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**Special Body on Least Developed and Landlocked****Developing Countries: Addressing development gaps,  
including the implementation of the Almaty Programme  
of Action****Addressing development gaps, including the  
implementation of the Almaty Programme of Action****Note by the secretariat***Summary*

Although significant progress has been made in several areas, the landlocked developing countries of the Asia-Pacific region continue to face major challenges and development gaps. Harmonization of legal regimes, adoption of an integrated approach to trade and transport facilitation and elimination of physical and non-physical bottlenecks to transport continue to be the major challenges in implementing the Almaty Programme of Action. The persistence of low per capita incomes in landlocked developing countries results in a vicious circle where large investments in transport remain economically unviable owing to the low demand for transport services. Similarly, inadequate infrastructure facilities constrain economic activities, leading to poor development outcomes. In addition, landlocked developing countries face major challenges in achieving the Millennium Development Goals and promoting sustainable and inclusive development. They also remain vulnerable to external and internal shocks, such as the recent economic crisis and the emerging food and fuel crises. Although landlocked developing countries managed to rebound rapidly following the recent economic recession, that rebound remains fragile and uneven and continues to be characterized by a number of downside risks. The rebound needs to be translated into a sustained recovery leading to high economic growth along with the creation of capacity to address the multiple structural imbalances and large socio-economic and development gaps that persist in these countries. Such a growth process needs to be supported by measures to strengthen social protection along with increased investments in infrastructure, agriculture and rural development, and enhanced financial inclusiveness.

The Commission may wish to provide the secretariat with guidance on issues related to implementation of the Almaty Programme of Action and the development gaps faced by landlocked developing countries.

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## I. Introduction

1. The United Nations gives high priority to the 12 Asia-Pacific landlocked developing countries.<sup>1</sup> The international community has mobilized support for them through implementation of 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.<sup>2</sup> The objective of the Programme of Action is to establish a new global framework for developing efficient transit transport systems in landlocked and transit developing countries. It is aimed at: (a) securing access to and from the sea by all means of transport; (b) reducing costs and improving services in order to increase the competitiveness of their exports; (c) reducing the costs of delivered imports; (d) addressing problems of

<sup>1</sup> Afghanistan, Armenia, Azerbaijan, Bhutan, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Mongolia, Nepal, Tajikistan, Turkmenistan and Uzbekistan.

<sup>2</sup> *Report of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, Almaty, Kazakhstan, 28 and 29 August 2003 (A/CONF.202/3), annex I.*

delay and uncertainty in trade routes; (e) developing adequate national networks; (f) reducing loss, damage and deterioration en route; (g) opening the way for export expansion; and (h) improving the safety of road transport and the security of people along the corridors.

2. Although significant progress has been made in several areas, landlocked developing countries continue to face major challenges and development gaps. Harmonization of legal regimes, adoption of an integrated approach to trade and transport facilitation, elimination of physical and non-physical bottlenecks to transport, completing missing links, promoting intermodal transport, developing integrated transport corridors and logistics services and mobilizing domestic and external resources are some of the remaining challenges faced by landlocked developing countries.

3. Several other challenges have constrained the development efforts of these countries, including those made in order to achieve the Millennium Development Goals. The climate has changed since the midterm review of the Programme of Action was undertaken in 2008.<sup>3</sup> The food, fuel, economic and financial crises highlighted the vulnerabilities of landlocked developing countries to external shocks. The financial crisis affected these countries through different channels, including trade of goods and services, foreign direct investment (FDI), remittances, official development assistance (ODA) and financial markets. These effects in turn reduced employment, capital inflows and government revenue, thus limiting the policy space needed to address their impediments to development. Food and energy price rises are again emerging as a serious concern across much of the Asia-Pacific region, with food prices increasing by between 10 and 35 per cent since 2009. Landlocked developing countries are among those most likely to be affected by such price rises.

4. Currently, the global economy is experiencing critical shifts in structure and governance, thus requiring new approaches and modalities for forging development partnerships among landlocked developing countries and development partners. In response, ESCAP, in cooperation with the Government of Mongolia, as part of the consultation process among stakeholders, has taken steps to convene the High-level Asia-Pacific Policy Dialogue on the Implementation of the Almaty Programme of Action and Other Development Gaps Faced by the Landlocked Developing Countries, in Ulaanbaatar in April 2011.

5. The present document has four sections. Section II assesses the progress in two main areas in implementation of the Programme of Action: (a) promoting connectivity and creating fundamental transit transport infrastructure in landlocked developing countries; and (b) enhancing the market access and trade opportunities of landlocked developing countries. Section III deals with other key development gaps faced by landlocked developing countries beyond the trade-transit issues, particularly in terms of the challenges they face in coping with the recent global financial crisis and other multiple risks and development gaps in the context of the fast-changing regional and global environment. The last section contains forward-looking medium- to long-term policy recommendations that would be useful for enhancing regional action for further implementation of the Programme of Action, as well as positioning the landlocked developing countries in

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<sup>3</sup> See General Assembly resolution 63/228 of 19 December 2008.

confronting their development challenges and filling in the development gaps, especially the “Millennium Development Goal gaps”.

## **II. Progress in implementing the Almaty Programme of Action**

6. The status of implementation of the Programme of Action by Asia-Pacific landlocked developing countries was assessed at a midterm review meeting in 2008. While the work undertaken at the national, subregional and regional levels was acknowledged, there was recognition of the continuing challenges faced by landlocked developing countries in integrating into the global economy and the need to expedite and strengthen the process of implementing the Programme of Action. Several priority actions were identified.

### **A. Priority 1 Fundamental transit policy issues**

7. Since the midterm review of the Programme of Action, Asia-Pacific landlocked developing countries have made progress in the areas of accession to international conventions, subregional agreements, national coordination and application of tools and technology to monitor and improve transport facilitation and border crossing. International conventions provide frameworks for harmonization and simplification of formalities and procedures. In its resolution 48/11 of 23 April 1992 on road and rail transport modes in relation to facilitation measures, the Commission recommended seven such conventions. Kyrgyzstan and Uzbekistan have acceded to all conventions, while Bhutan and Nepal have not acceded to any. Subregional agreements relating to transport facilitation play a key role in subregional connectivity. Progress has been observed in developing subregional agreements. Shanghai Cooperation Organization (SCO) member States, including Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, have accelerated the negotiation of annexes to the Agreement between the Governments of the Shanghai Cooperation Organization Member States on Facilitation of International Road Transport.<sup>4</sup> That agreement will effectively eliminate non-physical barriers to trade, facilitate the efficient movement of vehicles and goods, utilize the existing transit transport potential and further develop transport infrastructure. In June 2009, the transport ministers of the Lao People’s Democratic Republic, Thailand and Viet Nam officially opened trilateral cross-border land transport operations along the East-West Economic Corridor at Mukdahan in Thailand; Savannakhet in the Lao People’s Democratic Republic; and Lao Bao in Viet Nam. This subregional agreement has created new opportunities for international transport and trade for the Lao People’s Democratic Republic.

### **B. Priority 2 Infrastructure development and maintenance**

8. In order to integrate regional transport networks in Asia, all transport links, including railway, road and waterway, and transport nodes, including seaports, dry ports and intermodal interfaces, need to be fully developed. Among other types of transport infrastructure, seaports have developed rapidly,

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<sup>4</sup> Negotiation of the main agreement was concluded in Issyk-Kul, Kyrgyzstan, in June 2008.

and many large seaports have emerged in the region. Of the top 30 container ports in the world, 19 are located in Asia (see table 1).

**Table 1**  
**Top 30 container ports in the world, 2009**  
(Millions of 20-foot equivalent units)

Rank	Port	Volume	Rank	Port	Volume
1	Singapore	25.87	16	Los Angeles	6.75
2	Shanghai	25.00	17	Port Tanjung Pelepas	6.00
3	Hong Kong, China	20.98	18	Long Beach	5.07
4	Shenzhen	18.25	19	Xiamen	4.68
5	Busan	11.95	20	Laem Chabang	4.64
6	Guangzhou	11.19	21	Dalian	4.55
7	Dubai	11.12	22	Bremert/Bremerhaven	4.54
8	Ningbo - Zhoushan	10.50	23	New York/New Jersey	4.51
9	Qingdao	10.26	24	Jawaharlal Nehru Port	3.86
10	Rotterdam	9.74	25	Tanjung Priok	3.80
11	Tianjin	8.70	26	Tokyo	3.74
12	Kaohsiung	8.58	27	Valencia	3.65
13	Antwerp	7.31	28	Ho Chi Minh	3.56
14	Port Klang	7.30	29	Salalah	3.49
15	Hamburg	7.01	30	Port Said	3.47

*Source: Containerisation International, March 2010.*

9. Following the entry into force of the Intergovernmental Agreement on the Asian Highway Network<sup>5</sup> and the Intergovernmental Agreement on the Trans-Asian Railway Network,<sup>6</sup> the transport infrastructure networks have been put in place. They were part of the Asian Land Transport Infrastructure Development project; the networks comprise 142,000 km of highways and 114,200 km of railway lines.

10. Both of these networks, as well as their feeder roads and rail lines, and the region's ports have substantially contributed to the development of the region's economies and enhanced their competitiveness by enabling access to existing markets, opening up new markets and facilitating economic integration. Meanwhile, through the two projects, member countries continue to be assisted in identifying future initiatives and projects that are required to boost Asian transport connectivity, support intra-Asian trade, sustain economic growth and ameliorate the welfare of the citizens of the region. The noticeable progress being made in upgrading the Asian Highway in landlocked developing countries in the region includes: (a) reconstruction of AH5 (Baku-Alat-Kazak-Red Bridge) and AH8 (Baku-Guba-Samur and Alat-Astara), both of which are in Azerbaijan; (b) construction of AH3, AH4 and AH32 and a further plan to upgrade AH3 to Class I standards in Mongolia; (c) progress in the construction of two bridges along AH3 in Chiang Kong-Houayxay and along AH15 in Thakhek-Nakhon Phanom between the Lao People's Democratic Republic and Thailand; (d) planned reconstruction of AH82: the Yerevan-Ashtarak section in Armenia; and (e) reconstruction of AH82 from the Islamic Republic of Iran to the border near Armenia and Georgia.

<sup>5</sup> United Nations, *Treaty Series*, vol. 2323, No. 41607. The Agreement, which entered into force on 4 July 2005, now has 28 parties to it, including landlocked developing countries.

<sup>6</sup> United Nations, *Treaty Series*, No. 46171. The Agreement, which entered into force on 11 June 2009, has been signed by 22 member States, of which 15 have become parties to it.

11. Substantial progress has been made in the planning and construction of missing links in the Trans-Asian Railway network in landlocked developing countries. The Government of Mongolia has approved the expansion of its rail network through the construction of 1,040 km of new routes, especially to support the exploitation of mining resources in the south of the country for export to other countries. In the Lao People's Democratic Republic and Thailand, the extension of the rail network in Thailand across the border to Thanaleng in the Lao People's Democratic Republic is the first stage of a project to provide rail connectivity to that country's capital, Vientiane. In the Lao People's Democratic Republic, following the inauguration of a short cross-border link with Thailand in March 2009, the feasibility study for a 420-km section from Vientiane to Boten, Luangnamtha Province, on the Lao border with China was scheduled for completion in December 2010. In Uzbekistan, the line between Tashguzar and Boysum has also been inaugurated. In addition, other projects are being implemented across the region. Thus, work is in progress on the missing link between Astara (Azerbaijan) and Qazvin (Islamic Republic of Iran) to complete a land-based corridor that will extend from Saint Petersburg (Russian Federation) to Bandar Abbas (Islamic Republic of Iran) with a junction at Bafq (Islamic Republic of Iran) permitting travel to India and Bangladesh (Dhaka).

12. A memorandum of understanding was signed recently between the Governments of China and the Lao People's Democratic Republic to build the line from Vientiane to Boten at the border between the two countries (approximately 570 km), which is a major connection in the Singapore-Kunming (China) rail link project. Completion of the link between Akhalkalaki (Georgia) and Kars (Turkey) will open additional transport routes for landlocked countries in the Caucasus area of Central Asia and access to southern Europe when the Marmaray project in Turkey has been completed. With the formalization of the Asian Highway and Trans-Asian Railway networks as the two major building blocks of the international integrated intermodal transport and logistics system for Asia and the Pacific, activities are now aimed at integrating the networks through the development of dry ports. These ports would support the development of intermodal corridors; create new opportunities for growth at inland locations, including the 12 landlocked developing countries, while providing new opportunities for international trade and ensuring wider spatial distribution of growth benefits; secure a more inclusive development approach; and support a modal shift to rail transport and inland waterways to reduce the environmental impact of transport.

### **C. Priority 3**

#### **International trade and trade facilitation**

13. Despite some progress in enhancing the integration of landlocked developing countries into the global trading system, several of them are still not members of the World Trade Organization (WTO). Similarly, the signing of a number of preferential trade agreements has not led to adequate materialization of the opportunities for enhanced market access and new South-South trade for landlocked developing countries. Along with domestic institutional reform, efforts are needed at the multilateral level to facilitate development-friendly conditions for the accession of landlocked developing countries to WTO, especially to cope with unavoidable adjustment costs. Of the 12 landlocked developing countries in the region, only Armenia, Kyrgyzstan, Mongolia and Nepal are members of WTO. Except for one, all the other countries are WTO observers and in the process of negotiating accession.

14. Although the majority of the landlocked developing countries have implemented trade facilitation reforms aimed at simplifying trade regulations, procedures and documents, there are four areas still in need of increased focus: (a) harmonizing regulatory requirements, procedures and documentation for imports, exports and transit with international conventions and standards; (b) creating or reinforcing an effective institutional framework for the implementation of trade facilitation measures; (c) modernizing customs information systems and shifting to risk assessment and advance cargo information; and (d) enhancing cooperation between neighbouring countries through harmonized trade regulations and joint border crossing posts, where feasible, or harmonizing the working hours of adjacent border crossing posts as articulated in the Economic Commission for Europe (ECE) International Convention on the Harmonization of Frontier Controls of Goods.<sup>7</sup> International trade performance indicators show that the landlocked developing countries in the region have made, in general, moderate progress in their trade performance since the midterm review of the Programme of Action (see table 2). The indicators show that trade cost and time are still quite high for most of them, indicating that traditional trade facilitation issues, such as cumbersome border-crossing and customs procedures, documentation requirements and inadequate infrastructure facilities, have yet to be addressed effectively.

**Table 2**  
**Trade cost and time of landlocked developing countries in the region**  
(Time in days; cost in United States dollars)

Landlocked developing countries	Cost and time in 2009				Cost and time in 2010				Cost and time in 2011			
	T2E	C2E	T2I	C2I	T2E	C2E	T2I	C2I	T2E	C2E	T2I	C2I
Afghanistan	74	3 000	77	2 600	74	3 350	77	3 000	74	3 865	77	3 830
Armenia	30	1 746	24	1 981	17	1 731	20	2 096	13	1 665	18	2 045
Azerbaijan	48	3 075	56	3 420	46	2 980	50	3 480	43	2 980	46	3 480
Bhutan	38	1 210	38	2 140	38	1 210	38	2 140	38	1 352	38	2 665
Kazakhstan	89	3 005	76	3 055	89	3 005	76	3 055	81	3 005	67	3 055
Kyrgyzstan	64	3 000	75	3 250	63	3 000	72	3 250	63	3 010	72	3 280
Lao People's Democratic Republic	50	1 860	50	2 040	50	1 860	50	2 040	48	1 860	50	2 040
Mongolia	49	2 131	49	2 274	46	2 131	47	2 274	46	2 131	47	2 274
Nepal	41	1 764	35	1 900	41	1 764	35	1 825	41	1 960	35	2 095
Tajikistan	82	3 150	83	4 550	82	3 150	83	4 550	82	3 350	83	4 550
Turkmenistan	-	-	-	-	-	-	-	-	-	-	-	-
Uzbekistan	80	3 100	104	4 600	71	3 100	92	4 600	71	3 150	92	4 650

Source: International Finance Corporation: *Doing Business 2009*; *Doing Business 2010: Reforming through Difficult Times*; and *Doing Business 2011: Making a Difference for Entrepreneurs*. Available from [www.doingbusiness.org](http://www.doingbusiness.org).

Abbreviations: T2E, time to export; C2E, cost to export; T2I, time to import; C2I, cost to import.

#### **D. Priority 4** **International support measures**

15. Although primary responsibility for implementing the Programme of Action rests with the landlocked developing countries, the Programme of Action acknowledges the role of development partners in providing assistance.

<sup>7</sup> See ECE/TRANS/55/Rev.1.

The mandate of the international community is to work together in specific areas relating to fundamental transit, transport infrastructure and facilitation, and international trade and trade facilitation. More emphasis on mobilizing additional ODA is needed, as are financial and technical resources in undertaking the actions identified under different priorities.

16. ODA received by 31 landlocked developing countries increased from \$12 billion in 2003 to \$18.6 billion in 2007, but Asia-Pacific landlocked developing countries received a declining share of the total, and very few donor countries have met the target of contributing 0.7 per cent of their gross national product to ODA. The main source of external financing for many Asia-Pacific landlocked developing countries remains ODA. For example, aid as a percentage of gross capital formation reached between 12 and 14 per cent in Kyrgyzstan, Tajikistan, Nepal and the Lao People's Democratic Republic in 2007. Many Asia-Pacific landlocked developing countries are receiving assistance through the South-South cooperation modality, with China, India and the Russian Federation being major donors, but primarily to their neighbours. China and India have helped in building roads, bridges and hydroelectric plants in Bhutan, the Lao People's Democratic Republic and Nepal.

17. In cooperation with partners such as the Asian Development Bank (ADB), ESCAP has been assisting Asia-Pacific landlocked developing countries in implementing the Programme of Action. For example, the secretariat has continued to work to foster synergies among member countries, international financing institutions and other stakeholders, including the private sector, to explore financing opportunities in priority infrastructure projects along the Asian Highway and Trans-Asian Railway routes. The United Nations Network of Experts for Paperless Trade in Asia and the Pacific (UNNExT), established by ESCAP in collaboration with ECE, is a community of knowledge and practice for experts from developing countries and transition economies in the Asia-Pacific region involved in the implementation of electronic trade systems and trade facilitation. UNNExT supports national, subregional and transcontinental single-window and paperless trade initiatives through training, knowledge sharing and application of international standards. Although the initiatives are not meant exclusively for landlocked developing countries, they do provide those countries with extensive support.

#### **E. Priority 5 Implementation and review**

18. For faster implementation of the Programme of Action, more concerted efforts by landlocked developing countries, their development partners, relevant organizations and bodies of the United Nations system, international financial and development organizations and other relevant regional and subregional organizations are necessary. The final review of the Programme of Action is scheduled for 2013.

### **III. Overcoming other development gaps**

19. The Asia-Pacific landlocked developing countries rebounded rapidly after the recent global economic recession. The rebound, however, remains fragile and uneven; it is characterized by a number of downside risks. The challenge for the landlocked developing countries is to turn the rebound into a sustained recovery, leading to high economic growth rates and creating capacity to address the multiple structural imbalances and large socio-economic development gaps that persist in these countries. The landlocked



developing countries also have considerable infrastructure gaps and reflect varying patterns of progress in their efforts to attain the Millennium Development Goals. Additionally, these countries suffer from serious ecological imbalances, which are reflected in the degradation of key natural resources, such as forests and freshwater. Therefore, inclusive and sustainable growth is not only desirable for the landlocked developing countries but also necessary for regaining dynamism and promoting social development goals.

## **A. Impacts of the global economic crisis**

### **1. Gross domestic product growth**

20. The pattern and extent of impact of the global economic crisis on the Asia-Pacific landlocked developing countries hinged on a number of factors, including its initial conditions, the breadth and depth of its integration with the global economy and the speed and intensity of the Government's countercyclical measures. The Asia-Pacific region as a whole started to recover from the recession by the second half of 2009 and, for the developing economies of the region, GDP was expected to grow by 7.0 per cent in 2010 compared with a growth rate of 4.0 per cent in 2009.<sup>8</sup>

21. Although Mongolia is relatively less integrated with other economies of the region, it experienced a sharp drop in economic growth, from a robust 8.9 per cent to 0.5 per cent from 2008 to 2009. Lower commodity prices for some of the country's principal exports contributed to the sharp deceleration in growth. Mongolia also experienced a sharp fall in the inflation rate, from 28 per cent in 2008 to 7 per cent in 2009. In the case of exports, Mongolia was affected by both a decline in volume and a sharp fall in prices. Armenia was the worst affected economy, suffering a 14.4 per cent decline in growth in 2009. A sharp fall in remittances from Armenians working abroad caused much hardship, since remittances account for nearly 9 per cent of the country's GDP. Consequently, the remittance-fuelled construction boom halted sharply, with the sector contracting by more than 50 per cent during the first three quarters of 2009. Kazakhstan is a net exporter of fuel; its economy is highly dependent on oil revenues. The impacts of the crisis affected the country severely as did reduced oil and other commodity prices. GDP is estimated to grow by only 1 per cent in 2009. From mid-2009, Kazakhstan experienced a rise in industrial production in response to the Government's stimulus package.

22. On the other hand, Azerbaijan, Turkmenistan and Uzbekistan grew relatively rapidly, being less open and thus being more reliant on domestic demand for economic growth. They also had the fiscal space to implement countercyclical measures. Uzbekistan was one of the fastest growing economies; it was buoyed by increases in the price of gold and a good grain harvest. Industrial output grew by 9 per cent in 2009, with gross fixed investment growing by about 30 per cent. In Azerbaijan, expansion in the industrial sector also contributed to economic growth. Following high inflation rates in 2008, inflation decelerated in 2009 across these countries as domestic demand weakened and commodity prices fell, especially for energy and food. Inflation in Turkmenistan is expected to remain high at close to the double-digit level. By contrast, inflation in Kyrgyzstan decelerated from 24.5 per cent in 2008 to 6.8 per cent in 2009. Given its underdeveloped capital and money markets and the lack of alternative monetary policy tools at its disposal,

<sup>8</sup> ESCAP, *Economic and Social Survey of Asia and the Pacific 2010: Sustaining Recovery and Dynamism for Inclusive Development* (United Nations publication, Sales No. E.10.II.F.2).

Turkmenistan attempted to control inflation by reducing the amount of cash in circulation. Inflation in Armenia and Azerbaijan remained at modest levels.

23. The economic crisis resulted in sharp declines in current account and foreign trade surpluses across most of these countries. The impacts were low in relatively closed economies. Remittances made a major contribution, accounting for one third and one quarter of GDP in Tajikistan and Kyrgyzstan respectively in 2008. Up to one third of migrants from Tajikistan are estimated to have returned home in 2009 and remittance inflows could have fallen by 60 per cent. A 30 per cent fall in remittance inflows is expected in Kyrgyzstan in 2009. The Governments of these countries reacted quickly. Public investments in large infrastructure projects accelerated. Substantial declines in remittance inflows, however, created serious difficulties for poor households, which depend on remittances to cope with poverty. Much of the rapid economic growth in these countries prior to the global crisis came through increased external integration, mainly through trade and investment, particularly in natural resources and remittances. During the crisis, these countries generally maintained their commitment to keeping open trade, investment, finance and labour markets. Moreover, reforms to improve the business climate and encourage FDI inflows continued. As a result, 2010 was expected to see a return to positive growth in all of these countries. The economies experiencing the most rapid growth in 2010 are likely to have been those of Azerbaijan and Turkmenistan, both at 7 per cent, and Uzbekistan, at 8 per cent. Kyrgyzstan and Tajikistan need to develop their energy resources and infrastructure and to increase energy self-sufficiency in order to sustain economic growth and solve problems of poverty, infrastructure repair and capacity-building.

24. Although Afghanistan, Bhutan and Nepal maintained positive economic growth, exports declined substantially and capital inflows were reduced. These countries rely mostly on agriculture for employment, which held up well and thus dampened the worst effects of the crisis. In Afghanistan, economic activity is dominated by agriculture; large fluctuations in GDP growth reflect the inherent vulnerability of the economy to weather conditions. In Bhutan, GDP growth peaked at 17.9 per cent in 2007, with the completion that year of the Tala hydropower project, but returned to a more normal level of 6.7 per cent in 2009. In Nepal, GDP growth was 5.3 per cent in 2008; it fell slightly to 4.7 per cent in 2009 due mostly to adverse weather conditions and severe electricity shortages constraining non-agricultural production. High inflation emerged as a serious problem in most of these landlocked developing countries. Inflation in Afghanistan rose to 26.8 per cent in 2008; it was expected to drop to 8.4 per cent, however, in 2010. Inflation in Bhutan and Nepal is linked to inflation in India due to the fixed rates of exchange of their currencies with the Indian currency. Inflation in Nepal reached 13.2 per cent in 2009 and was expected to be approximately 7.5 per cent in 2010. In Bhutan, inflation was 4.1 per cent as of the fourth quarter of 2009 and was expected to rise to 9.0 per cent in 2010. During the global economic crisis, both exports and imports slowed, which helped to contain trade and current account deficits in the region's landlocked developing countries. In Nepal, owing to the continued growth of remittances, the current account and the balance of payments remained in surplus despite large merchandise trade deficits. The economy of the Lao People's Democratic Republic grew by 7.9 per cent in 2008, which was one of the fastest such rates in the region. GDP is estimated to have grown by 5.4 per cent in 2009 and the rate is likely to have increased by 6.0 per cent in 2010. The relatively brisk growth was partly the result of higher metal prices, especially for gold.

## 2. Trade flows

25. The global economic crisis exposed the vulnerability of the landlocked developing countries to trade and, to some extent, to financial flows. In particular, landlocked developing countries dependent on exports suffered large reductions in GDP growth. In effect, the global crisis sparked a debate on the role of trade in development and the importance of market diversification, especially for landlocked developing countries. The export dependence of landlocked developing countries varies significantly across countries. For example, countries such as Azerbaijan, Kazakhstan and Turkmenistan have relatively high shares (more than 50 per cent) of exports in their GDP whereas countries such as Afghanistan, Armenia and Nepal have low shares (less than 20 per cent). The destination market of exports is also an indicator of vulnerability since it reflects the exposure of an economy to the source of market disturbance.

## 3. Employment and income

26. The economic crisis led to job and income losses, especially in key export industries in the landlocked developing countries. The unemployment rate rose sharply in many such countries, leading to deep repercussions in the absence of sufficient social protection programmes. Most of the landlocked developing countries make low public expenditures on social protection, which can force millions of their people into poverty. It was estimated that the recent global crisis could trap an additional 21 million people below the poverty line of \$1.25 per day in 2009 and 2010 in the Asia-Pacific region.<sup>9</sup> Although separate figures are not available for landlocked developing countries, it is likely that a large number of people in these countries would slip into poverty due to the crisis. For most workers in these countries, shifting to vulnerable and informal employment is often the only means of survival since they have low skills and are at the bottom of the income scale. Joblessness among youth is also a major challenge in these countries; besides reducing overall family income, this situation can exacerbate social tensions. From the onset of the crisis, many landlocked developing countries have responded to the worsening employment situation with a wide range of measures. Recovery in the labour market, however, may trail behind economic recovery, which would mean that real wages and labour productivity might take time to recover. The appropriate mix of macroeconomic policies is therefore a prerequisite along with labour market reforms and adequate resources for building effective social protection systems.<sup>10</sup>

## 4. Migration and remittances

27. Over the years, remittances have become an increasingly important source of external development finance, supporting the balance of payments and contributing to income growth in these countries. For poor households, remittances provide a vital lifeline: they augment family incomes, help in developing human capital by contributing to education and health-care needs and foster entrepreneurial development through income-earning investment activities. Although remittances fell or slowed in several landlocked developing countries as a result of the global crisis, they remained the most

<sup>9</sup> ESCAP, Asian Development Bank and United Nations Development Programme, *Achieving the Millennium Development Goals in an Era of Global Uncertainty: Asia-Pacific Regional Report 2009/10* (United Nations publication, Sales No. E.10.II. F.10). Available from [www.mdgasiapacific.org/regional-report-2009-10](http://www.mdgasiapacific.org/regional-report-2009-10).

<sup>10</sup> For a discussion of social protection, see E/ESCAP/67/20.

resilient source of foreign exchange earnings in comparison with other capital flows to these countries. This situation resulted mainly from the relatively stable migrant populations in most destination countries. The landlocked developing countries need to design appropriate measures, however, to counteract negative impacts on migrant workers. They could adopt an aggressive labour export strategy to identify areas with a high demand for labour and negotiate bilateral labour migration agreements with those countries where demand is high. Expatriate livelihood support funds can also be established to help returning migrants find new jobs.

## **B. Disaster and climate change consequences**

28. Disasters in landlocked developing countries constitute unresolved problems of development and require a risk reduction and mitigation perspective rather than a response-based approach. Reducing disaster risks in the landlocked developing countries requires widespread and sustained commitment across a wide range of areas. Since many hazards are likely to intensify as a result of climate change, it is vital that these countries address the issues on a broad front, integrating disaster and climate change policies and socio-economic policies aimed at reducing poverty and inequalities. As climate change adaptation action is mostly a local process, they also need to link organized and local adaptation strategies and approaches. In addition, they need to prepare comprehensive disaster risk management action plans urgently. In view of the cross-national nature of the impact of climate change, the response needs to be regional and subregional, which may cover various dimensions, such as sharing knowledge, information and good practices; developing common frameworks and understandings; reaching agreements on common laws, institutions and protocols; and pooling common resources.

## **C. Gaps in achieving the Millennium Development Goals**

29. A recent review<sup>11</sup> records the impressive gains made by the Asia-Pacific region in many Millennium Development Goal indicators, especially in reducing poverty. In several other areas, the region as a whole made solid achievements in: (a) reducing gender disparities in primary, secondary and tertiary education enrolment; (b) preventing a rise in HIV prevalence; (c) stopping the spread of tuberculosis; (d) reducing the consumption of ozone-depleting substances; and (e) halving the proportion of people without access to safe drinking water. The overall progress in the Asia-Pacific region, however, masks considerable variations between country groupings and subregions. There is wide divergence in performance across the countries and with respect to the overall status of the Asia-Pacific landlocked developing countries, showing that the progress in reaching the Millennium Development Goals has been uneven for those countries (see table 3). Moreover, even in countries where good progress has been made, there are often glaring disparities between rural and urban areas, between the rich and the poor, between women and men, and between girls and boys.

30. In terms of 21 of the indicators for monitoring progress towards achieving the Goals, the landlocked developing countries are lagging in some major areas, such as reducing the extent of hunger, ensuring that girls and boys reach the last grade in primary education, reducing child mortality, improving

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<sup>11</sup> ESCAP, Asian Development Bank and United Nations Development Programme, *Paths to 2015: MDG Priorities in Asia and the Pacific: Asia-Pacific MDG Report 2010/11* (United Nations publication, Sales No. E.10.II.F.20).

maternal health and providing basic sanitation (see table 3). Among the landlocked developing countries, Armenia, Azerbaijan, Bhutan, Kazakhstan, Kyrgyzstan, Mongolia and Uzbekistan have either already achieved or are expected to achieve the majority of the 18 targets by 2015. Similarly, the Lao People's Democratic Republic, Nepal, Tajikistan and Turkmenistan are likely to achieve many of those targets. At the other extreme, the performance of Afghanistan shows only a few areas of success.

**Table 3**  
**Progress of Asia-Pacific landlocked developing countries in achieving the Millennium Development Goals**

Goal	1	2	3	4	5	6	7														
Country or area	\$1.25 per day poverty	Underweight children	Primary enrolment	Reaching last grade	Primary completion	Gender primary	Gender secondary	Gender tertiary	Under-five mortality	Infant mortality	Skilled birth attendant	Antenatal care (≥ 1 visit)	HIV prevalence	TB incidence	TB prevalence	Forest cover	Protected area	Carbon dioxide emissions	Consumption of ODP substances	Safe drinking water	Basic sanitation
Afghanistan	⋯	■	⋯	⋯	⋯	■	▲	⋯	■	■	■	▲	⋯	▲	●	▲	▼	▲	●	▲	■
Armenia	●	▲	■	●	●	●	●	▼	▼	▼	●	▼	▼	●	●	▲	●	▲	●	▲	■
Azerbaijan	●	■	●	●	●	●	●	▼	▼	▼	▼	■	▼	▼	●	▼	●	▲	●	■	▲
Bhutan	⋯	⋯	■	■	▼	●	●	■	■	■	▼	▼	▼	●	●	●	●	▲	●	■	■
Kazakhstan	●	●	●	●	●	●	●	●	■	■	■	●	⋯	▲	●	▲	●	▲	●	▲	■
Kyrgyzstan	●	●	▲	●	▼	●	●	●	■	■	▲	●	▼	▲	▲	▼	●	▲	●	●	▲
Lao PDR	■	■	■	■	■	▼	■	▼	▼	▼	■	■	▲	●	●	▲	●	▲	●	■	▼
Mongolia	●	▼	●	■	▼	●	●	●	▼	■	●	●	▼	▼	●	▲	●	▲	●	▼	■
Nepal	■	■	●	■	■	▼	▼	■	▼	▼	■	■	▲	▼	▲	▼	●	▲	●	■	■
Tajikistan	●	⋯	●	●	●	●	■	▲	■	■	■	▼	▲	▲	▲	▼	▼	▲	●	▲	■
Turkmenistan	●	■	⋯	⋯	⋯	●	●	▲	■	■	●	●	⋯	●	●	▼	▼	▲	●	■	▲
Uzbekistan	▲	●	⋯	●	▲	●	●	●	■	■	●	●	▼	▼	●	▲	●	▲	●	▲	●
Asia-Pacific	▼	■	■	▲	■	●	●	●	■	■	■	■	●	●	●	▲	●	▲	●	●	■
Asia-Pacific LDCs	■	■	■	■	■	●	●	►	■	■	■	■	●	●	●	▲	●	▲	●	■	■
	● Early achiever	► On-track	■ Slow	◄ Regressing/no progress																	

● Early achiever   ► On-track   ■ Slow   ◄ Regressing/no progress

Source: ESCAP, Asian Development Bank and United Nations Development Programme, *Paths to 2015: MDG Priorities in Asia and the Pacific: Asia-Pacific MDG Report 2010/11* (United Nations publication, Sales No. E.10.II.F.20).

Abbreviations: TB, tuberculosis; ODP, ozone-depleting potential.

31. Of the 10 landlocked developing countries for which data are available, 7 (Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Turkmenistan) are either early achievers or on track to reach the poverty reduction target (see table 4). On the other hand, progress in the Lao People's Democratic Republic and Nepal is slow, while the challenge for Uzbekistan is to raise the poverty reduction rate substantially in order to achieve the target.

**Table 4**  
**Progress of Asia-Pacific landlocked developing countries in eradicating extreme poverty and hunger**

Country	\$1.25 per day poverty (percentage)		Underweight children (percentage under age 5)	
	<i>Earliest</i>	<i>Latest</i>	<i>Earliest</i>	<i>Latest</i>
Afghanistan	...	...	...	...
Armenia	17.5 (96)	3.7 (07)	3.9 (98)	4.0 (05)
Azerbaijan	15.6 (95)	2.0 (05)	10.1 (96)	9.5 (06)
Bhutan	...	26.2 (03)	...	18.7 (99)
Kazakhstan	4.2 (93)	2.0 (07)	8.3 (95)	4.0 (06)
Kyrgyzstan	18.6 (93)	3.4 (07)	11.0 (97)	3.4 (06)
Lao PDR	55.7 (92)	44.0 (02)	44.0 (93)	37.1 (06)
Mongolia	18.8 (95)	2.2 (08)	12.3 (92)	6.3 (05)
Nepal	68.4 (96)	55.1 (04)	48.7 (95)	45.0 (06)
Tajikistan	44.5 (99)	21.5 (04)	17.4 (05)	17.6 (07)
Turkmenistan	63.5 (93)	24.8 (98)	12.0 (00)	11.0 (05)
Uzbekistan	32.1 (98)	46.3 (03)	18.8 (96)	5.1 (06)

*Source:* ESCAP, Asian Development Bank and United Nations Development Programme, *Paths to 2015: MDG Priorities in Asia and the Pacific: Asia-Pacific MDG Report 2010/11* (United Nations publication, Sales No. E.10.II.F.20).

*Note:* The number in parentheses represents the year of the data point.

#### **IV. Policy challenges and options: looking forward**

32. The greatest challenge facing the Asia-Pacific landlocked developing countries is to reduce poverty and improve the quality of life of their people. That requires measures to strengthen social protection along with a focus on agriculture and rural development and enhanced financial inclusiveness. The persistence of low per capita incomes in the landlocked developing countries results in a vicious circle where large transport investments remain economically unviable due to low demand for transport services on the one hand and inadequate infrastructure constraining economic activities on the other, which results in low revenue generation for investment in social sectors.

33. The Asia-Pacific landlocked developing countries successfully weathered the global economic crisis by adopting prudent and timely policies emphasizing short-term responses to the external shocks. In order to sustain the growth momentum, these countries need to find new sources of demand mainly through the rebalancing of their economies in favour of greater domestic and regional consumption. More specifically, these countries need to focus on several major imbalances that characterize the process of their economic growth.

##### **A. Promoting more inclusive growth and adjusting to global imbalances**

34. The import demand from developed countries is not likely to play the buoyant role that it did in the past decade. Asia-Pacific landlocked developing countries will have to identify new drivers of growth to compensate for the anticipated reduction in demand in traditional export markets. Each landlocked

developing country will have to address its own specific needs and constraints and exploit opportunities for strengthening growth and achieving the Millennium Development Goals.

35. In order to become more resilient, these countries need to spend more on basic social services, social protection and basic infrastructure, as well as measures to boost the income of the poor. It is crucial to promote intraregional trade and investment flows that benefit the landlocked developing countries. Measures are needed to promote integrated markets and lower tariff and non-tariff barriers; to invest in physical infrastructure; to create robust transportation networks and information platforms; and to install better regulatory structures.

36. Landlocked developing countries need to highlight the gains of linking aid for trade, particularly by developing trade and transport infrastructure and implementing trade facilitation measures. This would require them to have wider ownership of the aid for trade initiative, which would entail mainstreaming trade into their national development strategies. A critical concern for these countries is to introduce deliberate changes in their growth pattern so that it becomes more inclusive, thereby enabling a more equal sharing of the benefits of growth.

37. If inequality can be reduced or at least held constant, then poverty and other social deprivations could be reduced more rapidly and the Millennium Development Goals could be achieved within the stipulated time frame. These countries need to promote the growth of activities that provide the poor with more benefits, such as agricultural and productive employment in small and medium-sized enterprises and in the informal sector. In order to create wider opportunities for the poor, the Governments of these countries also need to adopt policies to promote greater employment generation and to invest more in education, health and other basic services.

38. They also need to focus on promoting environmentally sustainable development by enhancing the efficiency of natural resource use, reducing energy intensity, preserving biodiversity, reducing waste generation and adapting to the effects of climate change. In addition, they need to recognize the new contexts of development, with trade liberalization creating new challenges as well as new opportunities, the technological revolution in information and communications technology bringing in new dimensions of knowledge in development, and migration and remittances playing an increasingly important role in domestic development.

## **B. Mitigating social imbalances and bridging infrastructure gaps**

39. Social imbalances are pervasive in the landlocked developing countries, where a large majority of the people live under the \$1.25 per day poverty line. Thus, reducing poverty and ensuring equitable sharing of economic prosperity constitute an important agenda for mitigating social imbalances in these countries. Moreover, the sheer number of the poor can provide potentially large markets in these countries if additional demand can be created, especially through social and infrastructural investments that provide employment and business opportunities for the poor.

40. The limited availability of infrastructure in landlocked developing countries constrains the contribution of infrastructure to economic growth. Thus, closing the infrastructure gaps in these countries is a necessary condition for their balanced and inclusive development. The resource requirements for

bridging or even narrowing the infrastructure gaps are substantial and, hence, appropriate financing mechanisms are needed.

41. The low quality of infrastructure in landlocked developing countries disproportionately affects the poor and the rural people due to wide gaps in the quality of infrastructure between urban and rural areas. Since most of the Millennium Development Goal-related infrastructure is likely to come from the public sector, the mobilization of finances, commitments to repairs and maintenance, reforms in governance and efforts to increase capacity, improvements in coordination and enhanced attention to the environmental impact and implications of climate change are issues that need priority attention in these countries.

42. It is critical to tap the opportunities for improving infrastructure at the regional and subregional levels. In these countries, some of the most immediate benefits of better connectivity would be better cross-national integration between neighbouring border areas, which are often among the more remote and poorer regions of the respective countries. To derive greater benefits, physical links between the countries need to be accompanied by the harmonization of standards, such as those relating to railway signalling systems and customs codes.

### **C. Addressing ecological imbalances and enhancing green growth**

43. In the landlocked developing countries, ecological imbalances are reflected in the degradation of key natural resources, such as forests and freshwater, and in unsustainable uses of energy. The production system, especially of the agricultural sector, and the livelihoods of a large majority of the people, particularly those living in rural and fragile areas, are also adversely affected because of the increased frequency of droughts and other extreme weather events associated with climate change. Thus, as ensuring food security becomes increasingly more important in these countries as the population grows, measures are needed to protect the natural capital and address ecological imbalances.

44. Along with expanding the “new economy and green industries” through investments in renewable energy and in energy-efficient technologies, addressing ecological imbalances of growth would also make a substantial contribution to reducing poverty in landlocked developing countries since the poor usually live in ecologically vulnerable areas and often depend on natural resources for their livelihood.

### **D. Promoting food security and strengthening social protection**

45. Food and energy price rises are again emerging as an issue of serious concern across much of the Asia-Pacific region, with food prices having increased by 10-35 per cent since 2009. The landlocked developing countries are among those that will be most affected. Policies that provide social protection in times of adversity and reduce unacceptable levels of deprivation are important for landlocked developing countries. Various types of programmes may be considered, such as employment generation measures, cash transfer programmes, targeted social services and microfinance programmes.

46. The coverage of the social protection programmes in these countries is among the lowest in the world. The fragmented social safety nets that exist in these countries lack the framework of institutionalized welfare systems. They



are not adequately funded and do not provide coverage to protect the majority of the vulnerable populations. A minimum floor of social security benefits for all citizens could include: (a) guaranteed universal access to essential health services; (b) guaranteed income security for all children through family or child benefits; (c) guaranteed access to basic means-tested or self-targeted social assistance for the poor and the unemployed; and (d) guaranteed income security through basic pensions for older persons and people living with disabilities.

47. Poverty remains a rural phenomenon in landlocked developing countries and hence policies that promote employment and income opportunities and improve access to basic social services, especially in rural areas, are essential in reducing poverty and rural-urban imbalances. Since the rural poor derive most of their income from agricultural activities, policies to facilitate the access of smallholder producers to land, agricultural inputs, finance, extension services and markets would contribute to enhancing food security and reducing poverty.

## **E. Ensuring financial inclusiveness**

48. In these countries, barriers to financial inclusiveness exist on both the demand and supply sides. In general, development finance institutions and microfinance institutions have become more successful in reaching out to the poor, and micro- and small-scale enterprises. In addition, public and technology-enabled networks, such as post offices, telecommunications companies and the Internet, hold significant potential for bringing about financial inclusiveness. The regulatory environment also needs to encourage diversity in the provision of financial services to increase the options available to the poor.

## **F. Expanding regional cooperation**

49. Five priority areas under the Programme of Action have already been articulated. The major challenge is to implement the agreed actions quickly by raising investments in priority areas, especially in developing and maintaining infrastructure for establishing efficient transit transport systems and for enhancing the capacity of countries to utilize available trade concessions, a situation which is currently limited by infrastructure and other capacity constraints.

50. In view of the emerging developments, these countries need to become more regionally integrated in order to generate rapid inclusive and sustainable growth. To boost regional economic integration, they need to address a wide spectrum of constraints in institutional and physical infrastructure, as well as in the policy agenda. This requires concerted actions for the evolution of a broader framework for economic integration at the regional level to ensure equitable economic and social benefits for the landlocked developing countries, the development of regional transportation networks and the improvement of trade facilitation and strengthening of connectivity through wider use of information and communications technologies.

51. External resources, such as ODA, play a key role in supporting economic development and social progress in these countries, especially for investing in basic services, such as water, sanitation, energy, transport, shelter, health and education. Such resources can also be used for expanding productive capacities, promoting FDI and trade, adapting technological innovations, fostering gender equality, ensuring food security and reducing

income poverty. It is also important to improve the quality of aid and increase its development impact by building on the fundamental principles of national ownership, harmonization and managing for results.

52. There is scope for extending regional cooperation and policy coordination through the sharing of information and lessons learned and for coordinated actions which are vital for harnessing advantages that no single landlocked developing country can manage on its own. Existing regional cooperation frameworks can be strengthened so that adverse developments, such as the recent global financial crisis, can be faced collectively. Development cooperation both within and across regions, aimed at developing regional markets and domestic productive capacities, should be explored. The areas may cover such priorities as developing new markets, transferring technology and attracting FDI. The landlocked developing countries also need to target climate change mitigation and the reduction of environmental vulnerability as development opportunities within the regional framework. If necessary, new frameworks may be created and intergovernmental regional and subregional bodies may be formed to monitor their performance in expanding and revitalizing regional cooperation and economic integration. The Asia-Pacific landlocked developing countries should strengthen South-South cooperation and try to obtain special consideration, such as special and differential treatment in trade and other areas, where appropriate.

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