THE TRANSIT TRANSPORT SITUATION IN AFRICA, ASIA AND LATIN AMERICA[1]

A review of the implementation of the Almaty Programme of Action as contribution to its midterm review

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ABBREVIATIONS

AGOA	African Growth and Opportunity Act
ASEAN	Association of South – East Asian Nations
BSEC	Organization of the Black Sea Economic Cooperation
CAN	Community of Andean Nations
CEMAC	Communauté Economique et Monétaire de l'Afrique Central
CIS	Commonwealth of Independent States
COMESA	Common Market for Eastern and Southern Africa
CSCE	Organization for Security and Cooperation in Europe
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
ECO	Economic Cooperation Organization
ECOWAS	Economic community of West Africa States
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIPIC	Heavily Indebted Poor Countries
IDA	International Development Association
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
MDGS	Millennium Development Goals
MDRI	Multilateral Debt-Relief initiative
MFA	Multi-Fibre Agreement
MERCOSUR	Mercado Cumun del Sur
OIC	Organization of Islamic Conference
SAARC	South Asia Association for Regional Cooperation
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SCO	Shanghai Cooperation Organization
UEMOA	Union Economique et Monétaire Ouest Africaine
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development

INTRODUCTION

In August 2003, United Nations Member States adopted the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing countries (hereinafter the Almaty Programme of Action). It recognized the special needs and problems of landlocked developing countries and established a new global framework for action for developing efficient transit transport systems in landlocked and transit developing countries. The Programme aims to: (1) secure access to and from the sea by all means of transport for landlocked developing countries according to applicable rules of international laws; (2) reduce costs and improve services so as to increase the comprehensiveness of their exports; (3) reduce the delivered costs of imports; (4) address problems of delay and uncertainties in trade routes; (5) develop adequate national networks; (6) reduce loss, damage and deterioration en route; (7) open the way for export expansion; and (8) improve safety of road transport and security of people along the transport corridors.

The Almaty Programme of Action maintains that efficient transit transport systems can be established through genuine partnerships between landlocked and transit developing countries and their development partners at national, bilateral, sub regional, regional and global levels, and through partnerships between public and private sectors. Such partnerships should be based on mutual benefits deriving from the specific actions that major stakeholders have agreed to undertake in the present Programme in order to establish efficient transit transport systems. The international community, including financial and development institutions and donor countries, should provide financial and technical support to help landlocked and transit countries to deal effectively with their transit transport problems and requirements.

It also emphasizes that the efficiency of transport systems will depend on the promotion of an enabling administrative, legal and macroeconomic environment in both landlocked and transit developing countries for effective policy-making and resource mobilization and on cooperative arrangements between landlocked developing countries and their transit neighbors. An effective strategy to improve transit transport systems requires actions at the regional, sub regional and bilateral levels for the effective solution of transit problems, which would improve transit transport safety and enable significant economies of scale, particularly relevant for landlocked developing countries. This cooperation must be promoted on the basis of the mutual interest of both landlocked and transit developing countries.

The Programme stresses that the role of the private sector must be taken into account. The private sector, as a service provider and as a user of transit transport services, is an important stakeholder in society and should be a main contributor to the development of infrastructure and productive capacity in both landlocked and transit developing countries.

It notes that the costs of establishing and maintaining an efficient transit transport system often pose daunting challenges to the landlocked and transit developing countries. Their development partners can play an important role in supporting and assisting them in their efforts to establish efficient transit transport systems.

It underlines that the interests and concerns of landlocked and transit developing countries should be taken fully into account while establishing transit transport systems. In this regard, the interests and concerns of landlocked and transit developing countries should be considered complementary and mutually reinforcing.

It notes further that regional and sub regional cooperation or integration can play an important role in successfully addressing the specific problems of transit transport. Regional cooperation or integration initiatives can also facilitate the participation of landlocked and transit developing countries in the global economy, better sharing its benefits and containing its negative effects. In this context, support from all existing sources, where requested, for mechanisms of regional and sub regional dialogue and regional integration among landlocked and transit developing countries is important.

Although the Almaty Programme of Action does not include quantified, time-bound development targets, there are important guiding posts which can be observed to determine whether progress is being made towards fulfilling the objectives of the Almaty Programme of Action. These include:

(1) Establishment or strengthening of partnerships between landlocked and transit developing countries and their development partners at national bilateral, sub regional, regional and global levels dedicated to the promotional of efficient transit systems;

(2) Establishment or strengthening of partnerships between public and private sectors in order to establish efficient transit systems;

(3) Promotion of an enabling administrative legal and macro-economic environment in both landlocked and transit developing countries at the national and sub regional level for effective policy making and resource mobilization;

(4) Establishment of mechanisms to ensure that the interests and concerns of landlocked and transit developing countries are fully taken into account when establishing transit transport systems and transport corridors;

(5) Establishing or strengthening of mechanisms for economic cooperation and integration which protect the interests of all members; and

(6) Financial and technical support from the international community, including financial and development institutions and donor countries.

The analytical review conducted in this study highlights the interaction, cooperation and collaboration between landlocked and transit countries and their development partners and assesses the extent to which this partnership is making progress towards meeting the objectives of the Almaty Programme of Action. The study also highlights the growing role of the private sector and how public and private sector cooperation and collaboration is promoting the objectives of the Almaty programme of Action.

The study underlines the fact that the Almaty Programme of Action is being implemented at the national, sub-regional, regional and global levels and that the dynamics for progress varies at each level. At the national level in both landlocked and transit developing countries, the critical factor is the promotion of an enabling administrative, legal and macroeconomic environment for effective policy making and resource mobilization.

At the sub-regional and regional levels, improving transit transport systems depends on economic cooperation and integration strategies aimed at achieving macro economic convergence and increased regional trade and investment.

At the international level, critical factors include: (1) market access, (2) fair trade practices and prices and (3) financial and technical assistance.

Chapter A reviews the implementation of the Almaty Programme of Action. It is divided into six components, which are devoted respectively, to the review of the priority elements of the Programme, namely the implementation of: (1) fundamental transit policy issues; (2) infrastructure development and maintenance; (3) existing trade facilitation measures in landlocked and transit developing countries; (4) WTO Trade facilitation negotiations; (5) accelerated accession to world trade organization; and (6) international support measures.

What is at stake in the implementation of fundamental transit policies which appears as priority 1 under the Almaty Programme of Action is: (1) whether landlocked and transit countries pursue an integrated approach to trade and transport sectors; (2) whether the establishment of regional transport corridors takes full account of the interests of landlocked developing countries; (3) whether enough is been undertaken to strengthen institutional mechanisms which are responsible for monitoring and promoting the implementation of transit agreements and arrangements; (4) whether action is being taken to modernize the transport sector, giving it a commercial orientation, and, (5) whether progress is being made in public – private sector cooperation and collaboration.

The review of progress in the implementation of infrastructure development and maintenance looks at all the six transport sub-sectors, plus communications which fall under priority 2 of the Almaty Programme of Action. This component highlights progress in: (1) infrastructure development and financing; operational challenges and opportunities and adequacy or otherwise of legal frameworks.

Components III and IV examine the role of WTO in negotiating international trade and facilitation measures. The components deal with (1) accelerated accession of landlocked developing countries to the World Trade Organization; and (2) WTO trade facilitation negotiations.

Component IV reviews international support measures. It has four parts which deal with (1) official development aid flows (ODA), (2) foreign direct investment (FDI), (3) debt relief and (4) technical assistance. The Analysis examines ODA flows between 2002 and 2006 to assess whether ODA flows to landlocked developing countries have increased significantly as recommended in the Almaty Programme of Action.

The study in Chapter B makes a survey of the socio-economic situation of each of the 31 landlocked developing countries. It examines for each country's (1) economic structure; (2) economic performance; (3) social indicators; (4) the specific geographic allocation and transit systems (5) the impact of sub-regional economic cooperation and integration on the country's external trade, and (6) impact of national or sub-regional instability on the external trade of landlocked countries. The chapter is sub-divided into four sections, which deal respectively with Africa, Asia, Latin America and Europe. Each section concludes with an assessment regarding progress towards achieving the Millennium Development Goals.

Chapter C provides conclusions and recommendations on what needs to be done at the national, sub-regional, regional and international levels to speed up progress in the implementation of the Almaty Programme of Action.

A. REVIEW OF THE IMPLEMENTATION OF THE ALMATY PROGRAMME OF ACTION

I. Review of Implementation of Fundamental Transit Policy Issues

a. Integrated Approach to Trade and Transport Sector

The commitment of landlocked and transit developing countries to approach trade and transport in an integrated manner can be judged from their strong participation in regional economic communities (RECs). Under the framework of RECs, landlocked and transit developing countries undertake to cooperate over a broad range of sectors (trade, transport, energy, and communications).

Some RECs have established macro-economic convergence criteria to help their members to focus on economic stability as a sine qua non for integration and development.

RECs have developed specific transport and trade instruments to facilitate the movement of goods, such as customs documents and administrative documents (for instance, the COMESA Single Goods Declaration document) or harmonized road transit charges.

RECs have been established in Europe, Asia, Africa and Latin America.

Bolivia and Paraguay belong to the Andean Community (CAN)[2], and Mercado Comun del Sur (MERCOSUR)[3], respectively. All the fifteen landlocked developing countries in Africa and their respective transit neighbours are in one or more of the following RECs: Economic Community of West African States (ECOWAS)[4] Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)[5]; Common Market for Eastern and Southern Africa (COMESA)[6]; East African Community (EAC)[7] and Southern Africa Development Community (SADC). In Asia, RECs include the Association of South East Asian Nations (ASEAN)[8] and the South Asian Association for Regional Cooperation (SAARC)[9], while the central Asian and European landlocked developing countries belong to the Commonwealth of Independent States (CIS)[10]. Some of the countries are also

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[2] Members of CAN (http://www.comunidadandina.org/): Bolivia, Colombia, Ecuador, Peru

[3] Members of MERCOSUR (http://www.mercosur.int/msweb/): Argentina, Brazil, Paraguay, Uruguay

[4] Members of ECOWAS (http://www.ecowas.int/): Benin, Burkina Faso, Côte d'ivoire, Gambia, Ghana, Guinea, Guinea – Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

[5] Members of CEMAC (http://www.cemac.net/): Cameroon, Central African Republic, Chad, Congo (Brazaville), Gabon, Equatorial Guinea.

[6] Members of COMESA (http://www.comesa.int/): Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe.

[7] Members of EAC (http://www.eac.int/): Burundi, Kenya, Rwanda, Tanzania, Uganda.

[8] Members of ASEAN (http://www.aseansec.org/): Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Lao PRD, Myanmar.

[9] Members of SAARC (http://www.saarc-sec.org/): India, Pakistan, Sri Lanka, Bangladesh, Nepal, the Maldives, Bhutan, Afghanistan.

[10] Members of CIS (http://www.cisstat.com/eng/cis.htm): Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

members of the Organization for Security and Cooperation in Europe (OSCE)[11] and Shanghai Cooperation Organization (SCO)[12].

b. Establishment of Regional Transport Corridors

The recommendation in the Almaty Programme of Action urging landlocked and transit developing countries to give priority to the establishment of transport corridors that serve the needs of landlocked developing countries reflects a well established practice.

There are three modalities under which transit corridors are established: (1) traditional routes which have existed over decades and which have been accepted by custom; (2) corridors which have been negotiated and agreed to under the auspices of RECs (see Box 1); and (3) corridors which have been negotiated and agreed to at the regional level – corridors which form part of a regional road or rail network, such as the trans-African highways, Asian highway, trans-Asia Highway and the International North-South Corridor projects as well as the Initiative for the Integration of Regional Infrastructure in south America (IIRSA) and the Transport Corridor Europe – Caucasus – Asia (TRACECA).

Regional transport corridors, such as TRACECA which makes Central Asia a land bridge between Europe and the Far East, are particularly beneficial to landlocked developing countries. Similarly, the IIRSA, with its East-West and South-north corridor networks places Bolivia and Paraguay on the cross-roads between the Atlantic and Pacific coast and between South and Central America.

[11] Members of OSCE (http://www.osce.org/): 56 pan-European member states, as well as USA and Canada.
[12] Membership of SCO (http://www.sectsco.org/): China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

Box 1: Main Corridors in Africa

Corridor	Distances	Remarks
Dakar – Mali	1250 Km	Rail
Abidjan – Bukina Faso -Mali	1200 Km	Multimodal options to Ouagadougou, then road
Tema/Takoradi – Burkina Faso – Mali	1100 Km to Ouagadougou	Road
Lone – Burkina Faso - Niger/Mali	2000 Km	Road
Cotonou – Niger – Burkina Faso – Mali	1000 Km up to Niger	Multimodal options
Lagos – Niger	1500 Km	Road
Douala – Central African Republic – Tchad	1800 Km	Multimodal
Pointe Noire – Central African Republic – Tchad	1800km	Rail/River
Lobito – DRC – Zambia	1300km	Not currently used
Walvis Bay – Zambia-DRC (Trans Caprivi)	2100km to Lusaka	Road
Walvis Bay – Botswana – South Africa (Trans Kalahari)	1800 Km	Road
Durban – Zimbabwe – Zambia –DRC (north – South Corridor)	2500 km to DRC	Multimodal options available
Maputo – South Africa	600km	Multimodal options available
Beira – Zimbabwe – Zambia – DRC		Multimodal options available
Nacala – Malawi – Zambia – DRC	1800km to Lusaka	Multimodal options available
Dar es Salaam – Zambia – DRC (TAZARA Corridor)	2000km to Lusaka	Multimodal options available
Dar es Salaam – Rwanda – Burundi – Uganda – DRC (Central Corridor)	1400km to Kigali, 1600km to Kampala	Multimodal options available
Mombasa – Rwanda – DRC (Northern Corridor)	1200km to Kampala, 2000km to Bunjumbura	Multimodal options available
Berbera – Ethiopia	850 km	Road
Djibouti – Ethiopia	900km	Multimodal options available
Assab – Ethiopia	900km	Not currently used
Massawa – Ethiopia		Not currently used
Lagos-Niger-Mali and Lagos – Chad as part of the CLRT	8,000km	Multimodal options available

Source: Africa Action Plan ECA/TRIC/Transp/05/03/ACPL, 2003

c. Development of Corridors and Spatial Development Initiatives

Transport corridors in the SADC region are known as development corridors. It is not a matter of semantics. SADC has come up with a new initiative to upgrade transport corridors.

Many traditional transport corridors are not improved because traffic flows do not justify new investments, in turn exporters using the corridors are discouraged to produce and export more because of high transport costs. To solve this chicken and egg problem, SADC identifies anchor projects together with a list of other smaller projects in each corridor. Once investment is secured for the anchor projects, strong incentive is generated for the execution of the smaller projects, thereby enlishing economic activities and production, which in turn justify investments to upgrade the transport infrastructure.

For the Maputo Development Corridor, the anchor projects are: (1) the reconstruction of the Witbank–Maputo road; (2) the rehabilitation and management of Maputo port; (3) the rehabilitation and upgrading of the railway network in Southern Mozambique; (4) the development of the Mozambique Aluminium smelter; (5) the development of Beluluana Industrial Port; and (6) the development of natural gas resources.

SADC development corridors include (1) the North-South Corridor from South Africa to Zambia, (2) the Maputo Corridor which links the Gauteng province in South Africa to its closest port – Maputo, Mozambique; (3) the Walvis Bay Corridor which connects the capital Windhoek with Lubango, and Southern Angola; (4) the Dar es Salaam Corridor which links Zambia, Malawi, South-Western Tanzania and Southern Congo DR with the port of Dar es Salaam; and, (5) Walvis Bay Corridor (Trans-Caprivi Corridor) which connects the capital Windhoek with Lusaka, the copper belt of Zambia, as well as, Southern Congo DRC.[13]

d. Strengthening Institutional Mechanisms Responsible for Monitoring and Promoting the Implementation of Transit Agreements and Arrangements

Transit transport in landlocked and transit developing countries operates on the basis of formal and informal arrangements.

(i). Informal Arrangements

A typical informal arrangement is that of a port community (shippers, forwarders, shipping agents, customs port) which meets to discuss and solve specific issues, such as port congestion. These informal meetings and groups are task – oriented and they normally disband once their tasks are accomplished.

However, when a port community or other group seeks to organize as a pressure group for the reform of laws or development of new documents or procedures, the group may need to assume a more formal status to be effective, such as a Trade and Transport Committee. The National Trade and Transport Facilitation Committee of Pakistan, for example, was instrumental in (1) introducing a Single Administrative Document in Pakistan in 2003. It also helped in (2) the formulation and modernization of transport legislation; and (3) streamlining of financial and banking regulations.[14]

(ii). Bilateral Agreements

Bilateral agreements play an important role in transit facilitation. There are two types of bilateral agreements; (1) those that deal with a single subject matter and (2) those which deal with the right of transit in general.

[13] SADC Study on the Corridor/Spatial Development Initiative, 2007.
[14] Establishment of Functioning National Transport Facilitation Committees/Commissions, SPECA/PWG-TBC(11)/3, 2006 (available at: http://www.unescap.org/TTDW/common/TIS/SPECA/PWG_TBC_11thSession/11thSession_docs.asp)

Subject – specific bilateral agreements like the agreement between Paraguay and Argentina which granted Paraguay dedicated sheds at the ports of Buenos Aires and Rosario in 1943 tend to work effectively. Similar bilateral agreements between Bolivia and Brazil, Mali and Senegal, Burkina Faso and Togo are reported to work well.

Bilateral agreements of a general nature on transit tend to be limited in scope, leaving many issues to remain under the preview of national laws. Moreover, in the absence of a permanent secretariat to monitor the implementation of the agreements, problems which arise in the course of implementation are not studied, analized and submitted for consideration and resolution.

It may not always be economically justifiable for all bilateral agreements to establish permanent secretariats, but they should, at least provide for regular meetings with clear mandates to consider and resolve problems which arise in the course of their implementation.

(iii). Sub-Regional and Regional Agreements

With regards to sub-regional agreements, a distinction can be drawn between (1) those which are negotiated under the framework of RECs and (2) those which are negotiated outside the framework of RECs.

Those which are negotiated under the framework of RECs form part of RECs programme of work and activities. Difficulties arising from the implementation of such agreements are identified in reports prepared by the permanent secretariats for submission to the relevant intergovernmental bodies for decision.

Sub-regional agreements negotiated outside the framework of RECs may or may not provide for a permanent secretariat. The Northern Corridor Transit Agreement which entered into force in May 1987 has a permanent secretariat. And not surprisingly, it is working well.

Recent initiatives by RECs designed to facilitate transit transport include: (1) the establishment of adjacent border posts and (2) monitoring of illegal road-blocks. Work is underway to establish an adjacent border post at Malaba on the Uganda-Kenya Border. A second project is planned for the Zambia – Zimbabwe border at Chirundu.

In West Africa where road blocks by various control agents (police, gendarmerie, army) are rampant, observatory teams composed of public and private sectors patrol the corridors to monitor and report illegal road bocks. This initiative has been credited with some improvement in the reduction of illegal road blocks. (See III b(ii) below).

e. Modernization and Commercial Orientation of the Transport Sector

(i). Parastatal Organizations

Traditionally, large service providers like railways, ports authorities, post and telecommunications were public utilities. These parastatal organizations had a measure of autonomy but not much. Many of them had no power to raise credit in local or foreign financial institutions. Managements could not lay off redundant employees to improve their financial position or divest non-core activities that were loss making. Parastatal organizations, such as ports, generated huge revenues, but the cash was immediately credited to Government Consolidated Funds leaving them with little resources for their own development. These organizations were treated as auxiliary Governments departments devoid of flexibility and full of bureaucratic practices.

(ii). Commercial Orientation of Parastatal Organizations

Many landlocked and transit developing countries which have decided not to go on the path of privatization have taken measures to give greater autonomy to their parastatal organizations to enable them to provides better services and to complete with private organizations on an equal footing. In October 2004, for example South Africa's parastatals in the transport and energy sector (Ekon energy, Transnet, Transport) announced a huge investment programme of R165 billion over five years in order to reduce the cost of transport, which is considered to be expensive by international standards and is underutilized.[15]

For some landlocked and transit developing countries privatization was the option. Countries have decided to invite the private sector to participate in ownership or management of transport and telecommunication sectors. Reasons for the change of policy include: (1) lack of Government financial resources; (2) inability to meet demand for transport services, both in terms of sophistications and broad spectrum of services; (3) decline in official aid (both bilateral and multilateral); and (4) the inefficient public sector administration.[16]

f. Private Sector Participation

Private sector participation in the transport sectors and telecommunications comes in many forms, ranging from: (1) management (2) leasing and (3) outright ownership.

Private investment has been selective though. In the road sub-sector, the private sector has shown no interest in landlocked developing countries but in a number of transit developing countries, the private sector has been active. In Chile, for example, the private sector has been involved in the construction and maintenance of commercially viable roads through build-operate-transfer (BOT) concessions. This policy has yielded a modern motorway network between La Sevena and

[15] The Economist Intelligence Unit: country profile, 2007

[16] Best practices related to the commercialization, privatization and corporation of rail, air, road and marine transport in Africa (2004 ECA)

Puerto Monte, the area where 90 per cent of Chileans live. BOT concessions are also being used to build urban toll roads in Santiago, Valparaiso and Concepción. In Brazil 11,000 km out of 100,000 km of paved roads have been transferred to private management.

However, even in the landlocked and transit developing countries where there is no private sector investment in the road transport sub-sector, road management has been reformed in significant ways. This includes, decentralization of road management – the central Governments assuming responsibility for major roads while local administrations taking care of secondary and rural roads. A number of countries have also established autonomous bodies, such as, the Uganda National Roads Authority (UNRA) to take charge of the operational side of road management – construction and maintenance -while the Governments reserve policy functions. The autonomous bodies, like the UNRA have established dedicated road funds, like the Uganda Agency Formation Unit (RAFU) or the Kenya Road Board (KRB) which collect road charges and fees used for road construction and maintenance. The dedicated road funds are managed by Board of Directors appointed from the public and private sectors.

Unlike the road transport sector, private sector interest in the telecommunication sector is widespread both in landlocked and transit developing countries. In Bolivia, Telecom Italia bought the Empresa Nacional de Telecomunicaciones (Entel) in 1995. In Lao PDR, Thailand's Shin Satellite owns 49 per cent of the state company Laotel. In Brazil privatization and liberalization in the 1990's attracted major inflows of private investments in the telecommunication sub-sector, and in Uganda fixed-line connections increased from 39000 in 1995 to 130,000 at the end of 2006. But the greatest expansion there has taken place in the mobile network. Five mobile – phone network compete.[17]

Private investments also dominate the air transport sub-sector. Zambia has fully privatized air services following the liquidation of the loss-making Zambia Airways in 1994. There are around 15 private airlines. The first private airline in Afghanistan – Kam Air began to operate in 2003. In Paraguay the state owned airline-Lineas Aereas Paraguayas was sold in 1994 to a Brazilian Airline – Transportes Aereos Marilia. India private sector low – cost carriers are giving a hard time to the once dominant state – owned airline – India Airlines.

Railway concessioning began in the mid 1990s in Africa and Latin America (Brazil, Bolivia and Chile took action in 1996- 1998). In Africa, railway concessioning which began in 1995 with the Côte d'Ivoire- Burkina Faso network spread like bush fire. The Senegal – Mali network which links Mali to the port of Dakar in Senegal was concessioned in 2003 to CANAC – a Canadian operator. The Cameroon network was leased in 1999 to CAMRAIL whose major shareholders are the South Africa Company COMAZAR and BOLLORE Group. The Gabon network was leased to CECFT (the Gabon Timber Company) – a local forest management company and Transurb – Consult; in Eastern and Southern Africa, concessions include, Zambia Railroad (ZRL) which was leased to the

[17] MTN Uganda (a subsidiary of MTN of South Africa), Telecom, Celtel (a subsidiary of MTC of Kuwait), Hit Telecom (registered in Saudi Arabia) and Warid of Abu Dhabi.

Limpopo Bridge Project Investment Limited (NLPI) consortium in 2003. The CEM –N Railway and the Port of Nacala terminal, marine services, was concessioned to the Nacala Corridor –Development Consortium (SOCN) which also operates the Malawi Railway System. The 2,600 km Tanzania Railway Corporation (TRC) was leased in 2007 to an Indian firm – Rites Consortium for 25 years and the joint Uganda – Kenya railway network was concessioned to a private operator – Rift Valley Railways in 2006 for a 25 year period.

As part of their reform programmes, many landlocked and transit developing countries have passed legislation which establish regulatory bodies to monitor the activities of transport, energy and telecommunication service providers. These bodies are dedicated to the pursuit of competition, efficiency, economy and safe transport services. (See box 2).

Box 2: Tanzania Surface and Marine Transport Authority

SECTOR SCOPE:

The Authority's sectoral scope covers:

- Rail Transport;
- Port and Shipping Services
- Maritime Safety and Security;
- Road Transport;
- Economic Regulation.

ROLE:

- Promoting effective competition and economic efficiency;
- Protecting the interests of the consumers;
- Protecting the financial viability of efficient suppliers;
- Promoting the availability of regulated services to all consumer including low income, rural and disadvantaged consumers;
- Enhancing public knowledge awareness and understanding of the regulated sectors including as to:
    - The rights and obligations of consumers and regulated suppliers;
    - The ways in which complaints and disputes may be initiated and resolved;
    - The duties and functions of the Authority.
- Taking into account the need to protect and preserve the environment.

FUNCTIONS:

- To issue, renew and cancel licences
- To establish standards for regulated goods and regulated services;
- To establish standards for the terms and conditions of supply of the regulated goods and services;
- To regulate rates and charges;
- To make rules
- To monitor the performance of the regulated sectors, including in relation to:
    - Levels of investment;
    - Availability, quality and standards of services;
    - The cost of services;
    - The efficiency of production and distribution of services, and
    - Other matters relevant to the Authority
- To facilitate the resolution of complaints and disputes
- To disseminate information about matters relevant to the functions of the Authority.
- To consult with other regulatory authorities or bodies or institutions discharging functions similar to those of the Authority in Tanzania or elsewhere.

Source: Sumatra, United Republic of Tanzania

g. Public–Private Sector Cooperation

The changing role in which the private sector is increasingly becoming the main service provider and the public sector plays the central role of investor and regulator of such services calls for close public–private sector cooperation to ensure availability of safe, fair, reliable, and environmentally friendly transport services.

Although the functions of regulatory bodies are prescribed by law, the nature of such functions, for example, their functions to regulate rates and service charges, call for close consultations with service providers and consumers in order to arrive at outcomes which are fair to all the stakeholders.

The function of regulatory bodies geared to promote competition and environmentally friendly transport services also underline the need for consultations across a wide range of public and private stakeholders.

Many landlocked and transit developing countries have established mechanisms for public-private sector dialogue and consultations. For some, like Mongolia, Lao PDR, Kazakhstan and Nepal, dialogue and consultations are carried out with trade and Transport Facilitation Committees. Other landlocked and transit developing countries hold consultations with private sector representative bodies, such as, Chambers of Commerce.

However, not all landlocked and transit developing countries have established public-private sector consultative mechanisms and few such mechanisms have proved effective, in terms of obtaining specific outcomes, such as, change of legislation or influencing Governments to accede to international conventions.

II. Review of Progress in the Implementation of Infrastructure Development and Maintenance

a. Rail Transport

(i). Railway Rehabilitation and Modernization

Railway networks in landlocked and transit countries, many of which were built at the turn of the twentieth century face large maintenance backlog, ageing locomotives, and outdated signaling and communication systems.

In Latin America, both Bolivia and Paraguay have national railway networks, but the networks are in deep decline. In Paraguay the railway network is limited and its infrastructure has deteriorated. The country has no interconnections with Brazil or Argentina. The national railway - the Ferrocarril Central Carlos Antonio López (FCCAL) links the two main cities in Paraguay - Asunción with Encarnación. The FCCAL was converted into a joint-stock company in preparation for privatization but the process was halted in 2002. After many years of closure, a small section of the line between Asunción and Ypancarai was opened in 2004 for tourism traffic.

Bolivia has about 3,700 km of railways divided into two unconnected networks. The eastern lowland network connects with Brazil and Argentina networks and the western highland network connects with Chilean networks. Both railway networks have been concessioned to two Chilean groups since 1994. Several section of the western highland network, in particular those linked to former mining districts have closed. Those sections linking main cities remain operational but the system as a whole cannot compete with road transport.

In West Africa, Burkina Faso has a rail network which is connected to Cóte d'Ivore's rail network. But both networks depreciated to a point where the two countries decided to concession them to a private operator – Sitarail in 1995. But just when the private company was beginning to revive the railway system, civil war broke out in Cóte d'Ivoire in September 2002. Although the railways reopened September 2003, much of the country's external trade has been rerouted through ports in Ghana and Togo.

The Bamako – Dakar railway network owned by Mali and Senegal after many years of loss making has been concessioned to a Canadian company Canac-Getma which has promised to invest $68 million over five years to upgrade facilities and buy new rolling stock and locomotives.

In Southern African the Interconnected Regional Rail Network (IRRN) has a total of 33,953 km. The IRRN links major sea ports to the SADC landlocked developing countries and serve their imports and exports. Rail infrastructure in South Africa, Botswana and Swaziland is in fairly satisfactory condition, but in Zimbabwe, Mozambique, Zambia and Tanzania the infrastructure is in poor condition. IRRN infrastructure maintenance backlog in 1997 was estimated to exceed $300 million.

Government response to the survival of railways was mixed. South Africa is keeping the railway transport sub-sector in Government's hands and announced in 2005 to invest 31.5 billion Rand in five years for improving and expanding her railway network. Other SADC countries Malawi, Zambia and Tanzania, because of resource constraints have opted for privatization. As discussed earlier, the Malawian and Zambian rail networks were concessioned in 2003 to the Nacala Corridor Development Corridor, while the Tanzania central railway network was leased 2007 to an Indian Firm – Rites Consortium. Discussions for privatization are underway for Mozambique and Swaziland railway networks while negotiations to concession the Zimbabwe railway network are on hold.

In East Africa, lack of funds which led to the deterioration of the Kenya and Uganda railway networks convinced the Kenya and Uganda Governments to lease their networks to a private operator – Rift Valley Railways for 25 years. The Ethiopian Railway network owned jointly by Ethiopia and Djibouti was concessioned to Comazar of South Africa in 2004.

In Central Asia, the 22,000 km railway network which links Central Asia to Europe also faces large maintenance backlog, an ageing locomotive fleet consisting of units that lack many of the efficiencies of modern stock – shortages of freight wagons of various kinds. In Kazakhstan, for example, 40 per cent of the rolling stock is disabled i.e. need complicated repair (factory repair and complete overhaul)[18].The Central Asian countries intend to keep railways in Government hands but are willing to divest non-core activities for private participation.[19]

In Macedonia and Moldova railway transport is also in the doldrums. In Moldova years of underinvestment has weaken the railway system and is now used to transport just 30 per cent of the country's freight. In Macedonia, although the railway infrastructure escaped from the war in 2001, the economic downturn associated with the war reduced the passenger and freight market and the completion of an oil pipeline from Thessaloniki to Okta refinery aggravated the situation.

(ii). Operational Challenges and Opportunities

Traditionally, trains do not operate beyond their own railway lines. They exchange freight at the border (transshipment) leading to long delays. An efficient regional railway system should allow for the operation of through trains – movement of trains across borders.

However, while the benefits of through trains across national borders are easily discernible, the operation of through trains poses a host of challenges (technical, operations, legal) which must be overcome. For example, settlement of accounts must be done promptly and wagons belonging to different railways must be returned to home bases as soon as possible.

Freight forwarders in Central Asia and the Islamic Republic of Iran, for example, complain about inadequate bogie facilities at the Iranian - Turkmenistan boarder. There are no repairs facilities for minor operational fault of rolling stocks. Technical differences (traction, equipment, accounting system, signaling and clearance of documentation) are complex and cumbersome at entry points.

Shipping lines are unwilling to send containers to Central Asia because retrieval of empty containers from there is slow.

It is difficult to offer freight forwarders a through tariff for different destinations because countries along the Almaty-Istanbul route do not apply the same tariff system.

The movement of container trains (composition of train, departure) destination place, number of containers, border crossing time) need to be developed further to satisfy customers about their cargo, speed of block container trains, especially from Turkmenabat to Serakhs (maximum 36 km per hour) need to be improved.

Another problem relates to the standard container train in CIS (50 or more bogies). When such a train enters into Iranian territory, it has to be divided into

[18] Improvement of Transit Systems in Central Asia, UNCTAD/LDC/2003/5
[19] Trade and Transport Facilitation in Central Asia: Reducing the Economic Distance to Market (World Bank, 2005)

two, as the infrastructure in Iran cannot bear a train more than 26 wagons from Sarakh to Tehran. This raises cost for CIS transporters.[20]

In order to overcome some of the technical and operational problems associated with running through trains across national boarders, concession arrangements in Africa attempted, whenever possible, to appoint a single operator. Thus, the Mali and Senegal railway networks were awarded to CANAC – a Canadian Operator, the Burkina Faso and Cóte d'Ivoire railway networks were handled over to Sitarail and the Uganda and Kenya Railway networks were offered to Rift Valley Railways.

(iii). Legal Environment

Railways are governed by statutes which define, inter alia, their functions and civil liability. Since they are state-companies, their statutes tend to give them more protection at the expense of their customers and the public as a whole. In concrete terms, they pay no or little compensation in the event of loss or damage to goods and they are shielded from many obligations, including the need to observe environmental pollution standards.

Railways, like other commercial operators, must observe minimum environmental pollution standards and must also observe a high standard of care if they ware to satisfy customer expectations and attract them back to railway transport. Achieving this objective requires railway reform and modernization of the legal environment.

With regards to liability for loss or damage to goods the amount of compensation should reflect prevailing commodity market prices.

Railways which participate in successive carriage of goods should be subject to an international or regional liability regime. Railways in Central Asia, the Caucasus and Mongolia subscribe to the liability regime of the Organization for Cooperation between Railways (OSZhD). Other railway systems, particularly those which cross two or more countries, like the Inter-connected Regional Railway Network (IRRN) of SADC, should also adopt uniform liability rules.

The Convention Concerning International Carriage of Rail (COTIF), 1980 offers useful guidance. The convention provides an equitable balance of rights and duties between the railway carrier and customers. It regulates railway transport across two or more countries and in this context, facilitate claims for loss or damage of goods carried by successive (two or more) railway operators.

Another important area of reform is to enable railways to recognize documents issued by other transport agencies, such as multimodal transport operators. However, this requires enabling legislation. Pakistan law in this regard was passed in 2002.

(iv). Inter-Railway Agreements

[20] Improvement of Transit Systems in Central Asia, op cit

Cooperation between and among different railway systems is reflected in inter-railway agreements. Cooperation may be broad-based or limited in scope. They may be limited to transshipment arrangements whereby one railway system makes cargo available to another system at an agreed place and time for onward transport. Mongolia and Chinese railway systems exchange cargo at the Mongolian –Chinese border town of Zamyn Und.

Comprehensive inter-railway cooperation is exemplified by the Inter-connected Regional Railway Network (IRRN) of SADC. Under this arrangement, through trains operate across member states borders – all the way for instance, from Cape Town in South Africa to Dar es Salaam in Tanzania. Similarly, trains from Tashken, in Uzbekistan, can go all the way to Moscow.

Comprehensive inter-railway agreements is the way forward, however, railways companies and the countries involved must be able to sort out many issues. Governments must provide an enabling environment, such as, (1) legal framework; (2) measures to facilitate payment in foreign exchange abroad; and, (3) establishment of effective institutions for dispute settlements.

Railway Cooperation has to tackle many technical and operational issues, including prompt settlement of accounts, expedition's return of wagons to base, assistance in providing minor repairs of wagons en route, and minimizing delays of transit traffic. Failure by Governments or railway companies to carry out their respective duties and undertakings generate pressure to suspend operations of through trains and can lead to the total collapse of the system.

Problems have arisen in both Central Asia and the SADC region. In Central Asia, delays in settlements of accounts and late return of wagons threaten the operation of through trains. In the SADC region the economic collapse of Zimbabwe created a serious bottleneck. Trains have been stranded for lack of fuel and settlements of accounts have been delayed for lack of foreign exchange.

The operations of through trains in Central Asia and the SADC region may pose many challenges, but the collapse of the systems would be a major set back to economic cooperation and integration efforts in the regions. The introduction of computer information systems enables tracking of wagons and facilitates preparation and settlement of accounts. Other problems, such as, the temporary economic difficulties in member states should also not be allowed to destroy a good system.

b. Road Transport

(i). Infrastructure Development and Financing

Road construction and maintenance pose a major challenge to landlocked and transit countries. Many countries rely on external financing for road construction and maintenance but foreign aid, especially for infrastructure development has stagnated or even declined (See Section VI of this Chapter). In spite of these problems there are some bright sports where rehabilitation and upgrade of road networks of interest to transit transport is underway.

In the SADC region, South Africa announced in 2005 plans to boost infrastructure spending to $59 billion in three years. Part of the money will go to expansion upgrade of the Durban-Gautemg Transport corridor which is also used by transit traffic. In Mozambique, as part of the country's rehabilitation of the national road network, priority in 2006 is being given to the rehabilitation of the Beira – Zimbabwe road and the Lichinga – Pemba – Mocuba roads in the Zambezi Province. In Tanzania, the Dar es Salaam –Morogoro road which is also used by landlocked developing countries will be upgraded under the ten year 2001/02 to 2010/11 Integrated Roads Programme.

In Eastern Africa, Ethiopia placed rehabilitation of the road infrastructure a core element of her first Road Sector Development Programme RSDPI, 1997 – 2002, RSDPII (2003 – 2007) and RSDPIII (2007 – 2010). The country envisages significant expansion of the road network under RSDPIII. Rwanda has since 2005 carried major rehabilitation of her roads as part of her infrastructural spending under the IMF – World Bank poverty reduction strategy paper.

In West Africa, Burkina Faso in September 2005 began a $23 million programme financed by the African Development Fund to upgrade a 1,000 km of rural roads. This work is running parallel to the Government five-year project launched in April 2003 to repair and upgrade the transport infrastructure with $92 million from the World Bank and $104 million from the European Union.

In Central Asia, Afghanistan made reconstruction of its road network a high priority. It is the second –largest sector absorbing international aid after security. $258 million and $343 million was allocated to road development in 2005 and 2006, respectively. The European Union in 2006 financed the construction of road stretches between Kabul and Jalalabad. Iran has provided funds for a road project between Zaranj on the Iranian border and Dilaram in Western Afghanistan. The Asian Development Bank has also financed numerous projects in including the rehabilitation of the Herat – Andkhay road. Tajikistan announced in 2005 to a build bridge across the Pang River at the border with Afghanistan to facilitate the country's access to the sea through Afghanistan.

In Eastern Asia, the transport network in Mongolia is being upgraded with external aid. In 2003, 1714 km of road was paved. The construction of an east west road began in 2001.

In Latin America, Bolivia has two major road projects under way: (1) From Santa Cruz to the Brazilian border at Puerto and (2) a northerly road across the Andes from La Paz to the Brazilian border at Guayaramerin. These roads are expected to be completed in 2010. In Paraguay, a road rehabilitation programme between 2003 – 05 to improve roads between Asuncion and Pillar, Asuncion and San Pedro was completed with assistance from the Inter-American Development Bank (IDB). Road links with Buenos Aires have also been improved with construction of a bridge on the Parana River between Encarnacion and Posadas in Argentina.

(ii). Operational Challenges and Opportunities

- **Road Transport Restrictions**

Road transit is highly restricted in Asia where railway transport is still important and protected. Vehicles from landlocked developing countries like Afghanistan, Nepal and Lao PDR cannot carry freight to and from the ports of transit developing countries. Vehicles from Central Asia also face restrictions although this has more to do with non-compliance of vehicle technical specifications.

In West Africa, the Inter-State Road Transport Convention (TIE) prescribes a system of quotas, restricting the number of vehicle each country is allowed to undertake inter-state transport.[21] In addition, there are bilateral agreements under which the right of carrying imports of landlocked developing countries is prescribed, normally, reserving up between 50-75 per cent of the freight to be carried by vehicles registered in landlocked countries.[22]

These measures adopted in 1980s were intended to protect the transport services industries of landlocked developing countries against the stronger transport service industries of transit countries. But over the years, the transport service industries of landlocked developing countries in West Africa have failed to take advantage of the protection and to grow. As a result, many vehicles from landlocked developed countries in West Africa are open-top old lorries (15-20 years) which often break down on the highways.

Another disadvantage of the quota and reservation system is delay due to lack of adequate carrying capacity from landlocked developing countries. Often, cargo at the port reserved to be carried by vehicles from landlocked countries in is delayed waiting for the designated vehicles to arrive. In this way, the quota and reservation system has become yet another factor which that adds to the cost of imports of landlocked developing countries in West Africa.

In Latin America, vehicles from landlocked developing countries are allowed to carry their external trade to and from the ports of their transit neighbours. However, foreign vehicles can register in Bolivia and Paraguay and be able to participate in freight movements. In times of bumper harvests the countries rely on their neighbours to move commodities to the sea ports.

- **Road Transport Escort**

In West Africa transit vehicles are escorted to the border by customs. However, as the escort is not provided on demand (provided only three time a week), the policy measure gives rise to two main disadvantages: (1) vehicles and goods are immobilized for three days; and (2) the escort convoy composed of 30-50 vehicles arriving at the border post at the same time creates long and unnecessary delays.

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[21] Improvement of Transit Transport in West Africa, UNCTAD/LDC/2003/2

[22] Legal and institutional framework for transit operations: Current situation and proposals for improvement, UNCTAD/LDC/MISC. 11 (1993)

One reason customs give for maintaining the escort system is the fact that many vehicles are open-top. Customs insist that vehicle drivers can add or subtract goods from the vehicle – hence the need for supervision.

A similar argument is used in Central Asia to institute customs escort. There, a condition to allow open–top lorries to carry out transit operations requires operators to accept and to pay for customs escort. Properly sealed vehicles in Central Asia traveling under the TIR convention are exempted from customs escort. (See Section III (a) for discussion TIR convention system).

- **Road Blocks/Police Checkpoints**

Police control on the highways is a common practice, but in West Africa, it is excessive. A study conducted in October – December 2007 under the ECOWAS/EUMOA initiative[23] reported that there were 24 police checkpoints on the Bamako-Ouagadougou Corridor (1,020 km) and 24 checkpoints on the Tema – Ouagadougou Corridor (808 km).

The delays caused by the checkpoints was about 4-70 minutes per 100 km. Bribes demanded at the checkpoints are estimated to be $29 per 100 km in Mali and about $6 per 100 km in Burkina Faso, Ghana and Togo (Table 1).

However, ECOWAS/UEMOA joint initiative is underway to combat the practice. Teams composed of public and private sector officials patrol the highways to monitor the practice by and to publish reports which are used to adopt policy measures.

Table 1: Incidence of Road block/police checkpoints in West Africa

Country*	Distance traveled in each country (km)	Number of Checkpoints		Brides (in USD)**		Uniformed services responsible***	Delays per 100 km (in minutes)
		In the country	Per 100 km	In the country	Per 100 km		
Bamako-Ouagadougou Corridor							
Mali	**417**	**20**	**4.8**	**121**	**29**	**P C G**	**10**
Burkina	488	4	0.8	31	6	C P	6
Corridor	905	24	2.7	152	17	C P G	8
Lomé-Ouagadougou Corridor							
Togo	**746**	**11**	**1.5**	**69**	**9**	**P G**	**5**
Burkina	274	6	2.2	25	9	C G	4
Corridor	1020	17	1.7	94	9	G P C	5
Tema-Ouagadougou Corridor							
Ghana	**808**	**18**	**2.2**	**51**	**6**	**C**	**17**
Burkina	184	6	3.3	14	8	C P	9
Corridor	992	24	2.4	65	6	C P	16
Burkina All	**946**	**16**	**1.7**	**70**	**7**	**C P**	**6**

Source: Improved Road Transport Governance (IRTG) Initiative on Interstate Trunk Roads, 2007 USAID: results from October 27 to December 31 2007

[23] Improving Road Transport Governance (IRT) Initiative on Interstate Trunk Roads, 2007 USAID.

Notes: *The surveys covered: 24 trips between Tema and Ouagadougou; 30 trips between Ouagadougou and Bamako; 2 trips between Lomé and Ouagadougou (very weak sample). Statistics have been rounded.
**1 USD = 450 FCFA and 1 USD = 0.96 GH¢
***C = Customs; G = Gendarmerie; P = Police

- **Overloading and Gross vehicle mass**

RECs have done commendable work to harmonize axle load regulations and gross vehicle mass. In Latin America MECOSUR member countries have incorporated into their domestic legislations agreed axle load limits and gross vehicle mass. Similar in the COMESA region, harmonized axle load limits and gross vehicle mass have been adopted (See Table 2). Several landlocked and transit developing countries have installed weighbridges to strengthen control regulations but the problem of overloading and movement of oversize vehicles has not gone away.

In the Northern Transit Corridor in Kenya, regulations allow vehicles weights up a maximum of 53 tonnes, but vehicles of 60 tonnes and above are plying the corridor due to pressure from powerful transport operators.

Vehicle overloading lead to accelerated road damage but the contra-argument is that, the delays vehicle endure **en route**, compounded by lack of return cargo and high oil prices will put transit operators out of business unless they use bigger vehicles.

Table 2: Harmonized Axle Load Limits

Axle configuration	**Tonnes**
Single Steering Axle	8.0
Drive Axle	10.0
Tandem Axle Group	16.0
Triple Axle Group	24.0

Source: COMESA Secretariat

- **Harmonized Road Transit Charges (HRTC)**

Transit traffic is required to pay transit charges for use of roads, bridges and other facilities. However, different practices in countries of transit, a proliferation of charges and fees (entry fees, fuel charges, toll fees) and unpublished charges and rates is an obstacle to trade. COMESA has done a commendable job to harmonize road transit charges. As can be seen on table 3 below the consolidated transit charges are based on vehicle size.

Table 3: Harmonized Road Transit Charges (HRTC)

Type of Vehicle	**Charges Per 100 km in (US$)**
Big Buses carrying >25 Passengers	5.0
Rigid Heavy Goods Vehicle	6.0
Heavy Goods Vehicle (HGV) with >Axles	10.0

Source: COMESA Secretariat

- **Vehicle Dimensions**

Harmonization of vehicle dimensions or specification is a priority area for transit facilitation because roads, bridges tunnels are constructed with a view to accommodating certain vehicle sizes, in terms of height, width and maximum lengths. Vehicles which exceed technical specifications pose danger to road assets and road users and contravene domestic legislation. A regional solution i.e. harmonization of vehicle specification is therefore an important element of transit facilitation.

In Latin America, the MERCOSUR member countries have adopted domestic legislation based on agreed technical specifications. The COMESA region as indicated in Table 4 has adopted harmonized vehicle dimensions.

Table 4: Harmonized Vehicle Dimensions

Vehicle Type	**Max. Length (M)**	**Max. Width (M)**	**Max. Height (M)**
Rigid Single chassis	12.5	2.65	4.5
Articulated Vehicle	17.0	2.65	4.6
Truck and draw bar trailer	22.0	2.65	4.6
Articulated vehicle with articulated or inter link trailer	22.0	2.65	4.6

Source: COMESA Secretariat

- **Third Party Motor Insurance**

Traffic regulations all over the world require that vehicles are insured against accidents. Transit vehicles can obtain insurance cover in their country of registration and in each country of transit but this leads to delays and costs. A sub-regional or regional scheme facilitates transit traffic. Latin America has a third party motor insurance system. ECOWAS and COMESA also have their own schemes.

Establishing a regional third party motor insurance scheme requires that each country organizes a bureau of national insurance companies to administer the scheme. In the event of an accident, a motorist has only to contact the lead bureau in the country where the accident occurred for assessment of damages and settlement of the claim. The paying bureau then bills the originating bureau, normally where the vehicle is registered. Physical transfer of funds is rare, as bureaus maintain accounts with each other which tend to balance out.

The advantage of such a scheme is that the motorist pays the insurance in his country of residence in local currency and avoids any delays and inconvenience of carrying foreign currencies and making payments at each border post. More importantly, in the event of an accident in a foreign country, the capacity is available for damage assessment, payment of liability and other administrative support without which the motorist would be in a difficult position.

(iii). Legal Environment

Road transport operators offer contracts of carriage of goods by road to shippers but many of these contracts exclude their responsibility. Shippers may also be disadvantaged because transport operators may well be based in transit countries making it difficult to pursue claims against loss or damage to goods.

The need for a regional liability regime is justified by the fact that transit transport is international in nature requiring an extra-territorial legal framework.

In central Asia, landlocked countries have acceded to the Convention on the contract for the International Carriage of Goods by Road, 1959. Mongolia is also a party to that convention.

The position of Central Asia is unique in that their goods are carried by road from there to Europe, hence the need for them to accede to the convention.

Elsewhere, the option for a regionally agreed liability regime is equally valid. In this context, the Northern Corridor Transit agreement contains uniform rules for application in the Northern Corridor.

c. Port Development

Infrastructure Development and Financing

Infrastructure underinvestment in the last two decades has delayed port development programmes. The rapid rise in containerization took many ports by surprise. In 2002, for example, 25 million containers passed through South African's ports, an increase of 19 per cent since 1998. South African ports were overwhelmed. However, the port authority-Transnet has embarked on 2.1 billion Rand capital expenditure to upgrade its five main ports to facilitate a 14 per cent increase in container volumes passing through the ports by 2006.

In Mozambique, the ports need rehabilitation after the country's civil war. The port of Maputo has been concessioned in April 2007 for 15 years to an international consortium – The Maputo Port Development Company (MPDC). Beira port will be rehabilitated with Danish assistance of $53 million. However, port activities have been affected by the economic decline of Zimbabwe which is the main user of the port.

In Tanzania, the port of Dar es Salaam has experienced congestion, largely due to weak off-take capacity. An inland container storage deport was opened at Ubungo 10km from the port in 2007 to alleviate congestion. The container terminal was concessioned in 2000 to the Tanzania International containers Terminal Service.

In Eastern Africa, the port of Mombasa has experienced high levels of congestion and delays. Despite these problems however, port throughput continued to rise at the average of 10.5 per cent per year.[24]

[24] Improving Transit Transport in East Africa Challenges and Opportunity, UNCTAD/LDC/207/2

The port of Djibouti is well equipped and efficient. However, port throughput has grown by over 30 per cent between 2000 and 2004. Because the possibility for further expansion is limited, Djibouti in 2006 began to develop a new port at Doralen, 10 km from the old port.

In West Africa, the port of Abidjan is well equipped, but has suffered greatly from recent political instability. Transit shipment fell by about 95 per cent or 15.5 million tones in 2003. Anglo-Dutch concession led by P&O Nedlloyd was awarded in 2000 a 30-year build-operate-transfer (BOT) concession to build a new terminal on the side of Abidjan's lagoon, in Locodjoro.

The port of Dakar in Senegal increased its share of transit shipment because of the political problems in Cóte d'Ivore. Transit trade, mainly from Mali increased from 625,600 tonnes in 2003 to 784,000 tonnes in 2004. The port of Dakar is undertaking an ambitions programme to modernize and expand its facilities with plans to build a new grain terminal and also to increase capacity to handle containers.

In South East Asia where there are two landlocked developing countries – Bhutan and Nepal, port facilities are provided by India. India has 12 major ports. Cargo handled by the major ports in 2005- 06 was 570 million tones. However, port capacity needs expansion. The country plans to increase private sector participation, including granting automatic approval for up to 100 per cent foreign equity in port and harbor construction projects.[25]

In Eastern Asia, Mongolia being landlocked uses the port of Tianjin of China. Port facilities in China have improved rapidly in recent years. China has 200 ports which handled 3.4 billion tonnes of goods in 2006.

In Latin America, the landlocked developing countries of Bolivia and Paraguay use Ports in Brazil, Argentina, Chile and Peru. Chile's ports are generally advanced and efficient. In 1999 the four main ports in the country (Valparaiso, San Antonio, San Vivente and Iquique) were privatizes through BOT concessions. A concession was also granted to build a deep water port al Mejillones. Port handling capacity is projected to raise from 28 million tonnes a year (lt/y) in 2002 to 77 million tones t/y by 2015. Ports in Argentina are well developed and efficient. Privatization has reduced costs, especially in Buenos Aires, which is the country's major port.

d. Inland waterways

(i). Infrastructure Development and Financing

Inland water transport is important to at least seven landlocked developing countries: the Central Republic, Uganda, Turkmenistan, Kazakhstan, Azerbaijan, Bolivia and Paraguay.

[25] Economist intelligence Unit, India Country Profile, 2007.

The Congo River and its tributaries provide 5,000 km of navigable waters. Oubangui River – a tributary of the Congo River, provides transport opportunities for the Central African Republic. It transports bulk cargo, like logs. One fifth of the Central African Republic's oil imports are transported by barges on the Oubangui River.

In Central Asia, the use of the Caspian and the Volga–Don Canal provides access to the Black Sea.

Paraguay enjoys 3,100 km of navigable River transport which provides access to Atlantic ports of neighboring Argentina and Brazil.

(ii). Operational Challenges and Opportunities

Traffic along the Oubangui River is restricted during the dry season – December to July. Overcoming this obstacle requires a dam to be built near Bangui in the Central African Republic but efforts to mobilize funds have not been successful so far.

In Central Asia, greater use of the Volga-Don canal is discouraged by inefficient multimodal services which are unreliable and subject to long delays.

Similarly, inefficient river operations along the Paraguay-Parana waterways forced trade to shift to road transport due to navigational difficulties, lack of shipping space and high freight charges. However, in spite of operational difficulties, water transport is still important for certain commodities, notably grain exports.

(iii). Legal environment

Argentina, Bolivia, Brazil and Uruguay signed an inland water transport agreement relating to the Paraguay – Parana rivers in June 1996 under which the principles of free navigation, equal treatment, freedom of transit and reciprocity are enshrined.

The agreement has specific provisions relating to multilateral treatment of Cargo reservation, ship ownership, transport, trade facilitation and port and navigational services. It sets procedures for settlements of disputes. It also establishes and institutional machinery for the monitoring and implementation of the agreement. Protocols which form part of the agreement deal with technical issues, including uniform regulations for navigational safety, environmental protection and common customs procedures.

The Caspian and the Volga – Don Canal which provides access to the Black sea is governed by regulations in force before the independence of the Central Asia landlocked developing countries in 1991. Standards set for construction of vessels, navigational safety, environmental protection and vessel crew training are applied by users of the Volga – Don Canal.

In the case of the Oubangui river waterways, the legal framework is based on national laws. However, the laws and regulations in force in Congo Brazzaville and the Central African Republic are similar.

However, the existing legal frameworks governing transport operations along the Oubangui River, the Volga-Don canal and the Paraguay – Parana River are not likely to meet current international environmental standards and they also may well be short of internationally acceptable standards of liability for vessels engaged in inland water transport. Accordingly, there is a strong case for review of exiting regimes with a view to bringing them up to date.

e. Air Transport

(i) Infrastructure Development and Financing

In southern Africa, Johannesburg is the hub used by neighboring countries as a gateway to international destinations. South African's airport has a combined annual handling capacity of 28.4 million domestic passengers and 11 international passengers. The country has targeted an increase of airport capacity to 55 million – 60 million passengers per year and is building a new airport at La Mercy, north of Durban. South African Airways dominates the skies in Southern Africa. Lesotho relies entirely on South Africa Airlines which flies regularly to the country. Lesotho Air was sold to a Johannesburg – based charter company. There are plans to upgrade the air port at Maseru so that it can handle more freight. Zambia has privatized the national carrier.

In Eastern Africa, Nairobi in Kenya and Addis Ababa in Ethiopia complete as regional hubs. Kenya has three international airports, Nairobi's Jomo Kenyatta International Airport (JKIA), Mombasa Moi International Airport (MIA) and Eldoret International Airport. The Kenya Airport Authority (KAA) in 2006 announced a five year strategic plan of a $100 million to increase airport capacity. Facilities at the Bole International airport, Addis Ababa received a major lift in 2003, with the opening of a new passenger terminal and runway which cost $135 million. A new terminal costing $35 million opened in 2006 with a freight capacity of 250,000 tonnes per year. In Rwanda, the national airline – Rwanda air Express provides internal and regional services to Uganda, Kenya and Tanzania.

In West and Central Africa, airline fleets are relatively small. They provide services to regional hubs like Khartoum or Lagos for International flights. Air France provides weekly flights to the landlocked countries of West and Central Africa.

In South – East Asia, Lao PDR is undertaking major renovation of airports of Bokeo and Luang Namtha as well at Pakse in the south. The National Airline Lao Airlines is back on air after suffering from financial and safety problems in 2003. The Lao Airlines has expanded its fleet and it has signed an agreement with Thai Airways International to launch join routes.

In Eastern Asia, the Mongolian, national airline is being prepared for privatization. Small private airlines are in operation, including Auro Mongolia, Eznis Airways and Trans Olgii.

In central Asia and the Caucasus new developments include the construction of an international – standard passenger terminal at Yerevan Armenia which was completed in 2007. A second passenger terminal is scheduled for completion in 2011. In Kazakhstan the state – owned airline Air Kazakhstan was declared bankrupt in 2004.

In Latin America, Bolivia has two international airports at La Paz and Santa Cruz. La Paz airport – El Alto airport is at high altitude (4070 meters). Large air craft cannot take off at full capacity, therefore stop at Santa Cruz (416 meters) to increase their payload before departure to foreign destinations.

The national flag-carrier Lloyd Aero Bolivia (LAB) was privatized in 1995 to a Brazilian airline – ViaEao Aèrea Sáo Paulo (VASP) which in turn sold it to local investors. The airline is in a difficult situation. A rival private airline Aerosur, based in Santa Cruz now serves all the country.

Paraguay has 12 airports with paved runways but there are only two international airports. The airport at Asuncion requires better radar facilities and an automatic landing system to enable international flights to land even in bad weather. The Government privatized the state –owned airline – Lineas Aèreas Paraguayas ion 1996.

In Europe, Macedonia has two international airports at Ohrid and Alexander the Great. The national flag-carrier Macedonia Airlines provides local and international flights. However, the civil conflict in 2001 and crisis in Kosovo has depressed passenger and freight traffic. The Government is committed to liberalize the air transport market.

Moldova has four international airports. International airlines fly to Chisinau, the country’s main airport. Air Moldova is the country’s flag-carrier and is still owned by the state. It accounts for 50 per cent of the country’s passenger traffic. There are two private airlines – air Moldova and Moldovan Airlines.

(ii) Operational challenges and Opportunities

Air transport offers landlocked developing countries access to international markets without transiting through third countries. More than one million passengers per year pass through the airports of Azerbaijan, Bolivia, Ethiopia, Turkmenistan and Uzbekistan. However, for many other landlocked developing countries, airport hubs are in neighbouring transit countries.

Air freight is important form any landlocked developing countries. Ethiopia leads with 117.2 million ton per km, followed by Uzbekistan (83.5 million ton per km), Azerbaijan (24.4 million ton per km), Bolivia (24.5 million ton per km) and Uganda (26.7 million ton per km).

f. Pipelines

The landlocked countries in Central Asia which are rich in oil and gas are linked to the Russian pipelines network which allows them to export hydrocarbons to Europe. However the pipeline network is ageing and its capacity no longer meets current demand.

In addition Russia is a competitor - an oil and gas exporter - heightening the need for construction of alternative pipelines. A new pipeline by the Caspian Pipeline Consortium (CPC) – with participation of Russian was completed in 2001.

The pipeline pumps oil from Tengiz field in Kazakhstan is due eventually to export oil across the Caspian Sea to Azerbaina where oil will enter the pipeline connecting the Azerbaijan Capital, Baku with the Turkish port of Cyhan.

A pipe line linking Bolivia gas fields to the south of Brazil was complete in 1999.

Macedonia completed an oil pipeline from Thessaloniki in Greece to the Okta refinery in Macedonia in 2001.

Kenya's pipeline from a refinery in Mombasa to the main centers of economic activity in Nairobi, Kisumu and Eldoret will be extended to Kampala in Uganda according to an agreement reached by the two countries in July 2007. The pipeline project expected to cost $78.2 million will be co-financed by Kenya and Uganda with the participation a private company – Tamoil from Libya.

Oil in commercial quantities – reserves of between 700 million and 1 billion barrels and a flow rate of 30,000 barrels/day – has been discovered in the Rift Valley in Uganda and a pipeline to the Indian Ocean will be constructed. The Government has concluded a profit-sharing agreement with four companies: Tullow of United Kingdom, Hardmad Resources of Australia, Heritage Oil of Canada and Neptune Petroleum 0- a subsidiary of Tower Resources of the United Kingdom.

Chad's pipeline built by a consortium comprising of ExxonMobil, Petronas of Malaysia and Chevron was completed in 2003 to carry oil from Chad to the Coast in Cameroon.

g. Communications

Remoteness of landlocked developing countries from sea ports and overseas markets compounded by inadequate communications links with ports and commercial centers continues to be a major handicap inhibiting the rapid development of their external trade. Port and customs clearance is often delayed because of late arrival of essential documents form landlocked developing countries or clearing and forwarding agents cannot communicate with shippers in landlocked developing countries to get instructions to pay port or customs for release of goods. Fixed-line telephones until a few years ago, were the only medium of voice communication, but fixed-line telephones were inadequate in many landlocked and transit developing countries. For instance in Malawi; only

6.3 out of 1,000 people were fixed-line subscribers in 2004. However, modern technologies, particularly the mobile telephony and internet have revolutionized the telecommunication sub-sector.

In Southern Africa, Botswana's telecommunications system is fully digital. Fiber-optic cables link all the main population in the east international calls are made via satellite, using international direct dialing. There are two cellular phone services – Orange and Mascom Wireless. Botswana's teledensity has risen to 57 per cent in 2005. The number of internet users was estimated at 65,000 in 2005 as against 19,000 in 1999. In Lesotho, the Lesotho Telecommunication Corporation was privatized in 2001. The number of landlines has increased from 22,000 in 200 to 44,000 in 2005. Mobile expansion has been rapid from 21,600 subscribers in 2000 to 245,100 in 2005 internet expansion has been less dramatic increasing to 45,000 users in 2005 from 43,000 in 2000.

In Eastern Africa, Uganda made significant progress, increasing fixed-line connections from 39,000 in 1995 to 130,000 in 2006. But the greatest expansion has taken place in mobile telephones. Five companies compete in the Uganda market, raising the total number of subscribers to 2.6 million at the end of 2006. In Burundi progress has been less impressive. There are just three telephone fixed-lines per 1,000 people. The mobile telephony is provided by private business but there are just 150,000 subscribers, about 1.8 per cent of the population.

In West and Central Africa progress is mixed. In Chad telecommunication is limited, including mobile telephony which had a penetration rate of 2 per cent in 2005. On the contrary, Mali is upgrading her telecommunication system with the aim of providing one telephone line per 100 inhabitants. Mobile telephony jumped from 380,000 in 2005 to 1,226,000 at the end of 2006.

In Southern and Eastern Asia, Lao PDR telecommunication sub sector was liberalized, allowing four operators to compete in the market – Laotel Enterprises of telecom Lao (ETL), Lao Asia Telecom (LAT) and Millicom Lao. There are about 561,000 mobile phone subscribers in Lao in mid 2007. Lao internet usage is low, but growing. In Mongolia, telecommunications have improved significantly. There are six mobile telephone providers. A 654 km fiber-optic network is being installed by MobiCom, the country's leading mobile company which will facilitate broadband and communication services between major towns.

In south and Central Asia Afghanistan telecommunications are improving. The first mobile service was established in 2002 – Afghan Wireless Communications Company (AWCC). It was joined by a rival network – Roshan. Two further licenses were offered in 2005 to Saudi and Lebanese companies. In Kyrgyzstan, the telecommunication sub-sector has been modernized. By 2006, Kyrgyzstan had 84 fixed-lines per 1,000 people up from 79 in 2001. Mobile telephony has rocketed with 103 subscribers per 1,000 people in 2006. In Azerbaijan the progress is even more striking, with an estimated 480 mobile phone per 1,000 inhabitants in 2007 compared with 0.3 per 1,000 in 1993.

In Europe, Macedonia and Moldova have both low fixed-line telephone density and vibrant mobile telephone. Macedonia had 491,000 fixed telephone lines in 2006 or 24 per 100 inhabitants while in Moldova only 27.7 of the populations had fixed-lines telephones. Macedonia has sold 51 per cent shares of the state-owned telephone company – Makedonski Telecomunikacii (MakTel) to a consortium led by Matr (now Mgyar Telecom of Hungary).

On the mobile sub sector which is dominated by the private sector, Macedonia has three completing companies – Maktel's subsidiary, T-Mobile Macedonia and Mobilkom Austria. Macedonia has two mobile telephone operators – Voxtel which controls 60 per cent of the market and the second operator is Modcell, Turkish –Moldovan joint venture.

In Latin America, the pattern of slow growth of the landline sub sector and the rapid rise of mobile telephony is confirmed. In Paraguay mobile coverage in 2006 was around 50 fixed-lines per 1,000 people as against 294 per 1,000 inhabitants for mobile telephony. While in Bolivia, it is 69 fixed-lines per 1,000 people compared to 200 per 1,000 inhabitants. In both countries, fixed-line companies are owned by the state or cooperatives while mobile telephony is owned by the private sector.

III. Implementation of Existing Trade Facilitation Measures in Landlocked and Transit Developing Countries

Transit facilitation in landlocked and transit developing countries is based on bilateral sub-regional region and international conventions. Landlocked and transit developing countries pursue different approaches to achieve their objectives. A number of landlocked developing countries such as Bhutan, Nepal, Afghanistan and Mongolia rely on bilateral agreements with their transit neighbours. In both Africa and Latin America transit facilitation is promoted under the framework sub-regional economic communities RECs. Transit facilitation in Central Asia and Caucasus is governed by international conventions.

In spite of their different approaches, landlocked and transit developing countries share many of the problems facing transit traffic such as delays at border crossings, inadequate infrastructure facilities and port congestion. but there are also some problems which are sub-regional or transport corridor – specific. These are discussed below.

a. Regional Customs Transit Systems

Customs clearance is the single most important impediment in transit transport. Traditionally, when goods cross the territory of one or more countries in transit, the customs authorities in each country require the use of national transit documents and apply national controls and procedures. These vary from country to country, but frequently include inspection of the goods at each national frontier and the imposition of national security arrangements (control document and guarantee) to cover potential duty and taxes in the transit country. These measures, applied in each successive country, can lead to considerable expense, delay and interference with transit traffic.

The response to this problem in terms of transit facilitation is to establish a regional customs transit system. But the establishment of such a system is not an easy matter to accomplish. In West Africa, landlocked and transit developing under the framework of ECOWAS adopted a customs agreement on Inter-state Road Transit (TRIE) in 1982, but 26 years have passed, and they have still a long way to implement their regional customs transit regime.

The TRIE is based on the TIR Convention.[26] The essential pillars of TRIE or TIR transit system are that: (1) goods should travel in secure vehicles or containers, (2) duties and taxes at risk should throughout the journey be covered by an internationally valid guarantee, (3) the goods should be accompanied by an internationally accepted carnet taken into use in the country of departure and accepted in the countries of transit and destination, and (4) customs control measures taken in the country of departure should be accepted by the countries of transit and destination.

The conditions of TRIE in West Africa proved too difficult to comply with. Transport operators there could not afford the vehicle prescribed in the convention. Secondly, Transporters' Associations there were not financially and professionally capable to assume the responsibilities of managing the TRIE system. Accordingly, the system never took off. Road transit still requires national customs declaration documents and guarantees.

Similarly, the Central African countries of Chad, Central Africa, Cameroon, Congo and Chad adopted an International Convention on Road Transit (TIPAC) in 1991, but the convention has proved difficult to implement for similar reasons – Transport Association in the sub-regional are not capable of assuming the financial responsibility envisaged in the TIPAC Convention.

In Central Asia and elsewhere, the landlocked and transit developing countries have acceded to the TIR convention. (Table 6). However, many transport operators cannot meet the financial requirement to join National Transporters' Associations which manage the TIR system. TIR vehicles are costly and National Transporters Associations which issue TIR carnets must deposit with customs $8,000 for each TIR carnet issued.[27] As a result, TIR operations in Central Asia are dominated by foreign transport operators.

In Eastern and Southern Africa, landlocked and transit countries, acting under the framework of COMESA adopted in 1997 a regional customs and administrative document – The Single Goods document (SGD) as a first step towards regional customs scheme. They are now working on the implementation of their Regional customs Bond Guarantee Scheme.

[26] Convention on International Transport of Goods under cover of TIR Carnets (TIR Convention 1975).
[27] Trade and Transport Facilitation in Central Asia: Reducing the Economic Distance to markets. World Bank (2005)

The COMESA strategy of separating the customs transit procedures into two: (1) customs declaration document and procedure; and (2) the security or custom bond procedure and dealing with one procedure at a time may well proved to be the way out for poor countries. The Regional Customs Bond Guarantee Scheme will be managed by insurance companies.

The choice of insurance companies to manage the security or customs bond guarantee system is sound. Insurance companies in the COMESA region have successfully managed the regional third party motor insurance scheme, they are therefore well positioned to manage the security or customs bond procedure.

b. Port Clearance

Port Clearance entails the release of goods by the competent authorities – customs and port authorities after they have been satisfied that all payments against the goods including port charges have been paid and that the goods are being released to the rightful owners – consignee, shipper, clearing agent. To satisfy these requirements, certain commercial documents relating to ownership, transport, insurance and bank statements must be surrendered, verified and accepted. Traditional documentary evidence involved physical and original documents but electronically transmitted documents are increasingly being used. Ports and customs procedures may be differ, but in general, the following documents meet requirements:

- Import statement issued by the Bank
- Commercial invoice issued by the seller
- Certificate of origin
- Performer Invoice
- Bill of Lading
- Packing List
- Relevant sanitary, health certificates

Documentary requirement apply to domestic imports as well as goods on transit. The difference manifests itself only when queries are raised about the documentation. If customs or port authorities demand to see the original bill of lading for example, a landlocked developing country may be disadvantaged in that the bill of lading may be in the possession of a shipper in the landlocked country; in this case, goods clearance may be delayed pending the arrival of the bill of lading.

In practice, goods can be cleared without presentation of a negotiable bill of lading by presenting a letter of indemnity but this procedure involves additional expenses and delays (see box 3). Clearance of goods in transit may also be delayed by late arrival of bank documents or inability to pay port or customs fees and charges. Although this may also apply to domestic goods, goods in transit have the distinct disadvantage in that the shipper who is responsible to pay for the charges or fees may be in a landlocked country and attempts by his/her freight forwarder to contract him/her may take longer because of poor communication facilities.

Box 3: Worst–case Scenario for Transit Facilitation

Containerized goods arrive in a port and need to be transported to a landlocked country. The ocean transport was carried out under a negotiable bill of lading, which is required to obtain discharge of the goods. However, the bill of lading is not available, and after a considerable delay the goods are finally discharged against a letter of indemnity. While a description of the goods is available, there is not invoice to determine their value, so the Customs transit declaration cannot be finalized. To check for forbidden goods, the container is opened, and the goods are removed for inspection and then reloaded and resealed in the container. The invoice arrives, documentation is completed port changes are paid, and the road transport operator pays a deposit to Customs equivalent to the value of duty for the goods. The truck and container must wait again until there are a sufficient number of trucks to make up a convoy with a Customs official. Finally the convoy leaves the port area. Enroute to the border, it is stopped twice by t security agents for documentation control and to check the seals. At one control point, security breaks the seal to check the cargo and then replaces the seal with its own seal. At the border, the driver's license and vehicle insurance is not valid in the next country, and another transport operator must provide ongoing transport. The container must therefore be unloaded from the original truck, which travels empty. The Customs authority of the first transit country inspects the seal and, as it has been changed, requests the cargo to be removed and checked to see if any goods have gone missing. The goods are reloaded into the container and a new seal is placed. The container is loaded onto a different truck that can operate in the next country. A full day has been lost at the exit border of the first transit country because the arrival time of the original truck was not known and because of the Customs inspection. The next country is also a transit country and only allows the temporary import of containers against a deposit. At the entry point a new Customs transit declaration is prepared, the goods are unloaded from the container and inspected by security, subsequently by Health officials, and a third time by Customs. The goods are then reloaded into the container and it is sealed. The trucker pays a deposit for the duty value of the goods plus 20 per cent as an incentive to discourage theft. The truck is allowed to travel without a Customs official but must stop at three weigh stations to make sure the weight of the goods does not change. At the final border, the Customs officials of the second transit country inspect the seal and clear the goods. However, once again the truck and driver are not allowed to continue, and new transport for the container must be arranged. The Customs authority of the importing country clears the goods at the border, which takes 48 hours and involves the stripping and stuffing of goods from the container. Upon arrival at the final destination, some of the goods are found to be missing and others are damaged. The consignee does not know during which stage of the transport the loss/damage occurred. As several transport documents were issued for different stages of the transport, the consignee does not know which party to sue for the loss. Under all the transport documents issued, the carrier's liability is severely restricted. No international mandatory convention or carriage of goods by sea or by road applies, and neither does mandatory domestic law.

Source: Challenges and Opportunities for Further Improving the Transit Systems and Economic Development of Landlocked and Transit Developing Countries, 2003, UNCTAD/LDC/2003/8

c. Dry Ports

Port clearance can be done in landlocked developing countries under certain conditions.

A number of landlocked and transit countries have established dry ports with the support of the international community, including UNCTAD. Dry ports are inland terminals to which shipping companies can issue their own import bills of lading for import cargoes, assuming full responsibility for costs and conditions, and from which shipping companies can issue their own bills of lading for export cargoes. Dry ports are closely associated with the promotion of the through –transport concept. This service is most readily achieved by switching to the use of containers. The door-to-door transport concept involves the adoption of procedures to transfer goods from their place of origin to their final destination without intermediate customs examination; intermediate handling thus occurs only at points of transfer between different transport modes. For landlocked countries, the concept envisages no internal examination of goods or containers by customs at the seaport.

Implementation of the door-to-door transport concept offers the potential for substantial savings in transit costs. However, dry ports, like maritime ports must ensure that goods are cleared without unnecessary delays. The time taken to clear goods in some of the dry ports in landlocked countries has been criticized (see Table 5).

When the introduction of dry ports is associated with simultaneous implementation of the door-to-door transport concept, facilities provided at dry ports need to have the capability to handle full and empty containers, including stuffing and unstuffing of containers as well as short-term storage of containers. Fully established dry ports provide the following facilities:

- Offices of shipping line agents
- A railway goods office
- Road haulage brokerage
- Cargo packing services
- Consignment consolidation services
- Unit train assembly and booking services
- Container clearing services
- Computerized cargo-tracking services
- Container repair facilities
- Clearing and fumigation services (atmospheric and vacuum)
- Refer refrigeration points
- Weigh bridges
- Customs clearance

Table 5: Time taken to clear goods at selected inland terminals

	Official estimated average	**Indicator**	**Remarks**	**Southeast Europe Benchmark**
Kazakhstan	One day	85% cleared in under one day	Traders estimate 48 hours	Average: 2 hours (maximum 3 hours, minimum 1 hour) bases on total time for release
Uzbekistan	2/3 hours, can be as short as 20/30 minutes		Traders estimate between 24 and 48 hours up to 1 week	
Kyrgyz Republic	3-4 hours		Traders estimate between 4 and 5 days	
Tajikistan	3 hours	Maximum 10 days	A legal provision limits clearance to less than 10 days. Traders estimate 2 hours for diplomatic consignments, and I day on average for normal shipments.	
Turkmenistan	N/A		Traders estimate 1-2 hours for diplomatic consignments, and 1 day on average for normal shipments (depending on completeness of the documentation).	

Source: Customs administrations and major importer (note estimates by traders are informally derived on the basis of their most current experience)

Note: Table from World Bank Study – Trade and Transport Facilitation in Central Asia: Reducing the Economic Distance to markets

d. Duty Free Zones Adjacent to Maritime Ports

A number of landlocked developing countries enjoy free zone facilities conveniently located near maritime ports of transit countries. These facilities have been established under bilateral agreements. Paraguay has a duty free zone at the port of Buenos Aires and at the port of Rio Grande do Sul in Brazil. Bolivia also has facilities in Brazil and Argentina. Similarly, Burkina Faso has dedicated free zone facilities at the ports of Abidjan in Cóte d’Ivore and Lome in Togo. Mali also has facilities at the post of Dakar in Senegal, while Nepal has dedicated facilities at the port of Calcutta in India.

Duty free zones granted to landlocked developing countries provide storage for imports and exports, thereby, avoiding customs warehouse charges. They provide a rallying point for organizing transport to and from landlocked developing countries.

e. Transit Traffic Delays en route

Transit traffic delays **en route** caused by (1) customs or police escort of transit traffic; (2) police checkpoints or road blocks; (3) axle load limits, third party motor insurance; (5) transit charges; and, (6) vehicle dimensions have been discussed under road transport in Section II (b)(ii). As discussed under that section, efforts towards harmonization are mixed. The COMESA and Latin America regions have made move progress than others. But the fact that good progress has been made in these two regions implies that harmonization efforts are within reach of all landlocked and transit developing countries.

f. Border Crossing

While delays can occur at any stage of the transit journey, the most notorious delays occur at the main interface or transshipment points, namely between maritime and inland transport, between adjoining railways networks, and on both sides of national borders. Inadequate rail/road off-take capacity in maritime ports can and does cause major delays, slowing ship turnaround times, which often triggers port demurrage charges for all port users. The slow interchange of rolling stock between railway networks not only holds up goods in transit, thereby trying up capital, but also results in poor utilization of railways' assets, thus reducing their revenue incomes. Border posts place particularly severe constrains on road transit.

Border crossing delays result largely from inadequate physical infrastructure facilities and lack of coordination among the various agents working on a given side of the border and between them and their counterparts across the border.

Action is needed:

- To improve the layout of border facilities and introduce shares facilities as recommended in the International Convention on the Harmonization of Frontier Control of Goods (1982).
- To provide electricity and telecommunications facilities
- To improve inter-agency coordination of all border control services (customs, immigration police) and private-sector operators (forwarders, transporters)

The use of Management information systems to link operators at the border and establish communication between them and their headquarters should be encouraged.

g. Insufficient use of automated Systems

Progress has been made in the use of automated systems. UNCTAD's Customs Modernization and Reform Programme ASYCUDA, provides assistance to landlocked and transit developing countries in simplifying customs procedures and in using electronic communications particularly important for transit cargo. Many landlocked and transit developing countries have installed ASYCUDA or similar customs computer systems, and so have shipping agents, ports and related institutions. But inter-face between and among the transport and trade community is still inadequate. Information sharing to enable each constituent parts of the community to plan ahead is still a major challenge.

h. Accession to International Conventions

Landlocked and transit developing countries have adopted different strategies vis á vis international conventions. As discussed in Section C (i) above, countries near Europe – Asia, the Caucasus and Mongolia have acceded to many international conventions. Others have not, but have instead modernized their laws and regulations by incorporating into them internationally accepted principles. In Africa and Asia basic principles and standards have been incorporated into sub-regional transport and trade instruments like the COMESA Single Goods Declaration. Similarly, international principles and standards have been in integrated in regional agreements, like the ASEAN[28], GMS[29] , ECO[30], and the Transit Traffic Agreement between Mongolia, China and Russia[31].

Efforts are underway to accelerate the accession of landlocked and transit developing countries to the World Trade Organization (WTO) and to join the World Customs Organization (WCO). Landlocked and transit developing countries are urged to accede to the core WCO conventions notably: (1) the International Conventions of the Simplification and Harmonization of Customs procedures (revised Kyoto Convention); and (2) the International Convention on the Harmonized Commodity Description and Coding System – the Harmonized Commodity Description and Coding System (HS Convention). Table 6 provides status of accession to the basic transport and trade facilitation conventions adopted under the auspices of the United Nations Economic Commission for Europe (UNECE), WCO and WTO.

Landlocked and transit countries are often urged to ratify or accede to international conventions in order to benefit from transport and trade facilitation which germane from the formulation and application of harmonized and simplified rules and technical standards. However, recommendations to accede to international conventions should always also bear in mind the obligations Contracting parties will be expected to undertake when they accede to international conventions. What then are the benefits and obligations of acceding to the international conventions mentioned in Table 6.

[28] ASEAN Framework Agreement on the Facilitation of Goods in Transit, 1998
[29] Agreement Between and Among the Government of Thailand and the Socialist Republic of Viet Num (also contracting parties, China, Lao PDR- GMS Agreement).
[30] The ECO Transit Transport Framework Agreement, 1998.
[31] Transit Traffic Framework Agreement between the Government of China, Mongolia and the Government of the Russian Federation.

Table 6: Status of Accession of a Selected Transport and Trade Facilitation Conventions

	1	2	3	4	5	6	7	8	9	10
Landlocked developing countries	KYOTO	HS	WTO	LAW OF THE SEA	TIR	ROAD CONV.	SIGNS.	TOUR	FRONTIER	CONTAINERS
Afghanistan			0	x	x	x			x	x
Armenia			x		x	x			x	
Azerbaijan	x	x	0		x					
Bhutan		x	0							
Bolivia		x	x	x						x
Botswana	x	x	x	x		T				
Burkina Faso		x	x	x						
Burundi		x	x							
Central African Republic		x	x			x	x	x		
Chad		x	x							
Ethiopia		x	0							
Kazakhstan		x	0		X	x			x	x
Kyrgyzstan		x	X		X	x		x	x	
Lao People's D.R.		x	0	X		T				
Lesotho	x	x	X	X		T			x	
Malawi		x	x			T				
Mali		x	x	x		T				
Moldova, Rep. of		x	x	x	x	x				
Mongolia	x	x	x	x	x	x		x	x	
Nepal		x	x	x						
Niger		x	x			x		T		
Paraguay		x	x	x						
Rwanda		x	x			T		T		
Swaziland		x	x					X		
Tajikistan		x	0			X		X		
The F.Y.R. Macedonia		x	x	x	x	x		x	x	
Turkmenistan		x			x	x		T		
Uganda		x	x	x		T		x		
Uzbekistan		x	0		x				x	
Zambia		x	x	x		x				
Zimbabwe		x	x	x		x				

Source: WCO/WTO/UNECE Website and compilation by Consultant

Notes:
1. The International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention) entered force 1974.
2. The International Convention on Harmonized Commodity Description and Coding System (Harmonized Commodity Description and Coding System) HS Convention).
3. World Trade Organization
   X-Members
   O- Observer Governments
4. United Nations Convention on the Law of the Sea, 1982.
5. Convention on the International Transport of Goods under cover of TIR Carnets, 1975.
6. Convention on Road Traffic, 1968
   T – Accession to convention on Road Traffic, 1949
7. Convention on Road Signs and Signals, 1968
   T – Accession to convention on Road Signs and Signals, 1949.
8. Convention concerning Customs Facilities for Touring, 1954
9. International Convention on the Simplification and Harmonization of Customs Procedures, 1982.
10. Customs Convention on Containers, 1972

A proxy of three international conventions is chosen to illustrate the point.

(i). United Nations Convention on the Law of the Sea, 1982

- **Assessment of the provisions of the Convention**

Part X of the United Nations Law of the Sear deals with the right of access of landlocked States to and from the sea and freedom of transit. Articles 124 – 132 are similar in substance to the provisions of the Convention on Transit Trade of landlocked States, 1965.

Article 125 sets out the basic principle. On the one hand, landlocked States should have the right of access to and from the sea, but on the other hand, transit States reserve the right to take all measures to ensure that the right of transit provided for in the Convention shall not in any way infringe their legitimate interests. The compromise position is achieved through agreements to be negotiated and adopted by landlocked and their transit neighbours (hence the importance of bilateral or sub-regional agreements.) Article 125 reads as follows:

"1. Landlocked States shall have the right of access to and from the sea for the purpose of exercising the rights provided for in this Convention including those relating to the freedom of the high seas and the common heritage or mankind. To this end, landlocked States shall enjoy freedom of transit through the territory of transit States by all means of transport.

2. The terms and modalities for exercising freedom of transit shall be agreed between the landlocked States and transit States concerned through bilateral, sub-regional or regional agreements.

3. Transit States, in the exercise of their full sovereignty over their territory, shall have the right to take all measures necessary to ensure that the rights and facilities provided for in this Part for landlocked states shall in no way infringe their legitimate interests."

The right of access to and from the sea and the special agreements relating thereto are excluded from the application of the most-favoured-nation clause. In other word, it is non-reciprocal.

Transit traffic under the Law of the Sea Convention is not subject to customs duties and taxes. Furthermore, transit States are encouraged to provide free zones and other customs facilities and finally ships flying the flag of landlocked States should enjoy treatment equal to that accorded to other foreign ships in maritime ports.

- **Obligations of Contracting Parties under the Convention**

The obligation of Contracting Parties when they accede to the Convention is similar to the ratification procedures of regional agreements. In both cases the International or Multilateral Instruments need to be ratified or accede to by way of acceptance in accordance with domestic legal procedure which may involve approval by both the Executive and Legislative branches of Governments. According to the domestic Legal Procedures in many countries, Government proposals brought before Parliaments must be translated into the official languages and once approval is given, The Legal Instruments must then be published in the Official Gazette. Their acceptance often entails changes in Domestic Legislation, Regulation and Administrative Instructions which should be brought in line with the Conventions. Furthermore, as the Convention recommends, landlocked and transit developing countries should conclude bilateral or regional transit agreements.

Parliamentary support for International Legal Instruments depends on cost-benefit considerations and pressure or support from interested constituencies inside and outside Parliament. The high profile of International Conventions demand greater effort to push them through parliament compared to regional agreement. On the contrary, because of their relatively lower profile but stronger domestic lobbies which may be interested in creating or strengthening sub-regional economic integration, regional agreements are easier to push through Parliament.

(ii). International Convention on the Simplification and Harmonization of Customs Procedures, 1973

- **Assessment of the Provisions of the Convention**

The International Convention on the Simplification and Harmonization of Customs Procedures, popularly known as the Kyoto Convention was adopted in 1973 in Kyoto. It had 62 contracting Parties. It was amended in 1994 in Brussels. It has a General Annex which contains basis principle, definitions, procedures for goods clearance and other customs formalities, methods of assessment, collection and payment of duties and taxes, customs security, customs control, application of information technology, relationship between Customs and third parties etc.

It has Specific Annexes (A-K) to deal with particular customs procedures, such as, importation (Annex B), exportation (Annex C), customs Warehouses and Free Zones (Annex D) and Customs transit (Annex E1).

Annex E1, provides standards and recommended practices for customs transit. These include (1) formalities at the departure office documentation, sealing and identification of consignments; (2) formalities **en route** (itinerary, warehousing) and (3) formalities for the termination of customs transit break of seal inspection, certification.

- **Obligation of Contracting Parties under the Convention**

The obligation of Contracting Parties to accept the Convention follows the same process as described earlier with respect to the Law of the sea convention. In addition, Contracting Parties must accept the Protocol of Amendment to the International Convention on the Simplification and Harmonization of Customs Procedures, together with Appendices 1-11. Furthermore, by becoming Party to the Convention, States are entitled to join the Management Committee of the

Convention which normally meets in Brussels, Belgium to monitor, review and implement the Convention.

(iii). International Convention on the Harmonized Commodity Description and Coding System HS, 1983.

- **Assessment of the Provisions of the Convention**

Many regional agreements recommend that their Contracting Parties adhere to the International Convention of the Harmonized Commodity Description and Coding System (HS), 1983, as amended.

The Harmonized Commodity Description and Coding System promote international trade by:

- Facilitating the collection, comparison and analysis of statistics;
- Reducing the expense incurred by redescribing, reclassifying and recording goods as they move from one classification system to another in the course of international trade and facilitates the standardization of trade documentation and transmission of data;
- Providing a system of coding that can be used for freight tariffs and transpire statistics of the various mode of transport;
- Providing a system for commercial commodity description and coding;
- Promoting as close a correlation as possible, between import and export trade statistics and the production f statistics, and;
- Maintaining a close correlation between the Harmonized System and the Standard International Trade Classification (SITC) of the United Nations.

- **Obligations of Contracting Parties under the Convention.**

The obligation of Contracting Parties to accept the Convention follow the same process as described earlier with respect to any other Conventions. Furthermore, Contracting Parties undertake **inter alia** to:

- Ensure that their customs tariff and statistical nomenclatures conform with the Harmonized System;
- Use all headings and sub-headings of the HS without addition or modification, together with their related numerical codes;
- Apply the general rules for interpretation;
- Follow the numerical sequence of the HS;
- Make publicly available their import and export trade statistics in conformity with the six-digit of the HS.

Developing countries may delay application of some or all of the sub-headings of the HS for such period as may be necessary.

Development countries are urged to provide technical assistance on mutually agreed terms in respect of, **inter alia** training of personnel transposing their existing nomenclatures to the Harmonized System and advice on keeping their systems so transposed up-to-date with amendments to the harmonized System or on applying the provisions of the Convention.

i. Establishment or Strengthening of National Trade and Transport Facilitation Committees

The last five years has seen considerable progress in the establishment of Trade/Transport Facilitation Committees or bodies in the ESCAP region. In the South Caucasus, Committees were instituted in Armenia, Azerbaijan and Georgia in the course of 2002 and 2003. In Central Asia, Committees are in place in Kazakhstan, Kyrgyzstan and Tajikistan. In South Asia, there are facilitation Committees in Nepal and Pakistan. The ASEAN and East Asia sub-regions have done even better, with facilitation Committees up and running in Cambodia, Lao PDR, Thailand, China and Mongolia.

The functions of these committees vary. The work of the Lao PDR committee, for instance, included the introduction of a Single Administrative Document and the formulation and modernization of transport legislation. The Pakistan committee also introduced a Goods Declaration Form as a Single Administrative Document. The Committee also addition designed a Standard Document for port clearance and conducted 70 training courses designed to create awareness of trade facilitation.

In Africa where Trade and Transport Committees were established in 1990s in Malawi, Zambia and Tanzania, the committees are no longer functioning, in part because of lack of external support, but also because of a shift in focus from legislative functions (design and implementation of trade documents) to operational issues which are now being dealt with within the framework of corridor groups. Corridor groups which are composed of public and private sector stakeholders are involved in infrastructure investment and management as well as the promotion of procedures and practices designed to facilitate trade and transport operations.

Some of the most active corridor groups include: (1) the Maputo Development Corridor with anchor projects, such as reconstruction of the Witbank –Maputo road, rehabilitation and management of Maputo port and development of the Beluluane Industrial Parl (BIP), (2) the Beira Corridor with mandate to develop the Moatize Thermal Power Station, the upgrading of the Sena Railways etc, (3) the Walvis Bay Corridor with projects for Walvis Port expansion and establishment of a dry port in Windhoek and the North-South Corridor which among other things plant to construct a new bridge at Chirundu.

j. Public and Private Sector Participation (PPP)

Collaboration between public and private-sector participants in transit transport is critical for the success of transit transport programmes, including introduction of information technologies. Even as many Governments retreat from commercial transport operations, they retain the key roles of financing physical infrastructure, maintaining and managing such infrastructure, and formulating and enforcing laws and regulations. For its part, the private sector, as the main provider of transport services, has first-hand knowledge of the bottlenecks and obstacles encountered in day-to-day operations, and as such it is best positioned to propose viable and practical solutions for improving transit systems. The private sector has a major stake in ensuring that transit transport facilitation measures and the use of information technologies succeed, since it is a direct beneficiary of the measures designed to harmonize inter-State regulations and simplify administrative and customs procedures. The participation of the private sector in policy formulation and decision making will not only facilitate the adoption of suitable measures but also secure the sector's cooperation in implementing new measures.

To be effective, consultations between the public and private sectors should be regular and should be institutionalized through trade and transport facilitation committees. Such committees bring together representatives of all public and private parties concerned with international trade and transport facilitation in a country; governmental entities, service providers and transport users. Public and private-sector collaboration should extend beyond policy formulation and the introduction of new systems. Modalities should be established to ensure the sustainability of technical and investment programmes. Some initiatives have been taken by the private sector to ensure that activities and investments in particular transit corridors collectively meet user' requirements and are locally financed and maintained.

k. Human capacity Building

The changing role of the public and private sectors requires improvement of the skills of those involved in policy-making as well as of those responsible for day-to-day operations through training, including continuing education for staff members. Increasing the quality and quantity of primary, secondary and tertiary education in landlocked and transit developing countries is fundamental for building and implementing of reforms. The public sector policy formulation and regulatory function and the private sector function as provider of transport and trade services require skills and absorptive capacity to manage new technologies and adapt to the changing needs and requirements of transport, trade and investment. The shortage of skilled labour is a major impediment to attracting and benefiting from FDI. The private sector, including foreign investors, can and should contribute to the upgrading of professional skills in landlocked and transit developing countries. It can provide efficient supply chain management, and there is the ripple effect of technology diffusion. But for the private sector to participate fully, a climate supporting long-term commitment must be apparent in terms of policy frameworks, regulations, attitudes and practice.

l. Visas

For drivers and vehicle crew members, who frequently cross national borders in exercise of their transit operation functions, mutual abolition of visa requirement would be monumental trade facilitation achievement. Yet this is not an unrealistic dream. Although many RECs – have not yet been able to achieve this dream, EAC and SADC (less South Africa) have been able to abolished visas for their citizens. Pending the realization of abolition of visas, landlocked and transit countries should streamline visa requirements for genuine drivers and vehicle crew of transit traffic with a view to granting them multi-entry visas of a reasonable duration of one or more years to facilitate transit trade.

IV. WTO Trade Facilitation Negotiations - Textual Proposals to GATT Articles V, VIII and X

WTO trade facilitation negotiations have entered a crucial stage with many textual proposals designed to extrapolate on the provisions of Articles V, VIII and X of General Agreement on Tariffs and Trade (GATT). GATT Articles V, VIII and X deal with: (1) Freedom of Transit; (2) Fees and Formalities connected with Importation and Exportation; and (3) Publication and Administration of Trade Regulations, respectively.

The existing GATT Trade Facilitation provisions proclaimed fundamental principles of international law. GATT Article V for example, declares, among other things, that "There shall be freedom of transit through the territory of each contracting party.." Articles X prescribes inter alia, that "laws, regulations, judicial and administrative, rulings … shall be published promptly in such a manner as to enable Governments and traders to become acquainted with them…" However, these articles give member countries considerable discretion. The directive in article X that requires that laws and regulations shall be published "promptly" has been interpreted in practice to mean "as soon as possible", which to some countries could mean, in a few years time.

The goal of the textual proposals contained in WTO documents T/TF/W/43/Rev.13 dated 5 November 2007 is to provide benchmarks, time frames and transparency, as well as invoking new technologies, such as internet and websites.

a. Article X – Publication and Administration of Trade Regulations

(i). Publication of Trade Regulations and Penalty Provisions

Under GATT Article X, the term "publication" is not defined, leaving it to each member country to use its discretion. The textual proposals under negotiations suggest specific modalities, for example, one proposal suggests that:

> *"Members shall ensure that information referred to in paragraph …is made available to Governments and traders in a non-discriminatory and convenient manner via an officially designated source notified to the WTO secretariat …"*

Another proposal suggests that:

> *"Members shall ensure that a national website is established for the purpose of publication of legislation and procedures referred to ."*

(ii). Notification of Trade Regulations

With regards to modalities for notification of Trade Regulations, some proposals suggest that:

> *"Members shall ensure that one or more enquiry points exist which are responsible for the provision of relevant information and documentation related to trade-related procedures…"*

Interval between publication and Entry into force of regulations attracted several proposals. In essence, it is being suggested that: Except in urgent circumstances and other limited exceptions which are made public, members shall ensure, within the competence of their respective Governments that a reasonable interval is provided between the publication of new or amended laws, regulations.. and their entry into force.

Other proposals seek prior consultations before laws and, regulations are passed. They propose that:

> *"Except in urgent circumstances and other limited exceptions which are made public, members shall afford …, opportunities to interested parties ... to comment on proposed introduction or amendment of trade – related laws, regulations.."*

Proposals are on the table for provisions relating to advance rulings, right of appeal and maintenance and reinforcement of integrity and ethical conduct among officials, import alert/rapid alert and detention.

However, there are also proposals for special and differential treatment which provide that:

> *"Developing – country member shall not be required to apply the provisions of para .. for a period of [ ] years from the date of application…"*

> *"Least developed country member shall not be required to apply the provisions of para… until their acquisition of the necessary capacity to implement such provisions…"*

b. Article VIII – Fees and Formalities connected with importation and Exportation

(i). Scope of Negotiations

Textual proposals focus on (1) reducing fees and charges, (2) minimizing the incidence and complexity of formalities, (3) minimizing the incidence and complexity of trade documents and (4) acceptance of international standards by acceding to international conventions.

Fees and charges imposed on or in connection with importation with regards to the **quantum** (amount) of fees and charges, some of the textual proposals suggest:

Fees and charges shall only be imposed for services provided in direct connection with the specific importation or exportation in question or any formality required for undertaking such importation or exportation.

Fees and charges shall not exceed the approximate cost of the service provided.

Fees and charges shall not be calculated on an **ad valorem** basis

Fees and charges shall not be imposed with respect to consular services and equivalent measures.

Information on fees and charges shall be published. This information shall include the reason for the fee or charge (service provided), the responsible authority, the fees and charges that will be applied, and when and how payment is made. The information shall be made readily available to all interest parties and each Member shall inform, through the WTO Secretarial, all other Members where the information on its fees and charges is available. The information shall be published via an officially designated medium, and where feasible and possible, official website.

An adequate time prior shall be accorded between the publication of information on new or amended fees and charges and their entry into force except when justified by legitimate public policy objectives.

New or amended fees and charges shall not be imposed until information on them is published and made readily available.

(ii). Reduction/Minimization of the number and Diversity fees

One proposal, which suggests to minimize the incidence and complexity of documents, states that members shall ensure that:

"1. Documentation requirements are no more administratively burdensome or trade restrictive than necessary to achieve their legitimate objectives; and

2. The following is aligned with international trade facilitation standards and recommendations as set out in paragraphs 2(i) to (iii).

(i) National trade document formats with the UN-Layout Key or its future updated electronic counterparts in accordance with the Customs Co-operation Council Recommendations on the matter;

(ii) National data elements in trade documents with UN Trade Data Elements Directory (UNTDED) and future updated versions in accordance with the Customs Co-operation Council Recommendations on the matter; and

(iii) Electronic messages to be interchanged between Customs administrations and between Customs administrations and other trade users with international standards for electronic information exchange in accordance with the Customs Co-operation council Recommendations on the matter."

(iii). International Standards, Guidelines and Recommendations

International standards, guidelines and recommendations are defined in the textual proposals as follows:

"(a). For the purposes of this Agreement, the term "international standards' shall be understood to refer [inter alia] to [a selection of] standards, guidelines and recommendations being parts of International conventions or Agreements related to facilitating international trade and administered by relevant international intergovernmental organizations.

(b). For the purposes of this Agreement, the "relevant international intergovernmental organizations' refers [in particulars] to:

(i) Customs Cooperation Council (World customs Organization – ECO)

(ii) United Nations Organizations Centre for Trade Facilitation and Electronic Business (UN/CEFACT).

(iii) …

(i) [list to be developed].

(ii) For matters not covered by the above organizations other relevant international organizations open to all Members, as identified by [the committee]

(c) [For the purposes of this Agreement, "standards, guidelines and recommendations' refer to the following:

(i) International Convention of the Simplification and Harmonisation of Customs procedures (revised Kyoto Convention) and its guidelines.

(ii) International Convention on the Harmonized Commodity Description and Coding System (Harmonized Commodity Description and Coding System (HS Convention).

(iii) Convention on the temporary Admission of Goods (Istanbul Convention)] or the Customs Convention on the ATA carnet for the temporary admission of goods (ATA Convention).

(iv) UN/CEFACT Trade Facilitation Recommendations related to the world standard of international trade date and documents."

c. Article V Freedom of Transit

(i). Strengthening Non-Discrimination

They relate to National treatment, most-favoured national treatment, and treatment following transit:

"National treatment: with respect to all laws, regulations, requirements and procedures affecting the internal passage of traffic in transit across the territory of a member and all fees and charges imposed on or in connection with transit, including transportation charges ("Transit fees and charges"), and without prejudice to the legitimate customs control and supervision of goods in transit, each member shall accord to traffic in transit to or from the territory of any Member, treatment no less favourable that accorded to domestic goods, exports and imports and their movement".

"Most –favoured-national treatment: with respect to all laws, regulations, requirements, procedures and fees and charges, including transportation charges, on or in connection with transit, each Member shall accord to traffic in transit to or from the territory of any other Member treatment no less favourable than the treatment accorded to traffic in transit to or from any third country."

"Treatment following transit: Each Member shall accord to products which have been in transit through the territory of any other Member treatment no less favourable than that which would have been accorded to such products had they been transported from their place of departure to their destination without going though the territory of such other Member. Any member shall, however, be fee to maintain its requirements of direct consignment existing on the date of the GATT 1994 in respect of any goods in regard to which such direct consignment is a requisite condition of eligible for entry of the goods at preferential rates of duty or has relation to the Member's prescribed method of valuation for duty purposes".

(ii). Publication of fees and charges

Proposals have been made requiring publication of fees and charges and prohibition of unpublished ones.
"Publication: Members shall publish information on all transit fees and charges. This information shall include the reason for the transit fee or charge (the service provided), the responsible authority, the transit fees and charges that will be applied, and when and how payment is made. Members shall make this information readily available to all interested partied and inform other Members where this information is available. The information shall be published via an official designated medium, and where feasible and possible, official website.

Prior publication: Members shall accord an adequate time period between the publication of information on new or amended transit fees and charges and their entry into force except when justified by legitimate public policy objectives."

(iii). Publication of Transit Formalities

Similarly there are proposals to publish all transit formalities and requirements:
"Publication: Members shall publish all transit formalities and documentation requirements, and regional transit agreements or arrangements. Members shall make this information readily available to all interested parties and inform other Members of where this information is available. The information shall be

published via an officially designated medium, and where feasible and possible official website.

Prior publication: Members shall accord an adequate time period between the publication of new or amended transit formalities and documentation requirement and their entry into force except where justified by legitimate public policy objectives. Transparency of transit release time: Each Member shall periodically publish the average time for release of traffic in transit at main points of entry and exit using tools such as the WCO Time release Study".

(iv). Risk Management

There are proposals for simplified and preferential clearance of certain goods: *"Members shall use risk management techniques to enable any inspections to be targeted on the basis of the degree of risk attached to individual consignments. This shall include the establishment of authorized trader schemes which grant simplified treatment to traders with a good track record of compliance with transit formalities and documentation requirement. In designing and applying transit formalities and documentation requirement. In designing and applying transit formalities and documentation requirements, Members shall take account of the inherent characteristics of the goods concerned."*

(v). Border Crossing Facilities

Other proposals for special border crossing facilities for transit.
"Special border crossing facilities for transit: Traffic in transit shall not be subject to any unnecessary delays or restrictions and shall be granted expedited and simplified treatment at border crossing points, including sea, fluvial and air ports or inland terminals as applicable. As far as possible, physically separate transit lanes shall be made available for traffic in transit.

Members shall ensure that traffic in transit through their territory is not subject to nay unnecessary delays, restrictions, inspections or controls. Transit formalities and documentation requirements shall be reasonable having regard to the conditions of transit, applied uniformly and be not more trade restrictive than necessary to achieve the legitimate public policy objective pursue. For traffic in transit, Members shall provide for:

- *the processing of transit documents and data prior to the arrival of the transiting consignment;*
- *The use by traders of commercially available information, documents and data wherever possible, including as part of transit declarations;*
- *The progressive establishment of a single window for traffic in transit"*

These and many other proposals which are not repeated here for the sake brevity are based on good international standards and practices mainly in advanced countries of Europe and North America. They envisage the best case scenario for transit traffic as illustrated in box 4. However in Europe and north America transit traffic operates on an environment of adequate and well functioning transport and related infrastructure (telecommunication, energy supply) and highly trained manpower. The question therefore arises how such proposals would be implemented in landlocked and transit developing countries.

Box 4: Best Case Scenario

Containerized goods are discharged in the port. All documentation is in order and has been transmitted electronically to Customs, which has pre-cleared the goods for transit. Customs inspects the seal and the transport operator gives a guarantee for the amount of the duty. There is a transit agreement in place that allows a number of transport operators to transport the goods along the transit corridor. The multimodal transport operator selects one of these operators to undertake the whole transit operation. There are harmonized customs transit documents. At the border, s joint border post team inspects the cargo documents, the seal and the driver documents. Everything is in order and the driver repeats the procedure at the next border. Customs representatives have been informed of the expected arrival time at the consignee's premises and are there shortly after the arrival of the truck and container to clear the goods. The truck has found a return load through a local cargo exchange, so that the return journey will generate revenue and at the same time make use of the container.

Source: Challenges and Opportunities for further improving the Transit Systems and Economic Development of Landlocked and Transit Developing countries 2003 UNCTAD/LDC/2003/8

Part of the answer to the question lies in the textual proposals related to special and differential treatment and technical assistance. Least development countries and developing countries will not be required to implement the new measures when they come into force. There will be a transition period and strategies to provide technical assistance to them. For example, there is a proposal which states that:

"Members shall carry out a clear and precise diagnosis of the situation in each developing and least-developed Member through capacity self-assessment with, upon request, donor support to assist this assessment on mutually agreed terms and conditions. The diagnosis could be done through existing tools developed for this purpose by relevant international organizations such as the World Bank and the World Customs Organization. While carrying our the diagnosis relevant work done in the context of the Integrated Framework for LDCs and other international or regional development programmes shall be taken into account."

It is also proposed to establish a Trade Facilitation Technical Assistance and Capacity Building Support Unit (TFTACBSU) within WTO:

Within three months from the date of the signing of the Trade Facilitation Agreement, the WTO Secretariat shall establish the TFTACBSU within its structure and reporting to the WTO Committee on Trade Facilitation, to:

(a) Monitor and annually report on the compliance by developed Members with their obligations to provide technical assistance and capacity – building support to developing and least-developed Members, including low-income economies in transition, under this Agreement.

(iii) Monitor and annual report on the extent efficacy, and usefulness for the beneficiaries of the bilateral provision of trade facilitation-related technical assistance and capacity-building support among members;

(iv) Monitor and inform Members of the various trade facilitation-related technical assistance and capacity –building facilities being provided by other relevant international organizations which developing and least-developed Members including low-income economies in transition, could access or resort to;

(v) Work with other relevant international organizations to establish and/or expand trade facilitation-related technical assistance and capacity building resources for developing and least-developed members, including low-income economies in transition; and

(vi) Serve as the focal point for coordinating the provision of technical assistance and capacity-building by establishing a Trade Facilitation Register for the entry of notifications and requests of notifications and technical assistance and capacity building requests shall be published on the WTO Members' Internet portal.

V. Accelerated Accession to World Trade Organization

The programme of Action under priority 3 – International trade and trade facilitation urged that the accession of landlocked and transit developing countries to the World Trade Organization (WTO) should be further accelerated. It noted that the accession process of landlocked and transit developing countries should take into account their individual levels of development, including special needs and problems caused by geographical disadvantage. Furthermore, it urged development partners to provide assistance on this matter.

Requests to WTO accession were made by a number of landlocked developing countries, namely: Afghanistan, Azerbaijan, Bhutan, Ethiopia, Kazakhstan, Lao PDR, Tajikistan and Uzbekistan. Action taken by WTO and UNCTAD is summarized below:

a. Afghanistan

On 21 November 2004, Afghanistan submitted a renewed request for WTO membership. Shortly thereafter, a WTO Working Party was established at the General Council meeting on 13 December 2004, and Afghanistan was granted an observer status. Currently, Afghanistan is in the process of preparation for negotiations on accession to WTO. The Memorandum on Afghanistan's Foreign Trade Regime was already drafted but has not yet been submitted to WTO.

An UNCTAD fact finding mission was conducted in August 2005, and a technical advisory Mission was undertaken in November 2005 and in March 2006 to assist in the preparation of the Memorandum of Foreign Trade Regime (MFTR). Training workshops of Afghanistan Inter-Ministerial Team were conducted in

UNCTAD in December 2006 and in May 2008. An awareness workshop on WTO accession issues was organized in Kabul in March 2008.

b. Azerbaijan

Azerbaijan applied for WTO accession in 1997. A Working Party was established on 16 July 1997. In April 1999, Azerbaijan submitted a Memorandum on her Foreign Trade Regime to the WTO. The First Working Party meeting which was held in June 2002 had a positive outcome both at the multilateral and bilateral levels.

Azerbaijan submitted a Legislative Action Plan in February 2006, revised offers in goods (April 2007) and services (March 2000) and has provided detailed action plans in respect of areas where the country needs transitional periods to comply with WTO rules.

The fifth Working Party held its meeting in May 2008 to continue the examination of Azerbaijan foreign trade regime.

UNCTAD advisory mission was undertaken on 5-8 September 2005 in Baku to conduct a workshop on agriculture and to assist Azerbaijan in its accession work related to agriculture. Technical and advisory missions were conducted on WTO Accession in December 2005 and in February 2008 to assist in the follow up action and in preparation of accession-related documents, and strategies, development options for the 5th meeting of the WTO Working Party. An intensive training and consultations with Azerbaijan negotiators to assess and review the remaining multilateral work in WTO accession was conducted in April 2008 to assist in building up and strengthening the country's understanding on the substantive aspects of accession to the WTO. UNCTAD in collaboration with the Ministry of Foreign Affairs of Azerbaijan organized a Roundtable of SPECA[32] countries related to WTO accession issues in September 2006. The objectives of this Roundtable were to facilitate a regional get-together of SPECA members-states to share experiences relating to WTO accessions as well as to enable them to network among themselves on accession related information and other issues related to the multilateral trade agenda.

c. Bhutan

Bhutan applied for WTO accession in 1999. A Working Party was established on 6 October 1999. In February 2003, Bhutan submitted a Memorandum on her Foreign Trade Regime to the WTO and the first Working Party meeting was held in November 2004.

[32] SPECA Membership: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan

Bhutan submitted the answers to the second round of questions in April 2005 and answers regarding the Legislative Action Plan in August 2005. A Factual Summary of Points was circulated in August 2005.

The Working Party held its second meeting in October 2005 with a review of the state of play in the bilateral market access negotiations, a review of legislative developments and the continued examination of the Foreign Trade Regimes as submitted by the authorities.

The third Working Party held its meeting in October 2006 to continue the examination of Bhutan's foreign trade regime. Revised offers on goods and services were circulated in April 2007.

UNCTAD prepared sectoral studies on various subjects, including on the implications of Bhutan's accession to the WTO, taking into account the provisions of the Sanitary and Phytosanitary Agreement (SPS) and the Agreement on technical Barriers to Trade. UNCTAD examined the various accession-related documents to ensure the consistency of the country's trade-related domestic legislations with the GATT and the WTO requirements; coaching the Bhutanese Negotiating Team on negotiating strategies and tactics. Trade officials from Bhutan were attached to the Trade Negotiations and Commercial Diplomacy Branch/DITC of UNCTAD.

d. Ethiopia

Ethiopia applied for WTO accession in January 2003. The General Council established a Working on 10 February 2003. The Memorandum for her Foreign Trade Regime in December was submitted 2007, and the first meeting of the Working Party was held on 16 May 2008.

UNCTAD prepared the Memorandum on country's Foreign Trade Regime. UNCTAD and the Ministry of Trade and Industries of Ethiopia jointly organized a workshop in Addis Ababa on financial and telecommunication market liberalization for government officials, private sector, academia and NGOs. UNCTAD also organized training of Ethiopian officials on the WTO accession issues and negotiating strategies and tactics made available impact studies on the financial telecommunication services.

e. Kazakhstan

Kazakhstan's Working Party was established on 6 February 1996. The revised offers in goods and services were circulated in 2004. The latest revision of the draft Report of the Working Party was circulated in September 2006. The Working Party last met in November 2006.

Kazakhstan has had eight working party meetings thus far, and is now in the midst of preparations for the ninth.

Substantive progress has been achieved, leaving only limited outstanding issues that remain to be negotiated. These include:

(1). Issues related to the agriculture sector, including that on SPS. Kazakhstan has serious difficulties in accepting commitments in the agriculture sector as a developed country and is seeking developing country status for its agriculture sector – at least for a transitional period.

(2) Commitments in the energy resources sector. These include requests that the fees currently levied by domestic legal entities for gas pipeline transportation for use by households – which is lower and regulated by the government –be liberalized to be on par with the fees charged for all other users-such as industrial users; and the use of local content – in the energy sector and several other sectors.

(3) Trade-Related Intellectual Property Rights (TRIPS) – although the country has almost all its IPR legislations in place, Kazakhstan has difficulties in enforcing the legislations.

UNCTAD helped review Kazakhstan's domestic legislations on sanitary and phytosanitary measures to ensure compliance with the GATT and WTO provisions; Kazakhstan trade officials were attached to the Trade Negotiations and Commercial Diplomacy Branch/DITC of UNCTAD and intensive training on WTO accession was conducted to assist in building up and strengthening their understanding of the substantive aspects of accession to the WTO.

f. Lao PDR

The Working Party on the accession of Lao PDR was established in February 1998. Lao PDR submitted the Memorandum on her Foreign Trade regime in March 2001 and the Working Party has met twice, in October 2004 and November 2006 to examine Lao PDR's trade regime. A Factual Summary of Points Raised was circulated in November 2007.

Bilateral market access negotiations have been initiated on the basis of a goods offer of November 2006. An Initial offer on services was circulated in October 2007. A new round of bilaterals will be held the back-to-back with the next working Party meeting.

The third meeting of the Working Party was held on 15 November 2007 to continue the examination of Lao's foreign trade regime.

UNCTAD undertook technical and advisory mission/consultative mission in August 2004 and May 2005. In October 2006, UNCTAD carried out a number of activities to sensitize the Laotian officials, including its negotiating team on the challenges that they were likely to be faced in the first meeting of the Working Party. The training provided insights regarding the propose, function and structure and the main considerations in preparing the initial offers in goods and services and other accession-related documents – such as ACC4 and ACC5 review of the Government's first and second set of draft written responses to questions from members of the Working Party; review of the draft initial offer in goods;

workshop on negotiating skills for the Lao negotiating team, impact/sectoral studies on distribution services, financial services, agriculture and industries.

g. Tajikistan

The Working Party on the accession of Tajikistan was established by the General Council on 18 July 2001. A Factual Summary of Points Raised (summarizing the discussions of the Working Party) was circulated informally in April 2005 and subsequently revised in May 2006. Bilateral market access negotiations were underway on the basis of revised offers in goods and services. The Working Party held its third meeting in October 2006 to continue the examination of Tajikistan's foreign trade regime.

h. Uzbekistan

The Working Party on the accession of Uzbekistan was established on 21 December 1994. Uzbekistan submitted a Memorandum on her Foreign Trade Regime in October 1998 and a first meeting of the Working Party was held in July 2002. Uzbekistan began bilateral market access negotiations with interested Members on the basis of initial offers in goods and services circulated in September 2005. The third meeting of the Working Party took place in October 2005.

VI. Review of Progress in the Implementation of International Support Measures

a. Official Development Assistance

The Almaty Programme of Action recognized the inadequacy and appauling condition of infrastructure in both landlocked and transit developing countries and agreed inter alia that:

"A substantial increase in official development assistance and other resources is required in the mobilization of financial and technical assistance from all sources and existing mechanisms, including the private sector. Donor countries and multilateral financial and development institutions should be encouraged to continue their efforts to ensure the effective implementation of the commitments reached in the Monterrey Consensus, in particular, paragraphs 41-42, with the aim of providing landlocked and transit developing countries with appropriate financial and technical assistance in the form of grants and/or loans on the most concessional terms possible, for the needs identified in the present Programme of Action."

(i). Magnitude of Official Development Assistance

Official Development Assistance (ODA) to landlocked developing countries between 2002 and 2006 increased substantially from $10.192 billion to $16.116 billion or 58 percent. However, the increase is less marked when compared to ODA granted to transit developing countries which rose from $19.933 billion in 2002 to $34.062 billion in 2006, equivalent to 71 percent. Furthermore, ODA to landlocked developing countries is skewed in favour of four countries which received $7.923 billion in 2006 which is nearly one half of the total aid to the 31 landlocked developing countries (Table 7).

Aid volume as indicated in Table 7 also reveals great disparities among recipients. In general, there are countries where ODA is (1) increasing (Afghanistan, Ethiopia, Uganda); (2) stagnant (Lao PDR, Mongolia, Swaziland); or (3) decreasing (Paraguay, Turkmenistan).

But for all recipient countries, ODA flows are unpredictable. Ales Bulir and Javier Harmann in their article –"Volatility of Development Aid: An update", summarizes that aid was (1) highly volatile and mildly procyclical (that is, aid on average tends to be disbursed in periods when output or domestic revenue are high and held back when domestic economic activity is contracting and (3) aid disbursements are difficult to predict on the basis of donor commitments.[33] They also report that the volatility of aid is much higher than that of revenue and, second, that the relative volatility of aid increased on average in the early 2000s as compared to the late 1990s.

(ii). Donor Assistance for Transport, storage and Communication

Aid to landlocked developing countries allocated to transport, storage and communication show an increasing trend from $740.24 in 2000 to $975.56 in 2003, rising further to $1.240 billion in 2006. However, in percentage terms, a higher proportion of aid was allocated to transport, storage and communication between 2000 and 2003, about 31 per cent compare to 27 per cent between 2003 and 2006.

At the country level, the landlocked developing countries which received greater donor assistance were able to allocate more resources to transport, storage and communications. For example, Afghanistan spent $267.63 million in 2006 up from $236.01 in 2003, while Ethiopia allocated $374.72 in 2006 up from $ 185.37 in 2003. However, in percentage terms, Afghanistan in 2006 allocated about 8.7 per cent of her total aid to transport, storage and communication while Mongolia which received $203 million in 2006 devoted about 12 per cent of the aid to transport.

[33] IMF staff papers volume 54.755

Table 7: Official development assistance receipts and total donor assistance for transport, storage and communication

	Net ODA receipts ($US millions)			ODA/GNI (%)	Donor assistance for transport, storage and communication ($US millions)		
Landlocked developing countries	2002	2004	2006	2006	2000	2003	2006
Afghanistan	1 300	2 171	3 000	35.69	0.21	236.01	267.63
Armenia	293	254	213	3.28	40.01	1.06	67.17
Azerbaijan	349	176	206	1.18	0.06	0.11	3.31
Bhutan	73	78	94	10.17	9.71	16.13	4.16
Bolivia	680	770	581	5.38	31.13	51.06	4.99
Botswana	37	47	65	0.67	0.31	0.53	0.33
Burkina Faso	471	624	871	13.98	1.57	252.81	5.76
Burundi	172	362	415	52.83	0.04	0.05	31.26
Central African Republic	60	110	134	9.02	27.97	68.77	74.68
Chad	228	329	284	5.47	111.06	0.23	0.01
Ethiopia	1 297	1 806	1 947	14.66	35.94	185.37	374.72
Kazakhstan	188	268	172	0.25	154.10	0.19	0.51
Kyrgyzstan	186	261	311	11.77	22.19	1.09	6.60
Lao People's D.R.	278	270	364	12.14	58.46	42.78	24.13
Lesotho	76	96	72	4.02	0.91	17.49	16.61
Malawi	376	501	669	30.47	5.20	22.27	34.06
Mali	466	568	825	13.44	25.22	2.66	0.98
Moldova, Rep. of	142	120	228	6.03	0.02	0.08	0.06
Mongolia	208	255	203	7.79	34.28	12.61	28.16
Nepal	361	428	514	6.25	30.47	6.41	67.37
Niger	297	541	401	11.00	33.25	10.77	32.79
Paraguay	57	22	56	0.61	..	0.39	2.14
Rwanda	354	486	585	23.63	1.20	22.50	47.33
Swaziland	22	22	35	1.30	0.83	0.08	0.06
Tajikistan	168	243	240	8.82	0.01	0.12	36.67
The F.Y.R. Macedonia	275	250	200	3.21	13.69	0.09	2.30
Turkmenistan	41	37	26	0.26	..	1.18	..
Uganda	710	1 194	1 551	16.92	57.17	4.30	45.85
Uzbekistan	189	246	149	0.87	0.00	12.57	0.13
Zambia	639	1 125	1 425	14.30	44.97	5.02	59.96
Zimbabwe	199	186	280	..	0.28	0.82	0.83
Landlocked developing countries	10 192	13 846	16 116		740.24	975.56	1240.56
Transit developing countries	19 933	21 881	34 062		3483.51	2648.39	2846.50

Sources: Richard Manning, OECD Development Assistance Committee, Development Co-operation Report 2007 (Paris, 2008), table 25, and CRS Online Database on Aid Activities, http://www.oecd.dac (accessed 1 April 2008).

b. Foreign Direct Investment

(i). The volume of foreign direct investment (FDI) to landlocked developing countries increased dramatically from $ 3.95 billion in 2000 to $11.832 billion in 2006, equivalent to 200 per cent. However, in that year out of the $11.832 billion, 6.143 billion or around 52 per cent went to one country, Kazakhstan.

In Africa the main destination for FDI in 2006 were Botswana ($486.4 million), Chad ($ 700 million), Ethiopia ($364 million), Mali ($185 million), Uganda ($391 million) and Zambia ($575 million).

Of the two landlocked developing countries of Latin America, Bolivia is by far the major destination for FDI accumulation a stock of $2.383 billion between 2000 and 2006.

In Europe Macedonia and Moldova are moderate FDI recipient in comparison to other countries in transition, with a stock of $1.395 and $863 million, respectively, between 2000 and 2006.

(ii). Allocation of Foreign Direct Investment

Oil and gas prospecting and production claimed the lions share of FDI. Leading landlocked developing countries oil and gas exporters are Kazakhstan, Azerbaijan, Bolivia, Turkmenistan, Chad and Uzbekistan.

Mineral prospecting and production of precious stones and metals, notably, diamonds, gold, copper and nickel attracted significant FDI flows. Leading landlocked developing countries include Kazakhstan, Armenia, Botswana, Mali, Mongolia and Zambia.

Manufacturing, tourism and other sectors attracted less FDI but Lesotho and Swaziland received considerable FDI inflows for textile and sugar – based industries between 2000-06 amounting to $729 million and $189 million in respectively.

Table 8: Foreign Direct Investment

Landlocked developing countries	Foreign direct investment, net inflows ($US millions) 2000	2001	2002	2003	2004	2005	2006
Afghanistan	..	..	..	..	..	..	..
Armenia	104.2	69.9	110.7	120.9	218.8	258.2	343.5
Azerbaijan	129.9	226.5	1 392.4	3 285.0	3 556.1	1 679.9	- 584.0
Bhutan	- 0.1	0.3	0.3	1.1	1.0	0.8	6.1
Bolivia	736.4	705.8	676.6	197.4	65.4	- 238.6	240.1
Botswana	57.2	22.1	403.4	418.0	391.1	278.6	486.4
Burkina Faso	23.2	8.8	15.0	29.1	14.3	19.5	25.9
Burundi	11.7	0.0	0.0	0.0	0.0	0.6	0.0
Central African Republic	0.9	5.2	5.6	3.3	- 12.7	6.0	24.3
Chad	114.8	459.9	924.1	712.7	478.2	705.0	700.0
Ethiopia	134.6	349.4	255.0	465.0	545.1	221.1	364.4
Kazakhstan	1 282.5	2 835.0	2 590.2	2 092.0	4 157.2	1 974.8	6 143.1
Kyrgyzstan	- 2.4	5.0	4.7	45.5	175.0	42.6	182.0
Lao People's D.R.	33.9	23.9	25.0	19.5	16.9	27.7	187.4
Lesotho	117.8	117.0	84.1	115.7	123.5	91.9	77.8
Malawi	26.0	19.3	5.9	3.9	- 0.7	3.0	29.7
Mali	82.4	121.7	243.8	132.3	101.0	159.0	185.0
Moldova, Rep. of	127.5	54.5	84.1	73.8	87.7	197.4	241.9
Mongolia	53.7	43.0	77.8	131.5	92.9	184.6	344.0
Nepal	- 0.5	20.9	- 6.0	14.8	- 0.4	2.5	- 6.6
Niger	8.4	22.9	2.4	14.9	26.3	44.0	20.5
Paraguay	104.1	84.2	10.0	27.4	37.7	73.9	188.9
Rwanda	8.3	4.6	2.6	4.7	7.7	8.0	11.2
Swaziland	91.4	28.4	88.8	- 60.9	70.6	- 49.6	36.3
Tajikistan	23.5	9.5	36.1	31.6	272.0	54.5	338.6
The F.Y.R. Macedonia	174.5	441.5	77.8	96.3	157.0	99.8	350.5
Turkmenistan	126.0	170.0	100.0	100.0	- 15.4	61.5	730.9
Uganda	160.7	151.5	184.6	202.2	295.4	379.8	391.6
Uzbekistan	75.0	83.0	65.0	70.0	1.2	45.4	164.0
Zambia	121.7	71.7	303.0	184.0	213.6	262.2	575.1
Zimbabwe	23.2	3.8	25.9	3.8	8.7	102.8	40.0
Landlocked developing countries	3 950.7	6 159.4	7 789.0	8 535.3	11 085.2	6 696.9	11 838.6
Transit developing countries	102 874.8	103 584.8	93 464.1	88 054.6	111 657.4	150 126.0	179 455.9
Least developed countries	4 213.1	6 791.5	6 525.0	10 631.5	9 330.8	7 782.9	12 333.8
Low and middle income countries	165 477.7	173 027.3	160 671.5	161 889.6	225 545.6	288 471.6	367 491.9

Sources: World Bank, *World Development Indicators 08* (Washington, D.C., 2008), table 6.10, and *WDI and GDF Online*, http://www.worldbank.org (accessed 23 April 2008). Income groupings of countries from ibid.

c. Debt Relief

(i) HIPIC and MDRI Initiatives

The IMF – World Bank Enhanced Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) have brought debt relief to 13 landlocked developing countries (Table 9). Debt Relief to these countries amounted to $ 13.891 billion in 2008. Individual countries, like Ethiopia which has a debt stock of $7.2 billion in 2003 saw her debt reduced to $2.44 billion in 2006 as a result of these initiatives. This reduced the country's external debt ratio to exports of merchandise from 14.65 in 2003 to 2.29 in 2006.

However, only 13 landlocked developing countries have so far benefited from the HIPIC and MDRI initiatives. A number of landlocked developing countries have not been able to satisfy the conditionalities attached to reaching decision point under the HIPIC. There is therefore need to expedite the process leading to the decision point upon which relief is granted.

The average external debt ratio to exports of merchandise for transit developing countries in 2006 was 0.70. If this ratio is taken as a reference point for landlocked developing countries, it implies that about 17 of them whose external debt ratio is well beyond this reference point are in need of debt relief. For some of them, notably Zimbabwe, Rwanda, Nepal, Lao PDR, Central African Republic and Burundi; the need for further debt relief is urgent.

d. Technical Assistance

Bilateral donors and multilateral and regional institutions, including development institutions have continued to provide technical assistance to landlocked and transit developing countries under their respective mandates.

UNCTAD provided technical assistance to landlocked and transit developing countries to support their WTO negotiations with regards to accession to WTO. The assistance included:

- Technical advisory missions on both substance as well as the process of accession.
- Workshops sensitizing the negotiating team, and other government agencies, private sector and academia, as well as key policy-makers, including parliamentarians on the GATT and WTO agreements, the accession process, as well as obligations and benefits of WTO membership;
- Training of negotiators in Geneva as well as in their home countries;
- Attachment of individual trade policy makers to UNCTAD staff for a limited time period for exposure to the working environment in international organizations, as well as to attend relevant meetings in the WTO;
- Assisting in the preparation of the Memorandum on the FTR. This includes preparation of written responses to questions posed by members and preparing the negotiating team for the meeting of their Working Party and with their trading partners;

- Assisting in the preparation of all other accession – related documents, including in the preparation of domestic legislation consistent with GATT and WTO provisions;
- Undertaking sectoral studies – by national experts under the supervision of UNCTAD staff/international experts.
- Exchange of experience between recently acceded countries and countries in the process of accession; supporting the creation of networks.

Table 9: Debt sustainability, and debt relief under the Heavily Indebted Poor Countries Initiative (HIPC)

			External debt (% of GNI)		Debt relief by HIPC, 2/2008 ($US million NPV*)
Landlocked developing countries	2003	2006	2003	2006	
Afghanistan	..	4.12	..	21.1	546
Armenia	2.58	2.06	61.0	32.0	
Azerbaijan	0.67	0.30	25.3	11.1	
Bhutan	3.66	2.04	78.8	75.9	
Bolivia	3.63	1.37	74.5	49.0	175
Botswana	0.18	0.09	6.8	4.1	
Burkina Faso	5.41	2.60	40.6	18.5	725
Burundi	35.25	24.04	230.1	162.2	864
Central African Republic	8.11	8.50	87.0	68.4	583
Chad	2.65	0.47	70.2	34.2	214
Ethiopia	14.65	2.29	91.3	17.5	2 446
Kazakhstan	1.76	1.83	78.3	103.4	
Kyrgyzstan	3.48	2.99	109.0	85.6	
Lao People's D.R.	6.11	3.41	108.5	98.6	
Lesotho	1.46	0.97	54.9	35.8	
Malawi	5.90	1.57	130.0	27.2	1 278
Mali	3.36	1.06	74.1	26.0	707
Moldova, Rep. of	2.46	2.30	87.7	64.3	
Mongolia	2.39	0.94	102.5	47.4	
Nepal	4.78	4.49	50.0	37.8	
Niger	5.88	1.49	76.2	22.1	853
Paraguay	2.60	1.80	58.2	36.9	
Rwanda	24.42	3.04	93.0	16.9	872
Swaziland	0.24	0.26	20.6	20.4	
Tajikistan	1.45	0.82	78.7	42.5	
The F.Y.R. Macedonia	1.36	1.11	40.6	42.8	
Turkmenistan	0.48	0.17	29.5	8.9	
Uganda	8.07	1.26	74.1	13.6	1 349
Uzbekistan	1.54	0.69	49.1	22.7	
Zambia	6.93	0.63	162.5	23.9	3 279
Zimbabwe	2.68	2.40	62.2	..	
Landlocked developing countries	2.25	1.37	64.9	51.1	13 891
Transit developing countries	1.33	0.70	30.8	20.2	14 160
Low and middle income countries	1.37	0.82	37.3	26.4	45 512

*Net present value end-2006, as calculated by World Bank.

Sources: World Bank, World Development Indicators 08 (Washington, D.C., 2008), tables 1.4, 4.4, 6.8 and 6.9, and WDI and GDF Online, http://www.worldbank.org, accessed 23 April 2008. Income grouping of countries from ibid.

In 2002, NEPAD launched a short-term Action Plan for infrastructure (STAP) development needs of Africa. It consists of 120 priority regional and continental projects/programmes in the energy, transport, water sanitation and information, and communication technology (ICT) sectors, at an estimated cost of about $8 billion half of which is expected to be financed by the private sector. (See box 5)

Box 5: NEPAD Short-Term Action Plan for Infrastructure STAP (2002 – 05)

In 2002, NEPAD launched a Short-Term Action Plan for Infrastructure (STAP) to address the infrastructure development needs of the continent. The STAP covers areas such as facilitation, capacity-building and investments in physical and capital projects. It consists of 120 priority regional and continental projects/programmes in the energy, transport, water and sanitation, and information and communications technology (ICT) sectors, at an estimated cost of about $US 8 billion, half of which is expected to be financed by the private sector. The African Development Bank (AfDB) has been designated has been designated as the lead institution for the implementation of NEPAD infrastructure projects. Within the period 2002-2005, the AfDB spent about $US 629 million finance 16 projects under the STAP. It also mobilized about $US 1.6 billion through co-financing of these projects with other development partners. Part of its 2006 Lending Programme includes additional support for 13 other projects/studies at an estimated total cost of $US 522.7 million. Japan-JICA is also funding 38 projects of the NEPAD. Through the NEPAD process, African countries have access to $US 200 million credit line provided by India. The European Union has also been providing financial assistance to African countries in support of infrastructure development. In February 2006, the EU and the European Investment Bank (EIB) agreed to the terms for the establishment of a trust fund to support infrastructure in Africa. Up to € 320 million in grants and loans have been earmarked for the fund over the first two years. The fund would be used to finance big transport telecommunication and energy projects on the continent. The EU decided to set up the fund because it believes that a strong infrastructure in Africa. Up to € 320 million in grants and loans have been earmarked for the fund over the first two years. The fund would be used to finance big transport, telecommunications and energy projects on the continent. The EU decided to set up the fund because it believes that a strong infrastructure network is critical for the sustainable development of the continent. In the Central African subregion, the World Bank is involved in efforts to reduce transaction costs for operators in Chad and Central African Republic, using the port of Douala in Cameroon. Since 1998, the Bank has been assisting to improve operations at the port of Douala, contributing to the creation of a "single-window" office, where all port clearing operations are settled. Furthermore, the Bank is contributing to the streamlining of all customs and ports operations relating to transit trade. Other areas where the bank is involved include the funding of inland transport infrastructure, telecommunications, energy and restructuring of the railway network in sub-Saharan Africa. The Sub-Saharan Africa Transport Policy Program (SSATP) was launched in 1987 as a joint initiative of the World Bank and the United Nations Economic Commission for Africa (UNECA). Since its reception, the SSATP has established itself as the only transport programme reaching across the whole of sub-Saharan Africa. NEPAD relies on the SSATP as a key instrument to support the implementation of its Short-Term Action Plan (STAP). In October 2002, bilateral and multilateral donors endorsed in principle a $US 25 million long-term development plan. The thematic approach under the plan comprises: poverty reduction and pro-poor growth-responsive transport strategies; transport sector performance indicators; road management and financing strategies; and regional transport strategies. ECA was instrumental in the adoption of a declaration by African Ministers responsible for Transport in Bamako in November 2005, in which they agreed to "integrate regional corridor treaties and relevant international transport conventions into national legislation and remove all non-physical barriers to transport." ECA is playing an active role in the establishment of the RECs Transport Coordination Committee (REC-TCC), whose main objective is to coordinate activities undertaken within the framework of SSATP. It is also involved in an ongoing development account project with ECE, ESCWA, ESCAP and ECLAC on "capacity-building in developing international land and land-cum sea transport linkages."

Source: Report to the fifth Session of the Committee on Trade and Regional Integration, E/ECA/CTRCI/5/4, 2007

The Asian Development Bank (ADB) continued to provide assistance to Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan through the Central Asia Regional Economic Cooperation (CAREC) Programme. The participating agencies of CAREC are ADB, the European Bank for Reconstruction and Development, the International Monetary Fund (IMF), the Islamic Development Bank (IsDB), the United Nations Development Programme and the World Bank. Measures undertaken by CARC over the past year in the transport sector included (a) adoption of a transport sector road map for the period 2005 – 2010; (b) an action plan on the implementation of the road map; (c) adoption of performance indicators; (d) a report on the potential for liberalization of the aviation sector in Central Asia; and (e) the processing of major infrastructure investment projects. In the CAREC transport sector alone, the combined investment programme of the six multilateral institutions is expected to exceed US $ 1 billion for the biennium 2005 – 2006.

The International Telecommunication Union (ITU) implemented various e-commerce and e-government projects in landlocked developing countries to enable them to access easily the market and use information and communications technologies as a catalyst to increase trade. This entailed the set-up of appropriate public key infrastructures to ensure network integrity and security while providing assistance in setting up appropriate legal and regulatory frameworks. Projects were implemented in Nepal, Bhutan, Mali, Rwanda, Uganda, Azerbaijan, Kyrgyzstan and Uzbekistan.

The Food and Agriculture Organization of the United Nations (FAO) reported increased assistance for developing countries in improving the ability of their increased for developing countries in improving the ability of their Inter-American Development Bank (IDB) is allocating US$ 20 million for public administration improvement and US$ 80 million for road infrastructure improvement in Bolivia for the period 2005 – 2006. For Paraguay, the Bank is allocating US$ 93 million to support sustainable growth and greater regional integration, and US$60 million to rehabilitate and maintain roads for integrated corridors and to develop a power transmission and distribution programme.

B. RECENT TRENDS IN SOCIO-ECONOMIC DEVELOPMENT OF LANDLOCKED DEVELOPING COUNTRIES

I. Landlocked Developing Countries in Africa

a. Introduction

Africa is home to the largest number of landlocked developing countries compared to Asia, Latin America and Europe. Five of the landlocked countries in Africa are not linked to the coast by rail, as against two in Asia, one in Latin America and non in Europe. Provision of infrastructure in Africa lags behind other regions. For example, road density in the Central African Republic is 38 Km per 1,000 km^2 compared to 73km per 1,000 km^2 in Paraguay or 92km per 1,000m2 in Kazakhstan. In the Central African Republic, only 2.7 of the roads are paved, as against 14 per cent in Lao PDR or 6.6 per cent in Bolivia.[34]

In spite of many years of economic cooperation and integration, trade among African countries is low. Intra-regional trade in CEMAC and COMESA exceeded 5 percent of their total trade. In SADC total trade flows are about 20 per cent, although for some SADC counties, in particular, notably Namibia, Zambia and Zimbabwe, SADC is an important source of their imports, and also accounts for around 22 per cent, of their total exports in 2005/06.[35]

It means that most landlocked developing countries in Africa depend on overseas markets for their exports and imports. Therefore, for them, holding down the cost of transport and related expenses is key to their export competitiveness and reduction of the cost of imports.

Many landlocked developing countries in Africa have shared in the worldwide economic boom witnessed in recent years. However, the rate of growth in Africa was in general lower that that experienced in Asia although it was significantly superior to the performance attained during the 1990s. However, the surge in economic growth, as was the case in other regions, was not shared in equal measure by all the landlocked developing countries in Africa. Indeed, marked differences abound owning to heterogeneous factors of their individual economic structures as outlined in this Chapter.

1. Botswana

(i) Economic Development

Botswana economic performance has been remarkable. Between 1966 and 1991 she attained an annual real GDP growth rate of 6.1 per cent, the highest in the world. This pushed per capita income from $660 in 1966 to over $3,000 in 1991. Although the economy has slowed down owing to a recession in 1992/93, and subsequent slow government capital spending, coupled with a 12 per cent

[34] Landlocked Developing Countries: Facts and Figures UNCTAD/LDC/2006/2
[35] Trade and Development Board Report, 2007, UNCTAD/TDR/2007

devaluation of the pula in May 2005, which eroded consumer spending, and dampened domestic business confidence, the country maintained a decent GDP growth of around 7.46 percent (Table 10). Inflation which was in double digits at the turn of the decade has moderated to 6 per cent by mid 2007.

The fortunes of Botswana have gravitated around the diamond mining industry and the international prices for the germ. National accounts for the year 2005/6 indicated that mining contributed 35.5 per cent of GDP. The recent booming global demand for minerals which has stimulated interest in production of metals other than diamonds is likely to sharpen the dominance of the mining industry in the countries' economy. There are large reserves of bituminous coal and deposits of copper and nickel which have not been fully exploited.

Economic diversification efforts in Botswana have focused on the promotion of private sector manufacturing, international financial services and tourism. In this connection, the country hopes to benefit from the football world cup competition scheduled to be held in neighbouring South Africa in 2010.

Botswana has over the years attracted considerable foreign direct investment (Table 8). FDI, largely from Western Europe and South Africa has been directed towards the mining sector, finance and wholesale and retail trade. Botswana's financial accounts also reflect significant outward portfolio investment derived from pension fund assets which are invested overseas. In 2006, pension funds rose to $4.8 billion.

Botswana is not aid-dependent and as such, official development aid (ODA) has been modest (Table 7). However, Botswana continues to receive aid, reflecting donor's response to the country's intermittent droughts, its capacity to absolve ODA effectively, and global efforts to counter the HIV/AIDS pandemic.

(ii) Social indicators

Botswana has made major strides in the education sector. Its free primary education policy has opened up access to large numbers of school – going children. Secondary enrolment and adult literacy has also increased significantly. Female pupils are now the majority in primary, secondary and university levels. A total of 15,725 students were enrolled at the University of Botswana in 2006, up from 5,500 in 1995.

Botswana enjoys a well-developed and decentralized health care system, although as in other regions, trained health workers are hard to retain as they are attracted to work overseas. HIV/AIDS is a major challenge. The National AIDS Coordinating Agency chaired by the country's President oversees a wide range of local and international agencies which render services, including the distribution of anti-retroviral (ARV) drugs. It has been reported that as of 2006, the total number of people on treatment, has reached more than 71,000. While the actual numbers of HIV/AIDS victims in Botswana may be a subject of some controversy, neither the seriousness of the scourge nor its economic and social impact can be denied.

Table 10: Gross domestic product and growth rates

Landlocked developing countries	Estimates of GDP at constant 1990 prices ($US millions)			GDP per cap. current $US	GDP average annual growth		
	2000	2003	2006	2006	2000-03	2003-05	2006
Afghanistan	2 539	3 666	5 105	319	13.03	11.96	11.10
Armenia	1 463	2 069	3 563	2 128	12.25	21.35	16.93
Azerbaijan	3 835	5 179	9 701	2 362	10.53	18.02	34.47
Bhutan	466	591	729	1 422	8.24	6.63	8.48
Bolivia	7 047	7 544	8 510	1 101	2.30	4.10	4.10
Botswana	5 774	6 834	8 227	4 755	5.78	7.51	4.15
Burkina Faso	4 932	5 905	7 057	416	6.19	6.24	5.88
Burundi	970	1 023	1 143	114	1.79	2.61	6.13
Central African Republic	1 453	1 338	1 430	333	-2.71	1.74	3.25
Chad	2 172	3 004	4 485	634	11.42	20.47	2.87
Ethiopia	14 446	15 199	20 985	164	1.71	11.71	10.64
Kazakhstan	20 594	28 058	37 305	5 043	10.86	9.64	10.60
Kyrgyzstan	1 006	1 134	1 244	536	4.07	3.38	2.64
Lao People's D.R.	1 593	1 887	2 323	599	5.81	7.11	7.30
Lesotho	867	939	1 022	725	2.69	3.51	1.59
Malawi	3 071	3 183	3 756	164	1.20	4.28	8.52
Mali	3 742	4 699	5 335	498	7.89	4.18	4.61
Moldova, Rep. of	1 380	1 684	2 021	876	6.86	7.44	3.96
Mongolia	1 251	1 398	1 658	1 076	3.77	8.87	0.06
Nepal	5 738	6 225	6 759	290	2.75	3.24	1.87
Niger	3 126	3 671	4 047	247	5.50	3.19	3.53
Paraguay	5 853	6 200	6 906	1 514	1.94	3.50	3.99
Rwanda	2 646	3 107	3 523	242	5.50	4.92	3.01
Swaziland	1 185	1 268	1 337	2 399	2.28	2.07	1.21
Tajikistan	1 091	1 472	1 854	424	10.50	8.50	6.98
The F.Y.R. Macedonia	4 215	4 173	4 702	3 096	-0.33	4.09	4.00
Turkmenistan	2 413	2 606	3 251	1 327	2.60	6.99	8.98
Uganda	7 152	8 479	10 124	346	5.84	6.02	6.22
Uzbekistan	14 469	16 426	20 660	598	4.32	7.42	8.99
Zambia	4 002	4 523	5 354	938	4.16	5.67	6.02
Zimbabwe	9 267	7 743	6 895	133	-5.81	-3.28	-4.80
Landlocked developing countries	139 758	161 227	201 011	688	4.88	7.49	7.91
Developing countries*	6 056 110	6 859 864	8 377 110	2 310	4.24	4.50	7.00

* Does not include countries of the Commonwealth of Independent States.

Source: United Nations Statistics Division, National Accounts Main Aggregates Database, http://unstats.un.org/unsd/snaama/introduction.asp (accessed 10 February 2008). Rates of growth calculations by Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, United Nations Secretariat.

(iii) Geographical Location and Transit Systems

Botswana is a landlocked developing country whose access to the sea requires transit passage through South Africa or Namibia. However, the availability of alternative corridors diminishes its vulnerability.

Another advantage the country has is that both its own transport infrastructure and that of her neighbouring transit countries are well developed and managed. Moreover, Botswana is a transit country on her own right, offering through passage to Zimbabwe from South Africa and land link to Zambia from South Africa.

(iv) Economic Cooperation and Integration

Botswana belongs to both the Southern African Customs Union (SACU)[36] and the Southern African Development Community (SADC)[37]. Both organizations seek to promote economic integration and trade facilitation. Not surprisingly therefore that according to 2005 import statistics, 85 percent of Botswana imports were sourced from within the Southern African Customs Union. However, Botswana's exports of which diamonds accounts for more than 75 percent of the value were exported to the United Kingdom. Because of the high –value nature of her exports and the short distance of Botswana's import procurement, the country's total freight cost are among the lowest experienced by landlocked developing countries.

(v) Peace and Security

The lack of peace and security has serious economic impact to any affected country in terms of potential damage to economic infrastructure and an escalation of transport and insurance costs. Landlocked developing countries in addition may suffer even when conflicts occur in neighbouring transit countries. Botswana in recent years has enjoyed peace and security, not only at home but also as regards its neighboring transit countries of South Africa and Namibia. However, although Zimbabwe is not an important transit country for Botswana, the country and other neighbouring countries may be negatively affected if the political instability in Zimbabwe turns violent, resulting in large-scale population movements.

2. Burkina Faso

(i) Economic Development

The last five years have seen a marked improvement in the economic performance of the Burkina economy, growing at an average of 5.7 percent per annum (Table 10) as a result of a combination of factors, including sustained donor support,

[36] Members of SACU: Botswana ,Lesotho, Namibia, South Africa, Swaziland.

[37] Members of SADC (http://www.sadc.int/) : Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe

sound macro-economic management and good weather, combined to induce the positive outturn. However, throughout the 1980s the country's economy was sluggish, growing at an average of 2.5 percent. Therefore, in order to improve the overall living conditions in Burkina Faso, the economy would need to be sustained at the high level over a longer period of time.

Agriculture – the backbone of the economy – accounts for 34.4 percent of GDP, providing subsistence for 80 per cent of the population and contributing 80 per cent of the country's foreign trade earnings.

Cotton is the main export crop. Production of high grade cotton has expanded from 270,000 tonnes in 1999 to 740,000 tonnes in 2007, making Burkina Faso the main producer of cotton in Sub-Saharan Africa. However, international price fluctuations and long distances to the market pose serious challenges to producers and the Government. To remain competitive, transaction costs, notably, transport costs must be held down and the country must increase value added export by reviving the textile industry. Cotton producers have also been encouraged to diversify into other crops. Other sectors, notably industrial production and mining, offer new opportunities. The Government in 2005 issued 133 new mining permits. Burkina Faso is rich in gold and the country boasts of other minerals, including, zinc, phosphates, manganese, bauxite, copper and nickel.

Burkina Faso has been a modest FDI destination. FDI inflows between 1970 – 96 was only $90 million and have fluctuated in recent years falling to $14 million in 2004 before rising to $19 million and 25.9 million in 2005 -2006 respectively (see Table 8). Even so, the country's stock of FDI between 2000 - 06 continued to rise reaching $140 million in 2006. The boom in metal prices is likely to attract substantial FDI by foreign firms interested in metal production notably in gold.

Burkina Faso is aid-dependent. Aid has risen from $471 million in 2002 to $871 million in 2006, with increased proportion of it being multilateral aid (Table 7). The grant element of assistance has remained high, about 75 percent reflecting the country's least developed status.

Burkina Faso has benefited from debt relief initiatives (Table 9). In 2002 it became the fourth country in Africa to reach completion point under the enhanced framework of the IMF – World Bank's Heavily Indebted Poor Countries (HIPC) initiative. The debt relief under this initiative amounted to about $725 million. The country also qualified for inclusion in the multilateral debt relief initiative (MDRI) under which the World Bank wrote-off $861 million, the Africa Development Bank (ADB) $340 million and the IMF $89 million. As a result of these write–offs, the country's total external debt stock has fallen to an estimated $700 million in 2006.

(ii) Social Indicators

Burkina Faso has one of the highest rates of illiteracy in the world estimates at 78 percent. The country's "Education for All Initiative" adopted in 1990 has raised net enrolment rate at primary education from 29 per cent in 1991 to 45 per cent in 2005 but the rate of secondary school enrollment remains at 11 per cent (See

Table 11). The country's new strategic plan aims at raising enrolment of primary and secondary rates to 70 per cent and 25 percent, respectively by 2010 and to double university enrolments.

The Human Development Report, 2006 ranks Burkina Faso 174th out of 177 according to a set of human development indicators. Infant mortality rate is 97 per 1,000 live births in 2004. Life expectancy in 2004 was estimated at 47.9 years. In 2005 there were only 400 doctors for a population of 12 million. However, the Government as part of its revised poverty reduction strategy paper (PRSP) has increased budgetary spending for health.

The Joint UN Programme on HIV/AIDS has reported that the rate of adult infection from aids has declined from a peak of 7.2 per cent in 1977 to just 2 per cent in 2005. The decline is attributed to successful Government preventive measures but also the use of more accurate data.

(iii) Geographical Location and Transit Systems

Burkina Faso is landlocked and as such, she needs passage through the territories of neighbouring countries to access the sea. Transport in Burkina Faso is poorly developed and transit facilities available in neighbouring transit countries are also inadequate. However, the country is fortunate to have three alternative corridors leading to the ports of Abidjan, Takoradi and Lome. The availability of alternative corridors saved Burkina Faso well when her traditional corridor to Abidjan port was cut-off by the Civil War in Cóte d'Ivoire in 2002.

Transport corridors:
- Ouagadougou – Bobo Dioulassa – 1200km Abidjan -Road/Rail
- Ouagadougou – Po – Tema – 1100 Km -Road
- Ouagadougou – Pama Koupela – Lome – 2000Km -Road

(iv) Economic Cooperation and Integration

Burkina Faso is a member of the Economic Community of West African States (ECOWAS) and the Union Èconomique et Monètaire Ouest-Africaine (UEMOA)[38] both of which seek to promote economic integration. However, intra-regional trade is limited, notably for exports which are shipped to overseas markets, thereby, incurring high transport costs.

(v) Peace and Security

The outbreak of civil war in Côte d'ivoire in 2002 seriously disrupted Burkina Faso's external trade. The port of Abidjan in Côte d'ivoire had been the traditional gateway for Burkina Faso. The shift to other ports in the sub-region was possible, but this involved establishing new business links and upgrading roads leading to the border with Ghana and Togo as well as transit facilities, notably, at the port of Takoradi and Lome and at national border crossings.

[38] Members of UEMOA (http://www.uemoa.int/index.htm): Benin, Burkina Faso, Cóte d'Ivoire, Guinea – Bissau, Mali, Niger, Senegal, Togo.

Table 11: Literacy and enrolment in Landlocked Developing Countries

HDI Rank	**Adult literacy rate** (% aged 15 and older)		**MDG Youth literacy rate** (%aged 15-24)		**MDG Net primary enrolment rate** (%)		**Net secondary enrolment rate** [a] (%)		**MDG children reaching grade 5** (% of grade 1 students)		**Tertiary students in science, engineering, manufacturing and construction** (% of tertiary students)
	1985-1994b	1995 – 2005c	1985-1994b	1995-2005c	1991	2005	1991	2005	1991	2004	1999-2005d
Eastern Africa											
Burundi	37.4	59.3	53.6	73.3	53e	60	-	-	62	67	10g
Ethiopia	27.0	35.9	33.6	49.9	22e	61	-	28e	18	-	17
Malawi	48.5	64.1	59.0	76.0	48	95	-	24	64	42	-
Rwanda	57.9	64.9	74.9	77.6	66	74e	7	-	60	46f	-
Uganda	56.1	66.8	69.8	76.6	-	-	-	15e	36	49e	10
Zambia	65.0	68.0	66.4	69.5	-	89	-	26e	-	94f	-
Zimbabwe	83.5	89.4h	95.4	97.7h	-	82f	-	34	76	70e,f	-
Southern Africa											
Botswana	68.8	81.2	89.3	94.0	83	85	35	60	84	90	17
Lesotho	-	82.2	-	-	71	87	15	25	66	73	24
Swaziland	67.2	79.6	83.7	88.4	75e	80e	30	33e	77	77f	9
West Africa											
Burkina Faso	13.6	23.6	20.2	33.0	29	45	-	11	70	76	-
Mali	-	24.0	-	-	21e	51	5e	-	70e	87	-
Niger	-	28-7	-	36.5	22	40	5	8	62	65	-
Middle Africa											
Central African Republic	33.6	48.8	48.2	58.5	52	-	-	-	23	-	-
Chad	12.2	25.7	17.0	37.6	35e	61e,f	-	11e	51e	33	-
South America											
Bolivia	80.0	86.7	93.9	97.3	-	95	-	73	-	85	-
Paraguay	90.3	93.5h	95.6	95.9h	94	88f	26	-	74	81f	40
Eastern Asia											
Mongolia	-	97.8	-	97.7	90e	84	-	84	-	-	23
Southern Asia											
Afghanistan											
Bhutan	-	-	-	-	-	-	-	-	-	91	-
Nepal	33.0	48.6	49.6	70.1	-	79	-	-	51	61	-
Southern – Eastern Asia											
Lao PDR	-	68.7	-	78.5	63	84	-	38	-	63	6
Economies in Transition: Asia											
Armenia	98.8	99.4	99.9	99.8	-	79	-	84	-	-	7g
Azerbaijan	-	98.8	-	99.9	89	85	-	78	-	-	-
Kazakhstan	97.5	99.5	99.7	99.8	89	91	-	92	-	-	-
Kyrgyzstan											
Tajikistan	97.9	99.5	99.7	99.8	77	97	-	80	-	-	18
Turkmenistan	-	98.9	-	99.8	-	-	-	-	-	-	-
Uzbekistan	-	-	-	-	78	-	-	-	-	-	-
Economies in Transition: Europe											
Macedonia	94.1	96.1	98.9	98.7	94	92	-	82	-	-	26
Moldova	96.4	99.1	99.7	99.7	89	86	-	76	-	-	-

Source :UNDP Human Development Report 2007/2008

Notes:

a. Enrolments rates fro the most recent years are based on the new international standard classification of Education, adopted in 1997 (UNESCO 1997), and so may not be strictly comparable with those for 1991.

b. Data refer to national literacy estimates from censuses or surveys conducted between 1985 and 1994, unless otherwise specified. Due to differences in methodology and timeless of underlying data, comparisons across countries and over time would be made with caution. For more details, see http://www.uis.unesco.org/

c. Data refer to national literacy estimates from census or surveys conducted between 1995 and 2005, unless otherwise specified. Due to differences in methodology and timeless of underlying data comparisons across countries and over time would be made with caution. For more details,

d. data refer to the most recent years available during the period specified.
e. National or UNESCO Institute for Statistics estimate
f. data refer to an earlier year than that specified.
g. Figure should be treated with caution because the reported number of enrolled students in the "Not known or unspecified" category represents more than 10% of total enrolment.
h. UNESCO Institute for Statistics estimates based on its Global Age-specific Literacy Projects model, April 2007.
i. Data refer to 18 of the 25 states of the country only.
j. Data refer to 2006
k. Data are based on a literacy assessment.
l. Data exclude three sub-divisions of Senapati district of Manipur: Mao Maram, Paomata and Rural

m. Data refer to North Sudan only.
n. data refer to aggregates calculated by UNESCO institute for Statistics.

SOURCES
Columns 1- 4: UNESCO Institute for Statistics 2007a
Columns 5-11: UNESCO Instute for Statistics 2007c.

3. Burundi

(i) Economic Development

The last few years have seen a return of Burundi to a path of economic growth. As peace slowly holds, economic activities, notably on Lake Tanganyika and around Bujumbura is picking up. Improved security is making transport less dangerous and therefore less expensive while the return of foreign businessmen to the country has engendered renewal hopes for investment. GDP growth between 200-03 was only 1.79 per cent but, this was a major improvement over the negative GDP growth of -3.2 per cent between 1990 and 1999. GDP growth in 2006 has accelerated to 6.13 per cent.

Burundi's economic structure hinges on agriculture, producing tea and coffee for exports and bananas, sweet potatoes, cassava, pulses, beans, sorghum and maize for local consumption.

Years of civil war and population displacement have diminished agricultural output. The return of peace should bring up production levels back but land pressure hinders agricultural expansion, dictating the urgency for the country to diversity her economy. Burundi has exploitable mineral resources, such as nickel, cassiterite and columbo – tantalite.

Burundi has been a poor destination of FDI. According to official data (Table 8) the country received about $12 million and $0.6 million in 2000 and 2005, respectively. However, political stability and privatization could reverse the tide.

Burundi is a recipient of ODA from both bilateral and multilateral donors. The country in 2006 received a total of $415 million up from $172 million in 2002, reflecting approval for the country's peace initiative.

Burundi is heavily indebted. In 2005 it had accumulated a total debt stock of $1.3 billion which required repayment of $39 million equivalent to a debt servicing ratio of 41 percent. Almost all debt is owed to official creditors, with 60 per cent to the World Bank soft loan window of the International Development Association (IDA).

The IMF and World Bank announced in 2005 that Burundi has reached decision point under the HIPIC debt relief initiative. She reached HIPIC completion point and obtained debt relief of $725 million in 2008.

(ii) Social Indicators

Tremendous progress achieved in education earlier in 1980s was largely reversed in the 1990s due to the political crisis and civil war. Since the restoration of peace in 2000, progress has been made, but the current achievement remains below the levels achieved in the 1980s. For example, the net primary school enrolment in 2005 was 60 percent compared to 70 per cent in the 1980s. Most of the secondary and tertiary institutions are located in the capital Bujumbura. About 4,000 students attend Burundi national university.

The health sector has suffered tremendously from the civil war. Rebels targeted health infrastructure. It is estimated that there is only one health centre for every 25,000 people. More than 70 per cent of the doctors are based in the capital Bujumbura. In 2004, life expectancy at birth was estimated at 42 years. Infant mortality rate per 1,000 life birth is 114 and births attended by skilled health staff was 25 per cent[39]. According to the national prevalence survey conducted in 2002, 9.4% of the population is infected with HIV/AIDS.

(iii) Geographical Location and Transit Systems

Burundi is landlocked and access to the sea needs passage through neighbouring countries. However, there are three alternative corridors leading to the port of Mombasa in Kenya, the port of Dar es Salaam in Tanzania and the port of Durban in South Africa. The corridor to Dar es Salaam is the shortest (1200 Km) and has the advantage of one border crossing. However transport infrastructure in Tanzania is poor. The corridor to Mombasa is longer by about 300 km and involve three border crossing but the infrastructure is better, notably an all weather road. The corridor to Durban is more than 3500 km long and was only used during the period of regional sanctions.

Transport Corridors
- Bujumbura – Kigali – Kampala – Mombasa 1800km – Road
- Bujumbura – Kigoma – Dar es Salaam 1250 – multimodal
- Bujumbura – Lusaka – Harare – Durban over 3500 -multimodal

(iv) Economic Cooperation and Integration

Burundi is a member of both the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). Both organizations seek to promote economic cooperation and integration of its members.

The implementation of the customs union by the EAC and the harmonization of fiscal and monetary policies have stimulated intra-regional trade in East Africa. About a quarter of Burundi's imports are sourced from Kenya and Tanzania, but exports are shipped to overseas markets.

(iii) Peace and Security

The decade-long conflict in Burundi made the cost of moving goods to and from Burundi extremely high. But Burundi's external trade was also affected by political turmoil in neighbouring transit countries such as Rwanda in the mid-1990s, and more recently in Kenya when trouble flared after the disputed election in November 2007.

[39] Africa Development Indicators, World Bank, 2006

4. Central African Republic

(i) Economic Development

Economic performance in the Central Africa Republic has been characterized by low or negative growth rates during the last two decades. Political instability has weakened government institutions and curtailed business activities. Commercial farming has almost ceased, as well as output from mining and timber.

GDP in 2000 – 03 grew up by -2.71 per cent followed by 3.25 percent in 2006. This improvement reflected the prevailing peace and security in the country. Greater improvement of economic conditions will depend heavily on government ability to maintain peace and security.

Agriculture is the mainstay in Central African Republic. Coffee and Cotton are the main cash crops but production has almost collapsed due to many years of instability and insecurity. Diamond mining which represented 12 percent of GDP in 2005 has been more resilient. It is now the country's main export earner. Two logging companies are currently exploiting 3.5 million hectare of forest in the country, each year generating CFA fr 8.3 billion. The country produces high quality tropical timber which is in high demand, but increased production requires improvement of the roads network in logging areas and low costs transport route to the coast.

Central African Republic is a poor destination for FDI. Data available indicates that inward flows of FDI to the country between 2000 and 2006 amounted to $32million as against an outward flow of $12.7 million in 2004 (Table 8). With fertile soils, extensive tropical forest reserves and mining opportunities, the potential for increased FDI in Central African Republic is largely untapped, but any improvement would be predicated on maintenance of peace and stability in the country.

Total ODA to Central African Republic in 2006 was $134 million up from $60 million in 2002. Official flows in 2006 represented an improvement, suggesting that sustained stability could attract increased aid (Table 7).

In recognition to the Government's reform efforts, which includes, a 12 month freeze on public sector recruitment and a reduction of public sector employees, the IMF in 2006 approved the country's second Emergency Post – Conflict Assistance (EPCA) loan and a three-year Poverty Reduction and Growth Facility (PRGF). The warming up relations with the IMF signaled the re-engagement of other bilateral and multilateral donors and the grant of debt relief under the enhanced HIPIC initiative.

(ii) Social Indicators

Education indicators in the Central African Republic are among the lowest even by African standards. Primary school enrolment was 64.4 per cent in 2004 while only 10 per cent of the school attending population is enrolled in secondary school. Adult illiteracy rate stood at 51.4 percent.

Similarly, health indicators for the Central African Republic indicate a dismissal picture. Life expectancy at birth for males is 48 years as against 41 for females. In fact, mortality is 93 per 1,000 live births (Table 13) and maternal mortality ratio is 1,100 per 100,000 live births.[40]

(iii) Geographical Location and Transit Systems

Access to the sea from the Central Africa Republic requires passage through Cameroon or Congo (Brazzaville). The 1400 Km transport corridor to the port of Douala is served by road. But once traffic reaches Cameroon territory, at Nanga, goods can be transshipped for carriage by rail to Douala. Heavy cargo, notably, logs make use of this option, but most other cargo prefers the all –road transport option. However, in spite of substantial donor support and funding, not all the roads between Bangui and Douala are tarred, as a result, transport during the rainy reason is subject to interruption.

The multi-modal river and rail from Bangui to Brazzaville resumed service in 2000 after peace accords were signed by Congolese warring factions. About one fifth of the country's hydrocarbon imports travel by barge via the Oubangui River. But the river is shallow during the dry seasons. The Lake Chad Basin Commission which met in Bangui in February 2002, proposed damming the Oubangui River at Palambo, 40 Km from Bangui to enable year round use of the Oubangui River, but so far no investors have shown interest.

(iv) Economic Cooperation and Integration

Central African Republic belongs to the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC)[41], whose main objective is to bring the economic integration of the six Africa countries. However, CEMAC has made limited progress towards reaching its goals.

Inter-regional cooperation and integration has been overshadowed by political crises in member countries. CEMAC's main role therefore has been to ease political tension in the sub-region, as demonstrated by its decision in December 2002 to deploy a peacekeeping force in the Central African Republic.

(v) Peace and Security

The cost of moving goods to and from Central Africa is among the highest in the world. Inadequate transport infrastructure and cumbersome administrative procedures play a role in this, but lack of security **en route** is also an important factor. As a landlocked country, the Central African Republic has paid the price of high transport cost not only when the country herself is embroided in civil

[40] Africa Development Indicators, World Bank Africa 2006.

[41] Members of CEMAC (http://www.cemac.cf/): Central African Republic, Chad, Congo (Brazzaville) Gabon and Equatorial Guinea.

strife but also when neighbouring transit countries are in crisis. As mentioned earlier, the country was unable to use the Oubangui River during the early 2000s because of external events - Congolese armed rebel activities.

5. Chad

(i). Economic Development

The economy in the late 1990s, fueled by large FDI inflows for oil prospecting, pipeline construction and later oil production, responded well. GDP which grew by 11.42 in 2000 – 03 accelerated to 20.47 per cent and 2003-04, respectively before plummeting to 2.87 in 2006.

Oil production in Chad was originally projected to last for 25 years, with a peak of 250,000 barrels per day in 2005, thereafter, declining gradually to around 150,000 barrels per day in 2004. Chad is taking advantages of her oil wealth to diversify her economy. Cotton, livestock and gum Arabic have emerged as the most important export items. However, grater investment in agricultural inputs, irrigation schemes and management are needed to boost and sustain production levels.

Until oil was discovered in commercial quantities in 2000, Chad was a modest destination for FDI. Inward flows recorded in 1990 amounted only $9 million compared to $115 million in 2000. Since then, FDI grew sharply to $924 million in 2002. The country received about $ 585 million on average between 2000 and 2006 (Table 8).

Until now Government has pursued a conservative borrowing policy opting for highly concessional loans. The country's external debt stock in 2005 was 1.6 billion US dollars. In the future, as has been done to other countries, Chad may have to succumb to pressure to borrow heavily against future oil earnings to finance economic infrastructure programmes.

In May 2001 Chad qualified for debt–service relief of $214 million under HIPIC. The Government will need to successfully implement her poverty reduction and strategy paper (PRSP) to reach completion point at which the majority of relief is granted. Chad's deteriorating fiscal position is a major challenge.

(ii). Social Indicators

Chad education indicators are among the lowest even by African standards. Adult literacy in 2005 was 25.7 per cent. Primary school was about 61 per cent and 11 per cent for secondary school. The national university has 1,500 students. The implementation of the country's oil revenue programme which focuses on poverty reduction is expected to improve the education and health sectors.

Chad health-care system is weak. Life expectancy at birth which was estimated at 44 years in 2004 is below the average for Sub-Saharan Africa of 46 years. Infant mortality is high, estimated at 109 per 1,000 live births compared with the average 101 in Sub-Saharan Africa. Preventable diseases, such as diarrhea and dysentery are common because of poor sanitation and limited access to safe drinking water. However, HIV/AIDS infection at 3.5 per cent is among the lowest in Sub-Saharan Africa.

(iii). Geographical Location and Transit Systems

As a landlocked developing country Chad relies on Cameroon and Nigeria for access to the sea. The ports of Douala in Cameroon and Port Harcourt in Nigeria are 1,500 km and 1,700 km away respectively. The Douala – N'djamena corridor offers two possible options: road transport from N'djamena to Douala without transshipment or road transport to Ngaoundere, a rail head on the Cameroon side of the border for onward transport to the port of Douala by Cameroon railways.

Transport Corridors
- N'djamena – Ngaoundere – Douala 1800km – road/rail
- N'djamena – Kano – Port Harcourt - road

(iv). Economic Cooperation and Integration

Chad is a member of CEMAC, whose main objective is to promote economic integration in Central Africa. Intra-regional trade among CEMAC members is limited but Chad's imports from Cameroon have grown from 2.5 per cent in 2001 to 9.7 percent in 2005.

(v). Peace and Security

Chad has over the years been caught up in a spiral of conflict and instability. In March 2008, the government of Chad beat-back Sudan-based rebels who were poised to change the government in N'djamena by violent means. Chad has also been affected by the ongoing conflict in the neighbouring province of Darfur, Sudan

6. Ethiopia

(i). Economic Development

Ethiopian's economy has responded well to policy reform initiatives and investments. GDP growth which contracted to 1.7 percent in 2000-03 because drought, bounced back to 11.7 per cent in 2003-05, dropped slightly to 10.6 per cent in 2006.

Ethiopia's economy is driven by the agricultural sector which in turn depends on good weather and high commodity prices. However, some progress has been made to diversity the economy that has been dominated by coffee exports. Leather and leather products which earned the country $44 million 2003/4 has increased sales to $75 million. Exports of meat and meat products also showed strong performance, reaching $46 million in 2006 from $10 million in 2003/4. Other exports include horticulture and mining.

Ethiopia compares favourably with Tanzania and Uganda as a destination of FDI. Figures available show that inward flows reached $465 million in 2003 see Table 8. Although FDI fell in 2005 to $221.1 million, it rose again in 2006 to $364.4 million raising the stock of FDI in Ethiopia to $3.133 billion.

Ethiopia has received substantial ODA. Donor support waned during the war with Eritrea when aid fell to $674.2 million in 2000 from $905.7 million in 1995. However, aid volumes increased again to $1.29 billion in 2002 and increased further to US $ 1.94 billion in 2006.

Ethiopia became eligible for HIPIC in 2001 and reached completion point in April 2004. The country has also benefited from multilateral debt write-offs under the MDRI launched by the G8. As a result of these initiatives, Ethiopia debt stock which stood at $7.2 billion in 2003 fell to $2.5 billion in 2006.

(ii). Social Indicators

Ethiopia has accorded high priority to education in the country's growth and development policy. Current expenditure has been doubled from 1.8 per cent of the budget in 2001-02 to 3.9 per cent in 2005-06. Capital and current expenditure has risen from 13.7 of the budget in 2000-01 to 22 per cent in 2005-06. As a result, enrolment rates have improved markedly, particularly for secondary school students.

On the contrary, health services are poorly funded. Budgetary allocations have declined from 5.1 per cent in 2000/1 to 4.5 per cent in 2005-06, as a result, the health sector is performing poorly as reflected by an infant mortality rate of 80 per 1,000 live births in 2005 which is among the highest in the world (Table 5).

The new data released by UNAIDS indicates that the prevalence rate of the disease is lower than previously estimated. According to the new figures 0.9 per cent of children have been affected and 3.5 per cent adults between the ages of 14-49 are HIV positive.

(iii). Geographical Location and Transit Systems

Ethiopia is landlocked. Access to the sea can be gained through Djibouti, Eritrea and Kenya. Since the war with Eritrea in 2000, Ethiopia relies on the Addis Ababa – Djibouti corridor by road or rail. However, the railway is in urgent need of rehabilitation, as a result, 95 percent of freight from Addis Ababa to Djibouti move by road. Ethiopia has also access to the port of Mombasa in Kenya, but the southern route requires upgrading to turn it into a serious alternative corridor.

(iv). Economic Cooperation and Integration

Ethiopia is a member of COMESA and IGAD[42]. The former seeks to promote economic integration while the later aims at coordinating activities related to

[42] Members of the Intergovernmental Authority Development (IGAD) (http://www.igad.org/): Ethiopia, Kenya, Somalia, Sudan, Uganda.

agricultural development and to alleviate drought and desertification. Ethiopia has no significant trade relationship with other members of COMESA or IGAD. Her main exports market includes China, Germany, Japan and the United States of America and imports are sourced from Saudi Arabia, China, India and Italy.

Transport Corridor
- Addis Ababa – Tendaho – Djibouti – Road
- Addis Ababa – Dese – Masawa – 900km – Road
- Addis Ababa – Yabelo – Nairobi –Mombasa – Road

(v). Peace and Security

The uneasy peace between Ethiopia and Eritrea, the continuing violence and political instability in neighbouring Somalia and proximity to the middle-east, are negative factors which affect transport and insurance costs related to Ethiopian foreign trade.

7. Lesotho

(i). Economic Development

Modest growth of about 3 per cent has characterized Lesotho economy throughout the 1990s. Growth was driven by construction associated with the Lesotho Highland Development Authority (LHDA). GDP fell sharply in 1998 due to post-election unrest but the economy picked up again in 2000-03 to 2.69 per cent, fuelled by the expansion of textile, clothing and footwear manufacturing. Manufacturing's share of GDP increased from 8 percent in 1980 to 20 percent in 2004.

However, the appreciation of the loti- the national currency against the dollar in 2005 coupled with the removal of the textile quota under the Multi-Fiber Agreement (MFA) undercut Lesotho competitiveness in the textile sub sector. All together ten factories closed, reducing employment in 2005 by 20 per cent. GDP plummeted to 1.29 per cent in 2006 (Table 10).

To revive the textile sub-sector, Lesotho adopted a broad range of stimulus measures, including tax concessions. As a result of these measures, four factories that had closed re-opened. Government efforts also helped to revive the mining industry, notably, the production of diamonds.

Lesotho has been home of steady, if modest inflows of FDI during the last two decades. In the 1990s FDI was largely associated with the LHWP project but in the last five years investor turned to manufacturing and other sectors such as mining. During this period inflows of FDI to Lesotho reached about $494 million.

ODA rose from $76 million in 2002 to $96 million before falling back to $72 million in 2006.

Lesotho has not benefited from the debt relief measures granted under the framework of either HIPIC or MDRI. This is because the country's total external debt stock in 2004 was only $763 million. With an external debt ratio to export of merchandise of 0.97 in 2006 a Lesotho is one of the few landlocked developed countries to be attributed a BB-credit rating from the Fitch Rating Agency.

(ii) Social Indicators

Lesotho has one of the highest literacy rates in Sub-Saharan Africa. 82 per cent of adults are literate. Net enrolment in primary and secondary school has passed 87 and 25 per cent respectively and the pupil teacher ratio is around 70:1 Lesotho is also one of the exception is that the number of female students attending school is superior to that of males.

The country's HIV prevalence recorded at 23 per cent of the population is among the highest in the world. As a result, life expectance at birth dropped to 39 years. Government in March 2004 launched a nation wide HIV testing programme aimed at halting the spread of the disease but the response from the population is poor, largely because of conservative attitudes and the stigma surrounding the disease.

(iii) Geographical Location and Transit Systems

Lesotho is completely surrounded by South Africa and access to the sea therefore requires passage through the territory of her neighbour. The road network in Lesotho which is linked to the South African road network is well developed. Lesotho does not have her own railway network but the South Africa railway network extends to Maseru, thereby providing her with rail and road services for her external trade.

Transport Corridor
- Maseru – Pitermatitzbg - Durban

(iv) Economic Cooperation and Integration

Lesotho is a member of SACU and SADC. Both Organizations aim at promoting economic integration of their members. Inter-regional trade among SACU members is strong. In 2005 Lesotho exports to other SACU members accounted to more than 50 per cent her exports. More than 80 per cent of the country's imports are sources from other SACU members, notably, South Africa.

(v) Peace and Security

Lesotho is completely surrounded by South Africa and is therefore affected by any major events taking place in that country. In this context, Lesotho has benefited from the atmosphere of peace and stability prevailing in South Africa. Lesotho herself has since the 2000 elections found a measure of political stability.

Table 12: Commitment to health; resources, access and services

HDI Rank	Health expenditure: Public (% of GDP) 2004	Health expenditure: Private (% of GDP) 2004	Health expenditure: Per Capita (PPP US$) 2004	One-year–olds fully immunized: Against tuberculosis (%) 2005	One-year–olds fully immunized: Against measles (%) 2005	MDG: Children with diarrhea receiving oval dehydration and continued feeding	MDG Contraceptive prevalence rate[a] (% of married women aged 15-49) 1997 – 2005[b]	MDG Births attended by skilled health personnel (%) 1997 – 2005[b]	Physicians (per 100,000 people) 2000-04[b]
Eastern Africa									
Burundi	0.8	2.4	16	84	75	16	16	25	3
Ethiopia	2.7	2.6	21	67	59	38	15	6	3
Malawi	9.6	3.3	58	97[c]	82	51	33	56	2
Rwanda	4.3	3.2	126	91	89	16	17	39	5
Uganda	2.5	5.1	135	92	86	29	20	39	8
Zambia	3.4	2.9	63	94	84	48	34	43	12
Zimbabwe	3.5	4.0	139	98	85	80	54	73	16
Southern Africa									
Botswana	4.0	2.4	504	99	90	7	48	94	40
Lesotho	5.5	1.0	139	96	85	53	37	55	5
Swaziland	4.0	2.3	367	84	60	24	48	74	16
West Africa									
Burkina Faso	3.3	2.8	77	99	84	47	14	38	5
Mali	3.2	3.4	54	82	86	45	8	41	8
Niger	2.2	2.0	26	93	83	43	14	16	2
Middle Africa									
Central African Republic	1.5	2.6	54	70	35	47	28	44	3
Chad	1.5	2.7	42	40	23	27	3	14	4
South America									
Bolivia	4.1	2.7	186	93	64	54	58	67	122
Paraguay	2.6	5.1	327	78	90	-	73	77	111
Eastern Asia									
Mongolia	4.0	2.0	141	99	99	66	69	97	263
Southern Asia									
Afghanistan									
Bhutan	3.0	1.6	93	99	93	-	31	37	5
Nepal	1.5	4.1	71	87	74	43	38	11	21
Southern – Eastern Asia									
Lao PDR	0.8	3.1	74	65	41	37	32	19	-
Economies in Transition: Asia									
Armenia	1.4	4.0	226	94	94	48	53	98	359
Azerbaijan	0.9	2.7	138	98	98	40	55	88	355
Kazakhstan	2.3	1.5	264	69	99	22	66	99	354
Kyrgyzstan	2.3	3.3	102	96	99	16[d]	60	98	251
Tajikistan	1.0	3.4	54	98	84	29	34	71	203
Turkmenistan	3.3	1.5	245	99	99	-	62	97	418
Uzbekistan	2.4	2.7	160	93	99	33	68	96	274
Economies in Transition: Europe									
Macedonia	5.7	2.3	471	99	96	-	-	99	219
Moldova	4.2	3.2	138	97	97	52	68	100	264

Source: UNDP Human Development Report 2007/2008

Notes:
a. Data refer to the probability at birth of surviving to age 65, multiplied by 100.
b. Data reported by national authorities.
c. Data adjusted based on reviews by UNICEF, WHO and UNFPA to account for well-documented problems of underreporting and misclassifications
d. Data are estimates for the period specified.
e. Data refer to the most recent year available during the period specified.
f. For statistical purposes, the data for China for not include Hong Kong and Macao, SARs of China.
g. Data refer to years or periods other than those specified in the column heading, differ from the standard definition or refer to only part of a country.
h. Data are aggregates provided by original data source.

8. Malawi

(i). Economic Development

Malawi's economic growth has been closely associated with agricultural performance which in turn is predicated on weather. The robust rates of growth of 4.28 per cent and 8.5 per cent recorded in 2000-03 and 2006 respectively, reflects good rains while the dismal performance in 2002 and 2005 coincided with drought years.

Economic structure has not changed much in Malawi. Agriculture which is largely rain-fed is the mainstay of the economy. Manufacturing accounted for only 11 per cent of GDP in 2004 and is under pressure from cheap imports from neighbouring countries. Mining and semi-processing carried out by small-scale operators has stagnated. However, the country may well emerge as an important mineral producer when large-scale mining of uranium and bauxite gets underway. An Australian company Paladin Resources completed a feasibility study on the Kayelekera uranium deposits north of the country in 2006.

Malawi has been less successful compared to her neighbours in attracting FDI. In 2002 and 2003 the country received only about $6 million and $4 million, respectively. Inward flows of FDI improved somewhere in subsequent years, to reach $30 million in 2006 see Table 8. The boom in metal prices has stimulated renewed interest in mining. Malawi should cease the opportunity to attract new investors.

Malawi is heavily dependent on ODA which provides crucial budgetary and balance of payment support, ODA has increased marginally from $501 million in 2004 to $669 million in 2006 (Table 7).

Malawi reached completion point under HIPIC in September 2006. This led to significant debt relief from the country's bilateral donors and made Malawi eligible for debt cancellation under MDRI. Under these initiatives Malawi external debt fell from $3.2 billion in 2005 to $850 million in 2006.

(ii). Social Indicators

Malawi's social indicators show an improvement over the last ten years. Primary school enrolment increased dramatically to 95 per cent in 2005. Secondary school enrolment also doubled during this period to 24 per cent. The introduction of free primary school in 1994 was instrumental for reaching there positive results. Although questions have been asked about deteriorating education standards and the fact that only 64.1 per cent of students completed primary school in 2005, the overall achievement is commendable.

Health care in Malawi is inadequate. Life expectancy at birth of about 41 years is among the lowest in Sub-Saharan Africa while children's under five mortality rate of 232 per 1,000 is among the highest in the world. HIV/AIDS has affected 14.1 percent of the population creating a major social and economic burden.

(iii) Geographical Location and Transit Systems

Malawi has access to the sea through Mozambique, Tanzania or South Africa. The transport corridors to Mozambican ports of Nacala and Beira provide the shortest and ostensibly the cheapest compared to the longer corridors through Dar es Salaam in Tanzania and Durban in South Africa. However, the transport corridors to Mozambican ports suffered extensive damage during the Civil war in Mozambique, and have not yet been fully rehabilitated, as a result, a proportion of Malawi's external trade still passes through Tanzania and South Africa.

Transport corridors
- Blantyre – Nyamapanda – Beira – Road
- Blantyre – Mchinji – Harare – Durban – Road/Rail
- Blantyre – Chipata – Mbeya – Dar es Salaam – Road/rail

(iv) Economic Cooperation and Integration

Malawi is a member of SADC which seeks to promote economic integration of its members. Tariff reductions and facilitation measures within SADC encourage inter-regional trade. About 18 percent of Malawi exports go to South Africa. Malawi import about 30 percent of her requirements from South Africa. Imports from Zimbabwe in 2006 are equivalent to 7.8 percent of total imports.

(v) Peace and Security

Although the civil war in Mozambique ended in 1992, rehabilitation of roads, railways and ports is not compete, Mozambique infrastructure is inadequate, leading to high transport costs to users such as Malawi.

9. Mali

(i) Economic Development

Mali's economic growth has fluctuated widely over the years in response to the vagaries of weather. In 2000-03 GDP was an all-time high at 7.89 per cent because of good weather conditions and strong contribution from the mining sector but in the following three year GDP stabilized at around 4.3 per cent.

Mali is the second largest cotton producer in Africa, second only to Egypt. Agriculture and livestock remain very important to the Malian economy, but gold exports have brought flesh air to the Malian economy.

Foreign receipts from gold have surpassed earnings from cotton and livestock. Given the country's gold potential, this trend is likely to continue.

Mali has been an important destination of FDI since 2000. Inward flows in 2001 reached $122 million, up from $6 million in 1990. Between 2002 and 2006 Mali received about $164 million per year on average. These investment flows targeted gold prospecting and production.

Mali is aid-dependent. Annual official development flows are critical for budgetary and balance of payment support: Mali received $619 million on average between 2000 and 2004 of which 5 per cent was recorded as grants.

Mali carried out structural reforms under the framework of her poverty reduction strategy paper (PRSP). Under the PRSP, Mali carried out decentralization, privatization and reforms in the cotton sector. Progress in the implementation of these reform earned the country's debt relief under HIPIC of about $707 million. Completion point was reached in March 2003.

(ii) Social Indicators

Mali has one of the lowest literacy rates; only 32 per cent of men and 17 per cent of women respectively are literate. Net enrolment of primary school recorded at 50 per cent is low even by African standard.[43]

Secondary school enrolment figures are better, at least for boys, 28 per cent as against 17 per cent for girls. The PRSP seeks to redress both the gender balance and the low primary school enrolment rate. To this end, the education budget increased from 14.5 percent in 2003 to 16.9 percent in 2006.[44]

Mali's health statistics indicate work in progress. Life expectancy at birth of 44 years is low, in spite of the fact that it is higher than Malawi, Burundi and Botswana. Under five year mortality rate at 248 per 1,000 is among the highest in Africa but prevalence of HIV at 1.7 per cent between the ages of 15 – 49 is among the lowest in Africa. The PRSP intends to boost health service delivery by using money saved on debt service following debt cancellation.

(iii) Geographical Location and Transit Systems

Mali's traditional corridor to the sea involved passage through either Côte d'ivoire or Senegal. However, the Civil war in Côte d'ivoire since 2002 left Mali with only one alternative. In the circumstances, Mali decided to do two things, first, to strengthen the Bamako Dakar corridor, and second, to look for additional alternative corridors to the sea. In this connection, Mali has established new routes that lead to the port of Nouakchott in Mauritania and Conakry, Guinea.

(iv) Economic Cooperation and Integration

Mali is a member of ECOWAS and UEMOA, two organizations which seek to promote economic cooperation and integration of its members. Tariff reductions and trade facilitation measures adopted within the framework of these organizations encourage inter-regional trade.

Mali imports about 19 per cent of her requirements from Senegal and 17.5 per cent from Côte d'ivoire.

[43] Africa development Indicators, op cit
[44] Economist Intelligence Unit: Mali's country Profile 2007

(v) Peace and Security

As noted above, the crisis in Côte d'ivoire has had far reaching consequences in Mali. The country was forced to make major adjustments. To compensate for the loss of the Mali-Abidjan corridor which once carried 70 per cent of Mali's external trade, urgent measures were taken to rehabilitation the Bamako – Dakar railway to enable it to carry more freight. In addition, roads leading to Mauritania and Guinea were upgraded to provide alternative new routes to the sea.

10. Niger

(i) Economic Development

Economic performance in Niger has fluctuated widely over the years. An impressive GDP growth of 5.5 per cent in 2000-03 was followed by a moderate growth of 3.19 and 3.52 per cent in 2003-05 and 2006 respectively.

The agricultural sector which employs 80 per cent of the population and accounted for 38.5 per cent of GDP in 2005 exerts strong influence on the country's economy. The boom and bust of Niger's economy depends on the performance of the agricultural sector. Efforts to diversify the economy have met with little success. Niger is a major producer of uranium but production has stagnated because of depressed prices over a long period of time. However, the current boom in metal prices has rekindled investor interest, notably, for commercial gold mining and oil exploration. The first commercial production of gold started in 2004 at the Samira open pit mine and nearby mine at Libiri in the Piptako region, near the border with Burkina Faso.

Niger has been a poor destination for FDI. Inward inflows of FDI in a period of ten years, between 1990 and 2000 amounted to only $49 million. But since 2001, renewal interest in mining has seen substantial increases in FDI, amounting to a total of $131 million between 2001 and 2006.

Official financial flows to Niger have fluctuated over the years. Total ODA to Niger amounted to $297 million in 2002, rising steeply to $401 million in 2006.

Niger reached completion point under HIPIC in 2003, which led to debt relief of about 57 per cent of the country's bilateral debt. The country has also benefited from the multilateral debt write-off under the MDRI. As a result, the country's debt stock has been reduced to $805 million US dollars.

(ii) Social Indicators

Niger's education indicators are the lowest in the world. Adult literacy in 2005 was 28 percent. Primary school enrolment was 40 per cent and only 8 per cent of students were enrolled in secondary school. However, recent indicators show improvement over the decade. Primary school enrolment, for example, was only 24 per cent in 1990. Furthermore, the inequality in school enrolment between male and female has narrowed, indicating women progress education.

Niger has made good effort to extend primary healthcare in recent years, but the country has a long distance to travel. Life expectancy at birth of 42 years, infant mortality at birth of 152 per 1,000 and maternal mortality ratio of 1,600 per 100,000 live births are among the lowest in the world.[45]

(iii) Geographical Location and Transit Systems

Niger's traditional transit transport corridor to the sea passes through Benin. Niger has a border with Nigeria but a transport corridor has not been developed. Road transport from Niger is the only option because the country is not linked to the sea by rail. But when Niger road vehicles cross the border and reach Parakou in Benin transshipment into railways wagons for onward carriage to Cotonou port s possible. This multimodal transport option once offered competitive rates, but poor services delivery associated with physical and operational bottlenecks have titled the balance in favour of road transport.

Transport Corridors
- Niamey – Parakou – Cotonou – 1000km - Road/Rail
- Niamey –Kano – Port Harcout – 1500 km - Road

(iv) Economic Cooperation and Integration

Niger is a member of ECOWAS and UEMOA, both of which seek to promote economic cooperation and integration of its members. Tariff reductions and trade facilitation measures have encourage intra regional trade. Niger's exports and imports to other ECOWAS members in 2006 reached $91 million or 25.6 per cent and $152 million or 27.3 per cent, respectively.[46]

(v) Peace and Security

Political instability at home and in the region has contributed to high transport and insurance costs. The region as a whole has been affected by the crisis in Liberia, Sierra Leone and Côte d'ivoire. At the national level the Tuareg rebellions continues to raise security concerns for investors notably those involved in the mining sector where operations are spread over across the Sahara desert.

11. Rwanda

(i) Economic Development

Rwanda's economy has performed well since 1995 when GDP growth surged to an impressive 7.2 per cent. GDP growth remained at 5.5 per cent is 2000-03 but dropped slightly to 4.9 percent in 2003-05. The economy then dropped further to 3.99 per cent in 2006.

Rwanda is still predominately an agricultural country. Tea and coffee generate over 80 per cent of export earnings. Agriculture was badly affected by the civil

[45] Africa Development Indicators op cit
[46] Source: IMF Direction of Trade Statistics

war but has recovered significantly, even though production of the main cash crops, such as coffee, has only reached 36 per cent of pre-genocide levels. In addition to coffee and tea, floriculture is being vigorously promoted. Mining and processing offer opportunities for the country's economic diversification strategy. Cassiterite, Colombo – tantalite (coltan), wolfram, gold and sapphires are mined by artisans.

Rwanda has not been an important destination of FDI. Inward flows between 2000 and 2006 were just $48 million. But this represented an improvement over more modest levels of FDI of $16 million and $8 million recorded in 1980 and 1990 respectively.

On the contrary, Rwanda is a major recipient of ODA. In 1990, Rwanda received $290.2 million. Aid levels increased dramatically after the conflict reaching $354 million in 2002. ODA flows increased further to $486 million and $585 million in 2004 and 2005 respectively.

In April 2005 under the IMF and World Bank announced that Rwanda had reached completion point under HIPIC initiative. In November 2005 the fund granted 100 per cent debt relief, and the World Bank wrote-off 80 per cent of Rwanda debt in March 2006.

(ii) Social Indicators

Rwanda has made good progress in the education sector. The declared policy is to provide basic education for all. Net enrolment in primary school has reached 73 per cent. However, secondary school and tertiary is low at 11 per cent and 2 per cent, respectively.[47]

Healthcare care has improved following rehabilitation of infrastructure destroyed during the conflict. Life expectancy at birth is 44 years in 2004. In fact, mortality rate is 144 per 1,000 live births and prevalence of HIV in 2005 is 3.1 percent. HIV/AIDS is a serious problem in Rwanda. HIV/AIDS patients are said to fill four-fifth of hospital beds.

(iii) Geographical Location and Transit Systems

Rwanda can gain access to the sea through either Kenya or Tanzania. The road from Kigali to Mombasa, 1,500 km must cross Uganda, but it is an all-weather road. The road from Kigali to Dar es Salaam, 1,400 km crosses one border but sections of the road are not surfaced and can hold up transit traffic in the rainy season. Goods in transit from Rwanda can be transshipped in railway wagons in Kampala, Uganda for onward transport to Mombasa. Similarly, goods from Rwanda to Dar es Salaam can be transshipped into the Tanzania Railway system at Itigi.

[47] African Development Indicators op cit

(iv) Economic Cooperation and Integration

Rwanda is a member of COMESA and EAC both of which seek to promote economic cooperation and integration among their members. The implementation of customs union protocols and harmonization of fiscal and monetary policies by COMESA and EAC have facilitated trade among members. Rwanda's coffee and tea are exported overseas because these commodities are also produced by neighboring countries. But a significant proportion of her imports are sourced within East Africa. 20.5 per cent and 6.1 per cent of Rwanda's imports in 2005 originated from Kenya and Uganda respectively.

(v) Peace and Security

The crisis in Rwanda between 1900 and 2005, the war in the Democratic Republic of Congo since 1998, and more recently violence in Kenya following the disputed election held in December 2007 have aggravated Rwanda's high transport and insurance costs, further undermining the country's external trade efforts.

12. Swaziland

(i) Economic Development

Swaziland's economic performance since 2000 has been modest. Below average rains and depressed commodity prices have weakened her economy. Average annual GDP growth between 2001-02 and 2004-05 was 2.8 per cent and 2.2 respectively. In spite of these modest GDP growth rates, the country has made impressive progress in her economic diversification efforts.

In 2005-06 the industrial sector (including electricity and water supply) accounted for 34 per cent of GDP. Sugar-based manufacturing, taking advantage of the country's cheap refined sugar has grown strongly. Textile and apparel built to take advantage of access to the United States of America (US) market under US African Growth and Opportunity Act (AGOA) expanded from $81 million in 2002 to $169 million in 2003, before declining to $133 million in 2004. The decline was due to fierce competition from South East Asia countries and China, following the expiration of the WTO, Agreement on Textile and Clothing (ATC) which came into force at the end of 2004.

Swaziland is a modest destination of FDI. Between 2000 and 2006 inward and outward flows have fluctuated. Inward FDI of $316 million 2002 and 2004 between 2000 and 06 were balanced by outflows of $111 million in 2003 and 2005, respectively. Inward flows of FDI were mainly invested in manufacturing and outflows largely reflect foreign assets held in the banking sector.

ODA to Swaziland has fluctuated markedly over the years from $22 million in 2002 to $35 million recorded in 2006. Official financial flows come from both bilateral and multilateral donors.

Swaziland is not one of the heavily indebted countries. Swaziland's total debt stock at the end of 2005 amounted to $533 million which is equivalent to 20.6

percent of GNI. Swaziland public debt is within the internationally accepted range.

(ii) Social Indicators

The education sector has enjoyed a 24 per cent budget allocation since 1999/2000 – 2006/7. The investment has led to good progress. Adult literacy has increased to 80 per cent. Primary and secondary school enrolment has reached 80 per cent and 30 per cent, respectively. These indicators are all above the African average.

Life expectancy at birth is 36 years. Infant mortality rate per 1000 life births is 108 while prevalence of HIV in 2005 between the ages of 15-49 is 33.4 per cent.[48]

(iii) Geographical Location and Transit Systems

Swaziland access to the sea is either through South Africa or Mozambique. Transit through South Africa is by rail from Matsapha, the industrial heart of Swaziland to Richard's bay port in South Africa. Transit via Mozambique is either by rail or road to the port of Maputo. Richard's bay port offers adequate facilities but facilities at the port of Maputo are not adequate.

(iv) Economic Cooperation and Integration

Swaziland is a member of COMESA, SADC and SACU all of which seek to promote economic cooperation and integration of their members. Tariff and other trade facilitation measures promote intra-regional trade. Swaziland's main trading partner is South Africa.

(v) Peace and Security

Swaziland's external trade has not suffered unwarranted transport and insurance costs associated with perceived security risks since the end of civil war in Mozambique in 1992. Swaziland is less exposed to such risks as her main source of imports and her major export market is neighbouring South Africa.

13. Uganda

(i) Economic Development

Uganda has been one of the best performing economies in Africa since 1986. In 2000-03 and 2003-05 the economy GDP grew at an annual average of 5.8 percent and 6.2 per cent respectively.

Fluctuations reflect the importance of agriculture to Uganda's economy and impact of international commodity. Coffee, cotton, tea and tobacco have been the main cash crops but vanilla, flowers and cocoa are increasing becoming important. In addition, Uganda exports fish, as well as gold.

[48] African Development Indicators op cit

Uganda has been an important destination for FDI since 2000. Between 2000 and 2006 the country on average received about $250 million per year, reflecting investor confidence in Uganda's economic stability and the country's privatization policy.

Uganda also received substantial ODA. Total official financial flows from bilateral and multilateral sources increased form about 775 million in 2000 to $1.196 billion and $1.551 billion in 2005 and 2006, respectively.

However, the surge in ODA led to rapid foreign debt. Uganda's debt rose from $1.2 billion in 1992 to $4.4 billion in 2005, equivalent to about 50 percent of GDP.

Uganda reached completion point under HIPIC in May 2000. The country received debt relief under MDRI in 2006. As a result of these measures, Uganda's external debt ratio to exports of merchandise fell from 8.07 to 1.26.

(ii) Social Indicators

Adult literacy rate in Uganda was recorded at 67 per cent in 2004. In that year primary and secondary school enrollment was at 98 per cent and 19 per cent, respectively.[49]

Life expectancy at birth was 48 years in 2004. In that year infant mortality was 80 per 1000 live births and prevalence of HIV at age 15 – 49 was 6.7 per cent down from 18.3 per cent in 1992.

(iii) Geographical Location and Transit Systems

Uganda's access to the sea involves passage through Kenya to reach the port of Mombasa or transit through Tanzania. The road from Kampala to Mombasa is tarred, but there are some poor sections due to maintenance backlog. The alternative corridor to the port of Dar es Salaam from Kampala entails crossing Lake Victoria by ferry boat to Mwanza in Tanzania where goods in transit could be transshipment on rail wagons or road vehicles for onward movement to the port of Dar es Salaam. This multimodal option faces considerable physical and operational constraints.

Transport Corridor
- Kampala – Nairobi –Mombasa -1300 km
- Kampala – Mwanza – Dar es Salaam -1400 km

(iv) Economic Cooperation and Integration

Uganda is a member of COMESA and EAC. Both organizations espouse economic cooperation and integration of their members. Tariff reductions, fiscal and monetary policy convergence and trade facilitation measures encourage inter

[49] African Development Indicators op cit

regional trade. Uganda imports ECA member countries have increased form 29.1 per cent in 2002 to 34.6 per cent in 2006.

(v). Peace and Security

The political crisis in Kenya following the disputed election results announced in December 2007, seriously disrupted transport operations along the Northern Corridor. The negotiated settlement reached in February 2008 has allowed transport operations to resume but continuing concern that the settlement may not hold, translates into higher transport and insurance costs for users of the Northern Corridor.

14. Zambia

(i) Economic Development

Zambia economic recovery which began in the mid 1990s has accelerated to reach GPD growth rate of 6.2 per cent in 2006. During the period 2001-02 and 2004-05 the economy, spurred by high cooper prices grew at an average of 4.5 percent per year equivalent to 2.8 per cent in par capita terms. The privatized cooper industry in Zambia has since 2004 responded to high cooper prices by accelerating rehabilitation works of mines and other infrastructure. Copper production in 2006 was almost double that of 2002. If Government target of 1 million tones output per year is reached under current prices Zambia economy would clearly record an unprecedented boom.

Zambia's privatization policy since 1990 has stimulated considerable FDI. Between 1990 and 2006, the country attracted $17.32 billion, an average of $247 million per year. The mining industry claimed the lion's share of FDI but other sector such as agriculture, manufacturing and tourism also benefited from the inward flows of FDI.

Zambia has also been a major recipient of ODA. Aid varied from year to year from $546.1 million in 1990 when donors withheld funds because of Zambia's failure to meet macro-economic targets, to $1.12 billion in 2004 when the country was in line with agreed targets. Total ODA flows to Zambia in 2006 were up to $1.425 from $629 in 2002. Donor assistance and the transport sector increased to about $60 million in 2006.

The IMF and World Bank endorsed debt relief of $3.9 billion for Zambia in April 2005 under HIPIC. Zambia also obtained debt write–off under the MDRI initiative in 2006. The combined effect of these initiatives brought down Zambia's debt stock to $2.51 billion.

(ii) Social Indicators

Zambia's education indicators are among the best in Africa. Adult literacy rate in 2004 is at 68 per cent, primary and secondary school enrollment in 2004 were at 89 per cent and 26 per cent, respectively. However, secondary education has remained stagnant since the 1970s because little has been done to build new secondary schools.

Life expectant at birth in Zambia is 40 years. In fact, mortality rate at birth is 115 per 1,000 live births and the death rate due to HIV/AIDS is 98 per 1,000. Prevalence of HIV between the ages of 15 – 49 years is 17.0 percent.

(iii) Geographical Location and Transit Systems

Zambia has many alternative transit options leading to the ports of Tanzania, Mozambique, South Africa, Namibia and Angola. The shortest corridor – 1300 km – to the port of Lobito in Angola has not been operational since the Angolan civil war in the 1970s. The port of Dar es Salaam in Tanzania - 2000 km away is accessed by road and rail.

Walvis Bay in Namibia – 2,100 km is linked by road and the ports of South Africa and Mozambique are accessible by rail and road. Transit to Dar es Salaam involves one boarder crossing but the rail transport faces physical and operational constraints. The infrastructure leading south to Mozambique, South Africa and Namibia is better but involve longer distances over 3500 km and multiple national border crossings.

Transport Corridor
- Lusaka – Huambo –Lobito rail – 1,300 km
- Lusaka –Mbeya – Dar es Salaamrail/road – 2,000 km
- Lusaka – Livingstone – Lusaka – Road 2,010 km

(iv) Economic Cooperation and Integration

Zambia belongs to SADC and COMESA both of which espouse economic cooperation and integration of their members. Tariff preferences, fiscal and monetary policy convergence stimulate intra- regional trade. Zambia in 2005 imported 50 per cent of her requirements from South Africa and 5.4 per cent from Zimbabwe. South Africa is her main imports market. Zambia exports to South Africa have fluctuated from 24.4 percent in 2004 down to 10.8 per cent in 2005.

(v) Peace and Security

Regional conflict in Angola and Mozambique in the past affected Zambia cost of transport and insurance. The economic melt-down in Zimbabwe has also negatively impacted on Zambia's external trade. Zambia's imports from neighboring Zimbabwe declined from 12.8 per cent in 2003 to 5.4 percent in 2006.

15. Zimbabwe

(i) Economic Development

At the time of her independence in 1980, Zimbabwe's economy grew at 2.9 per cent. The average growth rate during the period 1980 – 90 was at 3.6 per cent, which compared well to 1 percent by neighbouring Zambia. However, growth stagnated in the second half of the 1990s and entered into negative territory in

1999. In 2002-03 the country registered a bleak minus-5.81 per cent which moderated somewhat to minus – 3.28 per cent and minus -4.8 per cent in 2003-05 and 2006, respectively.

Agriculture – the mainstay of the economy has been hit hardest. Export earnings plummeted from $856 million in 2000 to $384 million in 2004. Other sectors, such as tourism and manufacturing have also suffered. Only the mining sector defied the trend, with mineral exports reaching $604 million in 2004, up from $440 million in 2000.

Inward FDI has been low even by African standards. Zimbabwe received $4 million in 2001 and in 2003. FDI attracted by mining increased, however in 2002 and 2005 to $25.9 million and $103 million, respectively.

Zimbabwe has in recent years received modest foreign aid. Total official flows in 2002 were $199 million, rising to $280 million in 2006. The rise reflected substantial contributions of food aid and support to health and population projects.

Zimbabwe external debt in 2005 was estimated to be $4.3 billion. The country has not benefited from debt relief measures.

(ii) Social Indicators

Zimbabwe education indicators are among the best in Africa. Adult literacy rate is 68 per cent and primary and secondary school enrolment is 82 per cent and 34 per cent respectively. However, the quality of education in recent years has been seriously affected by budgetary pressure, the erosion of real income as well as departure of best teachers to employment abroad or within the region. (See Table 11)

Healthcare in Zimbabwe improved greatly during the 1980s. However, the sector has not escaped form budgetary pressure and departure of doctors and nurses seeking employment abroad as working conditions deteriorated. Infant mortality in Zimbabwe is 59 per 1,000 live births and prevalence of HIV of ages between 15 and 49 is 20.1 per cent.

(ii) Geographical Location and Transit Systems

Zimbabwe has access to the sea by rail and road through Mozambique and South Africa. The country has also longer transit route options through Tanzania and Namibia. The port of Beira in Mozambique provides Zimbabwe with the shortest link to the sea. During the civil strife in Mozambique (1980 – 94) the Beira Harare corridor was frequently interrupted. The corridor is being rehabilitated.

Transport corridors:
- Harare – Machipanda- Beira – Road/Rail
- Harare – Biet bridge – Durban – Road/Rail
- Harare – Lusaka – Mbeya – Dar es Salaam Road/Rail
- Harare – Gabarone – walvis Bay – Road

(iv) Economic Cooperation and Integration

Zimbabwe is a member of SADC and COMESA both of which seek to promoted economic cooperation and integration of their members. Tariff preferences, fiscal and monetary policy convergence encourage trade among members. Zimbabwe's exports and imports from South Africa in 2005 amount to 40.6 per cent and 43.6 per cent respectively. Imports from Botswana and Zambia in 2005 were 3.3 per cent and 2.8 per cent respectively.

(v) Peace and Security

The Zimbabwe post-election crisis in April 2008 has raised concerns regarding the country's future political stability. The perception of additional risks is likely to raise transport and insurance costs for goods to and from Zimbabwe thereby reducing the country's foreign exchange.

b. Progress in Achieving the Millennium Development Goals

Africa is making progress towards achieving the Millennium Development Goals (MDGS) but the pace is not sufficient to meet many targets by 2015 unless the continent receives much stronger support from the international community. The fight against poverty and hunger has registered some success. The proportion of people living on one dollar a day or less has declines from 45.9 per cent to 41.1 per cent since 1999.

Education, as indicated in this Chapter, has shown some success, with primary school enrolment increasing to about 70 per cent on the average but for many landlocked developing countries, the rate of secondary school and tertiary education enrolment between 10-30 per cent is so low that it will not be possible to reach the MDG target by 2015.

Success in gender equality in education is mixed. In some landlocked developing countries, like Botswana and Lesotho, girls have overtaken boys in primary and secondary enrolment, but in many other landlocked developing countries, girls still lag behind, although in many cases the gap is narrowing.

Infant mortality rates are dropping, but, not fast enough to meet MDG targets. Under-five mortality rates on the average dropped from 185 per 1,000 live births in 1990 to 166 per 1,000 in 2005.

II. Landlocked Developing Countries in Asia

a. Introduction

Asia has 12 landlocked developing countries, the second largest group after Africa. With the exception Afghanistan, Lao PDR and Nepal, landlocked developing countries in Asia rely on railway transport to carry freight for their external trade. The exceptionally long distance to the market, in many cases, over

5000 km favours railway transport from both an environmental and economic perspective.

However, the railway systems in Asia which were built mainly in the last century are in need of large-scale investment for rehabilitation and modernization. The collapse of the Soviet Union in 1991 and the split of the centralized railway system into separate national companies in Central Asia and the Caucasus gave rise to many problems. The severe economic difficulties of the 1990s leading to underinvestment in railway infrastructure and equipment seriously weakened railway capacity and performance. Operational problems related to delays settlement of accounts between railways and late return of wagons have sometimes led to suspension of through transport. As a consequence, shippers in droves are switching allegiance to road transport which offers security and reliability of services at a premium. Landlocked developing countries in Asia are in many cases left with no choice but to embrace road transport

16. Afghanistan

(i) Economic Development

Two decades of civil war in the 1980s and 1990s destroyed Afghanistan's economy. However, since the fall of the Taliban regime, the economy has revived, experiencing double digit growth. The surge of GDP growth to 13.03 per cent in 2000-03 moderated to 11.9 per cent and 11.1 in 2003-05 and 2006 respectively. These growth rates do not take into account earnings from the opium sector which is strong but excluded from GDP calculations because it is considered to be illegal. However, the economic performance, as may be noted below, is closely linked to the massive official financial flows the country has received from donors since the fall of the Taliban regime.

Afghanistan has received very modest FDI since 2000. The flows to Afghanistan between 2000 and 2005 amounted to only 6 million – an average of $1.2 million per year.

On the contrary, Afghanistan received large volume of official development aid. Total ODA in 2006 reached $3,000 billion, up from $1.3 million in 2002. The commitments made at the Berlin donor conference in 2004 totaled $8.2 billion.

Afghanistan became eligible for debt relief under HIP in April 2007 and received interim debt write-offs in July of that year. The country has continued to negotiate with creditor nations with a view to receiving further debt relief.

(ii) Social Indicators

One of the peace dividends in Afghanistan was the return of many children to school. Girls who were excluded from school by the Talibans joined boys for school enrolment. External support led by the US Agency for International Development (USAID) is funding an ambitions education sector programme. School enrolment reached 5 million in 2007. However, many years of war have destroyed the education system, and it will take many years to revive it.

Afghanistan's health infrastructure also suffered serious damage. Health care facilities were targeted during the fighting and many doctors and nurses left the country. In 2005 infant mortality and mortality of children under the age of five were at 165 children per 1,000 live births and 257 children per 1,000 live births, respectively.[50]

(iii) Geographical Location and Transit Systems

Afghanistan has three alternative corridors to the sea. The southern Corridor leading to the port of Karachi in Pakistan 2000 km away is the shortest and well developed. The western corridor leading to the Islamic Republic of Iran requires infrastructure upgrading within Afghanistan. Similarly, the Northern corridor via Uzbekistan is in poor condition. The government of Afghanistan has placed high priority to infrastructure development. In 2006 the country allocated $267 million for transport and communications up from $236 million 2003.

Transport corridors:
- Kabul – Pashawar – Karachi – Road
- Kabul – Heart – Bandar a Abbas – Road
- Kabur – Mazisharif – Tatshkent – Road

(iv) Economic Cooperation and Integration

Afghanistan joined the South Asian Association for Regional Cooperation (SAARC)[51] in April 2007. She is also a member of the Economic Cooperation Organization (ECO)[52]. SAARC aims include promoting welfare and accelerating the economic growth of its members. Both India and Pakistan are among Afghanistan's main trading partners.

(v) Peace and Security

Afghanistan external trade bears high transport and insurance costs because of the prevailing war in the country. The country has also been affected by events outside her borders, notably, events in Pakistan because Pakistan is both an important trading partner and provider of transit facilities to Afghanistan.

17. Armenia

(i) Economic Development

Armenia, like other former soviet republics suffered severe economic dislocation following the break up of the Soviet Union in 1991. GDP fell by 42 per cent in 1992 alone and by a further 8.8 percent in 1993. However, since 1994, the

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[50] ESCAP Statistical Yearbook for Asia and the Pacific, 2007

[51] SAARC Members (http://www.saarc-sec.org/): Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

[52] ECO Members (http://www.ecosecretariat.org/): Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan

economy has turned around, responding well to the country's economic restructuring policies.

Between 2001 and 2007 the economy grew at an average of about 12.6 per cent. Mining and non-ferrous sectors benefiting from foreign investment led the economy. Initially, the driving force of the economy was export – oriented processing of precious stones and diamonds but because of weak global demand and interruption in raw diamond supplies, the energy, metallurgy and food processing sectors took over as the leading engine of the economy.

Armenia has been an important destination of FDI. Between 2000 and 2005 she received on average, about $159 million of investments per year. This puts Armenia ahead of other countries in transition, such as Tajikistan and Uzbekistan but behind Azerbaijan and Kazakhstan.

Armenia has received substantial official financial flows, from international organization. The World Bank has funded more than 40 programmes in Armenia since 1992 worth $1.04 billion. The European Union committed $550 million. The US based Lincy Foundation transferred between $75 million and $150 million annually in 2002 – 03. In December 2005 the US Millennium challenge Corporation (MCC) concluded an agreement with Armenia that envisages the disbursement of $236 million over a period of five years for irrigation.

(ii) Social Indicators

Armenia's education indicators are good. Enrolment rates for primary and secondary education were around 85 per cent in 2001, and adult literacy is high at 99.4 per cent in 2005. However, the reduction of budgetary allocations to education to 2 per cent of GDP in 2003 from 6.6 per cent in 1990, has affected service delivery, and the quality of education.

Budgetary constraints have also strained Armenia's medical services. The number of medical personnel and hospital beds has declined sharply. Armenia's maternal mortality ratio, at 37 per 100,000 live births in 2004, was six times greater than the average for Western Europe.

(iii) Geographical Location and Transit Systems

Armenia's access to the sea is by passage through Azerbaijan, Turkey or Georgia. Since the Armenia – Azerbaijan war over Nagorny Karabakh in 1988, Azerbaijan and turkey imposed sanctions on Armenia, as a result, she can only have access to the sea through Georgia.

(iv) Economic Cooperation and integration

Armenia is a member of the Commonwealth Independent States (CIS), the European Bank for Reconstruction and Development (EBRD) and the Organization for Security and Cooperation in Europe (OSCE); seeks to establish a customs union among its members. Approximately 30.5 per cent of exports and

33.1 per cent of Armenia's imports go into the CIS market. The other important trading partners to Armenia, include, Germany, Belgium, Georgia and China.[53]

(v) Peace and Security

Armenia's relations with her neighbours are still dominated by her history over the past century and the conflict over Nagorny Karabakh. Pending the normalization of relations with her neighbours, perception of potential conflict will continue to negatively affect the country's transport and insurance costs.

18. Azerbaijan

(i) Economic Development

Oil and gas investments which resulted in a dramatic increase in production levels and revenues have propelled the Azerbaijan's economy to new heights. Annual GDP growth from 2000 was in double digits, reaching 34.4 per cent in 2006. Growth in the oil industry was having spillover effects on other sectors, notably, trade, catering and property development.

Azerbaijan has been a major destination of FDI. In 2000 and 2001, the country received $130 million and $227 million, respectively. Inward flows accelerated to $1.393 billion in 2002 reached $3.28 billion and 3.55 billion in 2003 and 2004 respectively, before declining to $1.68 billion in 2005. In 2006 there was an outward flow of FDI of -$584 million.

Azerbaijan external debt ratio to export of merchandise in 2006 is 2.04 down from 0.67 in 2003. Azerbaijan has no outstanding arrears.

(ii) Social Indicators

Education indicators compare well with data from neighboring countries. Net primary school enrolment in Azerbaijan standing at 98.1 per cent in 2004 is good but slightly lower than the 99.5 percent attained in neighbouring Kazakhstan. Similarly Georgia with 81 per cent of enrolment of student in secondary and tertiary schools is ahead of Azerbaijan by 16 percentage points.[54]

Azerbaijan began to increase spending on health care in 2004 as part of her commitment under a poverty reduction strategy coordinated by the IMF. In 2007 budgetary allocation shot-up by 59 percent although this was equivalent to only 1 per cent of GDP. Health indicators suggest that Azerbaijan needs to increase her efforts in the health sector. Life expectancy at 69.5 years is the lowest among her neighbours while infant mortality at 84 deaths per 1,000 live births is the highest in Central Asia.[55]

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[53] Economist Intelligence Unit Azerbaijan's Country Profile, 2008.
[54] ESCAP Statistical Yearbook for Asia and the Pacific, 2007 op cit
[55] ESCAP Statistical Yearbook for Asia and the Pacific, 2007 op cit

(iii). Geographical Location and Transit Systems

As a landlocked developing country, Azerbaijan depends on Georgia, Russia or the Islamic Republic of Iran to gain access to the sea. However, Azerbaijan is also strategically located on the Trans-Caspian route, making her a key transit country along the Trans-Caspian corridor.

(iv) Economic Cooperation and Integration

Azerbaijan is a member of a number of organizations, including the Organization of the Islamic Conference (OIC), Organization of the Black Sea Economic Cooperation (BSEC) and Organization for Security, Cooperation in Europe (OSCE), Commonwealth of Independent States (CIS) and the European Bank for Reconstruction and Development (EBRD). CIS and the BSEC aspire to strengthen economic cooperation and integration of their members. Intra-regional trade among CIS members is still significant, but Azerbaijan has also established strong ties with other trading nations in Europe, notably Italy, Turkey, France and Germany.

(v) Peace and Security

Peace and stability in the Caucasus has been interrupted by occasional violet flash – points since the breakup of the Soviet Union in 1991. Azerbaijan external trade has not only been affected by the war over Nagorny Karabakh but also by events across the sub region, notably, Georgia and Russia which provide transit facilities to Azerbaijan.

19. Bhutan

(i) Economic Development

Bhutan is one of the fastest economies in Southern Asia. GDP growth averaged 7.1 percent between 2001and 2005. As Bhutan's economic performance was also sound through out the previous decade, the country in recent years has enjoyed increasing income and prosperity.

Bhutan is not an important destination of FDI. The country received just $1 million each year between 2003 and 2005.

Official flows from bilateral and multilateral sources have nearly doubled in nominal terms from $46.9 million in 1990 to 94.4 million in 2006.

(ii) Social Indicators

Bhutan health indicators show progress toward reaching the MDGS, but she started from a low level. Infant mortality dropped from 107 deaths per 1,000 live births in 1990 to 65 death in 2005. Death of children under 5 years old fell from 166 children per 1,000 live births in 1990 to 75 in 2005. However, Bhutan trails behind Nepal and Lao PDR where, for example, infant mortality rate in 2005 fell to 56 per 1,000 live births and 62 per 1,000 live births, respectively.

(iii) Geographical Location and Transit Systems

Bhutan is a landlocked country. The country is mountainous and construction of transport infrastructure is difficult and costly. Access to the sea requires transit through India. Asian Highway AH48 from India passes just south of the town of Phuentsholing in Bhutan. Connection to that highway will facilitate access to the sea.

(iv). Economic Cooperation and Integration

Bhutan is a member of SAARC and BIMST-EC. These organizations seek to promote economic cooperation and integration.

(v). Peace and Security

The dominant position of the Indian market as a source of imports and exports for Bhutan means that her external trade would be affected by major events happening in India. In this context, Bhutan benefits from India's economic and political stability

20. Kazakhstan

(i) Economic Development

Rapidly rising oil production levels and high prices since 1999 turned Kazakhstan's economy around from precipitous decline. Between 2000 and 06, the economy grew at an average of 9.5 per cent. The rapid economic growth had a knock-on effect on other sectors of the economy. Construction expanded by nearly 38 per cent in 2005 and employment reached record highs, pushing up living standards. Although the robust economic performance heavily relied on high oil and gas prices, the risk of economic deceleration when prices decline is mitigated by the high production levels which reached 1.3 million barrels/day in 2006.

Kazakhstan oil production was fuelled by large-scale foreign direct investment (FDI). The country on average attracted about $2.441 billion annually since 2000 – 05 with record inward flow of $4.113 billion in 2004. Kazakhstan received well over 80 per cent of FDI which have been channeled to Central Asia (Table 8).

(ii) Social Indicators

Kazakhstan education indicators mirror those of her neighbours with net primary and secondary schools enrolment ratios in 2005 of 99 per cent and 92 percent, respectively. Private education establishments accounts for about half of the student populations, suggesting falling standards in public education establishments.

Health indicators in Kazakhstan are slightly lower by Central Asia standards. Male life expectance at birth in Kazakhstan in 2005 was 59.6 years as against 61.4

in Kyrgyzstan, while infant mortality rate deaths of 63 per 1,000 live births in Kazakhstan in 2005 was slightly higher than to 58 deaths per 1,000 live births in Kyrgyzstan. Budgetary allocation to the health sector in Kazakhstan is gradually increasing, although it is still low, about 2.3 per cent of GDP compared to an average of 7 per cent in Western Europe.[56]

(iii) Geographical location and Transit Systems

Kazakhstan is a large country – 2.725 billion square km. As a landlocked developing country, its traditional transit routes by rail and road to Europe are though Russia or Azerbaijan and Georgia on the trans-Caspian corridor. Since its independence in 1991 Kazakhstan has added to her list of alternative transit options: a rail – link to the Far East, through China and a road and rail connection to the Indian Ocean ports through the Islamic Republic of Iran. These alternative transit options help to reduce Kazakhstan vulnerability as a landlocked country but also make it a key transit country along the "Silk Road" that links Asia to Europe.

(iv) Economic Cooperation and Integration

Kazakhstan is a member of CIS, ECO, EURASEC, EBRD, CSCE and the Shanghai Co-operation Organization (SCO).[57] Many of these organizations evoke economic co-operation and integration of their members.

Intra-regional trade is important for Kazakhstan. Her most important import market is Russia, with imports equivalent to about 38.3 per cent in 2006. However, the destination of exports is more diverse, with Italy and Switzerland becoming increasingly important.

21. Kyrgyzstan

(i) Economic Development

The Kyrgyz economy recovered in 1996 after five years of difficult adjustment. The development of the Kumtor gold mine and strong contribution from the agriculture sector spurred the economy. However, after the initial boost provided by the start of large scale gold mining, the economy faltered. An accident at the mine in 2002 triggered a sharp drop in GDP growth. However, the economy recovered in the second half of 2002, attaining 4 per cent GDP growth in two consecutive years, before dropping to 2.64 in 2006.

Kyrgyzstan in 19995 – 99 attracted huge FDI flows to develop the Komtor gold mine which contains one of the largest gold deposits in the world. However, after the mine was competed, FDI flows tapered-off. FDI flows between in 2000 – 05 averaged only $54.8 million. There was a surge of FDI flows in 2006 to $182 million.

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[56] ESCAP Statistical Yearbook for Asia and the Pacific op cit

[57] Members of SCO: China, Kyrgzstan, Russia, Tajikistan

Kyrgyzstan carries a considerable debt burden, but bowing to public opposition, has refused to participate in the World Bank/IMF Heavily Indebted Poor Countries (HIPC) Initiative. Even so, the country in March 2002 concluded a debt – rescheduling deal with the Paris Club sovereign creditors. The country concluded another agreement in March 2005 under which $124.4 million in public external debt was written–off and a further $431 million rescheduled.[58]

(ii) Social Indicators

Kyrgyzstan's education indicators compare favourably with countries at the same level of development. Net primary school enrolment ratio in 2004 was 97.8 per cent, slightly lower than Kazakhstan's enrolment ratio of 98.9 per cent but higher than Azerbaijan's enrolment ratio of 83.9 per cent. Similarly, Kyrgyzstan's gross tertiary enrolment ratio of 40 per cent is comparable to the levels obtained in neighbouring countries. However, these figures do not take into account the number of students dropping out of school or the quality of education.

Health indicators show progress as well as set backs. Infant mortality in Kyrgyzstan has decelerated from 68 deaths per 1,000 live births in 1990 to 58 deaths in 2005 indicating progress on this front. On the country, Kyrgyzstan has lost ground on life expectancy. Female life expectancy at birth which was 70.1 years for females in 1995 has dropped to 69.4. Male life expectancy is also down to 61.4 in 1990 to 61.4 in 2005 almost a one-year drop.[59]

(iii) Geographical Location and Transit Systems

Kyrgyzstan is a landlocked developing country sharing borders with Kazakhstan, Uzbekistan, Tajikistan and China. As a former Soviet Republic, she is connected to neighbouring countries and to Russia by rail and road. Since independence in 1991, the country pursued policies aimed at securing alternative transit routes. In early 2007, the country commissioned the construction of the Osh-Sarytash – Irkeshtam highway. The road runs for 258 km on Kyrgyz territory and connects the country with China and the rest of south east Asia. The road provides Kyrgyzstan with opportunity to become an important transit country between Central and South-East Asia.

(iv) Kyrgyzstan is a member of CIS, EBRD, EURASEC and SCO. Many of these organizations promote cooperation and integration of their members. Intra regional trade is important to Kyrgyzstan. Her most important market for imported goods is Russia, but her exports go to Switzerland, Kazakhstan and Russia.

(v) Peace and Security

Kyrgyzstan faces long distances and multiple borders crossings for her external trade. Peace and security at home and along the route is critical for the success of

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[58] Economist Intelligence Unit: country Profile for Kyrgyzstan, 2007

[59] ESCAP Statistical Year Book for Asia and the Pacific, 2007. op cit

her external trade. The war in Afghanistan and political instability in the Caucasus affects Kyrgyzstan external trade, in terms of higher transport and insurance costs.

22. Lao PDR

(i) Economic Development

Lao PDR has maintained a steady economic growth in the last two decades. Between 2001– 05 the economy grew at an annual rate of 6.4 per cent, slightly above the average for countries in South-Eastern Asian. The economy accelerated in 2003-05 and 2006 to reach 7.1 per cent and 7.3 per cent respectively.

Agriculture – including forestry and fishing – is the most important economic sector, accounting for 44.4 per cent of GDP. However, from the point of view of export performance other sectors, notably manufacturing, energy and mining are making important contributions.

Lao LDR has received modest FDI. Between 2000 and 05, the country received an average of $24.5 million per year. In 2006 the country attracted $187.4 million, up from $27.7 million in 2005, suggesting growing investor interest.

Official development aid for Lao PDR has increased from $150.6 million in 1990 to $364 million in 2006. A large proportion of the aid is comprised of grants and the remainder loans on a concessional basis.

World Bank statistics indicate that Lao PDR total external debt stock made up of convertible currency and transferable ruble debt stood at $2.7 billion at the end of 2003. Lao PDR external debt ratio to exports of merchandise in 2006 was 3.4 down from 6.1 in 2003.

Lao PDR was granted debt relief by Japan in 2000 worth about $520,000. Russia agreed in 2003 to write-off 70 per cent of Soviet-era debt. The debt agreement with Russia left $378 million to be repaid under preferential terms over 33 years.

(ii) Social Indicators

Education indicators in Lao PDR are low by South-East Asian standards. Net primary school enrolment ratio of 83.6 per cent in 2005 is the lowest in the region. Net secondary school enrolment ratio of 37 percent is lower than all the South-East Asian countries except Cambodia. Lao PDR also scores low on tertiary education.

Health indicators are low but improving. Male life expect at birth improved from 54.9 years in 1995 to 60.7 years in 2005. Life expectancy in Lao PRD is higher than neighbouring Cambodia and Myanmar. Infant mortality rate also improved from 120 deaths per 1000 live births in 1990 to 56 deaths per 1,000 live births in 2005.

(iii) Geographical Location and Transit Systems

Lao PDR is a landlocked country. Access to the sea requires transit passage through Thailand or Viet Num. The availability of alternative routes strengthens Lao PDR negotiating position on use of transit facilities. The Asian highway which traverses Lao PDR towards China from South-East Asia will make Lao PRD an important transit country, further strengthening her bargaining position.

Transport Corridor
- Vietiane – Kaen – Bankok – Road
- Vientiane –Ban Lao – Vinh –Road

(iv) Economic Cooperation and Integration

Lao PRD is a member of the Association of South –East Asian Nations (ASEAN).[60] ASEAN seeks to promote economic co-operation and integration of its members. The ASEAN is the main market for Lao PDR. Exports to Thailand in 2005 reached $204.4 million or about 47 percent while imports were $846.7 million or 73 per cent.

(v) Peace and Security

The high incidence of intra-regional trade limits the range of risks (e.g. maritime risks) which normally induce high transport and insurance costs. As there was peace and security in Lao PDR itself as well as in Thailand and Vietnam during the last five years, Lao PDR's external trade was free from avoidable costs.

23. Mongolia

(i) Economic Development

Economic performance in Mongolia in the last five years has been encouraging. The economy between 2000– 05, grew on average, at the rate of 6.9 per cent. However, GDP plummeted to 0.06 per cent in 2006.

Mongolia is heavily dependent on commodity exports notably, copper, gold and cashmere. Mineral products of which copper concentrates is the largest single item accounted for 58 per cent of total export earnings in 2006. This dependence makes the economy vulnerable to changes in word commodity prices.

Foreign direct investment to Mongolia has been modest in comparison to other countries of Eastern Asia. Between 2000 and 05 the country received about $582 million as against $34.37 billion for Republic of Korea. However, investment to Mongolia reached $182 million in 2005 – and increased further to $344 million in 2006, suggesting stronger investor confidence and interest (See Table 8).

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[60] Members of ASEAN (http://www.aseansec.org/): Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Myanmar, Cambodia, Lao PDR

Official Development Aid (ODA) to Mongolia has increased from $13.1 million in 1990 to $212.1 million in 2005. Mongolia received aid from both bilateral and multilateral sources (See Table 2).

In December 2003, Russia agreed to cancel 98 percent of Mongolia's pre-1991 double debt which was valued at $11.4 billion for a payment of $240 million.

(ii) Social Indicators

Mongolia gives high priority to education. Primary school is offered fee and secondary and tertiary education is partly state funded. Budgetary allocation was estimated to be 15-8 per cent in 2006. Mongolia's education indicators are high. Net primary enrolment in 2005 was 88 per cent, 82 per cent of secondary school – aged children were registered, and gross tertiary enrolment reached 69 percent in 2004.[61]

The Mongolia health system is being reformed and modernized to provide more primary care and preventive medicine and make better use of health workers. Health indicators are improving. Life expectancy at birth for females has increased from 63.2 years in 1995 to 68.4 years in 2005. Male life expectancy at birth has increased from 59.4 years in 1995 to 61.9 years in 2005. Infant mortality rate has dropped from 78 deaths per 1,000 live births to 39 deaths per 1,000 live births in 2005.

(iii) Geographical Location and Transit Systems

Mongolia's access to the sea depends on transit passage through Russia or China. Railway transport provides the link between Mongolia with Russia and also between Mongolia and China. Transit through China to the port of Tianjin involve transshipment at the border.

Transit through Russia is either to the port of Vladivostok or St. Petersburg.

Transport corridors:

- To Zamyn Uud by Mongolian Railway, transshipment to China Railways(owing to a change of gauge from 1,520mm to 1,435mm), then to Tianjin (Xingang) port by China Railways using the route Erlian (Erenhot) – Jining – Datong – Beijing. The distance involved is 700km on the Mongolian Railway and 993 km on China Railways – a total of 1,693 km.
- To Sukhbaatar (Naushkii) by Mongolian Railway and inwards to Vladivostock port (or Nakhodka port) by Russian Railways using the route Ulan Ude – Chita – Khabarovsk. The distance involved is 402 km on the Mongolian Railway and 3,905 km on Russian Railways to Vladivostock (3,800 km to Nakhodka) – a total of 4,307/4,457 km respectively.
- To Sukhbaatar (Naushkii) by Mongolian Railway and onwards to St. Petersburg port or other ports in Europe by Russian Railways using the route Ulan Ude – Irkutsk – Novosibirsk – Omsk – Sverdlovsk. The distance involved is 402 km on the Mongolian Railway and 6,552 km on Russian Railways to St. Petersburg – a total of 6,954 km.

[61] ESCAP Statistical Year Book for Asia and the Pacific, 2007. op cit

(iv) Economic Cooperation and Integration

Mongolia shares borders with two major trading nations, Russia and China, it is therefore natural that a significant proportion of her external trade is conducted with her neighbours. China is Mongolia's main export market while Russia is the main import market. Mongolia's exports also go to the United States. United Kingdom, Italy and Australia while imports are also sourced from China, Japan and Germany

(v) Peace and Security

Mongolian external trade faces both challenges and opportunities. The long distanced to Russia where Mongolia's main imports are sourced increases the cost of transport. On the export front, the change of gauge at the Mongolia – Chinese border increase delays to her main exports. However, the use of railway transport and single border crossing limit the incidence of transit charges and bribes. Mongolia also benefits from the economic and political stability in China and Russia.

24. Nepal

(i). Economic Development

The decade – long insurgency in Nepal has seriously weakened the economy. The rate of economic growth in the last five years barely reached 2.6 per cent on the average, making it the slowest economy in Southern Asia.

Carpets and garments remain the principal exports of Nepal accounting for about 20 percent of total exports. The country also exports hydrogenated vegetable oil, zinc oxide, acrylic yarn and copper wires.

Nepal has been a poor destination of FDI. Inward flows of FDI in the period 2000 and 2006 were approximately $37 million and outward flows amounted to $13million. These levels of FDI flows were among the lowest in southern Asia.

Nepal is aid-dependent. However, aid levels have remained constant over the years at about $400 million per year, reflecting donors' reservations. Major donors, including Japan, the Asian Development bank and the World Bank have called for greater administrative efficiency, accountability and transparency in the use of aid.

Nepal's external debt is high. The ratio of external debt to gross national income dropped to 37.8 in 2006 from 50 in 2003. The country has not benefited from the HIPIC initiative.

(ii). Social Indicators

Education is a priority in Nepal's tenth five–year plan which ends in 2007. Net primary school enrolment recorded at 79 per cent in 2005 is comparable to other countries in South Asia. However, drop-out rates are said to be high. The primary school completion rate in 2005 was 50.4 per cent.

The state is the main provider of health care in Nepal. Private hospitals are mostly located in urban centers. Nepal has made progress in improving public healthcare although many challenges lie ahead. Life expectancy at birth which was 56 years in 1990 has increased to 61 years by 2005. Infant mortality rate dropped to 56 per 1000 live births in 2005. From 89.9 per 1,000 live births in 1990.[62]

(iii). Geographical Location and Transit Systems

Nepal's access to the sea is through India or China. Calcutta has been the traditional gateway for Nepal's external trade. The transit system has been improved recently by extending the Indian rail network to a container depot in Nepal. Trains can now transport Nepal's goods directly to Calcutta. In 1967 China built a highway linking Katmandu with Kodari on the Chinese border, thereby providing Nepal with an alternative route to the sea. The Katmandu-Kodari highway is part of the Asian highway which, when completed would make Nepal an important transit country.

Transport Corridor
- Amlekhganj – Birganj - Cultutta

(iv). Economic Cooperation and Integration

Nepal is a member of South Asian Association for Regional Cooperation (SAARC)[63], South Asian Free Trade Area (SAFTA) and the Bay of Bengal Initiative for Multi-Sectoral Technical Economic Cooperation (BIMST-EC)[64]. These organizations seek to promote economic cooperation and integration.

India is the main trading partner of Nepal. Nepal also exports to the United States, Germany, France, the United Kingdom and Italy. Her imports are sourced from China, Indonesia, Singapore and Thailand.

(v) Peace and Security

The comprehensive peace signed by all the political forces in Nepal on November 2006 has been followed – up by elections in April 2007 which was won by the Maoist Party. Nepal's external trade should benefit from the resumption of peace and security in terms of facilitation of economic activities and production as well as realizing lower transport and insurance costs.

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[62] ESCAP Statistical Year Book for Asia and the Pacific, 2007. op cit
[63] Members of SAARC: India, Pakistan, Sri Lanka, Nepal, Maldives, Bhutan
[64] Membership of BIMST-EC: Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan, Nepal

25. Tajikistan

(i). Economic Development

Economic recovery in Tajikistan pick-up speed in the last six years. In 2000-03 the economy grew at the rate of 10.5 per cent and since then, economic performance has been maintained at an average rate of 7 per cent. Traditional sectors such as cotton and the aluminum sector increased output, but contribution from other sectors like construction and light industry also increased. However, in spite of this impressive performance, real output in 2006 was still less then two-thirds of its level in 1989. There is therefore need to sustain this high rate of grow over a much longer period of time.

Foreign direct investment (FDI) began to trickle into Tajikistan in 2000 – two years after the civil war. In 2000 the country received $24 million, but investment flows dropped to $9 million the following year. Inward flows to Tajikistan between 2000– 05, amounted to $409 million. In 2006, FDI rose sharply to $338.6 million.

Low levels of FDI and limited Government revenue have made it necessary for Tajikistan to seek external funds to finance her fiscal and current account deficits and carry out her public investment programmes.

Faced with low levels of FDI and limited Government revenue, Tajikistan resorted to external borrowing in order to finance her fiscal and current account deficits and to carry out public investment programmes. Tajikistan, in addition had to guarantee loans for her nascent private sector. At the end of 2005 Tajikistan's external debt stock stood at $1 billion. However, as a result of debt rescheduling and write–off agreements with Russia, Pakistan and the Islamic Republic of Iran, Tajikistan's debt declined to $866 million or about 31 of GDP at the end of 2006.[65]

(ii). Social Indicators

School attendance in Tajikistan is compulsory for nine years. Education indicators confirm high ratios of net primary and secondary school enrolment of 97 per cent and 80 per cent respectively. However, the education sector faces many challenges. Funding shortfalls have led to crisis in staffing levels and many children have to work to alleviate family hardships.

Health indicators in Tajikistan show an improvement over the years and are also comparable to other countries in the region. Life expectancy at birth in Tajikistan which was 65.9 years in 1995 has increased to 68.6 years by 2005. In comparison, life expectancy in Turkmenistan at 66.7 years is slightly lower. Tajikistan has also reduced infant mortality from 91 deaths per 1,000 live birth in 1990 to 59 deaths per 1,000 live births in 2005. In this regard, Tajikistan is ahead of Azerbaijan, Kazakhstan and Turkmenistan.[66]

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[65] Economist Intelligence Unit: Country Profile for Tajikistan, 2007

[66] ESCAP Statistical Year Book for Asia and the Pacific, 2007. op cit

(iii). Geographical Location and Transit Systems

Tajikistan's access to the sea depends on transit passage through Uzbekistan and onward to Kazakhstan or Turkmenistan. As a former Soviet Republic, Tajikistan is linked to Russia as well as the Tran-Caspian corridor. However, since the breakup of the Soviet Union 1991 the railway system has been broken into separate national railway entities, leading to operational bottlenecks and poor services. As a result, road transport has become more popular. However, transport by road over long distances is costly, and this poses serious challenges to Tajikistan which exports cotton and other commodities.

Tajikistan plans to build a bridge across the Pang River which forms the country's southern border with Afghanistan with a view to developing access to the sea through Afghanistan.

(iv). Economic Cooperation and Integration

Tajikistan is a member of the Commonwealth of Independent States (CIS), the European Bank for Reconstruction and Development (EBRD), Organization for Security and Cooperation in Europe and the Shanghai Cooperation Organization (SCO). These organizations seek to promote economic cooperation and integration of their members. The main source of Tajikistan's imports comes from CIS members, notably Russia, Uzbekistan and Kazakhstan. However, Tajikistan's exports find markets abroad, notably, the United States, Netherlands and Turkey.

(v). Peace and Security

Tajikistan has found peace with itself since the end of the civil war in 1997. But the war in Afghanistan casts a shadow over the whole region and security concerns by international transport and insurance providers translate into high transport and insurance goods to and from Tajikistan.

26. Turkmenistan

(i). Economic Development

Turkmenistan's rise and fall of economic growth depends on gas production levels and exports. When gas exports declined from 89.9 bn cu meters in 1989 to 17.3 bn cu meters in 1997, the GDP plummeted by a cumulative 60 per cent. Since 1998 real GDP has grown rapidly. Between 2001and 05 the GDP grew at an average annual rate of 4.5 per cent. GDP growth accelerated in 2006 to reach 8.98 per cent.

Turkmenistan is not an important destination for foreign direct investment (FDI). During the period 2000 – 05, inward investment flows amounted to a $ 558 million, while outward flows was $15 million. However, FDI surged to $730.9 million in 2006 suggesting renewed investor interest in Turkmenistan hydrocarbon industry.

Turkmenistan's external debt stock was $1.09 billion in 2005 (about 17 per cent of GDP) down from $2.5 billion in 2000.[67]

(ii) Social Indicators

Important changes aimed at improving the education system in Turkmenistan were introduced in February 2007 after the country's presidential election. These include reinstating a compulsory tenth year of schooling and abolishing the requirement for students to work before embarking on tertiary education. Turkmenistan's health care system is under severe strain. Health indicators show a regression. Female life expectancy at birth which was 67.6 years in 1990 has dropped down to 66.7 years. Infant mortality has increased to 81 deaths per 1,000 live births in 2005 from 80 deaths per 1,000 live births in 1990. Turkmenistan has the lowest health indicators among the Asian economies in transition.[68]

(iii). Geographical Location and Transit Systems

Turkmenistan is a landlocked developing country but her geographical location gives her a major advantage in having access to the Caspian Sea and the Volga-Don Canal. Turkmenistan has also alternative routes to the sea via the Trans-Caucasian corridor and through the Islamic Republic of Iran.

(iv). Economic Cooperation and Integration

Turkmenistan is a member of the Commonwealth of Independent States (CIS), the European Bank for Reconstruction and Development (EBRD) and the Organization for Security and Cooperation in Europe (OSCE). These organizations seek to promote economic cooperation and integration of their members. Turkmenistan's main trading partners for exports are Ukraine ($1.03 billion), Iran ($273 million), and Turkmenistan's imports are sources from UAE ($432 million), Azerbaijan ($372 million) and others.

(v). Peace and Security

Peace and security in the Caucasus is important for Turkmenistan's external trade, notably, her exports which are directed to Ukraine and other northern countries. Turkmenistan's imports are more diversified. The Islamic Republic of Iran provides alternative corridors, either to her Indian Ocean ports or via Turkey.

27. Uzbekistan

(i). Economic Development

Uzbekistan's economy has performed well in the last five years. The economy grew at 4.2 percent in 2001 – 02 and increased slightly to 4.5 per cent in 2003 - 04, before it accelerated to 7.7 per cent in 2003- 04. On average, the economy

[67] Economist Intelligence Unit: Country Profile for Turkmenistan
[68] ESCAP Statistical Year Book for Asia and the Pacific, 2007. op cit

grew at the rate of 5.3 during the period 2001 – 05. GDP accelerated to 8.99 per cent in 2006.

Uzbekistan export basket is led by cotton, gold and natural gas while machinery and equipment dominate the import shopping list.

Uzbekistan is not a major destination for FDI. Inward flows of investment in 2000 were about $75 million, increasing to $83 million in 2001, but declined to $65 million in 2002. In 2003 inward flows bounced back to $70 million but the following year investments dropped to $1 million.

(ii). Social Indicators

Female life expectancy at birth in Uzbekistan has improved slightly form 69.4 years 1990 to 69.7 years in 2005. Life expectancy for males was unchanged at 63 the age of 63.3. However, infant mortality rate has improved from 65 death per 1,000 live birth in 1990 to 57 death per 1,000 live births.[69]

(iii). Geographical Location and Transit Systems

Uzbekistan is a doubly landlocked country in that goods have to cross at least two other countries to reach a port. However, the availability of two alternative routes – the first, through Kazakhstan and the second, through Turkmenistan has brought a measure of competition between the routes and influenced terms and conditions attached to the use of transit facilities.

Under the Asian Highway network, Uzbekistan road network will be linked to Afghanistan's road network, giving Uzbekistan a third alternative route to the India Ocean.

(iv). Economic Cooperation and Integration

Uzbekistan is a member of the Central Asian Cooperation Organization and Eurasec, the Commonwealth of Independent states (CIS), the European Bank for Reconstruction and Development (EBRD) and Organization for Security and Cooperation in Europe (OSCE). These organizations seek to promote economic cooperation and integration of their members. Uzbekistan exports go to Russia (23 per cent), Poland (11.8 per cent) and Kazakhstan (10.5 percent). Imports are sources from Russia (27.8 percent), South Korea (15.6 per cent) and Germany (10.4 percent).

(v). Peace and Security

The Asian Highway routes link Afghanistan to the Islamic Republic of Iran, Pakistan, Turkmenistan and Uzbekistan. Pease and Security in Afghanistan and

[69] ESCAP Statistical Year Book for Asia and the Pacific, 2007. op cit

the implementation of the Asia Highway will enable Uzbekistan to access Persian Gulf ports and Indian Ocean ports by transiting through Afghanistan.[70]

b. Progress in Achieving the Millennium Development Goals

Progress in achieving MDGS in landlocked developing countries in Asia is being made. Infant mortality rate dropped significantly in most of the countries. In Mongolia infant mortality dropped to 39 deaths per 1,000 live births in 2005 from 78 in 1990. Lao PDR infant mortality dropped to 62 deaths per 1,000 live births in 2005 from 120 deaths per 1,000 live births in 1990. Countries which did not make good progress include Afghanistan where infant mortality dropped from 168 deaths per 1,000 live births in 1990 to 165 in 2005. Turkmenistan regressed, with infant mortality increased to 81 per 1,000 live births in 2005 from 80 in 1990.[71]

In education, primary and secondary school enrolment show marked disparities between countries. Landlocked developing countries in Central Asia and the Caucasus have attained 90 per cent and 65 per cent in primary and secondary school enrolment, respectively. Mongolia is not far behind with 88 per cent and 55 per cent respectively. However, while Lao PDR primary school enrolment rate of 83.6 per cent is good, the secondary school rate at 27 per cent is well behind the Asian average. Data for Afghanistan is not available, and data from Bhutan and Nepal is not complete but it can be concluded that many landlocked developing countries in Asia have a major task ahead if they were to meet the MDG target data of 2015.

III. Landlocked Developing Countries in Latin America

a. Introduction

Bolivia and Paraguay are the only landlocked developing countries in Latin America. The two countries are served by inland water transport and railways but the two transport modes which could have ensured low cost transport for these landlocked developing countries are beset by major infrastructure and operational problems allowing road transport to take advantage of their weakness and to emerge as the main mode of transport. But this turn of events has increased the cost of transport, thereby reducing profit margins their exports earnings and inflating the cost of their imports.

Bolivia and Paraguay economies are among the weakest in Latin America. These commodities –dependent economies endure higher transaction costs compared to their transit neighbours because of long distances to the sea coupled with border-crossing formalities which engender additional costs and delays.

28. Bolivia

(i) Economic Development

[70] Asian High way Handbook, 2003, ST/ESCAP/2303
[71] ESCAP Statistical Year Book for Asia and the Pacific, 2007. op cit

The Bolivian economy has been characterized by modest growth in the last five years. It grew at a sluggish rate of 2.4 per cent in 2001–03 but gathered strength in 2003 – 05 reaching 4 per cent reflecting strengthening export performance. The economy in 2006 grew at the GDP rate of 4.1 per cent.

Bolivia exports are dominated minerals (zinc, gold, tin, silver) hydrocarbons (petroleum, gas) and agricultural products (soy, grains and vegetable oils).

Bolivia's hydrocarbon discovery in 1996 and privatization policies attracted significant foreign direct investment. While the country received about $50 million and $67 million in 1980 and 1990, respectively, in 2000 – 02, FDI flows reached around $707.3 annually before declining to $197 million and $65 million in 2003 and 2004, respectively. However, in 2005 Bolivia experienced a net outflow of FDI of $277 million due to uncertainly over hydrocarbons policy. But inward flows resume again in 2006 to about $240 million.

Bolivia has received regular official financial flows from bilateral and multilateral sources. Total ODA in 2005 was $558.7 million up from $438.7 million in 2000.

Bolivia relies heavily on medium and long-term borrowing from multilateral institutions to meet her development needs. Because of a good record of policy implementation and the country's low per capital Bolivia qualified for debt relief amounting to $175 million under the HIPIC agreement (See Table 9).

(ii) Social Indicators

Bolivia places high priority to the education sector. In spite of budgetary constrains, the country allocates about 2.4 per cent of GDP to education, a level which compares favourably with neighboring countries. Chile and Peru allocate respectively, 2.4 per cent and 2.8 per cent of their GDP to education. Adult literacy in Bolivia in 2005 reached 86.7 per cent while the enrolment ration for primary and secondary tertiary education (See Table 9). As a result of these measures, the external debt ratio to exports of merchandise fell to 1.37 in 2005 from 3.6 in 2003.

Bolivia allocated 4.1 per cent of GDP to the health sector compared to 1.9 per cent by Peru. Life expectancy at birth in 2005 was 64.7 years which was low compared to life expectancy at in Peru of about 70.7 years. The infant mortality rate in Bolivia is 72 per 1,000 live births

(iv) Geographical Location and Transit Systems

Bolivia is located in the middle of Latin America, a position which makes her an important land bridge between east and west and between south and Central America. The country is connected to Brazil in the east by rail and road. It is also linked to Chile in the west by rail and road. Inland waterways connect her to Argentina. However, the potential of these multimodal transport corridors was never fully exploited. Underinvestment on the railways led to poor services and physical and operational problems of inland transport forced Bolivia to rely heavily on road transport.

Transport corridors

East – west corridor

- Purto Suarez – Santa Cruz – Cochabamba – Patacamaya – Tambo Qumado

North South corridor

- Trinidad – Casaraba – San Paulo – Ascencion De Guarayos
- Yotau – Los Trancos – Lrena – Puerto Pailas – Pailon – Cotoca – Santa Cruz – Abapo – Camiri – Palmer Grande – Yacuiba

East North corridor

- Desaguadera – Lapaz – Guayaramerin Corridor Oeste – Sur Desaguade'ero – La Paz – Ururo – Potosi-Bermejo

(iv) Economic Cooperation and Integration

Bolivia is a member of the community of Andean Nations (CAN)[72], is an associate member of the Mercado Cumun del Sur (MERCOSUR)[73] and the Bolivarian Alternative for the Americas (ALBA).[74] These organizations espouse economic cooperation and integration of their members. Bolivia main export markets in 2005 were Brazil (35.3 percent), Venezuela (12.1 percent) and the United States (11.6 percent). Imports are sources from Brazil (21.9 percent), Argentina (16.7 percent) and the United states (13.8 percent).

(v) Peace and Security

The economic and Political stability of the transit countries surrounding Bolivia has a positive influence on Bolivia's external trade. In May 2006 the Government renationalized former State Oil and gas assets. In August 2006 a Constituent Assembly was established to elaborate a new constitution.

29. Paraguay

(i) Economic Development

Economic growth in Paraguay was modest. The rate of growth has always been closely associated with agriculture performance which in turn depends on the vagaries of weather and international commodity prices. In 2001–02 the economy stagnated because of drought but good weather conditions in 2003 – 05 pushed GDP to 3.5 percent. Economic recovery was maintained in 2006, with GDP reaching 3.99 per cent.

Agriculture is the engine of Paraguay's economy, soy, cotton and beef being the main exports. The country also produces salt, gypsum, kaolin and marble.

Paraguay has attracted modest inflows of FDI. Between 2000 and 06 the country received $524 million. Agriculture and mainly the production of soy beans absorbed much this investment.

[72] Membership of CAN: Bolivia, Colombia, Ecuador, Peru, Venezuela

[73] Membership of MERCOSUR: Argentina, Brazil, Paraguay, Venezuela, Associate Members, Chile, Bolivia

[74] Membership of ALBA: Venezuela, Cuba, Nicaragua, Bolivia

Paraguay has also received limited ODA. Official financial flows have fluctuated widely from $57 million in 2000 to $22 million in 2004. ODA in 2006 reached 56 million.

Paraguay experienced debt-servicing difficulties in 2002, but was able to restructure the majority of her external debt in December 2003 with the help of the IMF.

(ii) Social Indicators

Public Education is compulsory and free for nine years but the drop out rate is reported to be as much as 14.3 percent. Paraguay allocates about 1.9 percent of GDP to education compared to 2.4 per cent in Bolivia. Adult literacy in Paraguay recorded at 93.5 percent is higher than the average in the region but enrolment ratio for primary, education at 88 per cent is lower than Bolivia (85 per cent) and Peru 96 per cent. (Table4)

Paraguay devotes 2.6 percent of GDP to health compared to 4.1 per cent for Bolivia. Life expectancy at birth in 2005 was 71.3 years a score which compares favorably with neighbouring countries. Infant mortality rate of 43 infants per 1,000 live births in 2005 is well below prevailing rates in neighboring countries including Bolivia and Brazil.

(iii) Geographical Location and Transit Systems

Paraguay has about 3000 km of navigable waterways providing access to Atlantic ports of neighbouring transit countries of Argentina and Brazil. However, the full potential of the river transport system has not been fully exploited due infrastructure and operational difficulties; in consequence, the country largely relies on road transport. However, the inland water way is used to transport the country's grains.

(iv) Economic Cooperation and Integration

Paraguay is a member of the Southern Cone Customs Union MERCOSUR which seeks to promote economic cooperation and integration of its members. Paraguay's main trading partners in 2005 for both exports and imports include Brazil, Argentina and Uruguay.[75]

(v). Peace and Security

Paraguay's external trade benefits from the economic and political stability of her transit neighbours. However, Paraguay manufacturing has suffered from an influx of goods from Brazil and Argentina. In June 2005 MERCOSUR partners agreed to set up a regional development fund for its smaller members of which Paraguay would be the major beneficiary.

[75] Economist Intelligence Unit; Country Profile for Paraguay, 2007.

b. Progress in Achieving the Millennium Goals

Progress in achieving MDGS in landlocked developing countries in Latin America is being made. In Bolivia the infant mortality rate has improved to 52 infants per 1,000 live births in 2005 from 147 infants per 1,000 live births in 1970. Similarly, in Paraguay the rate has improved to 43 infants per 1,000 live births in 2005 from 58 infants in 1970. However, the two landlocked developing countries still lag behind their transit neighbours.

Infant mortality in Chile, for example has improved to 8 infants per 1,000 in 2005 from 78 infants per 1,000 live births in 1970.

On education, Bolivia's primary school and secondary school enrolment at 97 per cent and 73 per cent, respectively show excellent progress compared to Paraguay's rate of 88 per cent and 26 per respectively. Over all, both landlocked developing countries have a long way to catch-up with their neighbours with Brazil and Peru recording primary and secondary school enrolment rates of 96.8 per cent and 78 per cent (Brazil) and 96 per cent and 70 per cent (Peru). International community should provide stronger financial support to Bolivia and Paraguay to support their efforts towards meeting the MDGS goals.

IV: Landlocked Developing Countries in Europe

a. Introduction

Europe has two landlocked developing couriers, namely Macedonia TFYR and Moldova. Macedonia TFYR which once formed part of Yugoslavia has her traditional routes linked to Serbia and other former parts of former Yugoslavia. During the Balkan war in 1998 Macedonia TFYR's traditional route to the sea was cut-off. This experience demonstrated how important it was for a landlocked country to secure functional alternative routes to the sea.

Moldova rail and road network is linked to Russia and other former Republics of the Soviet Union. The rail network includes 1,320 km of tracks. However, the railways network is badly depreciated and can now transport about 30 per cent of the country's foreign trade. Road transport, costly as it has become the main means of transport.

30. Macedonia TFYR of

(i) Economic Development

Macedonia TFYR economy has been characterized by modest growth. During 2000-03 the economy grew at an average rate of -0.33 per cent. However, in 2003–04 the economy picked up strength growing at 4.09 percent. The improved performance suggests that the country may have sufficiently recovered from the 2001 security crisis which caused industrial output to contract sharply. If so, the country's economic growth in 2005-06 could be expected to higher.

Macedonia TFYR has not been a major destination of FDI. Although the country received about $1.042 billion between 2000 and 05, this volume of investment is low compacted to other economies in transition such Croatia and Bulgaria. Macedonia TFYR best year for FDI was in 2001 when inward flows of $442 million were recorded. This coincided with the privatization of the country's telecommunication operator, Mekedonski Telekomunikacii (Maktel).

Macedonia TFYR external debt rose to $2.7 billion at the end of 2006. Most of the debt is owed to bilateral and multilateral creditors.

(ii) Social Indicators

Macedonia TFYR inherited a good education system from former Yugoslavia. Literacy rates were high, enrolment ratio at primary, secondary and tertiary levels were also high and there were two universities – in Skopje and Bitola. The challenge for Macedonia TFYR is related to finance and planning: the need to fund education adequately and the need to restructure education system in order to meet the needs of a modern economy.

Budgetary constraints have weakened the Macedonia TFYR health care system. There are shortages of medical supplies and medical personnel and many doctors and nurses have left the country in search of better pay.

(iii) Geographical Location and Transit Systems

Macedonia TFYR depends on her neighbours for access to the sea. As a former Yugoslavia republic, she is linked by rail and road to Serbia. Alternatively, she has access to the Mediterranean Sea through Greece. But poor connections with Albania to the West and Bulgaria to the east are a matter of concern to her. Macedonia TFYR has faced disruption of her transport corridor to the north when fighting broke out in Kosovo in 1998 and a blockade from Greece hence the need to upgrade alternative route to Albania in west and Bulgaria in the east.

(iv) Economic Cooperation and Integration

Macedonia TFYR is a member of the Central European Free-Trade Agreement (CEFTA)[76], Central European Initiative (CEI),[77] European Bank for Reconstruction and Development (EBRD) and the Southern European Cooperative Initiative (SECI). A number of these organizations aim at promoting economic cooperation and integration of their members. Macedonia TFYR's main trading partners include members of the above organization, such as Serbia and Bulgaria. Germany, Greece and Italy are also important.

[76] Membership of CEFTA: Hungary, Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, Croatia, Macedonia TFYR

[77] Membership of CEI; Austria, Hungary, Italy, Poland, Bosnia and Herzegovina, Macedonia TFYR, Albania, Bulgaria, Ukraine,. Montenegro, Serbia

(v) Peace and Security

The Balkan wars have demonstrated the vulnerability of landlocked developing countries. Macedonia TFYR was forced change from one transit route to another to keep her foreign trade going. Regional peace and security is a concern of all trading nations, but, for landlocked developing countries, it is matter of high priority.

31. Moldova Republic of

(i) Economic Development

Moldova's economic recovery has made impressive progress in the last five years. In 2000 – 03 the economy registered a growth rate of 6.8 per cent accelerated to 7.4 per cent in 2003 – 05 before it dropped to 3.9 per cent in 2006. These levels of growth are among the highest attained by economies in transition group of countries. The economy was fuelled by increased export earnings, inflows of remittances from Moldavians working abroad, and domestic demand. However, inspite of the incredible performance, Moldova's official economy is still less than 60 percent of its size at the time of independence.

Foreign direct investment (FDI) to Moldova in the period 2000-05 reached $819 million, approximately $136 million per annum. Although the volume of inward flows was low, judged by regional standards, its impact on the country's current account was significant. Moreover, the volume of FDI increased by the year since 2004, reaching a record of $197 million and $241 million in 2005 and 2006 respectively, signifying increased interest from investors.

(ii) Social Indicators

Education in Moldova is compulsory from the age of six to 15. However, the number of pupils enrolled in secondary education has fallen over the last decade from over 650,000 to under 550,000 pupils between 1997 – 2005 – owing to deteriorating economic conditions, low birth rates and large scale emigration.

Moldova's health system based on Soviet-era highly centralized and specialized health care proved difficult to maintain owing to budgetary constraints. Between 1997 and 2004 when the system was undergoing restructuring, the number of hospitals and hospital beds fell drastically. Vaccinations were suspended and Moldova experienced a number of epidemics of communicable diseases, including dysentery in 1994 and cholera and diphtheria in 1995.

As part of her restructuring programme, Moldova in 2004 introduced a compulsory insurance system to fund healthcare. Better working condition for medical personnel and improved health services have led to improvements in the country's health indicators, such as, child immunization rate and infant mortality rate.

(iii) Geographical Location and Transit Systems

Moldova's access to the sea requires transit passage through Ukraine or Romania. Moldova has an extensive rail and road network, but years of underinvestment has weakened the railway system, reducing its carrying capacity to 30 percent of Moldova freight. The European transport corridor linking Moscow and Bucharest passes through Moldova. Moldova is therefore both a landlocked and transit country.

(iv) Economic Cooperation and Integration

Moldova is a member of the Commonwealth of Independent States (CIS), European Bank for Reconstruction and Development (EBRD), Organization of the Black Sea Economic Cooperation (BSEC)[78], Organization for Security and Cooperation in Europe (OSCE) and its Stability Pact for Southern –Eastern Europe (SPSE). Many of these organizations espouse economic cooperation and integration of their members.

Approximately 50 percent of Moldova's products are exported to Russia, Romania and Ukraine. Russia takes the lion's share of about 31.9 per cent. Russia and Ukraine are also Moldova's main source of imports. Moldova imports form Russia and Ukraine are in the range of 13.2 per cent and 23.3 per cent respectively.

(v) Peace and Security

Moldova's external trade benefits from the economic and political stability in Moldova and her neighbouring transit countries. Russia remains the main trading partners and major events there would have an impact on Moldova's external trade.

b. Progress in Achieving the Millennium Development Goals

Both Macedonia TFYR and Moldova have made good progress towards achieving many of the MDGS. Adult literacy rate in Moldova in 2005 was 99.1 per cent, primary and secondary school enrolment was 86 per cent and 73 per cent respectively. Macedonia TFYR has equally reached impressive levels of 98.7 in adult literacy, 94 per cent and 74 per cent of primary and secondary school enrollment (Table 4).

Life expectant at birth in Macedonia TFYR and Moldova are 73.8 years and 68.4 years respectively.

Maternal mortality in Macedonia TFYR is 10 mothers per 100,000 live births, as compare to 22 in Moldova. These ratios are remarkable compared to the situation in Kyrgyzstan and Lao PDR where the prevailing rate of maternal death is 150 mothers per 100,000 live death and 660 mothers per 100,000 live births respectively.

[78] Members of BSEC: Albania, Armenia,. Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Montenegro, Turkey, Ukraine

F. CONCLUSIONS AND RECOMMENDATIONS

I. Peace and Security

(a). Conclusion

Extreme poverty in many landlocked developing countries has led to political instability which in turn discouraged economic activities and investment, leading deeper into poverty and instability. There have been more civil wars and insurgent activities in landlocked developing countries in recent years than in other developing countries.

(i). Recommendation

The international community should address this question and consider using aid also as an instrument of crisis prevention instead of relying sorely on post-crisis emergency assistance.

(ii). Recommendation

Landlocked and transit developing countries should strengthen their sub-regional of regional organizations which deal with crisis management to give priority to preventive strategies over crisis –management measures.

(b). Conclusion

Some landlocked developing countries in recent years have had their traditional routes cut-off due to civil strife in transit developing countries and were forced to re-route their external trade to other countries moving over very poor roads.

(i). Recommendation

The international community should recognize the plight of landlocked developing countries in such crises and provide emergency aid to upgrade infrastructure in order to reduce transport costs and delays suffered by landlocked developing countries.

(ii). Recommendation

Transit developing countries which offer transit facilities should recognize the plight of landlocked developing countries and do their utmost to provide the fullest possible cooperation, including infrastructure upgrade, if possible.

(c). Conclusion

A few landlocked developing countries have no viable alternative routes to the sea and they face serious administrative impediments in their traditional routes to the sea.

(i). Recommendation

The international community should give sympathetic consideration for requests to finance missing links designated to develop alternative routes to the sea for landlocked developing countries in order to reduce their vulnerability associated with the use of a single transit route to the sea.

(ii). Recommendation

Transit developing countries which offer to link their infrastructure networks to landlocked developing countries should do their utmost to construct or upgrade infrastructure on their side of the border to facilitate transportation between them and their neighbouring landlocked developing countries.

II. Railways Transport

(a). Conclusion

Railway concessioning has been pursued vigorously in recent years, especially in Africa with the objective of mobilizing private sector financial and managerial resources to revive railway transport.

(i). Recommendation

Governments and concessionaires should take all measures to implement their respective commitments in order to meet the objective of the concessions.

(ii) Recommendation

International institutions which promoted railway concessions should monitor the implementation of the concessions and take proactive steps to keep concessionaires and Government in line with their commitments, thereby pre empting potential crises and failures.

(b). Conclusion

The operation of through trains increases the efficiency, reliability and cost-effectiveness of international railway services thereby enhancing their competitiveness **vis a vis** alternative transport models, like road transport.

(i). Recommendation

Railways administrations must take all measures to establish or strengthen inter railway agreements and arrangements to ensure the implementation of seamless train services across national borders.

(ii). Recommendation

Governments should take all measures to support inter-railway agreements. Their support may include, where necessary, negotiating and adopting the appropriate legal frameworks needed to facilitate international railway operations and, ensuring availability of foreign exchange for inter-railway account settlements.

III. Roads Transport

(a). Conclusion

Development of road infrastructure in landlocked and transit developing countries has been uneven, favouring centers of populations at the expenses of rural areas where food and agricultural exports are produced. As part of their efforts to reduce the cost of international trade and to develop their internal market and economic diversification, landlocked and transit developing countries should make every effort to improve their transit corridors as well as rural road networks.

(i). Recommendation

Landlocked and transit developing countries should give high priority to the development of transit corridor as well as rural road networks.

(ii). Recommendation

Bilateral donors and multilateral and Regional Financial Institutions should accord high priority to transit corridors and rural road networks projects of landlocked and transit developing countries and increase assistance for transport, storage and communications.

(b). Conclusion

Road Transit is highly restricted in many landlocked and transit developing countries, ranging from complete exclusion of foreign vehicles in participation of transport service delivery to enforcement of quota and other obstacles.

(i) Recommendation

Landlocked and transit developing countries should negotiate mutually beneficial agreements which aim at progressively liberalizing transport services and promoting competition between their transport service providers.

(ii). Recommendation

Landlocked and transit developing countries should encourage and assist their transport operators to enhance their professional and financial capacities through different strategies including establishment or strengthening of cooperatives and encouraging corporate mergers and cross-border linkages.

(iii). Recommendation

Development partners and financial and development institutions should provide financial and technical assistance to support the modernization of transport operators of landlocked and transit developing countries.

(c) Conclusion

Road transit traffic escorts provided three times per week tie-up capital (goods) immobilize vehicles and cause bottlenecks at the borders, leading to unwarranted delays and costs.

(i) Recommendation

Landlocked and transit developing countries should negotiate mutually beneficial arrangements which would lead to the eradication of road transport escort and an introduction of a system of approved secure vehicles for transit operations and where escort is warranted, arrange daily road transport escort.

(d) Conclusion

Road blocks or check-points perpetuate bribery and cause unwarranted interference of transit traffic and payments which increase the cost transit transport and delay.

(i) Recommendation

Landlocked and transit developing countries, should individually and collectively take more aggressive measures to monitor their control agents and take strong administrative and legal measures against offenders.

(e) Conclusion

Roads and bridges are built to withstand certain axle-load and gross vehicle mass limits and when these are exceeded, it leads to accelerated depreciation of assets and waste of investment.

(i) Recommendation

Landlocked and transit developing countries should, where this has not been done install weighbridges and vigorously control and punish overloading and over vehicles which exceed permissible gross vehicle mass.

(ii) Recommendation

Development partners and financial institutions should give priority to road management projects which include purchase and installation of weighbridge and related equipment.

(f) Conclusion

Third party motor insurance is required for vehicle movements. The establishment of a regional third party motor insurance scheme reduces the cost of insurance and delay for transit vehicles which must otherwise procure separate national insurance cover for every country of transit.

(i) Recommendation

Landlocked and transit developing countries should establish or strengthen their regional third party motor insurance schemes.

(ii) Recommendation

The international community, notably, financial and development institutions should, on request provide technical assistance to landlocked and transit developing countries or their RECs.

(g) Conclusion

Transit traffic is required to pay transit charges for services rendered but the proliferation of charges and fees and the existence and enforcement of unpublished charges generate an atmosphere of uncertainly, corruption and increase transit costs and delays.

(i) Recommendation

Landlocked and transit developing countries should harmonized transit charges, if possible, otherwise, publish and reduce the number of charges and fees to the minimum possible.

(ii) Recommendation

Landlocked and transit developing countries should harmonized vehicle specifications for vehicles used in transit operations.

IV. Port Development

(a) Conclusion

The rapid increase of containerization demand urgent expansion of container terminals and handling equipment in many transit developing countries.

(i). Recommendation

Port authorities should plan and implement short and long-term measures to accommodate the rapidly increasing number of containers.

(ii). Recommendation

Governments should take all measures necessary, including providing investment and/or concessioning to enable port authorities to carry out their development programmes.

(iii). Recommendation

The international community, notably bilateral donors and multilateral and regional financial institutions should, consider favourably providing financial and technical assistance to enable port authorities to implement their development programmes.

(b). Conclusion

Strategies to overcome port congestion should look at the big picture. Many actors can contribute to port congestion, bunching of ships, delay in port clearance or customs clearance, forwarders submitting documents with errors or failing to pay port charges. An often forgotten factor contributing to delays is inadequate off-take capacity (lack of railway wagons).

(i). Recommendation

Port authorities should take the lead in coordinating regular port community meetings to exchange information and to enable stakeholders to execute their activities in a manner that will eliminate or diminish bottlenecks and contribute to the overall efficiency and cost effectiveness of port operations. Information and communication technologies and networking is critical in this regard.

(ii). Recommendation

Governments should provide a conductive policy and regulatory framework to support port administrations, in particular, afford them a wide margin of autonomy, enabling them to become commercially oriented, capable of satisfying sophisticated and varied needs of their clients. Governments which support private participation in port construction and/or management should establish the necessary policy and regulatory framework which promotes and protects private investment.

(b) Conclusion

Landlocked developing countries which have been granted Free Zones at maritime ports have been able to reduce their overall transit costs because goods stored in the Free Zones are not subject to port or customs warehouse charges.

(i) Recommendation

Landlocked and transit developing countries which have not concluded Free Zone arrangements should consider the possibility of negotiating and granting Duty Free Zones at their maritime ports

(c) Conclusion

Fully established dry ports where shipping companies can issue bills of lading for imported and exported goods and where internal examination of goods or containers is undertaken at the dry ports instead of being completed at maritime ports offer substantial savings in transit costs.

(i) Recommendation

Landlocked and transit developing countries should consider the possibility of establishing fully-fledged dry ports in landlocked developing countries which capable of providing services for customs clearance.

V. Regional Customs Transit Systems

(a) Conclusion

Customs clearance is usually the single most important impediment causing delays. For transport corridors involving three or more countries, therefore, the establishment of a regional customs transit system has been the most effective solution.

(i) Recommendation

Landlocked and transit countries in eastern and southern Africa as well as west Africa which have adopted regional customs schemes should take effective measures to implement their regional schemes.

(ii). Recommendation

Development partners and financial and development institutions should provide financial and technical assistance designed to support the implementation of regional customs transit systems in landlocked and transport countries.

(b). Conclusion

The most notorious delays occur at the main interface or transshipment points, including at national borders.

(i). Recommendation

Landlocked and transit developing countries should improve the layout of border facilities and introduce shared facilities (one stop border posts).

VI. Accession to International Conventions

(a) Conclusion

International principles, standards and practices have been established by international conventions.

(i) Recommendations

Landlocked and transit developing countries should consider to accede to key international conventions related trade facilitation, including the:

- International convention of the Harmonized Commodity Description and Coding System (HS Convention) and
- International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention), 1974.

VII. Management Information Systems

(a) Conclusion

Lack of or insufficient use of automated processes and information technology is a major source of days, costs and inefficiencies because while electronically transmitted trade, bank and other documents can be received at the destination instantaneously, paper documents take days or weeks.

(i) Recommendation

Landlocked and transit developing countries should make full use of information and communication technologies to enhance trade facilitation.

(ii) Recommendation

Development partners and financial and development institutions should provide financial and technical assistance to landlocked and transit developing countries.

VIII. Establishment or Strengthening Trade and Transport Facilitation Committees and Corridor Management Committees

(a) Conclusion

National Trade and Transport Facilitation committees composed of public and private representatives interact and work effectively with Governments to design policy and regulatory instruments in the trade and transport sectors.

(i) Recommendation

Landlocked and transit developing countries should establish or strengthen national Trade and Transport Facilitation Committees and or Corridor Management Committees and encourage their committees to establish links with similar committees in the sub-region.

(ii) Recommendation

Development partners and financial and development institutions should provide financial and technical assistance for the establishment or strengthening of National Trade and Transport committees

IX. Public and Private Sector Partnerships (PPP)

(a) Conclusion

Public and Private sector participation in investment and management of trade and transport sectors is critical for the success and efficiency of these sectors.

(i) Recommendation

Landlocked and transit developing countries should widen and deepen their public and private sectors cooperation and collaboration.

X. Human Capacity Building

(a) Conclusion

The changing role of the public and private sectors requires the improvement of the skills of those involved in policy –making as well as those responsible for day to day operations through training, including continuing education for staff members.

(i) Recommendation

Landlocked and transit developing countries should give priority to the education sector not only to ensure increased enrolment of primary, secondary and tertiary education but also to modernize and enhance the quality of education.

(ii) Recommendation

Development partners and Financial and Development Institutions should provide financial and technical assistance.

XI. International Support Measures

(a) Conclusion

The need for increased financial and technical support for the development and maintenance of infrastructure stressed in the Almaty Programme of Action remains also valid today.

(i) Recommendation

Development Partners and financial institutions are invited to increase their financial and technical support for the development and maintenance of infrastructure in landlocked and transit developing countries.

(b) Conclusion

Landlocked developing countries perform poorly as hosts of FDI compared to transit or law and middle income countries.

(i) Recommendation

Landlocked developing countries should increase their efforts to mobilize FDI bearing in mind the need to attract FDI that is not sensitive to distance.

(ii) Recommendation

Development partners and Financial Institutions should encourage investors to initiate investment projects in landlocked developing countries.

(c) Conclusion

In spite of HIPIC and MDRI initiatives which provided debt relief to several landlocked and transit developing countries the debt burden remains high for many of these countries.

(i) Recommendation

Development partners and multilateral institutions should widen the coverage of beneficiary countries and deepen the scope of relief measures.

XII. Technical Assistance

(a) Conclusion

The promotion and implementation of bilateral and regional agreements, promotion of market oriented transit transport policies, concessioning, establishment or regional customs schemes, accession to international conventions and other transit facilitation measures require technical assistance.

(i). Recommendation

The following areas should be considered priority areas for technical assistance:

- Promoting the implementation of agreed bilateral, sub-regional, regional and international transit agreements;
- Promoting social and market-oriented transit transport policies;
- Encouraging the exchange of experience related to the development and management of transit transport systems in different regions;
- Promoting and implementing privatization programmes within the transport sector, where appropriate;
- Establishing training programmes, **inter alia**, in the area of customs, including documentation and transit procedures; freight forwarding and clearing of transit cargo; infrastructure and equipment maintenance; road safety; environmental protection in the transit transport sector; transit insurance; dry port development and management; and expanding regional databases on road transport;
- Initiating trade facilitation projects aiming at simplifying, streamlining and standardizing import, export and customs procedures and related capacity building of particular human resources;
- Assisting Governments in elaborating the implications of acceding to relevant international conventions;
- Facilitating increased access to bond markets and enhanced risk-sharing between the financing organizations of the public and private sectors.