



UN-OHRLLS



2ND UN CONFERENCE
ON LANDLOCKED DEVELOPING COUNTRIES
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UNCTAD

Second UN Conference on the LLDCs Vienna, Austria

High-Level Interactive Thematic Roundtable on Achieving structural transformation of LLDC economies

**3 November 2014, 15:00-18:00, Boardroom A, Vienna International
Conference Centre**

Concept Note

Introduction

Landlocked Developing Countries (LLDCs) face multiple development challenges and constraints. On the one hand, their economies are characterised by underdevelopment, widespread poverty, weak productive capacities, heavy dependency on commodities' exports with little or no structural transformation. On the other hand, lack of territorial access to the sea, aggravated by remoteness and isolation from world markets, small domestic markets, cumbersome transit procedures, and high transit costs and risks, impose serious constraints to the overall socio-economic development of the thirty two Landlocked Developing Countries (LLDCs) situated in Africa, Asia, Europe and South America with a population of about 450 million. As a result, LLDCs as a group are among the poorest countries in the world. UN-OHRLLS estimates that, because of landlockedness, the level of development in LLDCs is about 20 per cent lower than what these countries would be, had they not been landlocked.

The First International Ministerial Conference of Landlocked Developing Countries, Transit Developing Countries and Development Partners held in Almaty, Kazakhstan in 2003 adopted the Almaty Programme of Action to address the special needs and challenges faced by the LLDCs in achieving their development goals, and set 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.

Overall there has been some general improvement in the macroeconomic performance in the majority of landlocked developing countries since the adoption of the Almaty Programme of Action in 2003. The improvement has been hampered by shocks, especially the recent global financial, economic, food, fuel and crises. Overall the GDP growth rate for the LLDCs increased from 4.5% in 2002 to 6.3% in 2013. However there are very wide disparities across the countries and the high economic growth rates have neither translated to job-creation nor rapid reduction in extreme poverty. The average GDP per capita for the LLDC group increased from US\$697 in 2003 to US\$ 1,423 in 2012. However in 20 out of the 32 LLDCs the GDP per capita is still well below US\$ 1,000.

On the social front, gains have been recorded in some MDGs, including primary education, gender equality, combating the spread of HIV/AIDS and increasing the proportion of people with access to improved water source. However, achieving food security, eradicating poverty and reducing child and maternal mortality remain major social development challenges in many LLDCs. There has been some positive developments with regard to the Human Development Index (HDI) in the last 10 years. However, The LLDCs also account for half of the countries with the lowest Human Development Index (HDI).

International trade by LLDCs has expanded during the post-Almaty period with increasing exports and imports. Total trade for the LLDCs group increased from \$123 billion in 2004 to \$434 billion in 2012, representing a 17 percent average annual increase. This was faster than the 10% growth recorded during 1990-2003 and 2.4% during the 1980s. However disaggregated data reveal significant disparities with a few LLDCs accounting for over fifty percent of the total trade value. Overall, the LLDCs account for a very low proportion of global exports of only 1.2%, showing their marginalization.

Despite the general improvements in the social and economic conditions that have been achieved by the LLDCs over the past decade, they still experience major development challenges. The LLDCs have limited productive capacities and structural weaknesses which impede their growth prospects and constrain their ability to produce efficiently and competitively. They heavily rely on natural resource-based commodities thereby making them highly vulnerable to commodity price fluctuations. LLDCs manifest a high trade concentration ratio when compared to other groups of countries. On the basis of UNCTAD's Trade Diversification Index - which shows how a country's export structure varies from the world average - LLDCs' export structure is highly concentrated, scoring an index of 0.77 in 2010-12. Transit developing countries and other developing countries were relatively less concentrated - at 0.69 and 0.70 respectively. Over the same period, advanced economies, with a much greater diversity of exports, had a Trade Diversification Index of 0.47.

LLDCs have been experiencing declining agricultural productivity and deindustrialization. Total value addition from agriculture for LLDCs declined from 22.8 per cent in 2001 to 18.2 per cent in 2011. Value addition from manufacturing has also been on the decline. In most of the LLDCs there is little indication structural transformation towards productivity-led and higher-value-added economies. For countries where there has been an increase in the relative share of the industry sector, much of it can be traced to expansion in extractive and mining subsectors, followed by construction, particularly infrastructure development. Manufacturing, as a relative share of GDP continues to steadily decline from around 13 percent in 2003 to an average 10.7 percent between 2010 and 2012. Besides slowing down economic diversification, deindustrialization undermines productive capacity and reverses structural

transformation, isolating the LLDCs further. It also prevents their effective and meaningful participation in global value chains and international trade.

Services sector also remains underdeveloped despite its huge potential. LLDCs face low level of skills and technological base. Furthermore, the trade costs of LLDCs are still very high. According to the World Bank's Doing Business 2014 Report, the average costs of exporting a container for LLDCs are higher than transit countries and have increased from US\$ 2200 in 2006 to US\$ 3200 in 2014, while transit developing countries are only paying 50% of this cost.

Similarly, cross-cutting issues such as strong institutions, inclusive policies, good governance, and development-oriented national leadership will be critical in bringing about sustainable progress in the LLDCs.

Why focus on structural transformation of the LLDCs?

While many LLDCs have been able to make some progress in overall economic performance, trade and on some aspects of social development, the critical challenge remains their inability to initiate a sustained process of structural transformation of their economies. Structural transformation involves the process of creating new areas of activities and the shifting of resources from low value-added and low productivity to higher value-added and high productivity activities. This is an essential feature of any development process and one that all developed countries have gone through and developing countries need to undergo in order to shift to fast and sustained growth. The record of structural transformation in the post-Almaty period is rather disappointing for the majority of LLDCs and marked by decline in agricultural productivity and de-industrialization. There is a lack of economy-wide improvement in terms of productivity, value-addition by domestic producers and long-term structural transformation. The production base in LLDCs continues to be narrow with a heavy dependence on primary commodities, and technology intensity is also very low, which is a major reason for the low productivity in most sectors, especially agriculture and manufacturing. Furthermore, the LLDC's economic growth has not necessarily been associated with strengthened capacity to adapt to the environmental hazards associated with climate change and other global crises.

Achieving sustained and inclusive economic growth for sustainable development remains the major means of eradicating poverty and attaining shared prosperity in the LLDCs. Since there is no simple, uniform and universal blue print that enables LLDCs to address their persistent and emerging development challenges, it is important that LLDCs should design their home-grown development policies and strategies based on their specific socio-economic circumstances, resources base, institutional capability and overall local conditions. In order to achieve structural transformation some of the key enablers include: building a critical mass of viable and competitive productive capacity, accelerated industrialisation, increased agricultural productivity, promotion of the services' sector, enhanced role of the private sector and increased science and technology. It is important for landlocked developing countries to foster an enabling environment necessary to strengthen and nurture structural transformation with appropriate policies, supportive regulatory and institutional framework, adequate investment, and technological acquisition and innovation.

In addition to domestic efforts, regional integration and cooperation, particularly close cooperation with their transit neighbours is equally crucial for improving LLDCs' international competitiveness and their overall development. In other words, beyond improving

transit transport, reducing related costs and achieving trade facilitation objectives, regional cooperation provides important avenues for LLDCs to harmonize and coordinate policies to build their productive basis, accelerate structural transformation and enhance their socio-economic development.

National and regional actions and policies are crucial for LLDCs' development. However, these alone are not sufficient to effectively address persistent and emerging development challenges facing LLDCs. Global actions and policies are equally crucial for building productive capacities, ensuring diversification and structural transformation. These should include in particular, facilitating foreign direct investment flows, bridging the digital and knowledge divide, opening the markets of rich countries to the goods and services of LLDCs, providing financial resources including through ODA and debt relief, and realigning international support measures to the needs and priorities of LLDCs. It is equally important that international policies and rules governing trade, investment, finance and environment should work in harmony and in coherence with national policies and strategies of LLDCs.

Building on the above, the review conference is expected to identify measures for action at the national, regional and global levels. The measures to be identified should enable the LLDCs to effectively address the complex and interactive development challenges in order to attain sustained growth and development through building their productive capacities and accelerating structural transformation in their economies. It is in this context that this high level thematic roundtable is being organized. The Meeting is expected to come up with concrete ideas and recommendations on deliverables on how to support the LLDCs to enable them to successfully structurally transform their economies.

Objectives of the meeting

The main objectives of the Roundtable include:

1. Discuss the major drivers and enablers of how to achieve structural transformation, including sustainable industrialisation, enhancing productive capacities, increasing agricultural productivity, improving science and technologies, promoting the private sector, financing for development;
2. Share experiences on what has worked well and what has not worked in other countries and draw lessons that are important for the LLDCs. Critical to the discussion will be an assessment of the role of the State in facilitating the structural transformation process and the importance of strong institutions and governance;
3. Identify and exchange views on priority actions and measures needed to adequately support the LLDCs to promote structural transformation in their countries.

Expected outcome

The expected outcome of the meeting will include an identification of priority areas, policies and development initiatives to promote structural transformation for LLDCs at national, regional and global levels. The outcome would inform and guide future work of UN-OHRLS, UNCTAD and other stakeholders in supporting the landlocked developing countries to achieve structurally transform of their economies.

Format of the meeting

The roundtable will be interactive, featuring a high-level panel comprising of eminent personalities, senior Government leaders, and distinguished experts from regional and international organizations who will make keynote presentations to kick off discussions.

Participation

This discussion is open to all delegates attending the Second UN conference on LLDCs, specifically Government representatives, leaders and members of the business community, civil society, academia and United Nations and other multilateral institutions. Additionally, staff from UN-OHRLLS and UNCTAD will attend to provide substantive support.

Date and Venue

The roundtable will take place at 1500-1800 Hours, Monday 3 November 2014, in conference room Boardroom A at the Vienna International Conference, United Nations Office in Vienna, Vienna, Austria.

Documentation

- The draft outcome document of the Second UN Conference on LLDCs
- Report of the Secretary-General on the implementation of APoA, and comprehensive ten-year review
- OHRLLS study “The Development Economics of Landlockedness: Understanding the development costs of being landlocked”
- UNCTAD study on enhancing LLDCs participation in regional and global commodity value chains in the form of synthesis of policy lessons and the way forward

Contacts

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