The World Bank Group

UN-OHRLLS

Comprehensive 10 Year Review Conference on the Implementation of the Almaty Programme of Action

Summary Report of the pre-conference event on Transport Development and Trade Facilitation

Thursday, June 13, 2013.

Washington, D.C.

I. Introduction

The present document is a summary report of the pre-conference event on Transport Development and Trade Facilitation that was held on 13 June 2013 in Washington DC. The meeting was held in the context of the preparatory process of the Comprehensive Ten Year Review Conference on the implementation of the Almaty Programme of Action to be held in 2014 as mandated by the General Assembly Resolution 66/214. The event was jointly organized by the World Bank and the United Nations Office of the High-Representative for Least Developed Countries (UN OHRLLS).

The aim of the one-day meeting was to review the progress that has been made in transport and in trade facilitation in order to assist the Landlocked Developing Countries (LLDCs) to integrate into the global markets, identify the major achievements, best practices and challenges and suggest priorities on transport development and trade facilitation for a new development agenda for LLDCs.

II. Participants and Speakers

The meeting was attended by more than 60 participants that included Ambassadors and Permanent Representatives, and delegates from LLDCs, and transit developing countries, experts from United Nations System organizations, as well as other international organizations, the private sector, and other stakeholders.

The Meeting was substantially very rich and involved delivery of statements and presentations and discussions. Introductory remarks were made by Ms. Zoubida Allaoua World Bank (WB) Acting Vice-President for Sustainable Development, Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) and H.E. Mr Saleumxay Kommasith, Permanent Representative of the Lao People's Democratic Republic to the United Nations and Chairman of the Group of LLDCs.

The meeting had six thematic sessions. The first session entitled *How we got here* provided an assessment of the progress that had been made by the LLDCs since the adoption of the Almaty Programme in 2003. In this session two presentations were made by Mr. Marc Juhel (WB) entitled The Almaty Programme of Action and the World Bank Group 2003-2013, and Mr. Sandagdorj Erdenebileg, (OHRLLS) entitled Comprehensive Ten year Review of The Almaty Programme of Action: How we got here.

The second session focused on the Economics of Landlockedness: Issues and Remedies. In this session, Mr. Jean Francois Arvis (WB) gave a presentation entitled Connecting Landlocked Developing Countries: What have we learned during the Almaty Programme of Action period? and Mr. Charles Schlumberger (WB) presented on Transport Development and Trade Facilitation: The role of Air Transport Services.

The third session was on Connecting Africa: Corridors Across Borders. The session had four presentations: Policy Reform, Road Networks and Border Management- the World Bank's contribution by Mr. Olivier Hartmann (WB); The Inter-governmental

Agreement to underpin the Trans-African Highway Network by Ms. Gladys Mutangadura (OHRLLS); Railways in Sub-Saharan Africa - an effective regional integration tool? by Pierre Pozzo di Borgo (IFC); and Strengthening the Capacity of Road Transport Providers in Transit and Landlocked Countries - a private sector initiative by Ms. Olga Frolova, the International Road Transport Union.

The fourth session was focused on the Tools developed by to support improvement of trade and transport facilitation. The session had three presentations including: The Tools: from Diagnostic to Implementation with a focus on the trade corridor management toolkit by Charles Kunaka (WB), Tool: from Diagnostic to Implementation focused on quantitative analysis of road transport agreements by Virginia Tanase (WB), and Impact Evaluation and Practical Implementation Examples by Alina Antoci (IFC).

The fifth session was focused on case studies. It included a Sub-regional Case from Central Asia, focused on Kyrgyz Republic by Ms. Cordula Rastogi (WB) and Mr. Kubanychbek Mamaev, Ministry of Transport and Communications, a Country Case of Nepal by Diep Nguyen-van Houtte (WB) and a video Improving Trade in Nepal is a long road.

The last session was focused on the way forward. In this session Mr. Marc Juhel (WB) presented conclusions and recommendations, Mr. Jeffrey Lewis (WB), and Mr. Sandagdorj Erdenebileg made closing remarks.

This summary is based on the statements and presentations made and the interactive discussions that followed.

III. Assessment of current situation

Progress in transport and in trade facilitation

Transport is an enabler of development not only in terms of inclusive and equitable economic growth and the well-being of people, but also the integration of LLDCs into regional and global economies. It is the key to sustaining the economic growth needed by LLDCs. To this end, it is vital to develop sustainable, efficient, reliable transport systems and to ensure seamless connectivity inside a landlocked developing country itself and beyond its border.

The achievements so far are encouraging. With support from partners, LLDCs and their transit neighbors have made progress on the development and upgrading of road and rail transport networks since 2003. The proportion of all-weather road connection for all LLDCs has improved. Progress has been made on the development of the Asian Highway and Trans-Asian Railway networks. Approximately 30 per cent of the Asian Highway roads in LLDCs have been improved to a higher standard since 2004. Central Asia Regional Economic Cooperation (CAREC) Program supported by six multilateral institutions mobilized almost $10 billion for infrastructure development since 2003.

In Africa, major improvements have been made on the Trans-African Highway which has a total length of 54,120 kilometers distributed along nine corridors. Africa is now implementing the Programme for Infrastructure Development in Africa (PIDA). With support from partners (World Bank, EU, African Development Bank (AFDB), JICA, South-South Corporation etc.) transit corridors have been developed. For example AfDB has financed more than 70 multinational operations totaling US $3.8 billion over the last decade.

South America is implementing the Strategic Action Plan for 2012-2022 of the South American Infrastructure and Planning Council that includes a portfolio of more than 500 infrastructure projects (transport, energy, and communications) with an estimated investment of $116 billion.

Transport of cargo by airfreight has also increased in some LLDCs. Dry ports are being established in all regions.

The meeting noted that LLDCs and their transit neighbors have been increasingly implementing measures that considerably reduce transaction costs and delays at border-crossing points through the harmonisation of customs procedures, rules and documentation. Some of the measures implemented include the introduction of modern electronic applications to the TIR System, ASYCUDA, one stop border posts, introduction of single window processing, harmonization of axle load limits, third party motor insurance schemes, removal of roadblocks, accession to international transport and transit conventions and regional and sub-regional transit agreements. Tools have been developed to monitor and improve corridor management and performance.

These initiatives have helped reduce the delay in transit of goods from LLDCs and the number of documents for importing and exporting as shown in table 1. Specific examples were shared in the meeting. For example, the one stop border post at Malaba between Kenya and Uganda has reduced time spent at the border from 2 days to 2 hours. Despite the improvements, LLDCs on average still take double the time it takes transit countries to import and export.

Table 1. Cost of importing and exporting, 2006 and 2013

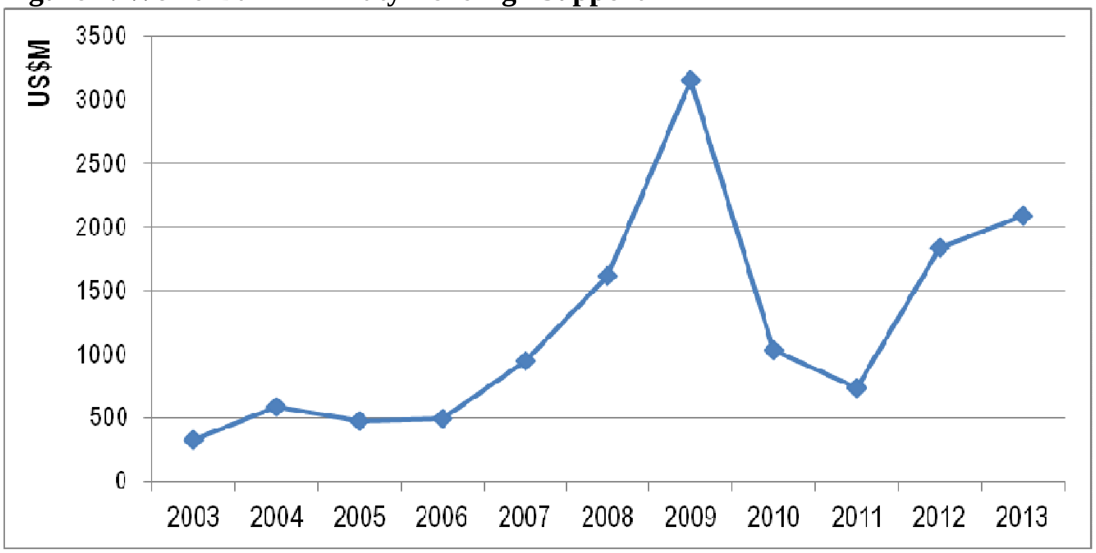
		2006	2013	Percentage change
LLDCs Import	Number of documents	11	10	- 10%
	Number of days	57	48	- 15%
LLDCs Export	Number of documents	9	8	- 11%
	Number of days	48	42	- 12%
Transit countries Import	Number of days	38	27	
Transit countries Export	Number of days	30	23	

Source: World Bank Doing Business Report 2013

International support increased substantially as well since 2003. Official development assistance (ODA) to LLDCs increased by 60 per cent in real terms between 2003 and 2010 from 16.5 billion in 2003. ODA flows to LLDCs fell by 3.3 per cent in 2011 to $25.7 billion as result of fiscal austerity. Aid for Trade to LLDCs reached $6.4 billion in 2011, a 70 per cent real increase since 2005. The majority of Aid for Trade flows are directed towards economic infrastructure and building productive capacity. FDI inflows recovered and reached $34.8 billion in 2011, 24% increase since 2010.

Since 2003, the World Bank Group has consistently financed transport infrastructure projects in parallel with an increasing emphasis on trade facilitation and corridor-based projects in landlocked countries and transit countries. The Bank has promoted institutional enhancement in critical areas such as customs reform, or projects aimed at the reinforcement or diversification of productive capacities. The Bank has also invested in research and tools, to better identify the source of constraints and identify the most appropriate solutions for lowering access costs. From 2003 to 2009, the World Bank quadrupled lending to LLDCs to more than $3 billion. However lending decreased in 2010 and 2011 and has improved from 2012 (see figure 1).

Figure 1. World Bank "Almaty Lending" Support

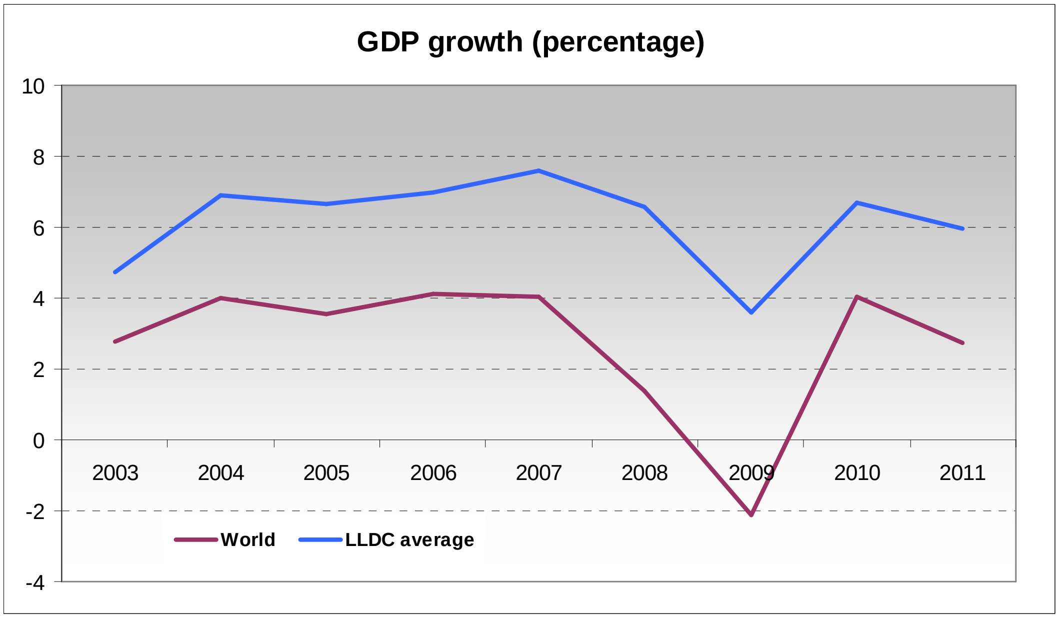


Progress in economic development of LLDCs

LLDCs as a group have improved their share of world trade over the past decade – and by that, their economic growth. LLDCs' share of the world's trade doubled since 2003 to 1.17% in 2012. The export value of merchandise trade of LLDCs has increased almost seven-fold since 2000 (21.1 percent per year) compared with a six-fold increase for the transit countries (18.3 percent per year), and a three-fold increase in the export value of a global merchandise trade (10.8 percent per year). Among the LLDCs, the Central Asian countries have experienced the most significant increase in value of merchandise exports (almost 8-fold), followed by Sub-Saharan countries (4-fold increase). The export share in total trade of LLDCs has increased from 47 percent in 2000 to 55 percent in 2011.

Since 2003 LLDCs experienced high economic growth recording as high as 7.8 per cent shown in figure 2. The average per capita income of 31 landlocked countries has increased by about 3.8 percent per year (mainly in the Central Asian countries of Kazakhstan and Turkmenistan), which significantly exceeded the global average of 1.5 percent, and the average growth rate for all low-income countries of 3.1 percent. It also slightly exceeded the average growth rate (of about 3.4 percent) of the 27 transit countries. The annual GDP growth rate for the LLDCs is higher than the annual GDP per capita growth rate suggesting that while LLDCs' economies are generally growing in size, incomes at the household/individual levels are growing at a much slower rate. An explanation for this is that some of the LLDCs with a low population are growing faster than average.

Figure 2. Average annual GDP growth 2003-2011



Source: UNSD data

Challenges

Despite the notable progress made, the meeting also noted that LLDCs were still experiencing major challenges in improving their connectivity to the global markets.

Transport and trade transaction costs are still much higher for LLDCs

While transport costs have decreased in all the other parts of the world, they are still very high and have - on average - increased in LLDCs. This is a very worrying trend. According to a recent OHRLLS study, the transport costs for LLDCs were 45% higher than the representative coastal economy in 2010 and have increased over time. Because of landlockedness the level of development in the LLDCs is on average 20% lower than what it would be if the countries were non-landlocked. According to the Doing Business Report 2013, costs for LLDCs for importing and exporting a container were still double that of the transit countries and had increased at a much higher rate than transit countries as shown in table 2. These higher costs result in high and uncompetitive costs of doing business in LLDCs.

Table 2. Cost per container 2006 and 2013

	2006	2013	Percentage change
LLDCs Import	$2,688	$3,643	+ 36%
LLDCs Export	$2,207	$3,040	+ 38%
Transit countries Import	$1,282	$1,567	+ 22%
Transit countries Export	$1,004	$1,268	+ 26%

Source: World Bank Doing Business Report 2013

The trade facilitation challenges faced by LLDCs translate in these countries' low ratings in the World Bank Logistics Performance Index. The LLDCs had a poor LPI performance in 2012 (see figure 3). On a scale of 1 (worst) to 5 (best), low LPI scores point to low trade efficiency, unreliable supply chains and unpredictable service delivery available to domestic producers and exporters.

Figure 3. Logistics Performance Index

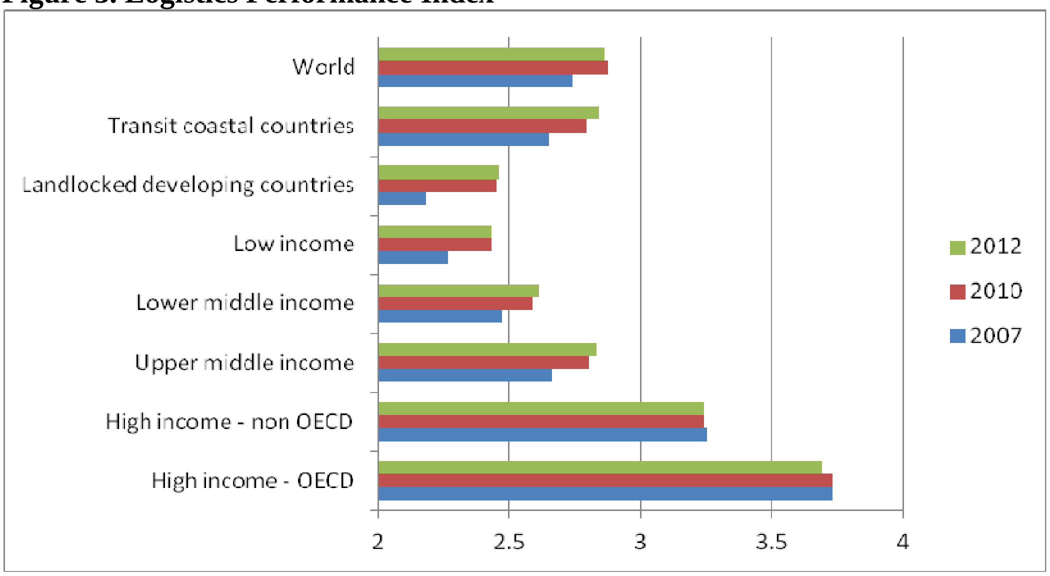


Table 3 shows that the LLDCs perform worse off on infrastructure and customs. The emphasized that it is therefore important to identify and implement critical solutions to transit trade bottlenecks that could bring immediate benefits to the LLDCs.

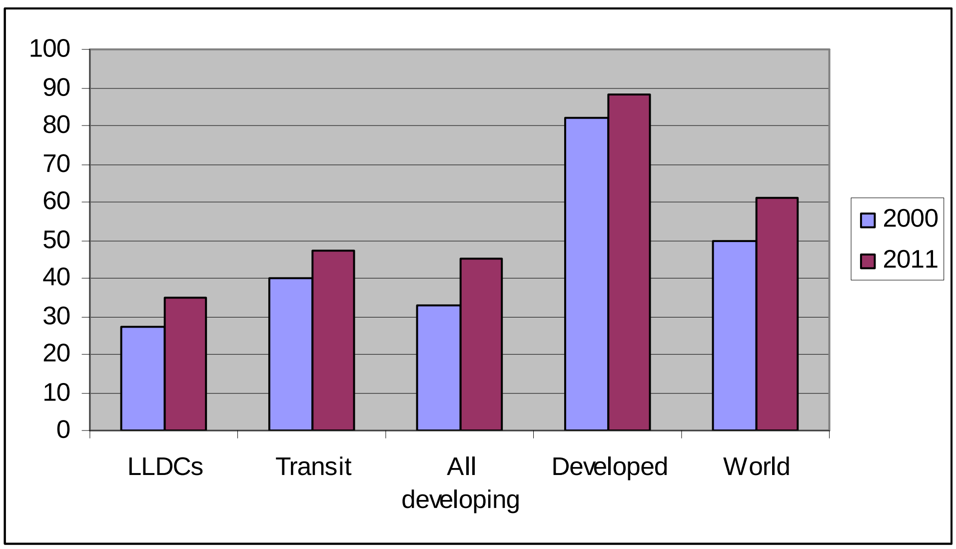
Table 3. Logistics Performance Index in Regions with Poorly Performing LLDCs

	Sub-Saharan Africa				Central Asia		South Asia			
Background data	**Landlocked**		**Coastal**		**Landlocked**		**Landlocked**		**Coastal**	
	2007	**2012**	**2007**	**2012**	**2007**	**2012**	**2007**	**2012**	**2007**	**2012**
Overall LPI	**2.23**	**2.44**	**2.40**	**2.49**	**2.14**	**2.58**	**1.84**	**2.27**	**2.64**	**2.69**
Selected LPI components:										
Logistics competence	2.21	2.35	2.38	2.46	2.11	2.52	1.84	2.22	2.69	2.71
Infrastructure	1.92	2.26	2.20	2.28	1.98	2.43	1.61	2.04	2.42	2.45
Customs	2.08	2.29	2.27	2.30	1.99	2.56	1.69	2.24	2.34	2.49

Source: World Bank

Infrastructure development and maintenance - still a major challenge.
The percentage of paved roads in the LLDCs has improved since 2000 but remains low, with only 9 countries having greater than 50 per cent and 8 countries having between 20 to 49 per cent of their roads paved. When compared to the other groups of countries, LLDCs have the lowest percentage of paved roads followed by transit developing countries as shown in figure 4.

Figure 4. Percentage of paved roads



Source: UNSD Data base

Although rail is a cheaper form of transport, LLDCs and transit countries face challenges in utilizing railway transport. Gauge differences, missing links, lack of rolling stock replacement, insufficient equipment and incompatibility prevent seamless cross-border movement. Cross border railways management presents specific challenges. In Africa, outside of South Africa, most rail operators suffer from low revenues that make debt financing of new rolling stock challenging and expansion or network or rehabilitation from private financiers impossible. Furthermore, most of the LLDCs have no rail network.

Thus there are still significant infrastructure gaps that need to be addressed in order to lower transport costs and improve the competitiveness of the LLDCs. In addition, transport systems today also need to be sustainable. Yet, many LLDCs are ill equipped for developing sustainable transport. ICT infrastructure is a critical enabler for connectivity of LLDCs and for reducing delays at the borders and requires more investment.

Poor accession and effective implementation of conventions and agreements

Although there are over 50 UN conventions on international transport and trade facilitation, accession and effective implementation of the conventions is slow. There is need for capacity building and training mechanisms in order to enhance adoption and effective implementation of the legal instruments. Special emphasis should be accorded to support the LLDCs and transit developing countries in becoming party to these important legal instruments.

Challenges associated with negotiating and implementing bilateral agreements

Bilateral agreements are still the predominant tool for facilitating international road transport , even in regions that are highly integrated. A recent World Bank study that reviewed over 70 bilateral agreements on road freight transport concluded that some of the bilateral treaties could even be counterproductive for they could introduce rigidities in implementation, deviate from international best practices, or could be defending vested interest. In such situations, bilateral agreements reduce efficiency and increase the cost of international road transport services.

Some of the bilateral agreements are quite old, often poorly enforced and at the same time may lack modern provisions thereby perpetuate unsustainable practices and increase costs. The study suggested that Member States should be supported to adopt a more comprehensive approach including a model-agreement in formulating and negotiating bilateral agreements.

Box 1, provides an example of challenges experienced by a priority corridor stretch connecting India and Nepal.

Box 1. Challenges on a priority India-Nepal corridor Kolkata/Haldia-Raxaul-Birgunj-Kathmandu - Road and Rail

- Long dwell time at Kolkata/Haldia ports
- Bilateral transit agreement limits Nepali transit to only one corridor, and only containerized cargo for rail
- Poor and narrow roads in Nepal and India
- No rail link in Nepal
- No through bill of lading and inland clearance
- Duplicative domestic licensing/documentation
- Duplicative and manual customs procedures
- Corruption/informal payments at border and along road corridor
- No cross-border electronic data interchange
- No mutual recognition of collaboration on SPS and standards
- Insufficient parking/warehousing facilities

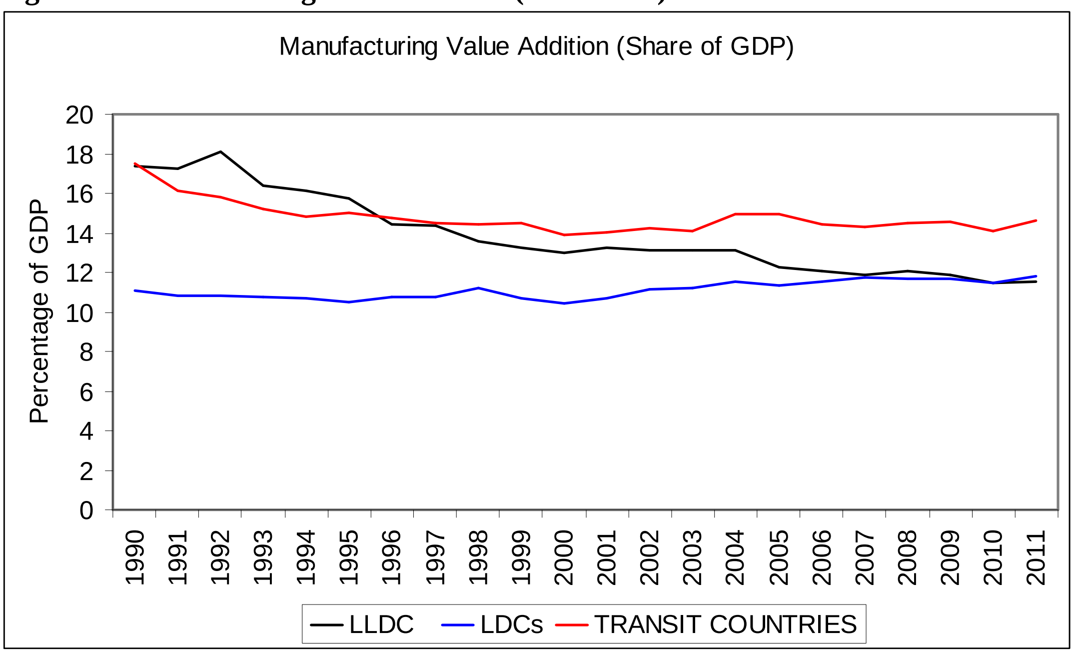
Other structural constraints faced by LLDCs

Although LLDCs' trade performance improved since the adoption of the Almaty Programme of Action, they are still heavily reliant on the export of primary commodities. Export concentrations ratios for LLDCs increased dramatically since 2003 from about 0.2 to 0.38 in 2011 showing the increased lack of diversification of exports. The LLDCs have low productive capacities which limit their ability to add value to their exports or to diversify their exports; and are thus highly vulnerable to external and internal shocks.

The meeting also underscored that many LLDCs, were importing more than they were exporting. They also noted that NTBs such as rules of origin and standards were still a major challenge affecting the trade of LLDCs. The meeting suggested removal of NTBs.

The meeting was deeply concerned that value addition from manufacturing and agriculture in LLDCs has declined over the review period as shown in figure 5. Furthermore new and emerging challenges linked to the global 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.

Figure 5. Manufacturing value addition (% of GDP)



Financing Needs

Financing needs of transport infrastructure demand remain huge in all regions with LLDCs and public sector funding alone – already stretched by the demands of non-infrastructure spending – is not sufficient to meet this demand. For example $24.4 billion is needed in Africa to finance road and railway transport infrastructure projects that can be implemented under the Programme for Infrastructure Development in Africa in 2012-2020. In addition, it was estimated that Africa requires $93 billion annually for infrastructure development and maintenance. In Asia $290 billion is needed annually for transport infrastructure between 2010 and 2020.

The World Bank and other multi-lateral and regional financial institutions; South-South cooperation; the development partners through ODA and Aid for trade and the private sector have made tremendous efforts towards meeting the infrastructure development needs. However more is required.

IV. Priorities to further enhance Transport Development and Trade Facilitation for LLDCs in the new decade

Transport infrastructure development (asset creation) and maintenance

There is need to invest into infrastructure development and maintenance in order to close the huge infrastructure gaps and to lower transport costs and improve the competitiveness of the LLDCs. The meeting stressed that inadequate transport infrastructure was the most critical problem of LLDCs.

Enhanced trade facilitation

A Trade Facilitation Agreement under the Doha Round has the potential to address many of the fundamental transit policy issues that affect LLDCs' exports. According to the WTO, a Trade Facilitation Agreement 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. It is therefore important to actively push for adoption of a Trade Facilitation Agreement with binding and ambitious provisions.

Harmonization of policies, simplification and standardization of rules, documentation, and border crossing and customs procedures are still of great importance. LLDCs should ensure simplification, harmonization and transparency of legal and administrative regulation and requirements associated with transit transport, customs and border management, including by becoming members of existing relevant international, regional and sub-regional conventions and agreements and implementing them at the national level. The international community should continue to provide technical, financial and capacity building assistance to support these efforts.

Enhanced partnerships for financing for infrastructure development and trade facilitation

Increased financial and technical support to LLDCs, including through ODA, Aid for Trade, FDI and South-South cooperation is important to support infrastructure development and maintenance. Multilateral and regional financial and development institutions should provide support towards infrastructure development to improve the connectivity of LLDCs. The critical role of the private sector and public private partnerships today cannot be over-emphasized. Innovative sources of funding need to be explored. Ways of tapping into remittances need to be explored. There is need to share experiences on infrastructure bonds and other forms of financing that some regions have been able to successfully utilize.

Holistic approach to the development needs of LLDCs

In order to achieve rapid and sustainable economic growth that is required to support social development, the LLDCs need to structurally transform their economies with an emphasis on industrialization, value-addition, enhanced diversification, increased technology transfer, increased agricultural productivity and improved market access. Hence the new development agenda needs to capture these broader issues.

Deeper regional integration

Regional integration has a great potential in reducing trade transaction costs of LLDCs and uplift their economic development. Therefore, LLDCs and their regional and global development partners should make efforts to enhance connectivity and participation in regional value chains in order to maximize benefits from globalization. Significant, coherent and consistent efforts are needed to address the aspects related to improving the quality, predictability and reliability of transport services.

Enhanced human and institutional capacity

A key challenge to a more effective implementation of the APoA has been the limited human and institutional capacity. Capacity enhancement of public agencies and other stakeholders is important in particular for elaborating and enforcing legislation, negotiating market access rights, cross border management, utilizing existing corridor management toolkits, structural transformation, enhancing value addition and for joining global value chains.

Original actions of the Almaty Programme remain valid

The meeting underscored that many of the original aims of Almaty Programme still remain valid, particularly on 'soft' components such as regulatory reform and transit systems and should thus be included in the new development agenda.

V. More details on the statements and presentations made in the meeting can be found at the following websites:

OHRLLS

www.unohrlls.org/en/orphan/996/

World Bank

http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTTRANSPORT/0,,contentMDK:23429828~pagePK:210058~piPK:210062~theSitePK:337116,00.html