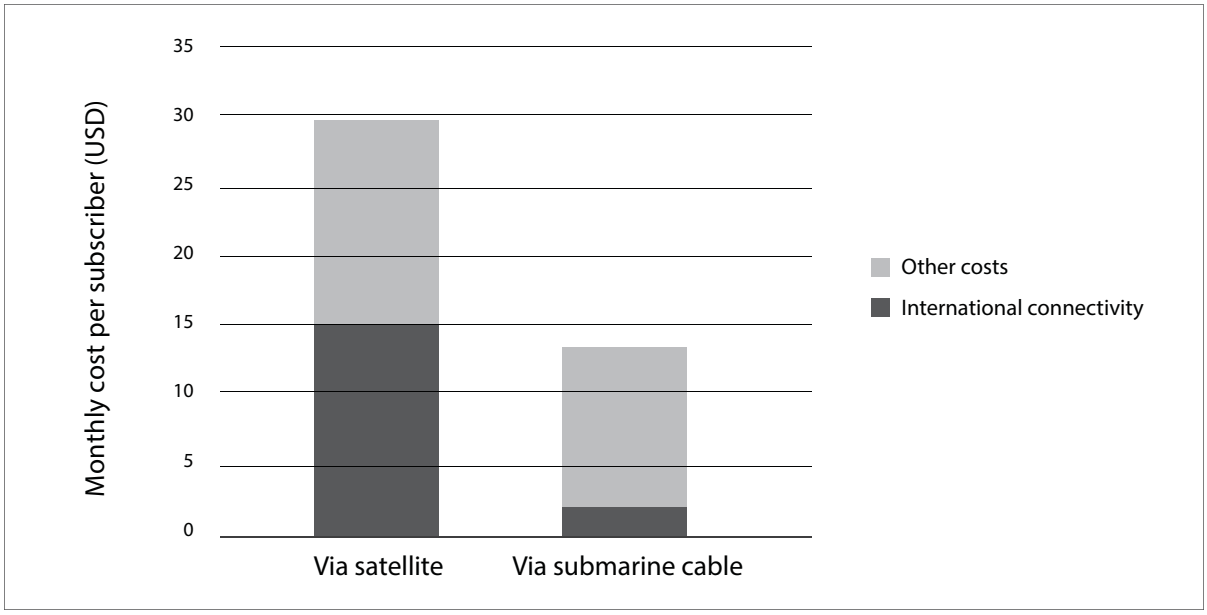
Introduction

LLDCs face challenges associated with their geography. They depend on neighbouring and coastal countries for their connectivity. There is low international interest to invest in ICT infrastructure in LLDCs because the infrastructure development costs are high. Transport routes to LLDCs are difficult, long and expensive. LLDCs are remote from world markets and are highly vulnerable to external shocks. There is also a challenge of lack of effective implementation of ICT plans and policies on the ground in LLDCs.

Furthermore the costs for LLDCs to access high speed international internet bandwidth and their fixed (wired) - broadband monthly subscription charges are very much higher than coastal countries that are located close to the submarine communications cable that are laid on the seabed. For example the fixed (wired) - broadband monthly subscription charges in 2012, in Bolivia, Kazakhstan and Armenia were higher than US$21 compared to their transit neighbours whose costs ranged between US$10 to US$17.

The LLDCs have an option of connecting directly to satellite since it is not restricted to the sea. However the costs of utilizing satellite communication are very high as shown in the figure below and most of the LLDCs cannot afford.

The costs of satellite versus submarine cable



Global Action taken to improve connectivity

There are several conferences that adopted resolutions aimed at improving the access of LLDCs to international optical fibre networks, and their connectivity. The ITU Plenipotentiary conference adopted Resolution 30 (Revised Guadalajara, 2010). The resolution has provisions for special measures for the LDCs, small-island developing states, LLDCs and countries with economies in transition.

The World telecommunication development conference adopted Resolution 16 (Revised in Hyderabad, 2010). The resolution contains special actions and measures for the LDCs, small-island developing states, LLDCs and countries with economies in transition.

The World Conference on international telecommunications adopted Resolution PLEN/1 (Dubai, 2012) which contains special measures for LLDCs and small island developing states for access to international optical fibre networks.

ITU activities

The ITU Telecommunication Development Sector plays a vital role in developing policy, regulation, and legal frameworks. It implements ICT projects and activities across the Globe. The ITU Radio Communication Sector plays a vital role in global management of the radio-frequency spectrum and satellite orbits. The ITU Telecommunication Standardization Sector plays a vital role in developing international standards defining elements in the interoperability of ICT global infrastructure.

ITU believes that digital opportunities lie in broadband. In the 21st century, affordable broadband access to the internet is becoming as vital to social and economic development as networks like transport, water and power. In this context, it is important to: (1) Make broadband policy universal where all countries should have a national broadband plan or strategy or include broadband in their Universal Access / Service Definitions; (2) Make broadband affordable through adequate regulation and market forces (amounting to less than 5% of average monthly income); (3) Connect homes to broadband by ensuring that 40% of households in developing countries should have internet access; and (4) Enhance access to broadband so that internet user penetration reaches 60% worldwide, 50% in developing countries and 15% in LDCs.

Opportunities for LLDCs

A lot of opportunities exist that the LLDCs can utilize to improve their telecommunication connectivity. For example improved affordable broadband access to the internet to both households and the private sector could increase GDP by 1.5% per year and labour productivity. The transport, telecommunication and energy sectors to work in partnerships to implement infrastructure sharing where the communication cables are installed together with the roads and energy cables. In this context it is important for all LLDCs to have a national broadband plan or strategy to include broadband in their universal access and service definitions; their domestic law could be harmonized; and development of regulatory frameworks that can facilitate and support improved ICT connectivity.

Recommendations

The priority actions for LLDCs on the ground include: ICT infrastructure development including the prioritization of broadband; harmonization of regional and international policy and regulatory framework to facilitate cooperation with neighbors; human and institutional capacity building measures; ICT applications and services including e-Government, m-Banking, e-Trading; e-Business, e-Government, emergency telecommunications, environmental protection including improved e- waste management, climate change mitigation and adaptation, cybersecurity, and digital inclusion.

It is important to facilitate easy access of LLDCs to technologies and transfer of know how. LLDCs should have political will to support growth and regional harmonization of ICT policy, legal and regulatory regimes. Forging of partnerships between the governments, inter-governmental organizations and the private sector is critical to support development of ICT infrastructure in LLDCs. LLDCs should take measures to create an enabling environment with incentives that promote investment leading to more competition, affordability and better quality of service. There is need to create a Universal Service Fund which is efficiently management and used to attract investment in remote and rural areas. Regular collection of ICT data and regular reporting is important for monitoring progress. It is important to adopt strategies that lead to lower satellite costs such as space segment consolidation.

PRIORITIES TO STRUCTURALLY TRANSFORM LLDCs, HARNESSING EMERGING OPPORTUNITIES, ENHANCE TRADE, DIVERSIFY, DEVELOPMENT OF PRODUCTIVE CAPACITIES AND SERVICE SECTOR: PERSPECTIVES FROM THE COMMON FUND FOR COMMODITIES[3]

The focus of the Common Fund for Commodities (CFC) is on addressing specific development problems facing countries which depend on commodities. In the constituency of LLDCs, some 23 countries also fall in the category of Commodity Dependent Developing Countries (CDDCs). As with other commodity dependent countries, reliance on export commodity sector can be seen as an indication of the failure of countries to develop a comparative advantage in production and export of higher added value products. However, in the case of LLDCs the link to the global economy through commodity export and trade is further compounded by the transportation costs and the economic situation in transit countries. This curtails the capacity of LLDCs to generate income and employment driven by the global economic growth. The CFC focuses on actions which could work effectively in landlocked CDDCs to address this problem.

Three examples of recently funded projects by the CFC include: (1) Strengthening regional trade in tropical fruits in the Mekong region. The project allows Laos, being a landlocked country, to take advantage of the trade opportunities in the Mekong river basin focussing on high value markets for tropical fruits; (2) Rice productivity project in Central African Republic. Based on the model small scale rice mill, many communities today are developing viable business in rice production and processing. And (3) Support for Agricultural Commodity Exchange in Malawi. In this project, a stakeholder owned Agricultural Commodities Exchange took the initiative to introduce and promote a transparent uniform mechanism to facilitate marketing of locally produced maize. This allows Malawi to increase overall domestic grain availability by facilitating national and regional trade. Agricultural Commodities Exchange is now seriously looking at expanding its model to the regional level.

The CFC is an institution that supports practical actions and in December 2012 the Governing Council of CFC approved the new operational plan for the organization, which opens up the possibility of close cooperation with the private sector in all aspects of commodity value chains. As before, the main instrument of CFC's operations remains project financing which can now be pursued in close collaboration with private sector seeking to stimulate investment in healthy and viable commodity projects.

The CFC takes particular interest in providing support for actions building on successful LLDC experience in generating value from commodity value chains and provide opportunities for up-scaling of success to take maximum advantage of its development benefits. Typical projects funded by the CFC fall in one of the broad areas of: capacity building; value addition; diversification; financial instruments and risk mitigation.

In preparation for the ten year review of the Almaty Programme of Action, the CFC is arranging a project to finance case studies of successful development of commodity based value chains in LLDCs. From these case studies, it is expected that growth opportunities could be identified, providing concrete directions for investment as deliverables for the future programme. The outcomes of the studies will be presented in a High Level Event to obtain feedback of policy makers and other stakeholders. This is based on the experience of recent CFC's involvement in the Istanbul Programme of Action for the LDCs. The CFC would like to thank the International Metals Group for their participation in this process on behalf of the community of International Commodity Bodies.

The CFC intends to take full advantage of the opportunities provided by this meeting for greater coordination of preparatory activities. With the help of UN-OHRLLS the CFC will keep all participants informed of the progress made and look forward to closer collaboration in preparations towards the Review.

[3]Presented by Mr. Taffere Tesfachew, Director of the Division for Africa, LDCs and Special Programmes, UNCTAD on behalf of the Common Fund for Commodities

SUMMARY OF THE DISCUSSION

In the ensuing discussion the meeting stressed the important and leading role of the private sector in structurally transforming the economies of the LLDCs and for achieving sustainable economic growth. The meeting recognized that the Small and Medium Enterprises (SMEs) accounted for a major proportion of the private sector in LLDCs and they were the drivers of the economies of the LLDCs. The meeting noted that the private sector was weak as it had inadequate financial resources, limited access to technology; poor internal technical and management skills; poor access to production infrastructure and utilities; lacked knowledge and had poor access to markets. In addition most countries did not have supportive policies and regulatory frameworks and the involvement of the private sector in policy development was minimal at all levels – national, regional and international levels.

The meeting proposed that the new development agenda for LLDCs should prioritize private sector development and in particular SMEs which are important for job creation, economic empowerment of women and contributing to poverty reduction. LLDCs' governments should develop deliberate policies to support the strengthening of the private sector, in particular improved access to financial resources, development of appropriate human capacity and promote investment in supportive economic infrastructure. LLDCs should also try to provide a supportive legal and regulatory framework, and create macroeconomic conditions and systems that address the concerns of both local and foreign investors. The meeting also noted the importance of governance and stressed the importance of learning from experiences that have worked for example under the African Peer Review Mechanism.

Furthermore, Governments should engage the private sector in the formulation of relevant development policies at national level and in the sub-regional, regional and international development processes. In this regard, the meeting encouraged the use of data from ITU, UNCTAD, UNIDO and other sources in the development of relevant policies. The meeting also stressed effective implementation and follow-up of the policies at all levels.

The meeting noted that there are some good practices that have worked and lessons at national and regional levels that can be capitalized as opportunities. These practices should be documented and shared for wide scale dissemination and utilization. The meeting suggested sharing of experiences and capacity building seminars or workshops and the need for Governments, Chambers of Commerce and the development partners to be actively involved in organizing and facilitating the initiatives.

The meeting underlined the important role of infrastructure development in the structural transformation of the economies of the LLDCs, improving their connectivity to the world markets, and in attracting foreign investors. In this regard LLDCs in partnership with the transit countries and their development partners should develop the economic infrastructure including transit transport, ICT and energy. In line with the need to improve sustainability, the meeting encouraged promotion of green infrastructure. Furthermore, LLDCs should be encouraged to also develop the social infrastructure.

The meeting underscored that technology was critical to structurally transform LLDCs. Improved access to technology for the private and informal sectors was crucial. The technology costs particularly for communication have decreased and LLDCs should also benefit from this. The meeting emphasized that technology transfer to LLDCs should be promoted and supported. The meeting noted that many countries were eliminating tariff and customs duties on technologies and strongly recommended adoption of this policy.

The meeting suggested that emphasis should be put on improving market access in the global and regional markets, especially for processed products. This would promote competitiveness of local industries/firms under an increasingly competitive and globalizing world. The meeting also stressed the need for governments to develop industrial policies that could develop the manufacturing sector.

The meeting also emphasized the need for economic growth to be translated into poverty reduction through design of redistributive mechanisms.

SECTION 6

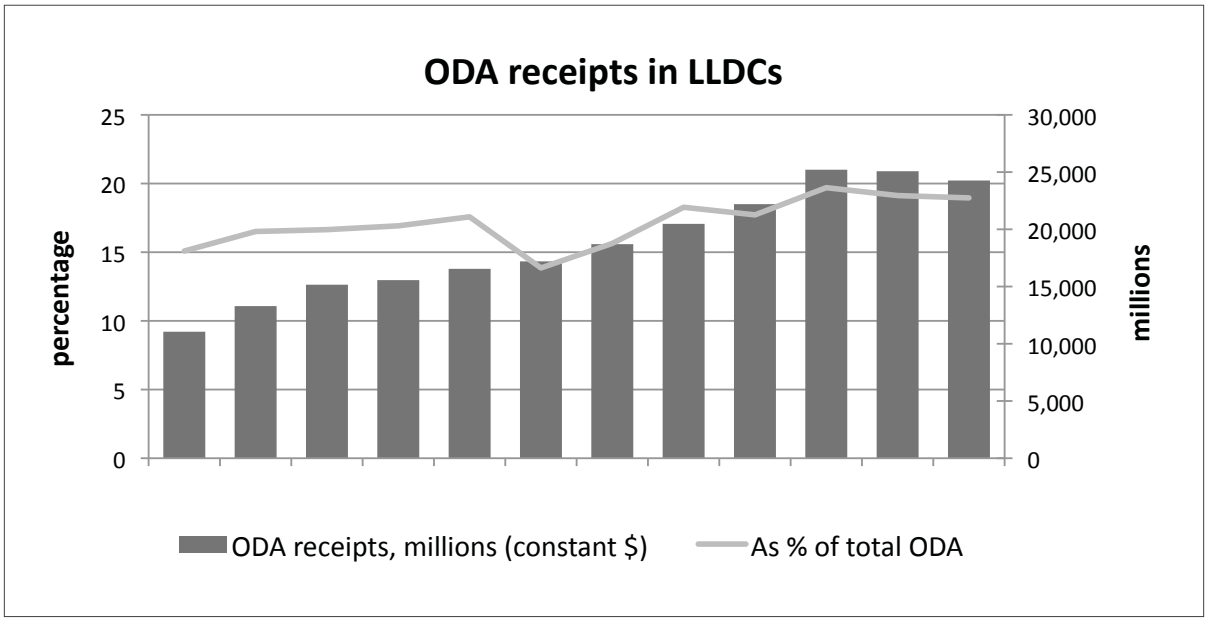
INTERNATIONAL SUPPORT MEASURES AND SPECIAL ATTENTION TO LLDCs

THE NEED FOR INTERNATIONAL SUPPORT MEASURES AND SPECIAL ATTENTION TO LLDCS

Mr. Sandagdorj Erdenebileg, Chief of Policy Development, Coordination, and Reporting Service of UN-OHRLLS

Official Development Assistance

ODA plays a critical role in meeting the development challenges faced by most of the landlocked developing countries. It is an important source of external finance and foreign exchange for many resource-scarce LLDCs unable to access financial resources on international capital markets. Over a ten-year period, total ODA receipts to LLDCs have more than doubled in real terms between 2000 and 2010, from $11.0 billion to $25.1 billion. In 2011, total ODA to LLDCs reached $25.7 billion, however this represented a real decline of 3.2 per cent from the previous year.



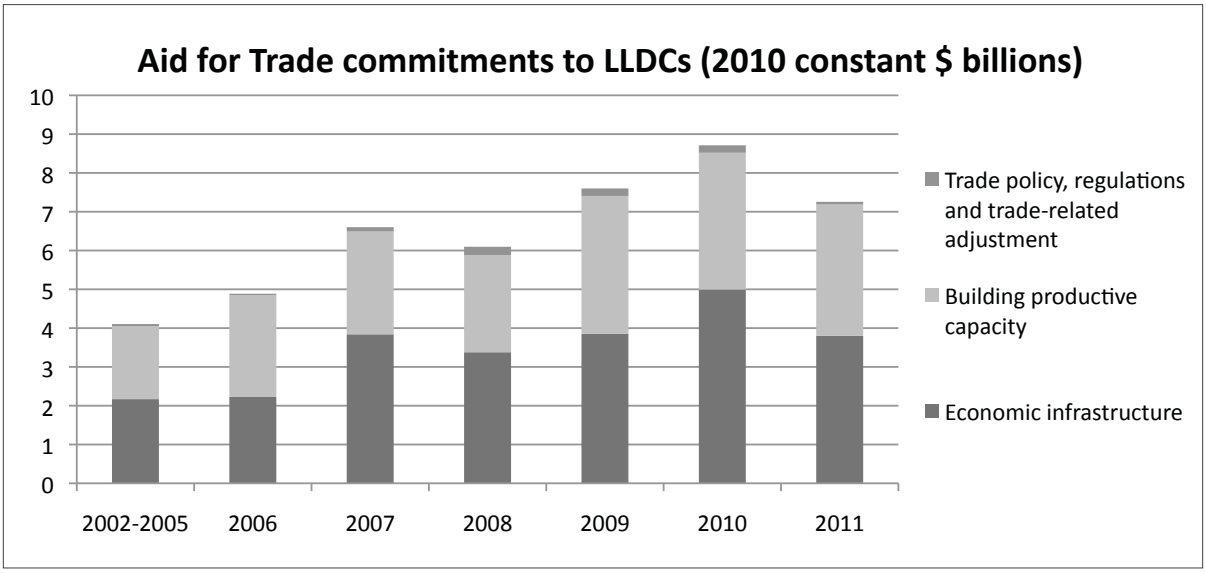
However, the allocation of aid receipts within the LLDC group is very uneven, with the top two recipients, Afghanistan and Ethiopia, accounting for 40 per cent of the group's total. The most vulnerable and least developed countries exhibit high aid-dependency. According to available World Bank data, thirteen LLDCs relied on ODA for at least 20 percent for the central government expenditure between 2003 and 2010. These countries are Ethiopia, Afghanistan, Niger, Burkina Faso, Mali, Uganda, Lao PDR, Zambia, Kyrgyzstan, Bhutan, Nepal, Bolivia and Mongolia.

Remittances

Remittances have come to present a significant and relatively reliable financial resource for households in many LLDCs and they have the potential to positively impact on poverty eradication, growth and sustainable development in LLDCs. Remittances inflows to LLDCs have been steadily increasing and have grown to $22 billion in 2012. But reducing high cost of remittances remains key, as well as the need to strengthen institutional framework for effective mobilization of remittances for productive purposes.

Aid for Trade

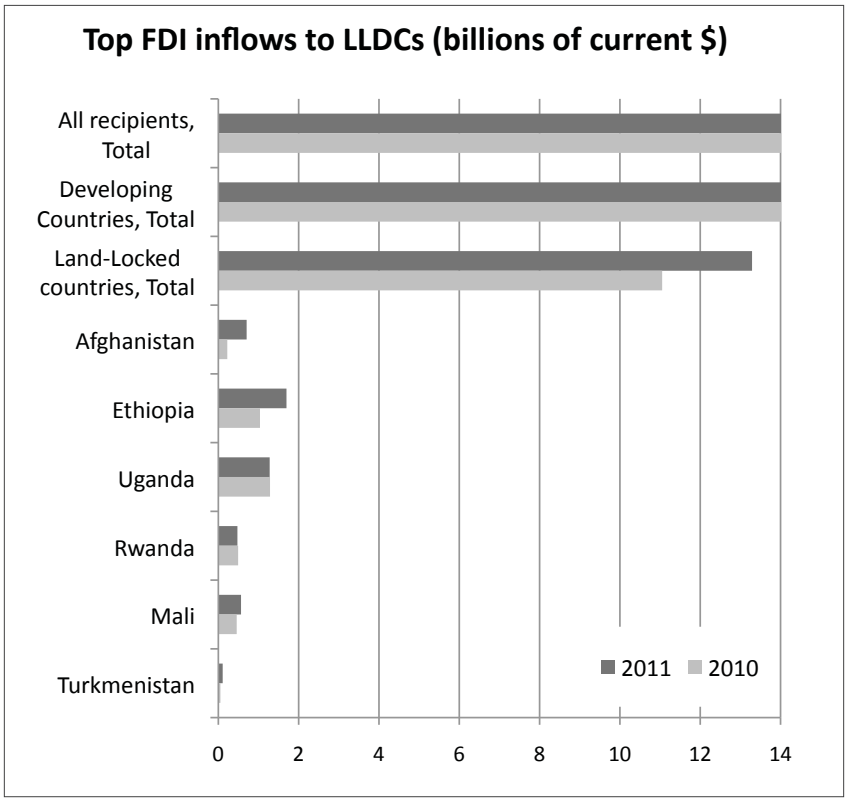
Aid for Trade aims to help developing countries to build supply-side capacity and trade-related infrastructure that they need to expand trade. Aid for Trade commitments to LLDCs more than doubled from $4.1 billion in 2002-2005 to $8.7 billion in 2010 in real terms. In 2011, these flows fell by 17 per cent. Majority of Aid for Trade flows goes towards economic infrastructure and building productive capacity. However, Aid for Trade spending is concentrated in a few LLDCs, with the top three recipients, Afghanistan, Ethiopia and Uganda accounting for 40 per cent of the group's total.



Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is a very important source of finance that has great potential to spur economic growth and development in LLDCs, through enhanced financing, technology transfer, building of productive capacities, infrastructure development and employment creation and improved management techniques. FDI inflows grew 24 per cent in 2011 to $34.8 billion, almost four-fold since 2003. But there has been no visible improvement in their share; LLDCs accounted only for 5 per cent of total FDI inflows to developing countries in 2011.

There is a very uneven geographic distribution where a few resource-rich countries receive most of the total FDI flows to LLDCs. Kazakhstan continued to be the driving force of FDI inflows, accounting for 37 per cent of the group's total, followed by Mongolia and Turkmenistan. The top five recipient countries accounted for 70 per cent of the group's total FDI. The vast majority of inward investments in this group continued to be in the form of greenfield investments in mining, quarrying and petroleum.



While the brunt of the policy adjustment needed to attract and maximize the benefits of FDI for development needs to be undertaken by investment host countries, home countries also share a responsibility in helping developing countries improve the investment environment, build capacities and maximize the benefits of FDI for development. Creating such environment conducive to attracting FDI can be done by promoting regional integration and cooperation, boosting aid for productive capacity and technical assistance, creating conducive macroeconomic and regulatory framework, encouraging public-private partnerships, particularly for infrastructure investments and providing financial assistance and insurance guarantees to encourage firms, particularly SMEs, investing abroad through export credits, investment risk protection guarantees, concessional loans, especially for infrastructure projects.

Technical assistance and market access

Technical assistance is another important aspect of international supports to LLDCs, including in terms of helping to raise their awareness and understanding of WTO negotiations, the WTO accession process and to analyze multilateral trade agreements and trade issues and effectively participate in WTO negotiations. Technical assistance to LLDCs should be further encouraged in WTO trade negotiations, including market access, services, trade facilitation, investment and regional trade agreements. It is also important that technical assistance is targeted to the specific needs of each individual LLDC.

In terms of WTO accession, 24 LLDCs are WTO members, two have joined in 2013, but six are still in the accession process and yet to join the WTO. The acceding countries face particular constraints and challenges, including limited understanding of the scope and obligations of joining the WTO, lack of skills and experience in trade-related negotiations, limited analytical capacity, limited availability of data and lack of resources. Targeted technical assistance during the accession process to the WTO should be provided to those remaining LLDCs that are yet to accede to the WTO. Peer-to-peer collaboration to share experiences between existing and acceding WTO members and to provide advice and technical assistance should be further encouraged, with support of international organizations, including WTO secretariat and donors.

Marginalization of LLDCs' in world trade continues. LLDCs' share in world merchandise trade has increased in the latter half of the 2000s, but remains at just 1.2 per cent in 2011. Duty-free market access granted by developed countries on imports from LLDCs reached 93 per cent in 2010 (excluding arms and oil), up from 70 per cent in 2000. This reflects the fact that major developed countries extend preferential treatment to LLDCs under the Generalized System of Preferences (GSP) and special schemes, but also because most of LLDCs' exports are commodities on which developed countries do not impose tariffs. Preferential market access is an important means by which to facilitate export growth, by making their exports more competitive. The most notable of these schemes are the European Union GSP and the United States Africa Growth and Opportunity Act.

Regional integration

It is also very important for LLDCs to be actively involved in regional integration efforts for coordinating infrastructure development, improvement and completion of missing links; regional investment schemes; intra-regional trade; and participating in regional legal frameworks with the view of harmonizing policies and programmes. South-South cooperation, in particular from transit countries, offers potential for increased financial and technical assistance for LLDCs and diversified trade opportunities.

Way forward

While the UN, regional commissions, multilateral institutions including WTO, World Bank, regional development banks and some sub-regional organizations have recognized and mainstreamed the APoA, it still remains an unfinished agenda. LLDCs continue to face serious constraints because of their lack of access to sea, remoteness from major markets, inadequate transit facilities and services. The international community does not fully recognize their special needs. Almaty is not a Programme for LLDCs only, but it is a global partnership framework for transit transport cooperation. In this context, the new programme of action for LLDCs is particularly important as it will become a new framework for partnerships for LLDCs. The new programme should provide wins for all - LLDCs, transit neighbours as well as development partners. In today's new reality and landscape of international trade, specific actions and deliverables should be part of the new programme.

Mr. Americo Beviglia Zampetti, Head of the Economic, Trade and Sustainable Development Section of the Delegation of the European Union to the United Nations

Trade Facilitation

Trade facilitation is key to enhancing export competitiveness of LLDCs. An Agreement on Trade Facilitation at the WTO would bring concrete benefits of trade facilitation for developing countries. Improving custom procedures will cut red tape, increase predictability and reduce costs for traders, as goods will move faster across borders. It will also improve tax collection at the border, thus increasing government revenue.

At the same time, in order to enjoy the full benefit of such an agreement, developing countries, particularly least developed and landlocked developing countries, will need sufficient technical assistance and capacity building to implement the agreement. The EU is fully committed to providing support for trade facilitation to developing partners.

European Union assistance to LLDCs

The EU strongly supports LLDCs as part of its comprehensive approach to development, outlined in the Agenda for Change, which focuses its assistance in countries most in need. This EU commitment was strongly reaffirmed in a press release issued on 8 March 2013 by Trade Commissioner De Gucht and Development Commissioner Piebalgs. The EU notably commits to respond to the demands of developing countries, particularly LDCs, for support to implement the WTO Agreement; and to contribute its 'fair share' as well as 'continued and substantial support' for trade facilitation. The EU is already a leading provider of support to trade facilitation with €70 million a year over the period 2007-2010. Together with EU Member States, this figure reaches €120 million.

The EU has started working on the allocation of its development aid for the period 2014-2020. There might be other opportunities to receive EU support, but the bulk of our aid is provided bilaterally. Furthermore, in line with the principle of ownership, EU aid is driven by its partners. Therefore, time is ripe for the partners to prepare plans to include trade-related assistance, of which trade facilitation is a component, in EU development aid until the end of the decade.

In this context, most developing countries have or will soon go through "needs assessment" – financed by the EU and other donors – that will help them to clearly identify where and how assistance should be focused. Moreover, LDCs can build on the work of the Enhanced Integrated Framework to streamline trade in their development strategies.

Mr. Yiping Zhou, Director of the UN Office for South-South Cooperation

Introduction

The thirty-one LLDCs are widely dispersed around the globe. LLDCs as a group are among the most disadvantaged countries who continue to suffer from the following severe challenges: poor physical infrastructure; weak institutional and productive capacities; small domestic markets; remoteness from world markets; and high vulnerability to external shocks.

According to recent statistics, 18 out of the 31 LLDCs have a GDP per capita below $1,000. From 2008 to 2009, the 31 LLDCs experienced a decrease in economic growth from 5.8 per cent to 3.6 per cent. In spite of improved exports over the last few years, LLDCs' share of world trade still hovers below 1 per cent. High transaction costs and inefficiencies constitute important barriers to trade and FDI. As a group the LLDCs are among the poorest and most marginalized countries in the global economy and moving forward it is imperative for international support measures to accord them special attention. According to the Secretary-General, "… despite the significant progress achieved in the implementation of the Almaty Programme of Action, LLDCs continue to face enormous challenges of inadequate transport, telecommunications and energy infrastructure, inefficient transit systems, inhibiting economic growth and socio-economic development."

Rise of the Global South

In the meantime, the last decade saw a large number of economies in the Global South emerging as significant players also in the world economy, becoming both drivers of growth and catalysts for change in other developing countries. The rise of the Global South is spurring innovation in bilateral partnerships, regional integration and international cooperation, resulting in greater options and choices of advice and solutions from within the South for political or economic reforms; for fiscal or social policies; for infrastructural or industrial upgrading; for urbanization or diversified rural development; and for gender equality and employment. New development partnerships, fashioned on "win-win" or "triple-win" for all parties, have supported development efforts and opened opportunities for expanding South-South trade, investment, science and technology exchanges, industrial collaboration, humanitarian assistance and development cooperation, with the aim of achieving the Millennium Development Goals and other internationally agreed development goals by and beyond 2015. The Global South has indeed emerged as a significant player in the world economy, becoming both a driver of growth and a catalyst for change.

As of 2010, the share of developing country and Commonwealth of Independent States (CIS) trade stood at an unprecedented 45 per cent of global trade up from 24 per cent in 1960. South-South trade has expanded from 12 to 22 per cent of world trade between 2005 and 2009 and is expected to accelerate following the successful conclusion of São Paulo Round of Global System of Trade Preferences negotiations in 2010. By the end of 2011, the foreign reserves of developing countries stood at $7 trillion. Most of that money is invested at low interest rates in foreign money markets and contributes little to development, but there are encouraging efforts to channel some of it to existing regional development banks or new ones such as the Latin American Bank of the South and the proposed BRICS (Brazil, Russia, India, China and South Africa) bank.

The potential for South-South and triangular cooperation to help the LLDCs to overcome the infrastructural, institutional, technological and other weakness is enormous, for example, by the sharing of best practices, exchange of successful experiences and knowledge, building of productive capacities, increasing of investment, transferring of appropriate technologies, etc. The United Nations system has an important role to play in facilitation of such South-South cooperation, aimed at benefiting primarily the LLDCs.

Many UN organizations, specialized agencies, funds and programmes, and regional commissions are now performing the following five roles in promoting and facilitating South-South cooperation and triangular cooperation. Firstly, as conveners they are conducting research and convening policy dialogues. Secondly, as knowledge-brokers by identifying Southern knowledge and expertise, documenting and disseminating them for SS learning and mutual capacity building, through their own knowledge networks or specialized centres of excellence. Thirdly, as capacity-builders by building policy, institutional and technical capacities for countries to engage and undertake South-South cooperation and triangular cooperation more effectively among themselves. Fourthly, as partnership-builders they sign formal partnership agreements with emerging economies and many MICs to support and fund South-South cooperation and triangular

initiatives. Lastly, as communicators by monitoring and evaluating South-South and triangular cooperation results and impacts in fields of their own relevance and communicating the same to their respective clients and governing bodies, and to the general public for their own accountability, visibility and credibility.

South-South Global Assets and Technology Exchange

For the LLDCs, the UN Office for South-South cooperation also concentrates on facilitating the sharing of knowledge and best practices between and among LLDCs and transit countries on the one hand, and facilitating the acquisition of appropriate technologies from the Global South aimed at boosting the productive capacities in LLDCs, through the professional and regulated services of its South-South Global Assets and Technology Exchange (SS-GATE). The SS-Gate is a global transaction and services platform that facilitates market-driven exchanges of technology, assets, services and financing among public/private sectors and civil society for the inclusive growth and development of the Global South. The SS-GATE has already established 40 on-the-ground country centres, with seven of them located in six LLDCs – Kazakhstan, Mongolia, Rwanda, Uganda, Zambia and Zimbabwe (2).

There are numerous examples of completed or on-going technology transfer projects facilitated by the SS-GATE that directly benefit the LLDCs. A great success story involves the transfer of a patented FGC technology from China to Ethiopia to process agro-wastes and straw into low-cost, weatherproof, earthquake-resistant and durable building materials. Statistics from the Ethiopian Government showed a 50% reduction in the cost of building houses through the use of FGC products produced locally; the creation of more than 12,000 local jobs mostly for women; a revenue of US$8.8 million from the production of these materials, with a net profit of US$440,000. In the agricultural sector, the SS-GATE also matched agricultural technology and expert exchange between China and Zambia for new rice planting; between Malaysia and Zimbabwe for food processing technology (pineapple, citrus, etc.); between Zimbabwe to Zambia for multi-fruit processing factory.

The SS-GATE facilitated project matching in various industries to support LLDCs, including textile technology in Mongolia, housing construction technology in Kazakhstan and mining technologies in Zimbabwe. It also facilitated the partnership between the Jiangsu Redbud Technology Co., Ltd. and the government of Mali to transfer jute plantation and processing technology from China to Mali and mobilized the financial support of the China/African Development Fund to co-invest $30 million USD in project financing over the 10-year life span of the project.

The SS-GATE also partnered with the World Bank to launch the East Africa Climate Innovation Network (EACIN) which is a regional initiative intended to identify and scale-up climate innovations and technologies in East Africa. SS-GATE's health platform (SS-GATE Track IV) has deployed its business matchmaking methodology as well as virtual infrastructure to help link entrepreneurs and SMEs in the region with the global marketplace of tech suppliers, financiers, and other potential partners. LLDCs benefiting from EACIN include Ethiopia, Rwanda, and Uganda.

Through its commitment to the Secretary General's Global Strategy on Women and Children's Health, Every Woman Every Child Initiative, SS-GATE Track IV pledged to mobilize political, institutional, technical and financial support to Every Woman Every Child priority countries. These include 24 LLDCs: Afghanistan, Azerbaijan, Bolivia, Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Kyrgyzstan, Laos, Lesotho, Malawi, Mali, Nepal, Niger, Rwanda, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

ITC SUPPORT TO LANDLOCKED DEVELOPING COUNTRIES

Dr. Anders Aeroe, Director of Division of Market Development of International Trade Centre (ITC)

ITC's Mandate

International Trade Centre's mission is to enable export success for small and medium-sized enterprises (SMEs) in developing and transition-economy countries, by providing, with partners, sustainable and inclusive development solutions to policymakers, trade support institutions and the private sector. ITC has sets itself a particular target to focus on the needs of LDCs, LLDCs, small island developing states (SIDS), and sub-Saharan Africa.

Trade and economic development of LLDCs

LLDCs face many challenges in relation to trade. Deprived from access to the sea and often contending with a difficult topography and harsh climate, LLDCs face high trade costs. The geographic challenges to trade are often heightened by poor infrastructure, inefficient logistics system and weak institutions, driving up transaction costs. LLDCs' transit countries often face similar issues, adding a second layer of difficulty for businesses wishing to trade.

ITC analysis points to a number of challenges that are particular to LLDCs. To better understand the impact of Non Tariff Measures (NTMs) on exporting and importing companies, ITC undertakes large-scale company surveys. The surveys to date indicate that LLDCs are strongly affected by NTBs and procedural obstacles. For example, 62-75 per cent of exporters in Paraguay, Malawi and Rwanda report that they are affected by NTMs and related obstacles. Kazakhstan on the other hand shows a relatively low company affectedness indicating exceptions as well.

Share of NTM-affected companies interviewed

Country	No. of interviewed companies	Overall affectedness (= affected companies / all interviewed companies)
Landlocked countries		
Burkina Faso	172	59.9%
Malawi	129	69.0%
Kazakhstan	387	33.9%
Paraguay	406	61.8%
Rwanda	529	74.7%
LLDC simple average		59.8%

Source: ITC NTM Survey

Despite their disadvantaged geographic position, many LLDCs succeeded in establishing trade links with other developing countries, mainly within their respective regions. LLDCs as a group have a relatively high share of intra-regional trade, as shown in the table below. Taking further advantage of these trade links will require additional strengthening of the productive and export capacities.

Intra-regional trade in 2011

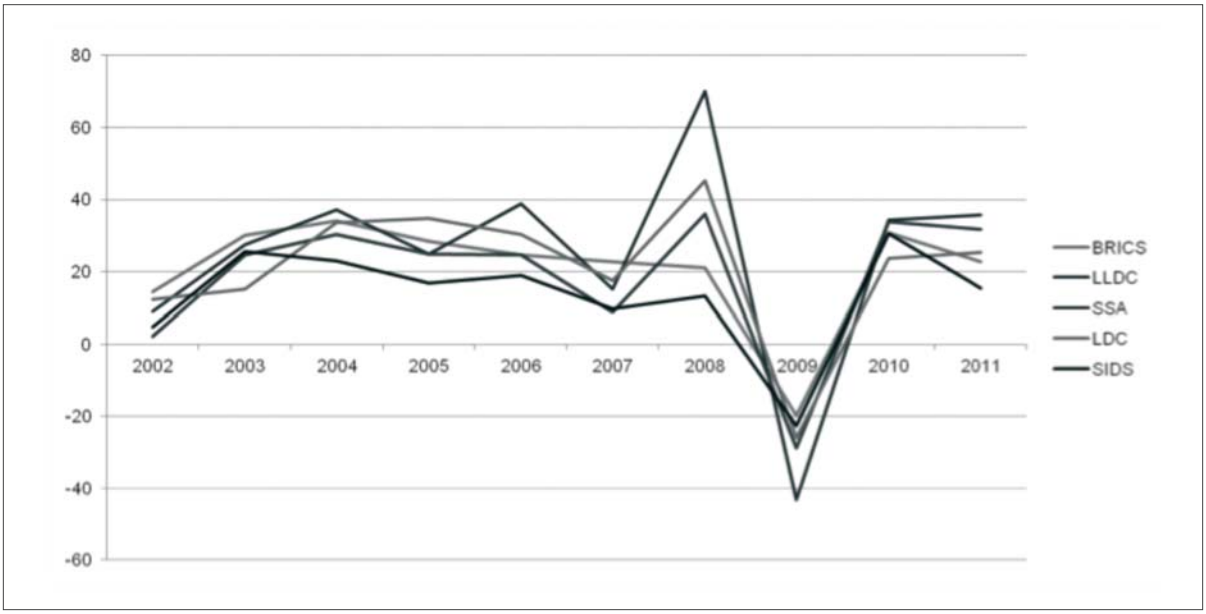
	Exports to region	Share of intra-regional exports (out of total exports)
LLDCs	32.4	34.3%
Sub-Saharan Africa	52.6	23.6%
Latin America	177.9	19.8%
Asia-Pacific	1553.5	38.5%
EU27 & EFTA	3699.1	65.6%
Rest of OECD	1047.6	30.8%
Rest of World	159.4	29.2%

Note: Export values are US$ billion, excluding oil.

Source: ITC Trade Map

In addition, ITC analysis also indicates a high volatility in LLDCs exports between 2001 and 2011. LLDCs as a group experienced a substantial increase in exports in the period of 2007 up to 2008, before experiencing a sharp drop in 2009. These fluctuations are more accentuated than either in the SIDS or LDCs country groupings. This indicates LLDCs' particular vulnerability to economic shocks.

Percentage change in export 2001-2011



Note: Includes all exports (oil as well as services).

Source: ITC Trade Map

The vulnerability is in large part due to a low product diversification. LLDCs' product diversification is comparable to that of LDCs' though they show a higher market diversification than LDCs. LLDCs also show a higher concentration of exports in commodities compared to semi-processed and processed goods. In 2011 LLDC export share in processed goods was a relatively low 16 per cent, compared to raw materials export share of 37 per cent. When one includes oil in the analysis, the difference becomes even more pronounced. These figures are also in contrast to LDCs which show a higher share in processed goods exports of 42 per cent.

Exports by level of processing in 2007 and 2011

	Raw materials		Semi-processed goods		Processed goods	
	2007	2011	2007	2011	2007	2011
LLDCs	32.7%	37.2%	47.9%	46.8%	19.5%	16.0%
Developing countries	8.4%	10.7%	20.6%	21.6%	71.0%	67.7%
LDCs	31.2%	29.9%	27.2%	28.4%	41.6%	41.8%

Note: Export values are US$ billion. Percentages show the share of each product group in total exports by country group (excl. oil).

Source: ITC Trade Map

How ITC supports LLDCs

ITC supports LLDCs in overcoming some of these vulnerabilities and taking advantage of benefits of international trade. ITC focuses on the following four strategic areas of intervention. Firstly, ITC contributes to improving the availability and use of trade intelligence, by building capacities in trade information services, in market research and analysis as well as in the formulation and implementation of export strategies. For example, ITC and its national partners are conducting large-scale company surveys on non-tariff measures. By highlighting the non-tariff obstacles faced by the business sector, the programme assists countries to better define strategies and solutions that meet their exporters' needs and to speed up and ease cross-border trade. The programme has so far completed surveys in five LLDCs, including Burkina Faso, Rwanda, Malawi, Paraguay and Kazakhstan.

Secondly, ITC aims to enhance trade support institutions and policies for the benefit of exporting enterprises, by building capacities of trade support institutions to support the private sector, as well as working on building stakeholder confidence in developing appropriate policy and regulatory reform processes. ITC jointly with the WTO supported Lao PDR in preparation for WTO accession, by strengthening stakeholder confidence in the government's bid for membership. This includes deepening the understanding of business implications of WTO agreements amongst the private sector or engaging them in evidence based public-private dialogues in such crucial areas as Trade Related Aspects of Intellectual Property Rights (TRIPS), Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade and services sectors like distribution, health and education.

Thirdly, ITC assists small and medium sized enterprises in building productive capacities and to reach global markets. For example, ITC's Trade Promotion Project in Tajikistan strengthens the sustainable expansion and diversification of SME exports from Tajikistan. The project focuses on sector development with a focus on textile and clothing, including handicraft-clothing accessories and on improvement of quality management infrastructure.

Fourthly, ITC also helps mainstream inclusiveness and sustainability into trade promotion and export development policies. For example, ITC works to enhance the capacity of Ugandan women informal cross-border traders to increase their exports to neighbouring countries by reducing and eliminating trade facilitation impediments at points of entry and exit. The project seeks to address these challenges through the simplification of cross border procedures and processes; capacity building of women informal cross-border traders and trade facilitation/border agencies and the establishment of strong networks with key trade and development stakeholders.

During 2010 and 2013 ITC has had active technical projects in the following LLDCs: Afghanistan, Armenia, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, Lao PDR, Lesotho, Republic of Macedonia, Malawi, Mali, Nepal, Niger, Paraguay, Rwanda, Swaziland, Tajikistan, Uganda, Uzbekistan, Zambia, and Zimbabwe.

Recommendations on the Priorities of a New Development Agenda for LLDCs

ITC believes that a new development agenda for LLDCs should place the role of the private sector at the centre. A new agenda might want to take its focus from the specific challenges facing the private sector in LLDCs and mobilize its capacities for achieving sustainable economic development goals.

Based on ITC analysis, the private sector in LLDCs is strongly affected by non-tariff barriers and procedural obstacles. Rules of origin and technical measures (both the requirements in themselves as well as the associated conformity assessments (e.g. certification)) as well as pre-shipment inspection and other customs formalities make up a large part of the NTMs identified as burdensome by exporters. This points to the necessity of enhancing the transparency of procedures, the capacities of enterprises to meet international standards and enhancing trade facilitation procedures.

Given the social and economic challenges facing LLDCs in particular, it is recommended that a focus should be on building productive capacities and trade promotion to facilitate employment creation. This would also allow LLDCs to take greater advantage of existing benefits from regional integration and free trade agreements.

Efficient services such as air-transport and telecommunication play an important role in helping the private sector in LLDCs effectively link with international markets. Trade in these key facilitating services is however often highly restricted. A key priority for a new development agenda of LLDCs should include building an enabling policy environment for trade in services.

Trade policies and strategies and the regulatory environment are fundamental in setting the right conditions for the private sector to grow as well as to attract Foreign Direct Investment. Inclusive private sector involvement leads to more effective policy and strategy decisions, setting the foundation for increased competitiveness, export growth and development impact. A further recommendation is therefore to strengthen the private sector's voice and confidence in strategy and policy formulation.

The large decrease in exports during the economic crisis of 2008/2009 highlights the high vulnerability of LLDCs to adverse shocks. This is in large part due to their limited export product diversification. To strengthen private sector resilience to economic shocks implies the need to diversify away from the limited number of exported commodities. To achieve this, governments and donors may want to look at developing the right incentive systems and promotion programmes to facilitate private sector developments into new areas. New challenges facing LLDCs also include climate change and desertification. Predictions have shown that the agricultural sector of LLDCs in Africa and Latin America to be particularly vulnerable. Building resilience includes implementing climate change adaptation strategies early.

It is important that LLDCs are given particular attention in the post-2015 development agenda. The geographic and related economic challenges have meant that LLDCs still count amongst the most vulnerable economies. Anchoring the special needs of LLDCs in the post-2015 MDG planning process will help focus international attention and help ensure a coordinated response. This needs to be coupled by strong national ownership and better collaboration amongst donors to ensure resources are used effectively and in the interests of LLDCs

SUMMARY OF DISCUSSION

In the ensuing discussion, participants noted that regardless of the various types of international support measures and efforts that can be availed, adequate national capacities in LLDCs are critical in order to fully take advantage of the international support offered to these countries. The meeting noted that ITC's surveys suggest that it is often the neighbouring markets that impose most burdensome barriers and thus are likely to hamper regional integration and trade.

Participants deliberated on how LLDCs could develop a conducive environment to attract FDI. The meeting noted that the UNCTAD publishes investment guides on investment climate and how to professionally attract FDI. Furthermore, the meeting noted that while it is important to have the correct host country measures and environment, it is equally important that LLDCs be provided with technical assistance to assist them in implementing the said rules and regulations.

SECTION 7

LLDCs AND THE POST-2015 DEVELOPMENT AGENDA AND SUSTAINABLE DEVELOPMENT GOALS

LLDCs AND THE POST-2015 DEVELOPMENT AGENDA AND SUSTAINABLE DEVELOPMENT GOALS

Mr. Jose Dallo, Policy Advisor on Post-2015, Bureau of Policy Development UNDP

Introduction

In order to adopt a new global agenda that reflects the realities of today, the United Nations Development Programme is committed to facilitating discussions to solicit views on the post-2015 development agenda by holding broad inclusive consultations at the country, regional and global levels. Up to this moment, there is broad-based consensus that MDGs have been successful, and there is also a growing interest for their inclusion in the Post-2015 discussions. While discussions regarding the new global development paradigm have gathered steam, it is regrettable that much of the dialogue has so far been happening in the more advanced countries. UNDP is working hard to bring balance to the discussion by involving voices from the Global South.

While it is obvious that the dialogue be framed in terms of development goals, it is especially important that the rationale behind those goals is kept in mind. To this end, it is imperative to use probing of questions to interrogate such as the value-addition from including certain goals, which are, perhaps being pursued elsewhere. It is against this backdrop that LDCs, LLDCs as well as SIDS must clearly articulate their vision and concerns in these deliberations. These groups need to provide irrefutable evidence of their needs in the post-2015 agenda. The United Nation system stands ready to lend its support.

The four possible entry points through which the LLDCs can share their views

i. The High level Panel: Secretary-General appointed the high level panel that consists of 26 members; Indonesia Liberia and UK serve as chairs. The report of the panel will be ready by end of May 2013 and it will feed into the Secretary-General's report in September.

ii. The Open Working Group on Sustainable Development Goals was established on 22nd of January 2013 by the General Assembly decision 67/555. The Member States decided to use an innovative, constituency-based system of representation that is new to limited membership bodies of the General Assembly. The Open Working Group is expected to producing a report on how the SDGs should look like before September 2014.

iii. The UN System Task Team – lead by UNDP and DESA, is tasked with producing a vision of the UN system. The Task Team was established by the UN Secretary-General to support system-wide preparations for the post-2015 UN development agenda. It brings together over 60 UN entities and agencies and international organizations. It supports the multi-stakeholder consultations being led by Member States on a post-2015 global development agenda, by providing analytical inputs, expertise and outreach.

iv. The UNDG consultations: So far, it has emerged that national ownership is crucial, and that voices of all the groups around the world must be brought together. The strategy used in the UNDG consultation, aimed at achieving the desired results is based on three pillars: the national consultations in countries, thematic consultations, and virtual consultations that are taking advantage of the social media, and emerging technologies. National dialogues are underway in some 88 countries around the world. There are also thematic consultations into issues that will inform the agenda clustered around 11 themes as well as multi-stakeholder discussion. Thematic consultations are happening in partnership with the academia, media, private sector, employers and trade unions, civil society, and decision makers on the current central challenges to the post-2015 development.

An integrated framework

The UN Task Team Report is prepared around three principal values of human rights, equality and sustainability. Each of the four pillars has a set of enablers. The pillars are; first, Environmental Sustainability which seeks to promote the protection of biodiversity, stable climate, and resilience to natural hazards; second, Peace and Security which seeks to provide freedom from violence, conflict and abuse as well as conflict-free access to natural resources; third, Inclusive Social Development, which among other things promises access to quality education and nutrition for all, reduced mortality and morbidity, gender equality and universal access to clean water and sanitation, and fourth pillar – Inclusive Economic Development. This pillar seeks to eradicate income poverty and hunger, reduce inequalities and ensure decent work and productive employment.

Sustainable use of natural resources (climate, oceans, forests and biodiversity), and the management of waste, managing disaster risk and improving disaster response is seen as enablers for nexus between the environment and peace and security pillars. The development of democratic and coherent governance mechanisms, good governance practices, based on the rule of law, conflict prevention and mediation, human rights protection and women's empowerment are other possible enablers between peace and security on one hand, and inclusive social development on the other.

Sustainable food and nutrition security, universal access to quality health care, and education, inclusive social protection systems, managing demographic dynamics and fair rules to managing migration are other enablers for including economic and social development. Finally, stable global trading system, adequate financing for development and stable financial system, affordable access to technology and knowledge, providing sustainable energy for all, coherent macroeconomic and development policies supportive of inclusive and green growth can facilitate the realization of the aspirations under inclusive economic development as well as environmental sustainability.

Three key messages have been apparent from the ongoing consultations. First, that the MDGs should be accelerated as the building blocks of development. Second, people see the MDGs as fundamental, but not enough for "the future we want" and finally, there have been lots of ideas on how the MDG model can be improved. In addition, there is a call to go back to the Millennium Declaration and build a broader, more coherent, universal framework that allows for the widest possible participation in the implementation.

So far, the primary concerns of the LLDCs are not on the agenda as being particularly relevant. The focus and attention is on employment, job creation and education among others. Calls for quality in employment opportunities could lead to addressing openness to imports, supply-side constraints, development of regional public goods and infrastructure etc. Against this background, there is opportunity for the international community to acknowledge different starting points of different groups of countries - and different opportunities available to them. Economic growth and job creation are especially strong in the new development agenda, and this provides a unique opportunity in APoA to review and discuss some of the entry points in the context of the post-2015 agenda.

SUMMARY OF DISCUSSION

In the ensuing discussion, a representative of UN DESA raised five concrete points as a follow up to the presentation by UNDP. First, it is important to find close links between APoA and the Rio+20 outcome document as well as with the process of consultations on the post 2015 development agenda. The Rio+20 outcome document has several references to LLDCs. Second, pay attention to those paragraphs that renew commitment to the speedy implementation of the APoA. The Rio+20 launched several processes, and there are different entry points to the discussion that LLDCs need to follow up on and develop concrete approaches to take action. Third, some LLDCs should consider joining the panel for financing for sustainable development at the expert level, and in the high-level political forum. They should also participate in the intergovernmental processes launched at Rio+20, in particular SDGs, technology transfer workshops and the High-level Political Forum on sustainable development. Active participation in these processes is important.

Fourth, there is a need for LLDCs to take part in the workshops that relate to technology transfer. It is crucial for LLDCs to formulate their development policies in a way that integrates the three dimensions of sustainable development. This is especially challenging and requires a lot of institutional changes and involvement and DESA can offer technical assistance. Fifth, it is important to strengthen and utilize partnerships. Since the Johannesburg Summit, DESA has been working hard to support LLDCs in achieving transformative change. Opportunities to scale up and replicate successful partnerships should be facilitated and more consistent monitoring, assessment and accountability frameworks should be developed.

The meeting underscored the close relationship between the Almaty Programme of Action and Rio+20. Participants emphasized the importance of keeping the focus on MDGs stressing that there was room to improve MDGs and that the international community should be more ambitious in helping the poorest among the poor for MDGs were designed to benefit the developing countries the most. The meeting noted that in order to implement the SDGs, efforts should be put on mobilizing multiple sources of finance besides ODA that has been the principle source of financing for the MDGs. South-South and Triangular cooperation could assume an even more prominent role in enhancing capacity building in developing countries.

Furthermore the meeting also noted that the human and social development focus of the MDGs may be necessary but not sufficient to attain sustainable development. It would require investment in the productive capacities of LLDCs. MDGs must be strongly complemented by investments in the economic and environmental pillar. It is necessary that the three pillars of the MDGs are taken into consideration jointly in ways that minimize tradeoffs, and enhance synergy. The meeting also stressed that the concerns of the vulnerable countries should be noted and put within the proper context in the post 2015 development agenda.

ANNEX – LIST OF PARTICIPANTS

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