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Statement

by

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at the Brainstorming Meeting on the Priorities of a New Development Agenda for the Landlocked Developing Countries

Conference room 2726 in the Secretariat Building
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• H.E. Mr Saleumxay Kommasith, Permanent Representative of the Lao People’s Democratic Republic to the United Nations and Chair of the Group of LLDCs

• Dear Ambassadors,
• Distinguished participants,
• Ladies and Gentlemen.

Good morning and a warm welcome to you all. I am particularly thankful to all of you for being here and for your contribution towards the implementation of the Almaty Programme of Action and beyond.

Today we are going to start brainstorming on the substantive preparations for the comprehensive global 10-year review conference on the implementation of the Almaty Programme of Action. This will be held in 2014 as mandated by the General Assembly in its resolution 66/214. It will be the Second United Nations Conference on LLDCs. Your deliberations will lay a solid foundation for a renewed and reinvigorated partnership framework in support of the landlocked developing countries’ development and transformation of their economies over the next decade.

Let me just quickly update you on the status of preparations for the Ten-Year Review Conference and how this brainstorming fits in the process. The preparatory process for the Conference is being undertaken in three main tracks including: the intergovernmental track; the UN Inter-Agency track; and the Private Sector track.

The landlocked developing countries are preparing national reports on the implementation of the Almaty Programme that will directly feed into the preparatory process at regional and global levels. Regional review meetings are being held in close collaboration with the UN Regional Commissions. Through the regional review meetings, we are gathering crucial inputs relating to the regional perspectives.

I am happy to inform you that the Euro-Asia Regional review meeting was convened by my Office, in collaboration with ESCAP, UNECE and the Government of Laos in Vientiane, less than two weeks ago. The meeting adopted the Vientiane Consensus that presents an assessment of the implementation of the Almaty Programme in the region and provides forward-looking ideas and proposals for the next development decade. It also calls for stronger global support measures and the need for integration of the LLDCs’ issues and concerns into the global development framework. In this context, I would like to once again thank the Government of Laos for hosting the regional
review. UNECLAC and UNECA are planning to organize the Latin American and African regional review meetings later this year.

The UN Inter Agency track is led by the UN Inter Agency Consultative Group. This comprises key UN system, international development and financial institutions and other regional organizations. They have already held two consultative meetings on the preparatory process of the conference. The Group agreed on organizing thematic pre-conference events that will enrich the inter-governmental debates, in areas such as infrastructure development, climate change, desertification and land degradation, commodity dependence, enhancing productive capacities, international support measures and south-south cooperation. The complete list of pre-conference events is provided to you. The inter-agency partners also agreed to prepare special analytical reports on the development of landlocked developing countries that fall within their mandates.

Last year, we convened a very important thematic meeting on International Trade, Trade Facilitation and Aid for Trade in September in Almaty, Kazakhstan back to back with the Fourth Meeting of Ministers of Trade of Landlocked Developing Countries. The thematic meeting undertook a thorough assessment of the achievements and enduring challenges on the third priority area of the Almaty Programme – international trade and trade facilitation. The meeting also deliberated on future actions needed to enhance the participation of landlocked developing countries in the international trading system while further strengthening the global partnership for establishing efficient transit transport systems.

With regard to the private sector track, I would like to underscore the importance of the involvement of the Private Sector, which is crucial for the success of the conference. One major purpose of the conference is to focus on improving trade competitiveness of exports from landlocked developing countries. The private sector is the primary actor involved in trading activities in landlocked developing countries as: traders, freight forwarders, insurance providers, transporters, and source of domestic investment and foreign direct investment. The private sector is also crucial for formation of public-private partnerships especially on infrastructure development. It is therefore important that the views of the private sector are reflected in the preparatory process and at the conference in 2014. The UN Inter Agency Group helped map up activities that we will undertake in this track.

Excellencies, Ladies and Gentlemen

The comprehensiveness and implementability of the outcome document and the resulting impacts are the barometers of the success of our conference. The
measures we agree on must lead us all towards a perceptible and sustainable change in the lives of the people in landlocked developing countries through rapid, equitable, sustainable economic growth in the countries. With a view to provide support to the Member States towards the substantive preparatory process, my Office has organized the Brainstorming Meeting which involves all major stakeholders from landlocked developing countries, transit countries, development partners and UN System organizations and international financial institutions.

The main objectives of the Meeting are:

- To analyze and assess the impact of geographical handicaps on the development prospects of landlocked developing countries and their participation in international trade and their achievement of the internationally agreed development goals;
- To share ideas, lessons and best practices on how to address the key development needs and challenges of landlocked developing countries including the new landscape of international trade, the increasing role of commodities; the architecture in development cooperation and global economic and financial crises, and climate change; and
- To exchange views on future policies, programmes and initiatives that can address these bottlenecks at bi-lateral, regional and global levels.

It is my sincere hope that this meeting in an informal setting would be useful to all of us, where participants can openly and actively discuss the issues and share ideas and information. The presence of all the relevant stakeholders around this table will ensure that a broad variety of perspectives is taken into account. So that we can come up with an output that the Member States could make use of.

With this introduction, let me move on and kick-start our discussions by presenting to you an overview of the development challenges faced by landlocked developing countries as we see it.
Presentation of the development challenges faced by landlocked developing countries

Excellencies, Ladies and Gentlemen

The ultimate objectives of the development strategies of landlocked developing countries are poverty reduction, achieving higher levels of wellbeing of their people and sustained economic growth.

However their geographical disadvantages such as remoteness from international markets, lack of direct access to the sea ports, additional border crossings, compounded by infrastructure deficiencies, logistical bottlenecks and weak institutions puts LLDCs at a disadvantage in fully harnessing their potentials to support their sustainable development efforts. Landlockedness is a major impediment to trade, income and subsequently development. Landlocked developing countries also lack the necessary financial and technical capacities to overcome the geographical handicaps. This is the perspective with which we are looking at the LLDC conference.

This is the reason why landlocked developing countries need a global partnership with special measures and support that could assist them to end their marginalization in the international trading system and ensure sustainable development. Transport is a lifeline to the modern economy. It's smooth and efficient functioning determines the speed and scale of integration and thus benefits generating from it.

Let us look at the challenge of developing the hard physical infrastructure.

Progress has been made on the development and upgrading of road and rail infrastructure and improved maintenance of existing infrastructure at national, sub-regional and regional levels since 2003. Dry ports are being established in all regions, for instance, Burkina Faso, Ethiopia, Mongolia and Nepal. In addition, all the landlocked developing countries have experienced an increase in cellular subscriptions and internet users over the review period.

Yet despite the progress made, physical infrastructure development remains inadequate, of poor quality and poses a major obstacle to the trade potential of LLDCs. As shown in slide 1, the percentage of paved roads for LLDCs is lower than that of transit developing countries and less than half when compared to developed countries. Energy which is vital for reducing delays in transit time for landlocked developing countries’ consignments, is still insufficient and unreliable for many LLDCs. It can leverage facilitation in a substantive manner
Transport, energy and communication infrastructure development is expensive. Mobilization of capital and enabling institutional mechanisms remain as major challenges, and as such regional and international development assistance as well as public-private partnerships are essential.

I will move on to the challenge of developing the **soft infrastructure**.

Progress has also been achieved in addressing the non-physical barriers. Landlocked developing countries and transit developing countries are working to make transit and border regulations more transparent, streamline administrative procedures, harmonize and standardize rules and documentation and further simplify border control and procedures and remove delays and enhance transparency by making use of ICT. Many trade facilitation initiatives are being implemented including the TIR Convention, one stop border posts; single window processing, harmonized road customs transit declaration document; third party motor insurance schemes; removal of roadblocks and others. But there is still more to do to make it very effective.

As shown in *slide 2*, although there has been improvement in the time to export by all groups including landlocked developing countries, between 2005 and 2011, the landlocked developing countries still take **almost double the number of days that transit developing countries take**.
The same is true with documents to export – the average in 2011 for transit and developed countries is 7 whereas the LLDCs require an average of 8 documents.

With the limited improvement in physical connectivity, less than optimal trade facilitation, and lack of effective implementation on the ground, landlocked developing countries continue to incur **High transport and trade transaction costs**.

According to World Bank Data, the average cost of importing or exporting a container in a landlocked developing country is more than twice the cost of the same container in the average transit country as shown in slide 3 and slide 4.

OHRLLS made an attempt to estimate the magnitude of the transport and trade transaction costs that LLDCs incur. The data shows that on average landlocked developing countries have transport costs that are up to 45% higher than the representative coastal economy.

These extra costs maybe considered as diverted resources that could be invested in building their productive capacities. The establishment of a secure and efficient transit transport system remains critical to reduce transport costs and enhance the competitiveness of their exports.
Let me now turn to the trade performance of LLDCs given the challenge of high transport and trade transaction costs.

The total trade comprising both exports and imports from landlocked developing countries increased since 2003. However when compared to the world’s total merchandise and services exports, LLDCs account for a very low
proportion of only 1.2%. This demonstrates the marginalization of the LLDCs from the global markets.

Even when we analyze the trade performance, we find wide variation in the trade position of LLDCs. About ten percent of the landlocked developing countries account for over 60% of the exports as shown in slide 5 and 30% of the imports.

**Slide 5. Exports per country (US$m) 2011**

Landlocked developing countries have a less diversified export structure than the other groups. They heavily rely on the export of primary commodities and this makes them highly vulnerable to commodity price volatility. In spite of a significant decline since 1970, exports of primary commodities still represent almost ¾ of total exports of landlocked developing countries. The proportion is smaller in transit developing countries (57%). slide 6.
Many LLDCs also have low productive capacities, which limit their ability to add value to their exports or diversify their exports. Their share of manufacturing in GDP is the lowest when compared to other groups of countries. slide 7. Thus limited export diversification, lack of upgradation in value chain and lack of productive capacities including human resource development continue to be some of the stark challenges to the group.
However their share of services as a percentage of GDP has been growing and presents an opportunity that the LLDCs can effectively harness. *slide 8.*
The trading capacity of LLDCs has direct impact on their economic and social development.

**Economic development trends**
Increased economic growth has been achieved by landlocked developing countries since 2003. *slide 9*

**Slide 9. Average annual GDP growth 2003-2011**

Source: United Nations Statistical Database
However while the overall trend is positive across all the LLDCs, the following are the major challenges:

First - There are very wide disparities of achievement among the countries. While about two fifths of the LLDCs were able to achieve and maintain high annual growth rates of more than 7% over the period 2003 to 2011, the majority of LLDCs had much lower rates. Then we have to look at the equity issue. The percentage of the poor is still very high in LLDCs.

Second - when compared to other groups of countries the landlocked developing countries have the lowest GDP per capita as shown in the figure in slide 10. The gap vis-à-vis the transit developing countries is quite large, although it has been decreasing over time. More than half of the landlocked developing countries had a low per capita GDP of less than US$1000 in 2011.

Third - The volatility data indicate that the landlocked developing countries have the highest fluctuations when compared to all the other groups as shown in slide 11. This is partly because of their high commodity dependence and vulnerability to external factors such as the global financial and economic crisis that slowed down economic growth in 2008 and 2009.
Thus given this mixed and uneven performance, one can conclude that landlocked developing countries lag significantly behind coastal developing countries and transit developing countries in terms of broad economic development.

On the social development front, landlocked developing countries have experienced a positive trend in the Human Development Index between 2003 and 2011 - nevertheless 15 of the LLDCs are still in the lowest HDI ranking. Furthermore landlocked developing countries lag behind transit developing and other developing countries as shown in slide 12.
LLDCs have made some advances in net primary enrolment, gender parity in primary education, increased representation of women in decision-making, and there has been a measure of success in stemming the spread of HIV/AIDS.

Progress has been made but it is very slow on reducing widespread poverty, hunger, child and maternal mortality and improving access to sanitation.

*slides 13 and 14* attest this – the LLDCs lag way behind the transit countries.
New and emerging challenges linked to the food, energy and economic crises, as well as the negative impacts of climate change and environmental degradation including loss of biodiversity have increased tremendously the burden on landlocked developing countries’ economies – a burden that none of the countries can afford to confront itself alone.

Distinguished participants,

As you can see from this preceding presentation, being landlocked tremendously affect trade, economic and social development. LLDCs lag behind other groups of developing economies on several development dimensions. An attempt has been made in an OHRLLS study to estimate the development cost of being landlocked using the methodology detailed in the report.

The empirical evidence indicates that being landlocked is a fundamental obstacle to development. The analysis quantifies the development cost of landlockedness as the percentage decrease in development due to landlockedness. This percentage averages around 20%-25%, meaning that because of landlockedness the level of development in the LLDCs is on average 20% lower than what it would have been if the countries were not landlocked.

Therefore, the attention that is being given to the special development needs of LLDCs is fully justified. The United Nations which is founded on the principle of fundamental sovereign equality, justice and common prosperity to all is therefore committed to give special attention to the concerns and aspirations of one of the most vulnerable groups of countries.

Excellencies,

ODA remains the main source of external finance, accounting for 10 percent or more of Gross National Income in 2011. In almost half of the landlocked developing countries net ODA as a percent of Government Expense is more than 15 percent.

Flow of official development assistance from traditional donors increased substantially from US$11.1 billion in 2000 to US$ 24.3 billion in 2011. However there is a wide disparity in the distribution of ODA receipts with 6% of the landlocked developing countries receiving almost 40% of the group’s total over the period from 2003 to 2011.
There has been a continued increase in Aid for Trade disbursements to landlocked developing countries, which rose from US$4.7 billion in 2006 to US$6 billion in 2010. This is an important trend to maintain as Aid for Trade flows form crucial resources to building productive capacity, infrastructure development and maintenance and institution and capacity building. This should go to as many LLDCs as possible.

Over the past decade, Foreign Direct Investment net inflows to landlocked developing countries increased from $3.9 billion in 2000 to $35.0 billion in 2011. However, only 13% of the landlocked developing countries that are resource rich account for 64% of the FDI.

Excellencies,

In view of this, the challenge before many landlocked developing countries is to secure a sustained positive economic growth that delivers decent jobs and enables these countries to make significant strides towards poverty reduction and broad based sustainable development. It is true that robust and prudent national efforts and vision are indispensable, but it is also incumbent upon international community to come up with comprehensive and coherent support measures in favour of landlocked developing countries.

Indeed all the areas that I presented to you today are key priority areas for the next development decade of landlocked developing countries. The OHRLLS report suggests specific actions by all stakeholders. I would like to seek your comments on the draft report. Because of lack of time to discuss the report in this meeting I wish to ask you to send in your comments in the next 2 weeks.

Over the next 2 days I look forward to hearing detailed accounts of your experiences in reducing the impact of landlockedness on development, what worked well, what did not and your suggestions on the priority areas for the next development decade. I am confident that this meeting will come up with recommendations of tangible actions and deliverables to support the landlocked developing countries to promote long term sustainable development and to eradicate poverty, hunger and deprivation from these countries in an inclusive manner.

I thank you for your kind attention.