

Improving Transport Services to and from Landlocked Countries:

Some Promising Measures

Expert Meeting organized by the World Bank and UN-OHRLLS June 2 2008

1. There are 31 landlocked developing countries. Ten of these countries came into being as independent states since 1989, as a result of the break-up of the Soviet Union and some Eastern European countries. Nearly 60% of the 81 countries now eligible for assistance from the World Bank's soft-loan arm, IDA, are directly involved in efforts to reduce the adverse consequences of countries' lack of direct access to the sea, just over half because they are landlocked themselves and the rest because their infrastructure is used by landlocked neighbours for transit.
2. With few exceptions, the landlocked developing countries are very poor. More than half the 31 number among the Least Developed Countries declared by the UN. The 1990s saw increasing recognition that landlocked countries typically face greater difficulties than others to achieve a good pace of development. The Millennium Development Goals agreed by all UN member states in September 2000 included commitment to address the special needs of the landlocked countries. The UN General Assembly established in 2001 the post of High Representative (OHRLLS) with specific responsibility to promote understanding and support for these countries.
3. A Ministerial-level intergovernmental conference in pursuit of these commitments was held in Almaty, Kazakhstan in August 2003. The conference agreed an **Almaty Programme of Action** calling for joint efforts by transit and landlocked countries, with substantial technical and financial assistance from other countries, to revise the regulatory frameworks affecting trade movements and to improve related infrastructure.
4. In line with the Programme of Action and the requests of landlocked member countries, the World Bank has increased its work on these issues, for provision of policy advice as well as financial assistance, especially in Africa. It has also expanded its broader research on the problems landlocked and transit countries confront, and ways to alleviate them. The Bank feels that the findings from its operational experience and research to date warrant wider discussion and possible follow-up by others as well as itself. They may be of particular interest to people leading development efforts in landlocked countries and to those involved in other aspects of the Almaty Programme of Action, such as negotiation and application of international conventions. Each session of the Expert Meeting will include a short presentation of some key ideas on a topic, comment by an expert independent of the World Bank, and opportunity for questions or observations from the floor.
5. Before the main sessions a brief report will be given about recent findings regarding the costs that can result from being landlocked, because these findings have an important effect on action-conclusions in most fields. Large expenditures to compensate for risks of very long delays, notably in clearance of cargo for onward movement, often account for very high proportions of the excess logistical costs borne by landlocked developing countries. Due mainly to poorly conceived and anti-

competitive regulation, gross overcharging is common, especially in some regions of the developing world, for overland movement of cargo between a port and a location in a landlocked country. Improvements on these scores are often essential for infrastructure investment to yield significant benefit, and can make routes affected fully competitive with others more heavily invested. The dominant infrastructure need is thus for improved operation, to be supplemented by significant upgrade as soon as the route's competitiveness with others is sufficiently convincing to attract substantial increase of trade and the necessary investment in production.

6. **Transit Country Gains from Good Service to Landlocked Neighbours:** The World Bank is compiling case studies to test the hypothesis that facilitating traffic to and from landlocked developing countries can be beneficial not only to the landlocked country but also to the transit country – that their interaction is not necessarily a zero-sum game but can be win/win.: Are public and private sectors in the transit countries adequately compensated for the services they provide ? Revenues from services, such as movement through the port, clearance, overland transport, tolls, transit charges and fuel taxes are important considerations. Facilitating transit trade can also yield other potentially significant benefits such as increased economic activity in communities and service-sectors directly involved (often partly offset, however, by negative health, safety and environmental side-effects of the larger transport flows), stronger economic integration and trade between the countries traversed accelerating growth in the transit country, and an increase in the influence or leverage it can exert with the neighbour.

7. Case studies undertaken to date confirm that actual experience is very diverse but suggest that the commonest problem may be the insignificance of the transit flows relative to the transit country's own international trade, and consequent small attention given to it in modernization of Customs practices, performance standards of Customs agents and freight forwarders, improvement of transport service regulation, control of roadblocks, etc. Transit countries do need to confront the political-economy issues preventing better fulfilment of their responsibilities to landlocked neighbours. A more forward-looking approach would usually bring some better growth in the trade flows and could be expected over time to lead to much more induced growth such as the plants at the Lao and Myanmar borders that the Thai government is encouraging in order to improve employment prospects of nationals of those countries.

8. The Bank's experience shows the importance of building trust among the players – between the landlocked country and its transit neighbour, and between the trading community (the private sector) and the border control agencies (the public sector). Building such trust requires the exchange of relevant information, reliably, and the creation of institutions that create incentives for cooperation.

9. **Public Monitoring Systems for Trade Corridor Performance: The Case for Harmonization:** The most successful corridor monitoring systems so far applied to developing country situations seem to have been those developed by UNESCAP and by US AID. Unfortunately they use different definitions and methods, so that results are not directly comparable. We have been trying to develop a system which would be acceptable to all interested parties and would cover complete trade corridors, especially from origin in a developing country to destination at a major OECD market. The system now being pilot-tested on 7 major corridors gathers its data from samples of

freight forwarders, transport operators and traders, together accounting for large proportions of whatever trade is under study.

10. The aim is to reach agreement in the coming months with other interested parties on a core set of definitions and methods so that the results of all conforming assessments could be added to a web-based database that the World Bank would be prepared to maintain for all users. The data will cover principally the time, cost (formal and informal), and variability in each, for six main stages in the journey of goods from origin to destination. The results will therefore show, for any corridor covered, how costs and delays are evolving, where they are arising and, by comparison with others, how much they need to be improved. They might eventually help with identification of products that could benefit most from the improvements. The system should contribute directly to the kind of open monitoring of progress that was stressed in the conclusions at Almaty.

11. **Transit Régimes: TIR and Other Guarantee Systems: A Case for Global Standards:** Transit is basically a delayed clearance regime under which duties and taxes are suspended for the crossing of a country en route and paid at destination. The operator has the freedom of transit on the customs territory as long as he/she is qualified, uses secured vessels and provides financial security to Customs. Customs in turn must validate and trace shipments and manifests at entrance and exit. The TIR (*Transports Internationaux Routiers*) carnet system, invented in 1950 to enable multi-country transit, contributed greatly to expansion of trade in Western Europe, is now the backbone of trade between EU and countries having land-link with EU (East Europe, West and Central Asia, and the Maghreb), but has never been successfully replicated or modified elsewhere.

12. While it may be over-optimistic to hope fully to transpose the TIR system to developing-country regions, major gains could be achieved in the short term by implementing some of its core elements, especially documentation (single manifest), management of guarantees, and regulation of entry. Moreover, it is very hard to see an alternative system which could adequately reduce existing Customs-imposed delays, and consequent delivery unpredictabilities, in continents divided into many countries. Possibilities of agreeing global standards should be pursued on: a transit manifest compatible with TIR and the transit keys of the Single Administrative Document, use of IT for inputting information to the manifest and tracing it, creation of an upper category of authorized logistics integrators with access to a transit green channel and strictly enforced performance standards, the concept of border control as contrasted with border clearance.

13. **Alternative Solutions: Role of International Air Freight Services for Landlocked Developing Countries:** Exports by air from landlocked countries have so far been very limited despite air transport's obvious advantages from the point of view of avoiding many of the complications involved in transiting other countries. Many of the successes that have been had in developing airborne export trades from poor countries – as in fresh flowers, exotic fresh fish and meat, seasonal supplies of vegetables and fruits, fashion clothing and emergency supplies to more conventional clothing markets, light-weight electronic products – should also find equally appropriate climatic, locational, labour and local access conditions in some landlocked countries.

14. Air export opportunities tend to depend on combinations of specific conditions – at the source, in terms of production potential for particular goods; at the market, in terms of scale of demand and the prices people are prepared to pay; and sometimes in transport, by availability on the relevant routes of air-freight capacity not fully used and hence available at attractive prices. Governments should keenly encourage private-sector identification and exploration of opportunities, and they should keenly pursue adjustments to existing policies or regulations which would facilitate the realization of such schemes without creating obstacles to subsequent development of competing enterprises. Stronger cooperation between neighbouring countries may be necessary in some cases to help bridge scaling up between the limited freight capacity available from existing passenger services and major reliance on specialized freighter services.

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