



## **The Second UN Conference on Landlocked Developing Countries Vienna, Austria**

### **High-Level Interactive Thematic Roundtable “Regional Integration and Transit Cooperation”**

4 November 2014, 10:00-13:00

Boardroom A, Vienna International Conference Centre

#### **Draft Concept Note**

#### **Introduction**

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% 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 (APoA) 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.

The premise of the Almaty Programme of action relies on close cooperation of LLDCs and transit countries for improved connectivity. Some of the actions under the priority areas of the APoA included promoting regional and south-south cooperation. The APoA highlighted the need for the LLDCs to become more regionally integrated through development of regional transportation networks, improved trade facilitation, and strengthened connectivity. This would help the LLDCs to generate rapid growth which is inclusive and sustainable.

The United Nations General Assembly, in its Resolution 66/214, decided to convene a comprehensive ten-year review conference on the implementation of the Almaty Programme of Action for LLDCs in 2014. The government of Austria will host this Conference, otherwise known as the Second UN Conference on Landlocked Developing Countries, in Vienna during 3-5 November. The Conference will adopt a new enhanced Programme of Action for the LLDCs for the decade 2014-2024.

Overall there has been some general improvement in the macroeconomic performance in the majority of LLDCs since the adoption of the Almaty Programme of Action in 2003. However, the improvement has been hampered by shocks, especially the recent global financial, economic, food, fuel and crises. In general LLDCs have witnessed growth acceleration with GDP growth rate of the group increasing from 4.5% in 2002 to 6.3% in 2013. At the same time, 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.

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.

International trade performance of LLDCs has expanded during the post-Almaty period with increasing exports and imports. Total trade value of the LLDCs group has increased, on average, at an annual rate of 17%. In 2003, the value of merchandise exports from LLDCs was a little over US\$ 44 billion, and accounted for a negligible 0.58% of the global volume. As of 2013, the share of global merchandise export from LLDCs had more than doubled to 1.21%. However, this low value highlights the continued marginalization of LLDCs in the world economy. Furthermore, disaggregated data reveal significant disparities, with just a few LLDCs accounting for over fifty percent of the total trade value.

Regional integration and cooperation, in particular on transit issues, is important for enhancing trade facilitation and physical integration of the LLDCs that is crucial for improving their competitiveness and access to the seaports, increased industrialization and their access to markets and for maximizing their benefits from globalization. Regional integration is also important for non-economic benefits such as improving collective bargaining power and consensus building on regional political and security issues.

## **Situation Analysis**

Since the adoption of the APoA, notable progress has been made in reviewing regulatory frameworks applicable to transit transport and trade to eliminate inefficiencies and non-physical barriers to cross-border transport and to improve connectivity. Many LLDCs have reviewed or are in the process of reviewing their customs legislation to ensure uniformity with their neighbours and other international standards and procedures. The LLDCs have increased harmonization of transport and transit policies, laws, procedures and practices with transit countries. There has also been increased establishment, adoption and implementation of regional and sub-regional transit facilitation agreements. Border facilities and procedures have been streamlined and harmonized leading to increased efficiency and fewer delays.

International conventions on transport and transit, as well as regional and sub-regional transport and transit agreements, ratified by landlocked and transit developing countries are the main vehicles by which the harmonization, simplification and standardization of rules and documentation can be achieved. There are over 50 UN conventions on international transport and trade facilitation. Seven of them are especially relevant as they provide at least the minimum level of international harmonization to transit trade and border crossing for LLDCs as identified by UNESCAP in its resolution 48/11. There are other relevant international conventions such the Revised Kyoto Customs Convention (1999). Overall, the status of accession to these key international conventions is low, despite the efforts of the UN system, in particular UN-OHRLS and ECE, in encouraging LLDCs to accede to these conventions and agreements.

At the regional and sub-regional levels, over the years, LLDCs and their transit neighbours have established transit transport and trade facilitation agreements within their regional economic communities. There have been some decisions taken and amendments made in regional and sub-regional agreements in order to strengthen transport and transit facilitation and integration.

In Asia, substantial progress has been made in developing and implementing the Inter-governmental Agreement to underpin the Asian Highway Network that was adopted in 2003 and entered into force in 2005, and the Intergovernmental Agreement on the Trans-Asian Railway Network established in 2006 and entered into force in 2009. The Intergovernmental Agreement on Dry Ports was adopted and was opened for signature in Bangkok in November 2013. As of 11 July 2014, the agreement has 15 signatories and has been ratified by 2 countries (Republic of Korea and Thailand). Over the review period, other relevant agreements were adopted in the Asian region aimed at improving transit transport and trade facilitation in the region. For example, in 2012, member States of the Shanghai Cooperation Organisation (SCO) concluded their negotiation on the draft Agreement between the Member States on the Facilitation of International Road Transport. Through this agreement, two more seaports in China and the Russian Federation will be accessible for transit traffic to and from Central Asia.

The Customs Union between Kazakhstan, Belarus and the Russian Federation formed in 2010 helped to significantly reduce the time taken by trucks leaving Kazakhstan and entering the Russian Federation from seven to two hours. Among GMS (Greater Mekong Sub-region) countries, Lao People's Democratic Republic, Thailand and Viet Nam concluded in 2012 an amended Memorandum of Understanding to extend the routes of the East-West Economic Corridor to their capital cities. This initiative will expand the geographical scope of transport services and offer flexibility in transport routes for operators.

Transport Ministers and other high-level government representatives from the Euro-Asian region signed a Joint Declaration on the promotion of Euro-Asian rail transport and activities towards unified railway law in February 2013 in Geneva. The Declaration contains the commitment of countries along Euro-Asian rail transport lines to work together to establish unified legal conditions for railways that are equivalent to those existing already for other modes (road, air, inland water and sea) to allow transport of cargo and containers by rail across countries with a single transport contract, a single consignment note and under a single liability.

The Africa region has made progress towards establishing the intergovernmental agreement for harmonizing the norms and standards of the Trans-African Highway road network. The African Ministers of Transport Conference held in April 2014 endorsed the agreement. The same conference adopted the African Road Safety Charter and Vision 2040 for Railway Development in Africa. The intergovernmental agreement on the Trans-African Highway network was endorsed by African Heads of State and Government in their Summit of June 2014 held in Malabo, Equatorial Guinea.

The regional economic communities in East, Central and West Africa are moving increasingly towards consolidating and harmonizing policies and programmes within their sub-regions. Those efforts, particularly on transport, communications and customs, will help to facilitate transit, transport and trade for landlocked developing countries.

Specific agreements have also been reached and adopted to improve the smooth operation of some transit corridors in Africa, including the Northern Corridor Transit and Transport Agreement and the Agreement establishing the Central Corridor Transit Transport Facilitation Agency. Other corridors with functional institutional arrangements in Africa include the Walvis Bay Corridor, Central Corridor, the Abidjan-Lagos Corridor, and Maputo Corridor. These corridors are improving the efficiency of transit

transport processes by promoting the implementation of measures to reduce the time, cost and quality of services. The Association of Corridor Management Agencies in Africa (ACMA) has been created with the support of ECA to facilitate exchange of experiences and sharing of best practices among corridor management organisations.

In South America, regional integration has been further deepened through the establishment of UNASUR - the Union of South American Nations, an intergovernmental organization that integrates the regional agreements, including the Common Market of the South (MERCOSUR) and the Andean Community of Nations. The constitutive treaty of the Union of South American Nations entered into force on 11 March 2011. The South American Council on Infrastructure and Planning (COSIPLAN), one of the UNASUR subsidiary bodies, offers a space for political and strategic discussion, coordination and planning for programmes and projects aimed at integrating the physical infrastructure of the UNASUR members.

Bilateral agreements are still the predominant tool for road transport transit facilitation, even in high regional integration areas. They are needed to implement local provisions such as common procedures and opening hours of border posts. It is important that LLDCs and their transit neighbours be supported to adopt a more comprehensive approach in formulating bilateral agreements based on international conventions, best practices, norms and standards.

LLDCs and transit countries have over the review period been increasingly implementing measures that considerably reduce trade transaction costs and delays at border-crossing points. Some of the measures implemented include the application of information technology such as Automated System for Customs Data (ASYCUDA), one stop border posts, such as the one at Chirundu (border of Zambia and Zimbabwe) that has seen the reduction in the time spent from crossing the border from 9 days to about 9 hours; third party motor insurance schemes such as the yellow card for the COMESA region; reduction of roadblocks; electronic tracking systems; extension of working hours (for example Burundi, Swaziland); Single Administrative Document for customs clearance (for example Chad, Lesotho, Swaziland, Burkina Faso and Paraguay); and increased use of electronic systems for customs clearance. The majority of LLDCs have started to introduce the use of information and communications technology at the borders.

Progress has been made in upgrading and expanding the road transit transport system which is the leading mode of transport to the nearest sea ports for most LLDCs. At the regional level, in Asia, the Asian Highway network currently comprises about 141,000 km of roads passing through 32 member States experienced an upgrading of 6.5 per cent of the total (about 9,300 km) to a higher class between 2006 and 2010. Despite progress in the upgrading of the Asian Highway, a significant proportion of the network in some countries - about 11,915 km (8 per cent of the total) of the roads in the network did not meet the minimum desirable standards in 2010. According to a study by ESCAP, almost two-thirds of the 11,915 km of roads under class III are in Afghanistan, Mongolia, Myanmar, Pakistan and Tajikistan.

In Africa, improvements have been made on the Trans-African Highway which has a total length of 54,120 kilometers distributed along ten corridors. Progress has been made in the development of road infrastructure, by completion of missing links and upgrading to higher class standards sections in the major transport corridors. However, overall progress has been slow and the Trans-African Highway is still characterized by missing links and poor maintenance in key segments. To provide a meaningful level of continental connectivity about 100,000 kilometers of regional roads are required.

In 2010, the African Union launched the Programme for Infrastructure Development in Africa to coordinate the efforts and use of resources for infrastructure development. The Programme comprises priority infrastructure projects on energy, transport, transboundary water and ICT that are being implemented under the priority action plan for 2012 to 2020. The projects under the priority action plan

are estimated to cost \$67.9 billion, including transport infrastructure projects that will cost about \$24.4 billion.

In South America, the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) has since 2000 coordinated the development of transport, energy and telecommunications infrastructure in the region. It has now become the technical arm of COSIPLAN and in December 2012 the total number of transport projects in the UNASUR/COSIPLAN/IIRSA portfolio was 474, with highway projects accounting for the largest share at 47.5%, while multimodal projects accounted for the smallest share with 3%. In the distribution of the total UNASUR/COSIPLAN/IIRSA project portfolio in 2012, two South American landlocked states accounted for a total of 16% (the Plurinational State of Bolivia accounted for 6 per cent (US\$7,392 million) and Paraguay for 9 per cent (US\$11,858 million)), while the other 10 countries involved in the Initiative account for 85 per cent, or a total of US\$110,888.67 million.

Development of road, rail network and inland waterways should be supplemented by the simultaneous development of roadside, rail side and river side support infrastructure. Ancillary infrastructure will ensure not only the road, rail and inland waterway safety, but also the involvement of local businesses in the services along highways, railway and inland waterway networks thereby resulting in the creation of development corridors.

There has been progress in the establishment of dry ports in all the regions over the review period. The following LLDCs have established or are in the process of establishing dry ports: Nepal, Kazakhstan, Uzbekistan, Burkina Faso, Ethiopia, Uganda, Paraguay, Swaziland, Mali, and Lesotho.

The development of transport infrastructure also has to go hand in hand with development of ICT and energy linkages. The LLDCs have made remarkable progress in improving telecommunication infrastructure, particularly internet connectivity and cellular phones subscriptions. Despite this progress in ICT penetration, LLDCs lag behind other developing countries in terms of broadband internet access, yet this technology can play a crucial role in increasing connectivity, including at the regional level, boosting enterprises competitiveness and facilitating international trade.

A reliable, modern and affordable energy infrastructure is vital for reducing delays in transit time for LLDCs' consignments and for building the productive capacity. Even though marked improvements in electrification have been seen over the last decade, LLDC economies exhibit a wide variation in rates of electrification, and there is still a long way to go before basic energy infrastructure needs are fulfilled in most LLDCs. Frequent power outages, in particular in African LLDCs, are due largely to the lack of regional interconnectivity of the electricity grids and shortages in affected countries.

With the growing inter-linkages in world trade, investment and production, global value chains account for a rising share of international trade, offering new opportunities for many developing countries. LLDCs have been increasingly participating in regional and global value chains. Linking into the value chains presents an opportunity for LLDC to achieve greater integration into regional and world markets and allow them to become important links in the production and distribution chain.

### **Outstanding challenges and priorities for the next decade**

The regional review and thematic meetings that have been undertaken in the preparatory process of the Conference have shown that although considerable progress had been achieved in the implementation of the Almaty programme over the past decade there remains much more work to be done in order to fully address the special needs and problems of the LLDCs.

The existing infrastructure is fast deteriorating and continues to have numerous missing links. Improving the physical transport infrastructure and closing the infrastructure gap requires forging sub-regional and regional cooperation on infrastructure projects, strengthening national budgets and international development assistance, and enhancing the role of the private sector in infrastructure development.

Although the majority of LLDCs have implemented trade facilitation reforms aimed at simplifying trade regulations, procedures and documents, there is still need for eliminating non-physical bottlenecks to transport, including at the regional level, in particular by: (a) harmonizing regulatory requirements, procedures and documentation for imports, exports and transit with international conventions and standards; (b) creating or reinforcing an effective institutional framework for the implementation of trade facilitation measures, including through ensuring entry into force of the WTO Trade Facilitation Agreement; (c) modernizing customs information systems and shifting to risk assessment and advance cargo information; and (d) enhancing cooperation between neighbouring countries through harmonized trade and transport related regulations and other initiatives, such as joint border crossing posts, where feasible, or harmonization of the working hours of adjacent border crossing posts.

The lack of effective implementation of the supportive international and regional legal frameworks has slowed down potential benefits of improved trade facilitation to the LLDCs. There is a need for effectively ratifying and implementing relevant legal instruments, including at the regional level, by both LLDCs and their transit neighbours so that LLDCs could realize the benefits of becoming more integrated into the world economy. Special emphasis should be accorded to support the LLDCs and transit developing countries in becoming party to these important legal instruments.

LLDCs and their transit partners should undertake further harmonization of policies, simplification and standardization of rules, documentation, and border crossing and customs procedures. Trade facilitation initiatives that have proved to work such as one-stop border posts where appropriate should be replicated and fully funded in order to make them efficient in close consultation with corridor management institutions. More attention should be given to addressing road safety along transit corridors, as well as health care and truck stops. Non-tariff barriers on corridor routes, which lengthen the transit time as well as increasing the cost of using the routes, need to be removed. WTO members should ensure that the WTO Trade Facilitation Agreement, which is of crucial importance to the LLDCs in achieving faster, cheaper and more efficient trade across borders, comes swiftly into force.

There is a need for LLDCs to increase their intra-regional trade, amongst themselves as well as with transit countries, and enhance their integration into regional value chains. Entering into and fully leveraging regional preferential trading agreements will lead to a positive effect in terms of broadening regional integration and ensuring greater intra-regional trade. Deepened regional integration can also help LLDCs to lower their high transaction costs and ensure more efficient trade across borders.

LLDCs need to exploit the full potential of economic integration arising out of increasing intra-regional trade and intra-regional foreign direct investment, increasing the size of markets, increasing border agency cooperation and harmonizing customs procedures and improving connectivity through transport, energy and ICT networks. At the same time, it is important to promote the concept of 'development regionalism', which encompasses cooperation among countries in a broader range of areas than just trade, infrastructure and trade facilitation, but investment, research and development as well as policies aimed at accelerating regional industrial development and regional connectivity. This approach is aimed at fostering structural change and economic growth in LLDCs as a goal, and also as a means of collectively linking regions to the global markets. This shall enhance competitiveness and help maximize benefits from globalization. Documentation of and the sharing and dissemination of best practices, including between LLDCs and transit countries as well as emerging Southern partners, is important to allow cooperating partners to benefit from each other's experiences. Development

partners have a role to play by supporting the ongoing regional integration processes in regions with LLDCs.

### **Objectives of the meeting**

The main objectives of the Roundtable include:

- To share ideas, lessons and best practices on how to enhance regional integration and transit cooperation in order to support the integration of LLDCs into the global trading system; and;
- To identify concrete policies, programmes and initiatives to support regional integration and transit cooperation in the era of the new Programme of Action.

### **Expected outcome**

The expected outcome of the meeting will include an identification of priority areas, policies and development initiatives to promote regional integration and transit cooperation for the benefit of the LLDCs. The outcome would inform and guide future work of UN-OHRLLS, UN Regional Economic Commissions and other stakeholders with the view to support fostering of regional integration in all regions that have landlocked developing countries.

### **Format of the meeting**

The roundtable will be interactive, featuring a panel of high-level, eminent and experienced policy-makers and experts. High-level government officials and/or personalities will make keynote presentations to kick off discussions. The roundtable will be moderated by chair/co-chairs.

### **Participation**

This discussion is open to all participants 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 UN regional Commissions will attend to provide substantive support.

### **Date and Venue**

The roundtable will take place at 10am and 1pm on Tuesday 4 November 2014, in conference room Boardroom A at the Vienna International Conference, Vienna, Austria.

### **Documentation**

- The draft outcome document of the Second UN Conference on LLDCs
- 2014 Report of the Secretary-General on the Implementation of APoA
- Comprehensive ten-year review report of the APoA
- OHRLLS study "The Development Economics of Landlockedness: Understanding the development costs of being landlocked"

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