OUTCOME DOCUMENT

UNESCAP/UN-OHRLLS/UNECE Euro-Asian Regional Midterm Review of the Vienna Programme of Action for the Landlocked Developing Countries for the Decade 2014–2024

11-12 February 2019, Bangkok, Thailand

Introduction

The Vienna Programme of Action (VPoA) for Landlocked Developing Countries for the Decade 2014-2024 was adopted in 2014 at the Second UN Conference on LLDCs. It was endorsed by the UN General Assembly in resolution 69/137. The General Assembly of the United Nations decided, in its resolution 72/232, to convene in 2019 a comprehensive high-level midterm review on the implementation of the Vienna Programme of Action for the Decade 2014–2024 that shall be preceded by regional preparatory meetings. The comprehensive high-level midterm review will review progress made in the implementation of the Vienna Programme of Action, identify obstacles and constraints encountered and actions and initiatives needed to overcome them, as well as new challenges and emerging issues, in order to further accelerate the implementation of the Vienna Programme of Action. The high-level midterm review shall adopt an inter-governmentally negotiated and agreed outcome in the form of a political declaration.

Accordingly, the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP), United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and the United Nations Economic Commission for Europe (UN ECE) organized the Euro-Asian Regional Review Meeting of the VPoA for the LLDCs on 11 and 12 February 2019 at the United Nations Conference Centre in Bangkok, Thailand.

The meeting was attended by senior government policymakers and other stakeholders from Euro-Asian LLDCs, transit countries, development partners as well as participants from the UN system, relevant international and regional organizations, civil society representatives and the private sector from the Euro-Asian region.

The progress on implementation of the VPoA made by LLDCs and transit developing countries of the region was assessed along the six priority areas. The assessment was based on the national reports, substantive regional report and through presentations from participating countries and work undertaken by UNESCAP, UNECE and UN-OHRLLS and other relevant organizations and discussions conducted during the meeting. For each priority area, participants identified achievements made. They also identified challenges and constraints and proposed recommendations to accelerate the implementation of the VPoA.
The meeting agreed on the following assessment and recommendations for each priority area:

**Priority Area 1: Fundamental Transit Policy issues**

In the period 2014-2018, the Asia and the Pacific landlocked countries and transit countries have made progress in ratifying important international and regional agreements that support improved transit. Over the review period, 2 LLDCs became full members of the WTO Kazakhstan in 2015 and Afghanistan in 2016. Three Asia-Pacific landlocked countries presently have a WTO observer status and are at different stages of negotiation towards accessing to the WTO.

Nine LLDCs and 11 transit countries have ratified the WTO Trade Facilitation Agreement over the review period. More Euro-Asian LLDCs and transit countries became party to some of the main ECE transport-related international agreements. Vietnam ratified the conventions on Road Traffic and Convention on Road Signals; Turkmenistan ratified the International Convention on Harmonization of Frontier Controls of Goods; and China, India and Pakistan ratified the TIR Convention. TIR Contracting Parties have started the eTIR project (i.e. the computerization of the TIR procedure) and in 2017 eTIR pilots have been held between Iran and Turkey and Georgia and Turkey respectively, engaging customs authorities as well as road transport associations in all countries involved.

Afghanistan has recently conducted a number of pilot shipments with some if its neighbours and countries in the region. The recent accession, of the Republic of Moldova, Russian Federation, Armenia, Turkey and Estonia to the CMR Additional Protocol concerning the Electronic Consignment Note (eCMR) will further enhance road transport facilitation in the Euro-Asian region. During the review period, 3 LLDCs (Bhutan (2014); Lao PDR (2016); Nepal (2017)) and 3 transit countries (Cambodia (2014), Islamic Republic of Iran (2016), and Thailand (2015)) ratified the Revised Kyoto Convention. Regarding Euro-Asian railway facilitation for cargo, UNECE-led efforts are underway to create of a full-fledged Unified Railway Law (URL). Through the URL, operators will be able to carry out their activity within a single legal regime along the entire East-West axis. As of 2017, draft legal provisions of the URL are being tested in real-life. A virtual pilot test took place, in May 2017, along the corridor Germany – Poland – Belarus – Russian Federation. Real pilot tests will be carried out by the railway companies involved in the UNECE Group of Experts towards Unified Railway Law along the corridors agreed and along other corridors if proposed by Governments to ensure the operational validity and effectiveness of the legal provisions prepared.


Euro-Asia LLDCs have also made progress in entering into sub-regional and bilateral agreements to improve transit. Overall during the review period, landlocked and transit countries in the region have been particularly active in negotiation and preparation for implementation of sub-regional and multilateral transit and transport facilitation arrangements (e.g. under Eurasian Economic Union; ASEAN and Greater Mekong Subregion; Shanghai Cooperation Organization; South Asian Association for Regional Cooperation, Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation and intergovernmental
agreements in several sub-regions). In November 2017, Afghanistan, Turkmenistan, Azerbaijan, Georgia and Turkey signed the Lapis Lazuli Route Agreement with a view to build an integrated transport and transit system among the contracting parties. The first shipment via this route was conducted recently.

Despite the progress made, a majority of sub-regional and multilateral arrangements are, however, still not fully implemented in practice. More needs to be done to ensure the full and effective implementation of the agreements. Both LLDCs and transit countries face challenges, including capacity constraints and lack of effective coordination among the different stakeholders involved on transit issues.

With regard to the VPoA specific objective of reducing travel time along corridors with the aim of allowing transit cargo to move 300-400 kilometres every 24 hours, available data on road corridor performance in the different corridors of the Central Asia Regional Economic Cooperation Program (which serves 8 LLDCs) shows an overall improvement and achievement of the target on all corridors except corridor 5 that goes along Pakistan, Afghanistan and China. This is the slowest corridor with a speed of only 240 km per 24 hours in 2017. The VPoA target for transit travel speed is also not achieved in South Asia transit corridors (e.g. corridors between India-Nepal, Bangladesh-India-Nepal, India-Bhutan). The speed for travel in railway transport is lower than the speed in road transport. Despite increased speeds, the VPoA target is still not achieved in several railway transport corridors (e.g. CAREC corridors 4 and 6). The container block trains are an exception, and travel much faster than the VPoA target speed.

Achievements regarding the VPoA specific objective of reducing time spent at land borders varies significantly for different border crossings across the landlocked countries in the Asia-Pacific region. The overall average time to complete border-crossing formalities at selected CAREC Corridors in period 2014 – 2017 actually increased and the VPoA target was not achieved at many border crossings (e.g. at CAREC corridors 2, 3, 5, and 6). However, in some corridors a significant reduction of time to clear the border crossing has been recorded (e.g. at CAREC corridors 1 and 4) and the VPoA target was achieved. The time spent at borders in 2016 ranges substantially from less than an hour (e.g. at CAREC corridor 1 border crossings between Kazakhstan and Russian Federation where there is no a customs control under the EAEU) to 3-4 days (e.g. at border crossings between Afghanistan and Pakistan). In general, the average time for railway border crossings is much longer than the average time for road border crossings.

Due to limited publicly available information (e.g. on time release studies or surveys conducted), it is not possible to make detailed assessment on progress made regarding the VPoA target to significantly reduce the time spent at land borders for all Asia and the Pacific landlocked countries.

**Recommendations**

- There is need for LLDCs and transit countries to enhance their efforts to accede to and implement transport and border crossing facilitation conventions and legal instruments. Full implementation of these instruments represents an opportunity to make quick gains in terms of border crossing time and cost efficiency and yet, many LLDCs globally, including some in the Euro-Asian region have not yet acceded to either the TIR or the Harmonization Convention.
LLDCs and transit countries are encouraged to cooperate and coordinate on fundamental transit policies, laws and regulations and towards enhancing freedom of transit and transpose the international standards based on international conventions/agreements into national legislation. International organizations are encouraged to scale up technical assistance and capacity building support towards the effective accession, ratification and implementation of relevant international conventions and regional agreements.

LLDCs and transit countries are encouraged to use available tools to promote transit with a view of supporting economic development of LLDCs. These include the WCO Transit Guidelines, the TIR Handbook and related UNECE training courses covering topics such as computerization and electronic tools including the TIR database (ITDB), eTIR and the electronic pre-declaration tool (TIR-EPD) designed to improve risk management. Training materials are also available on controlled access to the TIR procedure, vehicle control and claims on customs duties and taxes. Furthermore, also the UNECE-OSCE Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective provides a wealth of information and examples in support of LLDCs. These also include ESCAP’s Intergovernmental Agreement on Dry Ports; the Regional Strategic Framework for the Facilitation of International Road Transport; the Regional Cooperation Framework for Facilitation of International Rail Transport; ESCAP’s transport facilitation models to comprehensively address non-physical barriers and enable seamless international transport in the region.

Countries are encouraged to strengthen or adopt a corridor approach to improve transit. UNECE, ESCAP, UN-OHRLLS, the International Think Tank for LLDCs and other relevant partners are invited to provide further technical support.

Countries should continue to monitor travel time along major Euro-Asian transit transport corridors for landlocked countries at regular intervals (e.g. every second year by using the ESCAP Time/Cost Distance methodology). For the corridors where the VPoA target of travelling 300-400 kilometers per 24 hours has not yet been achieved, countries should identify main impediments, develop action plans and implement measures to reduce travel times.

Countries should monitor the time spent at land borders along major transit transport corridors for landlocked countries on regular intervals (e.g. every second year by using WCO Time Release Studies and/or the ESCAP Time/Cost Distance methodology) and should publish the main findings.

Countries should identify the reasons for major delays and possibilities for streamlined movement across borders (e.g. by using the ESCAP-ECE Business Process Analysis guide); develop action plans and implement measures to reduce time spent at land borders (e.g. electronic exchange of cargo manifests; automated customs clearance system and paperless customs transit procedures; improvements of facilities and border crossing infrastructure; reduction of transloading at border crossings; comprehensive integrity programme).

The landlocked countries, transit countries and developing partners should continue developing and implementing joint projects to support the VPoA activities (including research, advocacy, training, technical and financial assistance to the landlocked countries). The effects of such activities could be maximized with additional synergies to avoid
duplication and better respond to the needs of individual landlocked developing countries for transit transport facilitation.

- The landlocked countries, transit countries and development partners should work together to bring greater synergy and complementarity among various transport and transit corridors in the wider Eurasian region.

**Priority Area 2: Infrastructure Development and Maintenance**

The Euro-Asian LLDCs have made progress in the development of transport infrastructure and maintenance including rail, road, air, waterways and energy pipelines. LLDCs have continued to invest in their infrastructure and connectivity by undertaking a large number of infrastructure projects and programmes, encompassing a wide spectrum of activities including development of roads, railways, dry ports, air links, and logistics services.

Progress has been made in completing missing links and improving the quality of infrastructure, although significant challenges remain. Several LLDCs have adopted new and innovative policies and programmes including transport policy reforms and institutions of appropriate regulatory frameworks and adoption of innovative approaches such as road funds or public-private-partnerships for infrastructure financing. As far as road connectivity is concerned, LLDCs in general have made significant progress in expanding and upgrading the roads, although many gaps and challenges remain in terms of quality of infrastructure and missing links. Estimates suggest a paved road density (Kms per 1,000 square kilometer) for Eastern Europe and Central Asia to be 181, whereas in South Asia – 80, as compared to the world average of 151, indicating huge scope for further expansion of road network in South Asia. Participants discussed the road infrastructure upgrading and expansion that their countries were undertaking. Overall, despite the progress made, more is needed to establish a transit road network that will improve connectivity of the LLDCs with the global markets.

Euro-Asian LLDCs highlighted their efforts in expanding and improving the existing network. Asian LLDCs noted the railway projects that they have engaged in to improve and modernize their railway systems and their connectivity with their neighbours and transit countries under the framework of the Intergovernmental Agreement on the Trans-Asian Railway Network and through participation in the UNECE Euro-Asian Transport Links (EATL) project.

The meeting noted that the Trans-Asian Railway network plays an important role in the integration efforts of LLDCs in the region. However, there are currently an estimated 10,900 km of missing links, representing 9.3% of the identified network. The efficiency of rail transport in the Euro-Asian LLDCs is also hampered by poor maintenance and existence of different technical standards and regulations across the region. The total estimated investment required to put in place these missing links is estimated at $75.6 billion. Participants noted some recent promising progress made including the Afghanistan-Turkmenistan railway network (inaugurated in 2016); the Five Nations Railway Corridor; the ongoing construction of China-Lao Railway Project and a rail link connecting China, Kazakhstan, Turkmenistan and the Islamic Republic of Iran (inaugurated in 2016). The meeting also noted that the implementation of the UNECE EATL project, in its subsequent phases (since 2002) has yielded substantive results. The identification of 9 rail & road routes, 17 water transport links, 52 inland river ports and 70 maritime ports, the prioritization of infrastructure investment projects worth USD 215 billion, the development of a Geographical Information System (GIS) database, the
analysis of non-physical obstacles to transport, the comparison study between maritime and inland transport, the organization of numerous national capacity-building workshops on transport facilitation as well as the efforts to operationalize those corridors by preparing common time schedules and tariffs, have all helped to lay the foundation for a more efficient Euro-Asian transport network. Phase III, which has recently come to an end, gathered 38 countries from Europe and Asia and inter alia concluded that road and rail transportation along Euro-Asian corridors is supplementing rather than competing with maritime transport, providing alternative delivery options, especially for high value and time-sensitive cargo, including in the context of growing e-commerce between Europe and Asia. During Phase III of the project, Governments in the EATL region have consistently worked on addressing the physical and non-physical obstacles to international transport on the EATL routes. Yet some key challenges remain, including: Missing or outdated road & railway links and intermodal/transshipment infrastructure on some segments; Cumbersome border crossing, customs and transit procedures due to a lack of access to & implementation of UN legal instruments; Lack of harmonized operating and technical inter-operability standards for railway infrastructure & rolling stock; Different legal regimes for railway transport contracts; as well as discrepancies between West and Eastbound cargo traffic on EATL routes, the lack of efficient, corridor specific public-private sector coordination platforms, work plans and key performance indicators.

It should however be noted that progress is being made when it comes to administrative railway interoperability, particularly through the use of the common CIM/SMGS Consignment Note prepared by CIT and OSJD. Building on this achievement, UNECE member States are currently trying to solve remaining administrative issues through the creation of a full-fledged Unified Railway Law, which would establish a single legal rail regime (one contract of carriage, one liability and one consignment note) along the entire West-East axis connecting Europe to Asia.

Air transport is particularly important for the LLDCs because it is a mode of transport that provides direct access to international markets without having to pass through transit countries. According to the United Nations SDG Indicators Global Database, the Euro-Asian LLDCs’ freight and passenger volumes transported by air amounted to 37% and 48% respectively of the total LLDCs’ freight and passenger volumes in 2016. The challenges faced by LLDCs’ air transport industry include high scale of investment that is needed for infrastructure development and maintenance, rehabilitation and replacement of aged fleet, and upgrading of airports and terminals, poor airport infrastructures, lack of physical and human resources and new technologies, limited connectivity, and lack of transit facilities.

Dry ports are becoming increasingly popular with the Euro-Asian LLDCs, particularly along their borders with transit countries. They are important for facilitating customs clearance procedures intermodal transfers and for other diverse cargo handling, warehousing, and logistics services and have the potential to transform landlocked developing countries into land-linked developing countries. Several LLDCs have signed the ESCAP Intergovernmental Agreement on Dry Ports. Kazakhstan completed the construction of a dry port and related infrastructure in the east of the country, bordering China, as part of the Khorgos-Eastern Gate Free Economic Zone initiative. It has a total area of 129 hectares and integrated with logistics and industrial zones. This dry port provides customers a full range of transport and logistics services under the “one-stop-shop” principle including customs and brokerage services. Lack of financial resources and shortage of skilled personnel have hampered the development of dry ports in the LLDCs.
With regard to seaports, the share of port throughput for the transit developing countries as measured by the number of containers that pass through the Asian transit countries’ ports has increased by 42% from 2010 to 2016, while the world’s throughput grew by 27%. Asian transit developing countries accounted for 35% of world total container throughput in 2016 while Latin America and Africa regions account for 2.6% and 1.9% respectively. China continues to lead the world in terms of port throughput and efficiency and increasingly as a provider of expertise in port construction and management. Major challenges to port infrastructure include natural disasters and the impact of climate change in particular coastal flooding. This heightens the need for adaptation strategies to improve the resilience of port infrastructure and systems.

Despite these efforts and the increase in the number of facilities, significant infrastructure financing gaps remain, calling for strengthened international support measures, development of implementation capacity and reform of policy and regulatory frameworks including the creation of an enabling environment to increase investment in the infrastructure development. Although there are encouraging signs of increased financial resources available for implementing infrastructure projects and improve trade capacity, the infrastructure investment gaps in the LLDCs far exceed the supply of resources presently available. ESCAP estimates total investment needed to upgrade the regional transport systems and close missing links to be $106 billion, including $64 billion for the Trans-Asian Railway, $40 billion for Asian Highway projects and $2 billion for dry ports. One of the key challenges faced by the LLDCs is the insufficient data and information as well as local underdeveloped capacity in estimating accurately the infrastructure investments gaps they presently face.

LLDCs continue to encounter challenges and constraints including institutional bottlenecks and lack of skilled human resources in developing their infrastructure and improving connectivity. Recognizing that financing of Euro-Asian transport links remains a major obstacle, UNECE is taking the lead in developing an International Transport Infrastructure Observatory. Once fully operational it will become an innovative example, of how Governments’ data on new transport infrastructure projects are presented to financial institutions in a transparent, comprehensive and "bankable" way. The observatory will be devised as an online platform in a Geographic Information System (GIS) environment where (a) governments find all the relevant data to prepare, benchmark and present their transport infrastructure projects and (b) International Financial Institutions (IFIs) can consider, analyze and compare projects from a regional/international perspective and identify projects to finance. IFIs could at a glance not only see online in the format of digital maps all relevant information (incl. pre-feasibility studies)about projects that are in need of funding but also they will be able to see if these projects are part of international corridors, if these corridors are facilitated by the UN international agreements, if these regions will be impacted by climate changes and what kind of transport infrastructure adaptation measures should be further considered, how much other Governments in the region have paid for similar projects etc. The project is at its initial stage where Central Asian countries members States of both UNECE and ESCAP provide data and are being trained to use the tool.

Recommendations on transport infrastructure

- LLDCs need to upgrade and properly maintain existing road and rail networks as a major priority in collaboration with transit developing countries and development partners. Landlocked developing countries and transit countries, should in a coordinated manner, develop and upgrade international transport and transit corridors encompassing all modes
of transportation, such as inland waterways, roads, rail networks, ports and pipelines, to address the special development needs and challenges of landlocked developing countries.

- More specifically, Euro-Asian countries both at the public and private sector levels should join forces to address the common bottlenecks identified in the framework of international transport master plans such as the UNECE Euro-Asian Transport Links Project. Identified, and well-documented remaining challenges include: missing or outdated road and railway and inter-modal/transhipment infrastructure, outdated border crossing infrastructure and equipment, the lack of harmonized operating and technical inter-operability standards for railway infrastructure and rolling stock, inefficient use of current network capacity for railway operations and poor ICT connectivity and ICT interoperability on EATL corridors.

- LLDCs and transit countries should integrate development and maintenance of trans-boundary transport and infrastructure corridors in the national development strategies. These should not be seen as stand-alone initiatives. Moreover, in addition to national development strategies, cross-border, public and private sector cooperation and coordination efforts on Euro-Asian routes should also be enhanced. For instance, through the development of corridor-specific work plans where Governments and private sector stakeholders can inter alia agree on: Common transport infrastructure development goals and priorities, Priority list of technical inter-operability standards to be streamlined along corridors, and on efforts to enhance the network capacity such as the pooling of rolling stock and containers. Key Performance Indicators (KPIs) could be developed to measure progress being made on an annual or bi-annual basis.

- International community particularly the international and regional financial institutions, the UN system and other development partners should strengthen their technical assistance programs for improving the institutional capacities of the LLDCs to formulate and implement bankable infrastructure development projects more effectively and efficiently. In this regard, Euro-Asian countries, regional and subregional organizations in the EATL region, private sector and IFIs should make the best of use of the on-going UNECE efforts regarding the establishment of the International Transport Infrastructure Observatory.

- Building further on the EATL Phase III finding that multi stakeholder dialogue on a corridor specific bases is lacking, Governments and the private sector are encouraged to work together to launch public-private partnerships to support transport, ICT and energy infrastructure development.

- Regional bodies and their members are encouraged to prioritize programmes of infrastructure development involving LLDCs, as often other countries may have different priorities, thereby leaving the LLDCs interests not being addressed.

- LLDCs are encouraged to design and implement policies that promote transport connectivity. UN-OHRLLS, UNECE, ESCAP, the International Think Tank for LLDCs and other relevant partners are invited to provide further technical support.

- LLDCs and transit countries are encouraged to adopt an integrated and sustainable approach to transport corridors to maximize the contribution of transport connectivity to sustainable development. OHRLLS, UNESCAP and UNECE and other development
partners are invited to support those efforts by providing policy, analytical and technical support.

- LLDCs and their development partners and regional and international financial institutions, should strengthen their efforts to mobilize and allocate more resources for infrastructure development and maintenance including through establishment of dedicated fund

- LLDCs need to strengthen their efforts in mobilizing domestic resources and bring about necessary tax administration reforms to meet their growing infrastructure financing needs. Regulatory and governance structures should be streamlined and made more efficient so that private sector is incentivized to increase their participation in infrastructure development projects and programmes.

- LLDCs need to find innovative solutions in combining domestic resources with ODA, FDI and other forms of external financial flows including blended finance in building sustainable and resilient transport infrastructure and improving their connectivity in roads, railways, aviation, energy, telecommunications and ICT.

**Sustainable Energy and Connectivity**

Euro-Asian LLDCs have made progress in improving access to clean energy for their populations. The average proportion of population with access to electricity increased from 95.2% in 2014 to 96% in 2016 which is much higher than the LLDC group average of 59.7% in 2014 to 61.7% in 2016. Only 4 LLDCs in the region have not yet reached 100% access. However, LLDCs continue to face several challenges in developing electricity energy infrastructure and connectivity and there is a rural-urban gap. Challenges posed by climate change are adversely impacting LLDCs. Outdated and inefficient grid and transmission systems result in transmission and distribution loss. As far as energy efficiency is concerned, in spite of the progress that countries in the region have made, energy intensity is still high implying the need to improve. Increased investments in overcoming these deficiencies and improving their electricity energy infrastructure would be needed to improve the energy connectivity in these countries.

Furthermore, the Euro-Asian LLDCs have lower level of proportion of total final energy consumption that is renewable which was 27.3% in 2015 compared to the LLDC group average of 43% that same year implying the need for greater efforts to increase renewable sources of energy.

**Recommendations**

- LLDCs and transit countries are encouraged to strengthen cooperation in the region through subregional and regional energy cooperation to increase cross-border power grid connectivity, enhance energy security, advance economic integration and sustainable development.

- Development partners, financial institutions, and regional organizations are called upon to support sub-regional cooperation and capacities to accelerate national efforts and, in particular, to promote innovation and facilitate financing.
• LLDCs are encouraged to share country experiences as well as the best practices regarding increased energy access and renewable energy. UNECE, ESCAP and OHRLLS are called upon to facilitate such sharing of information.

Information and communications technology (ICT)

The LLDCs in the region have made progress in improving access to internet in terms of percentage of population with internet use which increased from 36.5% in 2014 to 43% in 2016. While this is an achievement, LLDCs still lag behind world average and developed countries. Fixed-broadband subscriptions per 100 inhabitants increased from 6.3 in 2014 to 7 in 2016. The Euro-Asian LLDCs also experienced growth in mobile cellular subscriptions that increased from 101 per 100 people in 2014 to 103 in 2016. However, this varies widely among countries with 4 countries having mobile cellular subscriptions of less than 80 per 100 people. The LLDCs continue to face high costs for broadband and more efforts are required to lower prices. Some LLDCs have been able to make strides in creating a sustainable information and communication technology infrastructure and bring about digital transformation in their countries through development and utilization of new digital technologies applications and services, promotion of e-governance and e-applications, effective and transparent public administration, ICT skills training, and cyber security. However continued efforts are required from all stakeholders to take the progress forward. Sharing of experiences will be critical.

Recommendations on ICT development

• LLDCs and transit countries are encouraged to collaborate to establish ICT infrastructure, applications and services with the support of governments, private sector, development partners, multilateral financial and development institutions and regional banks.

• LLDCs are encouraged to create appropriate enabling environment to reap the benefits of digital economy. UNESCAP, UNECE, ITU and other partners are called upon to enhance technical assistance to LLDCs to develop the necessary hard and soft ICT infrastructure as well as the necessary legal framework and policies to support ICT development including enhancement of digital skills, promotion of digital inclusion, increased adoption and utilization of ICT applications and services and to close the digital divide;

• Initiatives such as the UNESCAP-led initiative for the Asia-Pacific Information Superhighway that aims to increase the availability and affordability of broadband internet across the region by strengthening the underlying internet infrastructure in the region should be strengthened.

Priority 3: International trade and trade facilitation

International trade

LLDCs have undertaken a wide variety of measures to improve their trade capacity and harness the potential of international trade as an engine for their growth and development. Yet, their share of exports in global trade remains insignificant. Euro-Asian LLDCs’ exports accounted for just 0.6% of global exports in 2017 and decreased from 0.85% in 2014. Their exports are dominated by limited number of products, principally natural resources such as oil, gas and
minerals, raw agricultural products or low value-added manufactured goods. Although several LLDCs such as Armenia, Azerbaijan, Kazakhstan, Lao PDR, Mongolia and Uzbekistan have been able to add value to natural resources and agricultural products, overall their exports of manufactures as a proportion of total merchandise exports tends to be low and has progressed slowly if at all.

High-technology exports do not feature prominently in the LLDCs except for Kazakhstan and Lao PDR. LLDCs also continue to rely on limited number of destination countries, mainly non-LLDC transit neighbours within the region and developed countries, in particular the EU. For example, China and Thailand are main trading partners of Lao PDR; India is Bhutan largest partner absorbing 85.5% of Bhutan’s exports; China and Russia are dominant partners for Mongolia; EU and Russia are major partners for Armenia; India is largest trading partner of Nepal.

The commodities sector holds significant potential for export diversification, value addition, employment and income generation for LLDCs, given the disproportionate share of commodities in their exports. However, despite the important role of commodities in LLDCs there are limited commodity-based policies and strategies in most LLDCs. Euro-Asian LLDCs, demonstrate that they have comparative advantages in agriculture, agro-processing, light manufacturing (textiles, leather and leather products) and tourism.

The overall lacklustre trade performance of the LLDCs is attributable to their limited manufacturing capacity and export diversification, transit barriers, low quality infrastructure, missing links, high trade costs, but also their dependence on external conditions, such as the projected slowing down of the global economy, volatility in commodity prices and demand from and economic conditions in key trading partners.

**Recommendations**

- LLDCs focus on diversification of markets and products for export. The Governments should formulate policies aimed at diversifying their export base and adding value to their exports in order to expand their participation in regional and global value chains.

- The international community should support LLDCs in diversifying their exports, including through transfer of relevant technologies and support in developing their productive capacities.

- LLDCs are encouraged to formulate and implement domestic policies and strategies that take into account commodity diversification and the overall role of the commodities sector and UNCTAD, the Common Fund for Commodities, in collaboration with UN-OHRLLS, should continue supporting LLDCs in harnessing the role of the commodities sector for their socio-economic development by putting in place commodity based policies and strategies.

- Maintaining stable export markets for export is key for the Euro-Asian LLDCs for maintaining growth momentum. The trade dependence of LLDC on narrow range of countries for their exports should be addressed by LLDCs, the transit countries and development partners in a comprehensive way.
• LLDCs need to make enhanced effort aimed at improving their business environment if they want to make significant inroads into export markets and improve growth prospects.

Trade facilitation

Trade facilitation plays a crucial role improving the trade competitiveness of the LLDCs, reducing the high trade costs and boosting their exports. A wide range of trade facilitation reforms aimed at simplifying trade regulations, procedures and documents have been implemented by LLDCs and their transit neighbours, with support from development partners. These include promotion of cross-border paperless trade, adoption of e-based transit and transport facilitation tools, single-stop inspections, single windows for documentation, electronic payment and transparency and modernization of border posts and customs services. But Euro-Asian LLDCs continue to face high trade and transit costs, cumbersome border crossing documentation and regulatory requirements and their logistics performance lacks behind other developing countries.

Some progress has been made in establishing or strengthening national committees on trade facilitation during the review period, such as in Bhutan, Lao PDR or Mongolia, and Armenia is considering establishment of national committee on trade facilitation. Some progress has been made in adopting ICT solutions for streamlining and modernizing customs clearance procedures and formalities, reducing the number of documents, introducing electronic declaration system, and improving vehicle movements speedily and less expensively. A number of LLDCs have adopted the Single Window facilitation tools and Automated System of Customs Data (ASYCUDA) which have improved customs clearance and procedures. The LLDCs have made significant progress in ratifying the WTO Trade Facilitation Agreement, with all the one Euro-Asian LLDCs that are members of the WTO having ratified it, as of February 2019.

Recommendations
• LLDCs which are yet to become members of WTO are encouraged to do so as soon as possible and should be provided with technical assistance and capacity-building support by the international community in their accession efforts.

• LLDCs and transit countries are encouraged to ratify and implement relevant international conventions and agreements, including the WTO Trade Facilitation Agreement, ESCAP Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific, as well as other regional and sub-regional agreements on trade and trade facilitation.

• Enhanced provision of technical, financial and capacity-building assistance to LLDCs and transit countries is necessary to ensure the effective implementation of the Trade Facilitation Agreement. To facilitate the acquisition of assistance, landlocked developing countries should be proactive in indicating their capacity needs under Category C of the Agreement.

• Those LLDCs that have not yet done so, are encouraged to establish a national committee on trade facilitation, with the involvement of all relevant stakeholders, including the private sector. They should also establish mechanisms to monitor progress made in streamlining
trade procedures, following e.g., the ADB-ESCAP guide and related UN/CEFACT Recommendation 42 on Trade and Transport Facilitation Monitoring Mechanism.

- LLDCs need to enhance their efforts in improving and harmonizing their customs administrations and streamlining border-crossing procedures, including by reducing the number of documents needed for export and import.

- LLDCs should promote greater use of technology-driven and ICT solutions to trade facilitation, including introduction of paperless trade, automation of customs procedures and clearance systems, and implementation of single window environment.

- LLDCs and transit countries should fully utilize the trade facilitation tools developed by international organizations. Neighbouring transit countries should enhance their involvement relating to facilitation measures.

**Priority Area 4: Regional Integration and cooperation**

Regional cooperation and bilateral, trilateral and multilateral trading agreements and cooperation frameworks are important in boosting LLDCs’ exports and expanding their domestic markets. Most of the LLDCs in the region have actively sought to utilize opportunities offered by several regional and sub-regional trade, transport and transit facilitation agreements and strengthen their participation in regional value chains. Since the adoption of the VPoA, the Eurasian Economic Union that includes 3 LLDCs was established and entered into force on 6 August 2015. The union aims, among others, to create a common market for goods, capital and labour, and promote harmonization of policies in areas such as energy and transport. Common transport, agriculture and energy policies with provisions for a single currency and greater integration are also planned.

Bangladesh, Bhutan, India and Nepal signed a Motor Vehicles Agreement on 15 June 2015 to facilitate movement of cargo across their borders. The Agreement has the potential to reduce trade costs and contribute significantly to realizing trade opportunities that exist amongst these four countries. In November 2016, ASEAN adopted the Master Plan on ASEAN Connectivity 2025 aimed at deepening integration aimed at promoting competitiveness and inclusiveness. The Belt and Road Initiative is also aimed at deepening regional integration and enhanced infrastructure connectivity. In June 2016, China-Mongolia-Russia adopted a program of building an economic corridor between the countries. The program of the China-Mongolia-Russia Economic Corridor includes some projects aimed at strengthening transport, logistics and trade in the region.

Utilization of new policy tools such as the UNESCAP-led Framework Agreement on the Facilitation of Cross-Border Paperless Trade in Asia and the Pacific, adopted in 2016 for the digitization of trade procedures and establishment of single-window systems has helped in advancing regional integration. Since 2017, about twenty-five ESCAP member States have been actively engaged in developing a roadmap for implementation of the substantive provisions of the Framework Agreement, also supported by the United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific (UNNEExT).

The Vienna Programme of Action also calls for regional integration and cooperation among landlocked developing countries that goes beyond trade and transport facilitation to encompass
investment, research and development, and policies supportive of regional industrial development and regional connectivity. This broader approach is necessary to foster structural change in landlocked developing countries and to enhance their competitiveness in international markets. There are signs that such broader cooperation is taking place both among landlocked developing countries and between them and other non-landlocked developing countries. For example, industrial enterprises from other countries, including China, have set up production bases in the special economic zones in the Lao People’s Democratic Republic.

Recommendations

- Regional initiatives that provide opportunities for the LLDCs to integrate into the regional and global economy should be supported for their effective implementation. Regional and international development partners, UN organizations and other international organizations are encouraged to support the LLDCs and transit countries with technical, financial and capacity building support to advance their regional integration efforts.

- UNESCAP is uniquely placed to promote deeper cooperation in Asia and the Pacific by providing a forum to share experiences on fostering broader regional integration.

- LLDCs and transit countries should make use of the technical assistance and capacity-building support provided by relevant international organizations towards the effective accession, ratification and implementation of relevant international conventions and regional cooperation agreements and frameworks.

- LLDCs and transit countries should also consider undertaking regional integration initiatives that encompass investment, research and development, policy coordination dialogue, industrial development and regional connectivity.

- LLDCs, transit countries, regional organisations and development partners are encouraged to bring greater synergy and complementarity among various regional and sub-regional cooperation framework.

Priority 5: Structural economic transformation

Structural economic transformation is the key to reducing the vulnerabilities of the LLDCs, creating jobs, building local productive capacity, and reducing poverty and inequality. Diversification of their economies and progressive reduction of dependency on extraction and simple processing of commodities can bring about significant gains in achieving structural change. Although some progress has been made, landlocked developing countries as a whole are far from achieving significant structural transformation that would put their economies on a sustained growth and development path that is driven by a productive and innovative manufacturing sector and supported by equally efficient and productive agricultural and services sectors.

Almost all Euro-Asian LLDCs are experiencing negative or pre-mature deindustrialization, where the decline in the role of manufacturing is not due to natural advancement to high productivity service sector, but due to the decline in manufacturing competitiveness. The value-added contribution of the agricultural sector has declined between 2014 and 2017 (or 2016) in
10 of the 14 Euro-Asian LLDCs. At the same time, this trend has not been followed by a more important role of modern and dynamic manufacturing sector. The value-added contribution of manufacturing sector has also declined or remained constant in 7 LLDCs during the same period.

LLDCs’ lack of diversification makes them not only vulnerable to external shocks but limits their competitiveness and ability to create high value-added products, meaningful productive employment and innovative technologies. The limited manufacturing and industrial capacity hampers the integration of LLDCs into value chains, as modern manufacturing relies on the import and export of components through regional and global value chains. Producers of low value-added manufactures also face the danger of their cost advantage disappearing in the face of new technologies.

One of the most important requirements for promoting growth, developing an industrial base and bringing about structural change is the investment climate and enabling regulatory environment for the local private sector. Many Euro-Asian LLDCs have shown improvements in creating enabling regulatory environments for the local private sector during the review period and all have improved their World Bank’s Doing Business rankings between 2018 and 2019. Domestic credit to the private sector has either shrunk or stagnated in most of the LLDCs in particular in Central Asia. Only Nepal was able to significantly increase domestic credit to private sector during the review period. Furthermore, R&D expenditures in the Euro-Asian LLDCs are low, ranging between 0.11 and 0.44% of GDP. In addition, they hardly show increasing trends, which is not supportive for innovations required for facilitating economic transformation through knowledge acquisition and innovation.

Some LLDCs have implemented domestic policies for fostering structural transformation. For example, Bhutan has adopted in 2016 Economic Development Policy, FDI Policy and Public Private Partnership Policy in order to boost investment in key sectors, attract investors and create a greater role for the private sector. In an effort for export diversification, Mongolia adopted in 2018 the Mongol Export Program aimed at stabilizing enabling environment for non-mining exports, supporting value-addition processing and strengthening competitiveness of those exports. Azerbaijan established in 2018 an Agency for Small and Medium-Sized Enterprise. In Nepal major sectoral policies on agricultural development, trade integration, ICT, foreign investment and national tourism were adopted since 2015.

**Recommendations**

- Domestic policies in LLDCs need to focus on fostering productive capacities and structural economic transformation. Economic structural transformation requires industrial policy, supported by enabling macroeconomic, trade, financial, labour market, human resource and research & development policies.

- LLDCs should focus on enhancing their capacity in modern higher value-added products and high-productivity sectors, including through targeted incentives for sectors and/or firms delivering higher value-added production and/or exports. They should continue to utilize new and existing technology in the production of manufactured products in order to add value to their products.

- In order to be able to participate at the higher end of global and regional value chains, LLDCs need to increase levels of human capital, improve connectivity, enhance research,
development and innovation capacity and strengthen institutional as well as governance capabilities.

- The key to creating competitive advantages in high-value-added products is through creating backward and forward linkages among manufacturing, agriculture and services sectors by linking small and medium-sized enterprises (SMEs) to the supply chains and production networks.

- LLDCs should continue to make improvements in the enabling regulatory environment for business which is crucial for developing a strong industrial base and attracting investment. Development partners should provide technical, financial and capacity-building assistance to support such efforts. There is also a need to incentivize the private sector, especially in sectors of comparative advantages, and improving access to low-cost finance for SMEs.

- To promote higher productivity and high value-added production, LLDCs should make efforts to raise agricultural productivity and industrialize agriculture, including by employing industrial production methods, provision of necessary infrastructure and technology to link with the industrial sector, and promoting agribusiness and agro-processing, which hold large potential for economic diversification for some LLDCs.

- Similarly, for high productivity and value added services sector activities, there needs to be strong backward and forward linkages with the industrial sector, along with the narrowing of skills gap required in the market, increase in R&D investment to promote innovation, and investment in education and health sectors to boost the capacity of the economy to sustain progress and prosperity.

- LLDCs should aim to strengthen state capacity, as creator of institutions, policy reformer and productive capacity enhancer, for managing transition and navigating structural transformation.

**Priority 6: Means of implementation**

LLDCs need strong support from their development partners and transit neighbours in developing their infrastructure, building resilient transport connectivity, improving their trade capacity, adopting trade facilitation measures and tools and supporting overall development. The recent experience of Euro-Asian LLDCs in raising domestic resources through central government taxes is a mixed picture. In most LLDCs, domestic resources are insufficient to meet their growing development needs. Many LLDCs have limited capacity to raise domestic and other resources on their own.

ODA has continued to play a critical role for the LLDCs in effective implementation of the VPoA, even though flows have stagnated since 2014 and declined in some countries. Net ODA to Euro-Asian LLDCs fell from $9.4 billion in 2014 to $8.7 billion in 2017. However, ODA receipt vary largely between the countries. The Aid for Trade initiative is a further important source of financing for developing trade-related infrastructure, capacity-building on trade policies and trade facilitation measures and linking LLDCs to the regional value chains. Aid for trade, in combination with complementary policies, has contributed to lowering of trade costs, better border institutions and smoother regulatory procedures. While Aid for Trade flows
to the Euro-Asian LLDCs tapered off after 2010, receipt in 2017 amounted to $3 billion, up from $2.6 in 2014.

FDI has a critical role in supplementing other official development flows in driving LLDCs’ economic growth and boosting their trade potential. Inflows of FDI to the LLDCs have been falling over the years under review, falling by 35% between 2014 and 2017. In addition, FDI inflows are highly concentrated in few LLDCs, with three countries accounting for over three quarters of the FDI flows to the Euro-Asian LLDCs.

South-South cooperation has recently emerged as a very effective platform for mobilizing resources for LLDCs, in particular for infrastructure development. Similarly, various multilateral initiatives can be an important source of financing for LLDCs, again in particular for infrastructure development.

**Recommendations**

- A coherent and comprehensive strategy to mobilize resources for implementation of VPoA should include mobilization and efficient use of domestic resources, attracting FDI, better and targeted use of ODA, promotion of south-south cooperation, and increased use of innovative financing.

- Fulfilment of ODA commitments remain crucial and development partners are encouraged to increase ODA flows to LLDCs and to continue and to increase their support to the Aid for Trade initiative, giving adequate consideration to the special needs and requirements of LLDCs.

- LLDCs should strengthen their efforts in raising domestic savings, including through carrying out reforms in tax administration, broadening the tax base and strengthening domestic capital markets. The international community should assist in efforts to coordinate tax policies among countries to eliminate tax loopholes and flight of capital.

- To fully leverage the impact of the private sector, national and foreign, a stable, predictable and enabling investment environment is needed encourage entrepreneurship, vibrant domestic business and attract FDI. LLDCs can also attract increased and more diversified FDI by engaging in regional integration initiatives and deepening their cooperation with neighbouring countries, especially transit countries.

- LLDCs will also need to better leverage ODA for attracting further finance from other sources such as foreign direct investment, public-private sector partnerships, and blended finance. Furthermore, FDI, public-private partnerships, blended finance need to be utilized more effectively in promoting growth and structural change in the LLDCs.

- LLDCs should make advantage of the financial and technical resources from multilateral initiatives such as the Asian Infrastructure Investment Bank, the New Development Bank, the World Bank’s Global Infrastructure Facility, the ASEAN Infrastructure Fund and the SAARC Development Fund.

- Those LLDCs that have not yet done so are encouraged to ratify or accede to the Multilateral Agreement for the Establishment of an International Think Tank for LLDCs.
• LLDCs, with the support of their development partners, are encouraged to take advantage of the growing opportunities offered by private investment through impact investing to enhance their commodity diversification efforts and UNCTAD and CFC in collaboration with other commodity bodies, UN-ESCAP and UN-OHRLLS should assist LLDCs in this process.

**Way Forward**

1. The meeting calls upon UN ESCAP and UN ECE to continue providing technical support to the region’s landlocked developing countries in areas related to the priorities of the Vienna Programme of Action in order to accelerate its implementation.

2. The meeting requests UN ESCAP, to submit the outcome of the Euro-Asia Regional Review to the seventy-fifth session of the Commission to be held 27 to 31 May 2019.

3. The meeting requests the UN ESCAP, UN ECE and UN-OHRLLS to submit the outcome of the Euro-Asia Regional Review to the Comprehensive High-level Midterm review on the implementation of the Vienna Programme of Action to be held in December 2019 in New York.

4. The meeting requests the UN ESCAP and UN ECE, in collaboration with UN-OHRLLS, to undertake the ten-year regional review of the implementation of the Programme of Action for LLDCs.

5. The Meeting calls on LLDCs, transit developing countries, development partners and regional and international organizations to actively participate in the Comprehensive High-level Midterm review on the implementation of the Vienna Programme of Action to be held in December 2019 in New York in accordance with the General Assembly resolutions 72/232 and 73/243.

6. The meeting requests that in accordance with the mandate given by the General Assembly, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States should continue to ensure the coordinated follow-up to, effective monitoring of and reporting on the implementation of the Vienna Programme of Action and undertake advocacy efforts at the national, regional and global levels.