



Gaps, Limitations and the Way Forward

UNCTAD Assessment of Progress in the
Implementation of the Vienna Programme
of Action for the Landlocked Developing
Countries for the Decade 2014-2024

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I. BACKGROUND

1. Landlocked developing countries (LLDCs) face a number of unique challenges in their quest for development, partly due to their geographical position, and the structure of their economies. Their lack of direct access to the sea makes them dependent on transit countries to effectively link to global markets. Furthermore, their geographical distance from the nearest seaport puts them at a disadvantaged position in terms of time and cost for the transportation of goods. This is because land-based transportation is significantly more expensive than maritime transportation. Often, the problem of distance is compounded by the challenges of multiple border crossings, diverging customs procedures and requirements, and incompatible transport systems and regulations. As a result, on average, LLDCs have less trade and incur up to 50% more trade costs, according to a study by the World Bank.¹ Furthermore, 26 of the 32 LLDCs are dependent on primary commodities for more than 60% of their exports, rendering them highly vulnerable to external price shocks, and limiting the impact of trade and growth on employment and poverty reduction.

2. The dual challenges facing LLDCs (remoteness from the sea and commodity dependence) have an adverse impact on their overall development prospects. 17 of the world's 32 Landlocked Developing Countries also belong to the category of Least Developed Countries (LDCs).

3. In order to address these challenges, the second United Nations Conference on the Landlocked Developed Countries, held in Vienna from 3 to 5 November 2014, adopted the Vienna Programme of Action for the Landlocked Developing Countries for the Decade 2014–2024 (VPoA)². The overarching objectives of the VPoA are to enhance the inclusive and sustainable economic growth of these countries, and achieve substantial poverty reduction by addressing their special development needs arising from the geographical challenges facing them. To that end, the VPoA identifies six priorities for action, with specific goals and targets. The VPoA further recognizes that transit countries also face significant challenges, as the transit trade from neighboring LLDCs can impose additional burdens on their transport infrastructure and customs

facilities. Therefore, the VPoA highlights the need for increased collaboration and coordination between LLDCs, transit countries and development partners.

4. In Resolution 72/232, the General Assembly decided to convene a comprehensive Midterm Review (MTR) of the implementation of the VPoA in 2019. The MTR will assess progress made in the implementation of the VPoA, identify and articulate persistent and emerging challenges, obstacles and constraints encountered, as well as propose actions and initiatives needed to overcome them in order to further accelerate the implementation of the VPoA. UNCTAD, together with other United Nations bodies and other international organizations, was requested to make substantive and technical contributions to the MTR of the VPoA. The MTR is expected to provide renewed momentum and added impetus to the efforts being undertaken to enhance global partnerships and solidarity in support of LLDCs, and to effectively address their continued underdevelopment and marginalization in international trade and the global economy.

5. The present report provides UNCTAD's assessment of the progress achieved by LLDCs at the mid-point of the implementation period of the VPoA in areas within its mandates. It identifies the key challenges ahead, together with policy recommendations for the way forward. A particular focus is placed on Priorities 3 (International Trade and Trade Facilitation) and 5 (Structural Transformation). The report argues that the commodity driven path to inclusive growth and sustainable development for the LLDCs has not delivered the intended results or benefits. Thus, a "business as usual" approach is no longer a viable option. It calls for a new generation of development policies in LLDCs, and the building of partnerships that focus on fostering productive capacities and structural transformation in these countries.

¹ World Bank (2014) Improving Trade and Transport for Landlocked Developing Countries – A ten-year review".

² UN General Assembly Resolution 69/137, annexes I and II.

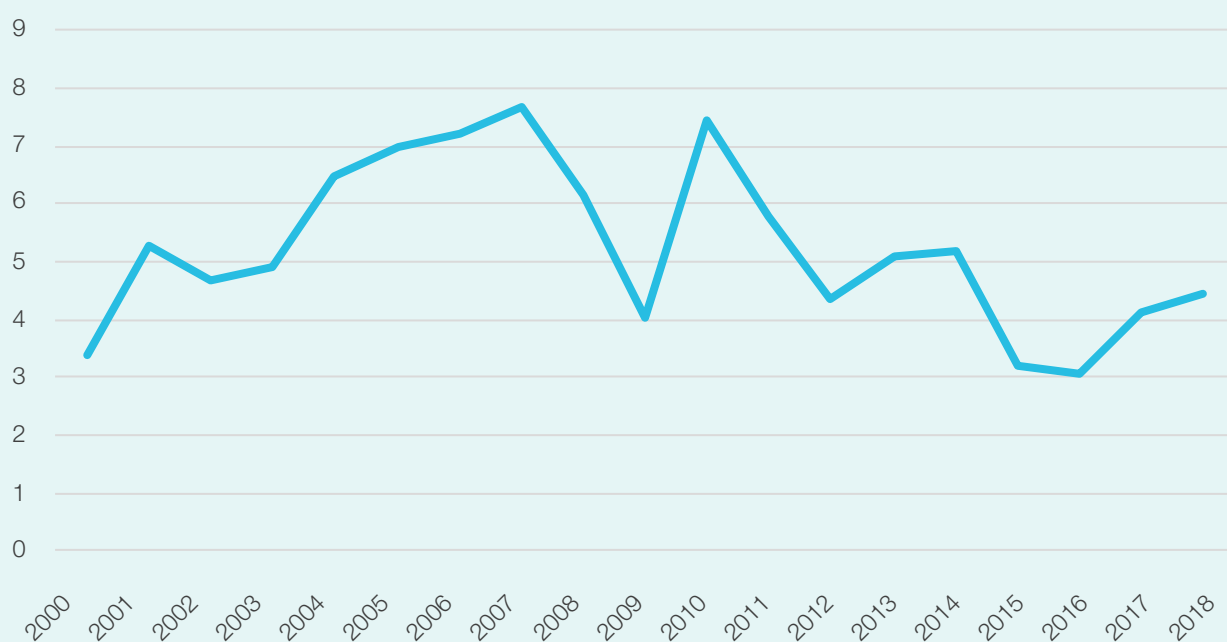
II. ASSESSMENT OF PROGRESS ACHIEVED, OR LACK THEREOF

Growth Performance of the LLDCs

6. Five years into the implementation of the VPoA, the progress achieved has fallen far short of what is needed to meet the goals. In some areas, the LLDCs have regressed. Immediately following the adoption of the VPoA, LLDCs experienced a sharp slowdown, with average real GDP growth falling from 5.2% in 2014 to 3.2% in 2015, and to 3.1% in 2016. While growth recovered to 4.1% and 4.4% in 2017 and 2018, respectively, it remains far below the average of 6% achieved in the decade prior to the adoption of the VPoA (2004 – 2014).

7. In per capita terms, growth in the LLDCs slowed from 3.4% in 2014 to 1.7% in 2015, before increasing to 2.5% in 2017. It should be recalled that prior to the 2008-2009 economic and financial crises, LLDCs registered a real GDP growth rate of 7% or more. However, such impressive real GDP growth did not translate into higher employment, export diversification and lower poverty outcomes. This shows the limit of commodity driven growth, its vulnerability, and the challenge of making growth inclusive and sustainable. This calls for a new generation of domestic policies and international support mechanisms centered on fostering productive capacities and structural economic transformation in the LLDCs.

Figure 1: Average Annual Real GDP Growth in the LLDCs (Percentage)



Source: UNCTAD Stat

Table 1: Average Annual GDP Growth in the LLDCs

| Period / Economy | 2014 | 2015 | 2016 | 2017 | Average 2014 to 2017 |
|---|------|------|------|------|-------------------------|
| Federal Democratic Republic of Ethiopia | 10.3 | 10.4 | 7.6 | 11.1 | 9.8 |
| Republic of Mali | 7.8 | 7.6 | 8.8 | 6.9 | 7.8 |
| Turkmenistan | 10.3 | 6.5 | 6.2 | 6.5 | 7.4 |
| Republic of South Sudan | 22.2 | 5.1 | 0.3 | 1.3 | 7.2 |
| Lao People's Democratic Republic | 7.6 | 7.3 | 7.0 | 6.9 | 7.2 |
| Republic of Rwanda | 7.6 | 8.9 | 6.0 | 6.1 | 7.1 |
| Republic of Uzbekistan | 8.0 | 7.9 | 6.2 | 5.2 | 6.8 |
| Republic of Tajikistan | 6.7 | 6.0 | 6.9 | 7.1 | 6.7 |
| Kingdom of Bhutan | 5.7 | 6.6 | 8.0 | 6.0 | 6.6 |
| Republic of the Niger | 7.5 | 4.3 | 4.9 | 4.9 | 5.4 |
| Burkina Faso | 4.3 | 3.9 | 5.9 | 6.3 | 5.1 |
| Plurinational State of Bolivia | 5.5 | 4.9 | 4.3 | 4.2 | 4.7 |
| Republic of Uganda | 4.5 | 5.7 | 2.6 | 5.0 | 4.5 |
| Republic of Malawi | 6.2 | 3.3 | 2.7 | 5.1 | 4.3 |
| Federal Democratic Republic of Nepal | 6.0 | 3.3 | 0.4 | 7.5 | 4.3 |
| Kyrgyz Republic | 4.0 | 3.9 | 4.3 | 4.6 | 4.2 |
| Mongolia | 7.9 | 2.4 | 1.2 | 5.1 | 4.1 |
| Republic of Paraguay | 4.7 | 3.0 | 4.0 | 4.3 | 4.0 |
| Republic of Zambia | 4.7 | 2.9 | 3.8 | 3.5 | 3.7 |
| Central African Republic | 1.0 | 4.8 | 4.5 | 4.3 | 3.7 |
| Republic of Armenia | 3.6 | 3.2 | 0.2 | 7.5 | 3.6 |
| Republic of Moldova | 4.8 | -0.4 | 4.5 | 4.5 | 3.3 |
| Republic of North Macedonia | 3.6 | 3.9 | 2.8 | 0.2 | 2.6 |
| Republic of Kazakhstan | 4.2 | 1.2 | 1.1 | 4.0 | 2.6 |
| Republic of Botswana | 4.1 | -1.7 | 4.3 | 2.4 | 2.3 |
| Republic of Zimbabwe | 2.1 | 1.7 | 0.6 | 3.0 | 1.9 |
| Islamic Republic of Afghanistan | 3.1 | -1.8 | 3.6 | 2.5 | 1.8 |
| Republic of Burundi | 4.2 | -0.4 | 2.8 | 0.0 | 1.7 |
| Kingdom of Lesotho | 3.1 | 2.5 | 2.4 | -1.6 | 1.6 |
| Kingdom of Eswatini | 1.9 | 0.4 | 1.4 | 2.0 | 1.4 |
| Republic of Chad | 3.4 | 3.8 | -2.7 | -3.1 | 0.3 |
| Republic of Azerbaijan | 2.8 | 1.0 | -3.1 | 0.1 | 0.2 |

Source: UNCTADStat

8. A country-by-country examination of the growth trajectories of the LLDCs between 2014 and 2017 paints a rather gloomy picture. During the four-year period only six LLDCs met or slightly exceeded an average growth rate of 7% per annum, while five other countries grew between 5% and 7%. The average growth of 15 LLDCs was less than or equal to 4%, and in seven LLDCs it was lower than 2%. The concern now is that LLDCs are less likely to meet the

objectives of the VPoA, and may lag significantly behind other developing countries in achieving key targets of the Sustainable Development Goals (SDGs).

9. Another area of growing concern is that, despite the Programme's goal to substantially increase the participation of LLDCs in global trade, their share of global exports has decreased by 30%, from 1.1% in 2014 to 0.8% in 2016.

Similarly, Foreign Direct Investment (FDI) flows to the LLDCs have fallen sharply, from US\$ 36 billion in 2011 to US\$ 22.4 billion in 2016. Net receipts of Official Development Assistance (ODA) in LLDCs also saw a decline from US\$ 26.1 billion in 2014 to US\$ 24.8 billion in 2015.

10. While exports, FDI and ODA flows have since started to recover from their lows, they remain far below the levels needed to achieve the goals of the VPoA. The share of LLDCs in global merchandise exports recovered to 0.97% in 2018. FDI flows to the LLDCs rose by 3% in 2017, to US\$ 23 billion before declining again to US\$ 22.6 billion, and net ODA receipts by LLDCs increased to a high of US\$ 28 billion in 2017. However, this still leaves FDI flows to the group around 40% below their peak in 2011, and both FDI inflows and ODA receipts remain heavily concentrated in a small number of LLDCs.

11. The low growth performance will make it more difficult for the LLDCs to make progress towards the targets of the VPoA and achieve the SDGs. In many LLDCs the rate of poverty reduction has already slowed since 2014, and in some cases, poverty increased in 2015 and 2016. While there is no comprehensive data on recent poverty trends in all LLDCs, some case studies illustrate this point. In Bolivia, for example, the percentage of the population living in extreme poverty (less than US\$ 1.90 per day in 2011 PPP US\$) increased from 5.8% in 2014 to 6.4% in 2015 and 7.1% in 2016, before falling back to 5.8% in 2017. Similarly, in the Kyrgyz Republic, the rate of extreme poverty increased from 1.3% in 2014 to 2.5% in 2015, before falling back to 1.5% in 2017³.

Priority 1: Fundamental Transit Policy Issues

12. LLDCs have achieved modest progress towards Priority 1 of the VPoA. As indicated in the Report of the Secretary-General on the Implementation of the Vienna Programme of Action⁴, 24 of the 26 LLDCs that are members of the World Trade Organization (WTO), as well as 27 transit countries, have accepted the WTO Agreement on Trade Facilitation. This is likely to lead to improvements in transit-transport. In addition, a number of new bilateral, regional or multilateral agreements on transit transport have been concluded.

³ World Development Indicators.

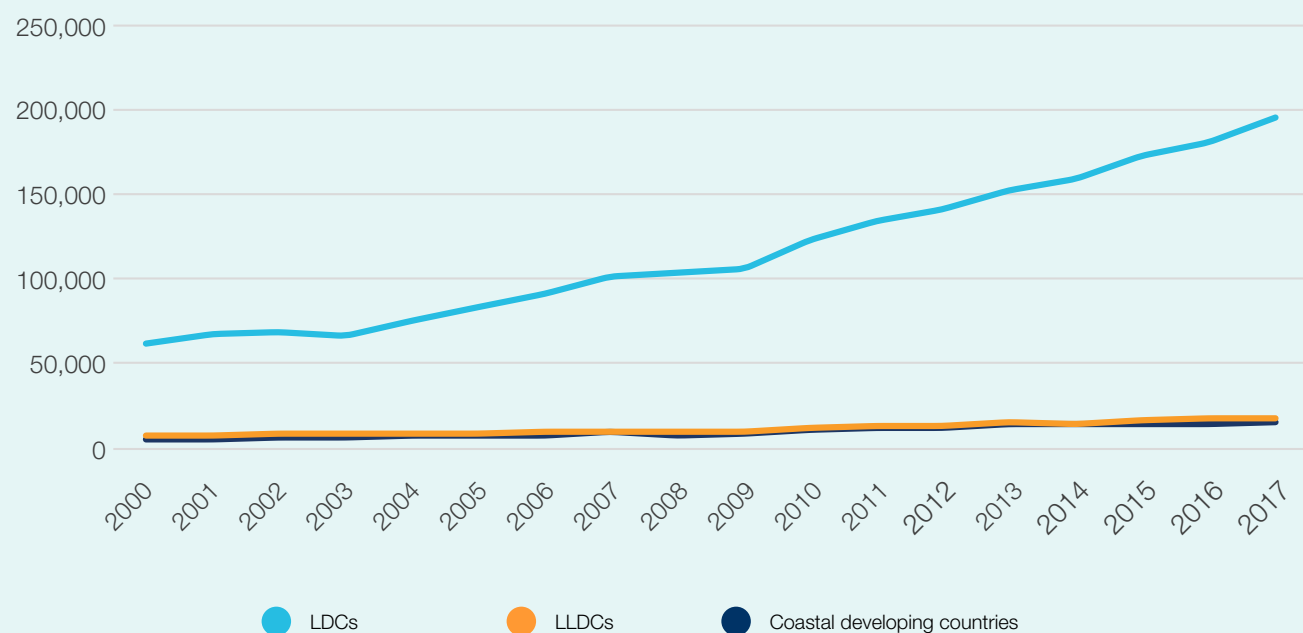
⁴ GA/74/113, "Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024 – Report of the Secretary-General", United Nations, 18 June 2019.

However, there is no comprehensive comparable data on transit corridors that would allow a complete assessment of the progress achieved in terms of addressing the efficiency and effectiveness of the transit systems. Nevertheless, there is evidence that some major transport corridors used by LLDCs in Africa, Asia and Latin America have achieved the VPoA goal of allowing transit cargo to move at an average rate of 300-400 km per 24 hours. At the same time, other corridors continue to fall short of the goal.

Priority 2: Infrastructure Development and Maintenance (Including ICTs)

13. With regard to Priority 2, some countries have made progress in expanding their road and rail networks. However, the lack of availability of internationally comparable data renders a comprehensive assessment difficult. According to the Productive Capacities Index (PCI) developed by UNCTAD (forthcoming), the performance of LLDCs on the transport component of the PCI is very weak, compared to other developing countries. The component is measured using indicators such as the kilometers of roads per 100, square kilometers of land area, the total kilometers of rail lines per capita, the number of air transport registered carrier departures worldwide per 100 people, and the air transport of freight in million-tons per kilometer. With regard to air traffic, the average number of registered air carrier departures in LLDCs increased before the adoption of the VPoA and there has not been a discernible acceleration after the adoption of the VPoA. The performance of LLDCs with regard to air transport connectivity remains marginally better than that of LDCs, but far behind that of coastal developing countries.

Figure 2: Air Transport, Registered Carrier Departures Worldwide



Source: World Bank

14. With regard to ICT infrastructure, the LLDCs saw an increase in the number of mobile phone subscriptions per 100 people. This increased from 66 in 2014 to 72 in 2017, though overall, they still remain behind the world average of 104. In today's world, a more meaningful measure of ICT infrastructure is the number of fixed broadband subscriptions per 100 population. Here, the LLDCs have performed far better than the LDCs, on average, even if growth has slowed after 2014. Between 2014 and 2017,

the trend experienced by coastal developing countries⁵, with regard to fixed broadband subscriptions. In this respect, the gap continues to widen.

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