TO: Mr. Jan Eliasson  
A: The Deputy Secretary-General

FROM: Gyan Acharya  
DE: Under-Secretary-General and High Representative  
UN-OHRLLS

SUBJECT: Draft Report of the Secretary-General on the implementation of the Vienna Programme of Action for Landlocked Developing Countries

1. As you may recall, the Secretary General was requested by the General Assembly resolution 69/232, to submit at its seventieth session a report on the implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024.

2. I am pleased to submit the above draft Secretary-General Report for clearance. Kindly note that the slotted date for submission of this report is 11 August 2015.

3. Thank you for your assistance.

cc: Ms. Susana Malcorra, Chef de Cabinet, EOSG
DRAFT

Seventieth session
Item 23 (b) of the provisional agenda*
Follow-up to the Second United Nations Conference on Landlocked Developing countries

Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024

Report of the Secretary-General

Summary

The present report is submitted pursuant to resolution 69/232, in which the General Assembly requested the Secretary-General to submit at its seventieth session a report on the implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024. The report reviews the current progress, presents initiatives and activities being undertaken by member states, relevant United Nations organizations and other regional and international organizations in response to the programme of action, and concludes with a set of recommendations.
Note to the Chef de Cabinet
(through the Deputy Secretary-General)

Report of the Secretary-General: Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024

1. Please find enclosed, for your clearance and approval, the draft report prepared by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. The draft has been reviewed by the Economic, Social and Development Affairs Unit and by Ms. Jennifer Boggs, Office of the Chef de Cabinet. Based on this review, I can confirm that there are no programme and budget implications.

2. The present report is submitted pursuant to resolution 69/232, in which the General Assembly requested the Secretary-General to submit at its seventieth session a report on the implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024.

3. The slot date for submission to the Department for General Assembly and Conference Management is 11 August 2015.

Paul Akiwumi
5 August 2015
Seventieth session
Item 23 (b) of the provisional agenda*
Follow-up to the Second United Nations Conference on landlocked developing countries

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A. Introduction

1. The Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024 (VPoA) was adopted at the second United Nations Conference on Landlocked Developing Countries (LLDCs) and endorsed by the General Assembly in December 2014 by resolution 69/137. The VPoA is a result-oriented and forward-looking programme that succeeds the Almaty Programme of Action as the development blueprint for LLDCs for the next decade. It underscores the commitment of the international community to support the world’s 32 LLDCs in dealing with challenges related to landlockedness, remoteness and geographical isolation through implementation of six priority areas that include (1) Fundamental Transit Policy Issues, (2) Infrastructure Development and Maintenance, (3) International Trade and Trade Facilitation, (4) Regional Integration and Cooperation, (5) Structural Economic Transformation, and (6) Means of Implementation.

2. The present report is the first report that provides a review of the implementation of the VPoA, focusing on the key priority areas and activities being undertaken by all relevant stakeholders. It analyses the status of the six priority areas of the VPoA, thus providing a benchmark against which future progress will be measured. The report concludes with policy recommendations and has a statistical annex.

B. An overview of challenges and recent socio-economic developments in landlocked developing countries

3. LLDCs are confronted by structural challenges that are directly and indirectly related to their geographical disadvantages that inhibit their full participation in global production networks and isolate them from global markets. Due to long distances from the sea, LLDCs face disproportionately high transport and transactions costs, which intensify their comparative disadvantage relative to other developing countries. The unique challenges are exacerbated by poor infrastructure, low levels of development in the ICT sector and severe challenges in access to energy. LLDCs further exhibit low productive capacities, which limit meaningful value addition to their exports and the capacity to diversify their products and markets and severely constrain their growth and development prospects.

4. Despite these challenges, the past decade can be characterized as an era of general improvement of macroeconomic performance in the majority of LLDCs. In some countries such as Ethiopia, Lao PDR and Uzbekistan, the buoyant growth was supported by public sector led growth strategy centered on high public investment, increased private consumption and robust Foreign Direct Investment (FDI) inflows.

5. In 2013, average annual percentage growth rate of Gross Domestic Product (GDP) for the LLDCs increased slightly to 4.1% from 5.2% in 2012. However, there are wide diversities within the group. One third of the LLDCs had an annual GDP growth rate of more than 7%, whilst twelve countries had a rate between 4% and 7% and the remaining nine countries had a rate lower than 4%. Looking ahead, given that the concentration of
fuel exports in LLDC export structure is very high (56%), the average economic growth for LLDCs may be negatively impacted by the plummeting global fuel prices.

Figure 1: LLDCs GDP growth (annual %)

![GDP growth graph](image)

Source: Based on World Bank data.

6. Despite the average annual economic performance being generally favourable for LLDCs in the past decade, this group of countries are among the poorest of the developing countries. In 2013, LLDCs’ GDP per capita was only about 32% of the global average. Relative to transit developing countries and for the same year, GDP per capita for LLDCs was about US$1,700 lower. Further examination of this data reveals that three of the five poorest countries in the world as measured by GDP per capita are LLDCs. In addition, the proportion of the LLDC population living below $1.25 (PPP) per day was about one-third between 2003 and 2012. In some countries, average poverty levels over the same period were higher than 60%.

7. LLDCs were also ranked among countries with low human development in 2013 as measured by the Human Development Index (HDI), a composite measure that incorporates life expectancy, education and income. Of the 15 countries with the lowest HDI in 2013, eight are LLDCs. The variation within the group is also very high. While the median HDI is 0.56, the highest in the group is 0.76 and 0.34 is the lowest score.

8. LLDCs are also negatively affected by the high cost of trade which is double that of transit developing countries. The real costs of trade - transport and other costs of doing business internationally - are important determinants of a country's ability to participate fully in the world economy. It is thus not surprising that LLDCs have generally faced greater difficulties than coastal countries in expanding international trade. The share of
LLDC exports in global exports was estimated at only 1.2% in 2014 in comparison to 33% for the developing economies (excluding China).

9. Resources for investment in most LLDCs are predominantly foreign, with the main sources being official development assistance (ODA), FDI and remittances. It is therefore a major concern that receipts of net ODA, expressed as a percentage of Gross National Income (GNI) have continued to decline. On average, receipts of net ODA have declined by half between 2003 and 2013 from about 8.2% to 3.5%. Over the same period, FDI flows significantly increased although the trend has been downward since 2011. Personal remittances are also becoming increasingly important for LLDCs. In 2013 however, a downward trend of 12% was recorded.

10. Furthermore and relative to 2011, LLDCs’ external debt stock as a percentage of GNI increased slightly from an average of 42.8% to 43.5% in 2013 while for transit developing countries, the average was 27.1% and 27.9%, respectively. While external debt stock can help close the gap between domestic savings and investment, it can lead to growing uncertainty about actions and policies that governments may resort to in order to meet their debt servicing obligations.

C. Status of implementation of the priorities of the VPoA

Priority 1: Fundamental transit policy issues

11. The first specific objective is to reduce travel time along corridors with the aim of allowing transit cargo to move 300-400 kms/24hours. At the moment there is no regularly updated data available in all regions that can be used to closely monitor this specific objective with the exception of the Central Asia Regional Economic Cooperation Program (CAREC) presented in table 1. The data shows that all corridors in the CAREC region have reached this specific objective.

Table 1. Travel time along Central Asian corridors in 2013

<table>
<thead>
<tr>
<th>Road Corridor Speed with delays km/24hrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole CAREC Region</td>
</tr>
<tr>
<td>Corridor 1 connects Russia with China via Kazakhstan and Kyrgyzstan</td>
</tr>
<tr>
<td>Corridor 2 connects Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan, and China</td>
</tr>
<tr>
<td>Corridor 3 connects Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Afghanistan, and Uzbekistan</td>
</tr>
<tr>
<td>Corridor 4 connects Russia with East Asia via Mongolia and China</td>
</tr>
<tr>
<td>Corridor 5 connects China, Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan</td>
</tr>
</tbody>
</table>

Source: Asian Development Bank
12. According to data from a 2009 World Bank publication: Transport Prices and Costs in Africa, the transit time from the seaport to the final destination was much less than 300-400km/24hour for most of the corridors. The transit time averaged about 144/24hrs in West and Central Africa to 192 in East Africa and 288 in Southern Africa.

13. The logistics performance index (LPI) provides important information for monitoring the second specific objective: to reduce the time spent at the borders. The LPI is based on six dimensions of trade, including customs performance, infrastructure quality and timeliness of shipments. The LLDCs have a lower LPI, overall and for all components, when compared with transit developing countries.

Table 2: Average Logistics Performance Index, 2014

<table>
<thead>
<tr>
<th>LPI Components</th>
<th>Overall LPI score</th>
<th>Customs</th>
<th>Infrastructure</th>
<th>International shipments</th>
<th>Logistics quality and competence</th>
<th>Tracking and tracing</th>
<th>Timeliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLDCs</td>
<td>2.49</td>
<td>2.35</td>
<td>2.31</td>
<td>2.51</td>
<td>2.45</td>
<td>2.47</td>
<td>2.83</td>
</tr>
<tr>
<td>Transit developing</td>
<td>2.69</td>
<td>2.45</td>
<td>2.51</td>
<td>2.70</td>
<td>2.63</td>
<td>2.74</td>
<td>3.10</td>
</tr>
<tr>
<td>countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: World Bank

14. LLDCs and transit countries have been implementing initiatives to speed up border-crossing such as One Stop Border Posts (OSBP), Electronic Single Window Facilities, the pilot use of permits for transit by members of the Organization of the Black Sea Economic Cooperation, TIR carnets, ASYCUDA, Regional Third Party Motor Vehicle Insurance and others. Despite the initiatives, more effort is needed to improve the movement of goods across borders through effective implementation of existing programmes and new initiatives.

15. The third specific objective is aimed at reducing the time spent at intermodal points - the transfer from rail to road or port to rail or road. Data to measure progress on this specific objective is not readily available and regularly collected. Available data is from specific studies and does not include all the LLDCs. In Africa, a World Bank study in 2012 showed that, excluding Durban and Mombasa, average cargo dwell time in most ports is close to 20 days whereas it is about 4 days in most large ports in East Asia or in Europe. More efforts are needed to reduce the port dwelling times and there is need to capture and regularly update data to monitor this specific objective.

16. The VPoA calls on LLDCs and transit countries to accede to and ratify relevant international, regional and subregional conventions. The current status of ratification of most important international legal instruments by LLDCs and transit countries presented in table 3 shows the need for increased ratifications in order to fully implement this priority area.
Table 3. Status of ratification by LLDCs and Transit Countries to International Conventions

<table>
<thead>
<tr>
<th>Convention</th>
<th>No. of LLDCs that ratified/ acceded (as of 30 June 2015)</th>
<th>No. of transit countries that ratified/acceded (as of 30 June 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road traffic (1968)</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Road sign and signal (1968)</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>TIR (1975)</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Temporary importation of commercial road vehicles (1956)</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Customs convention on containers (1972)</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Harmonization of frontier controls of goods (1982)</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Contract for the International Carriage of Goods by Road (1956)</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>The Revised Kyoto Customs Convention (1999)</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>WTO Trade Facilitation Agreement</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: UNECE, WCO and WTO.

Priority 2: Infrastructure development and maintenance

17. This priority area has two sub-priorities: (i) transport, and (ii) energy, and information and communications technology (ICT) infrastructure.

18. The latest data available on road infrastructure presented in table 2 in the annex indicates that LLDCs have relatively poor road network when compared to their transit neighbours. Although LLDCs have been making a lot of effort in expanding and upgrading their road transport infrastructure, it is important for them to accelerate their efforts.

19. LLDC data on railway infrastructure shows that the network expanded over 2009 to 2013 period in 7 countries, but remained stagnant or shrunk in 12 countries. It is important where feasible, to establish or improve the railway network as railways are a low cost option suited to LLDCs’ exports, and also have less carbon emissions, and congestion than road infrastructure.

20. The Asian Highway network consists of 143,000 km of standardized roadways crisscrossing 32 Asian countries with linkages to Europe. Asian Highway roads belonging to class III and below comprise about 29% of the network. These sections have two lanes or less, and are not universally paved. In Latin America, the road network in LLDCs requires upgrading in order to improve quality. In Africa, Trans-African Highway has a total length of 54,120 km distributed along nine corridors but still has some substantial missing links where tracks are impassable after rain or hazardous events.
due to rocks, sand, and sandstorms. There are over 26,362 km of missing links in the rail network in Africa, while the Trans-Asian railway network has more than 10,500 km of missing links. It is important to close the road and rail missing links in the regions with LLDCs in order to improve their connectivity.

21. Regarding energy, the LLDCs fall behind other groups of countries in terms of access to energy. The average percentage of population with access to electricity in LLDCs in 2010 was 42% compared with 73% in transit developing countries and 81% for the world. When the data is further disaggregated into rural and urban, about 74% of people in the LLDCs’ urban areas had access to electricity, compared to a much lower figure of 33% for rural areas. Disaggregation of the data reveals that in more than one-third of LLDCs, less than 17% of the population has access to electricity. More efforts are needed to expand access to reliable and modern energy services in the LLDCs.

22. The VPoA calls on all LLDCs to make broadband policy universal by 2024. According to the 2014 report of the Broadband Commission, about 70% of the LLDCs have formulated National Broadband Policies. It is important that LLDCs that have not yet done so develop broadband policies to ensure that the policies are fully implemented.

23. The LLDCs experienced strong growth over the past decade in ICT in particular mobile communications, where subscriptions grew twenty-fold. By contrast, access to the internet, although increasing steadily, remained low in the majority of LLDCs, with an average of 20 out of 100 people being internet users in 2013. This average masks important disparities among the LLDCs with the highest recording 61.2 internet users/100people compared to 1.3 in the lowest. Limited access to broadband, high prices, unreliable supply of energy and poor access to computers has restricted access to internet. More efforts are required to improve the necessary infrastructure and develop relevant policy and regulatory frameworks in order to make significant strides towards reaching the specific objective of promoting open and affordable access to the internet for all.

24. Closing the existing infrastructure gap in LLDCs and transit countries is critical for the successful implementation of the VPoA. This requires all sources of infrastructure financing including public, private, public-private partnerships, ODA and innovative sources of financing. ECLAC data and analysis show that the current level of public and private infrastructure investment in the region is not sufficient to provide the infrastructure that the region needs for its sustainable development. According to their estimates, the region's countries should invest annually 6.2% of their GDP to satisfy their infrastructure demands in the period 2012-2020 but preliminary figures on public and private investment in infrastructure show that, on average only 2.7 % of the regional GDP was allocated in the last decade.

25. In Africa, the Programme for Infrastructure Development in Africa (PIDA) is supporting energy, transport, transboundary water and ICT projects estimated to cost $67.9 billion for 2012-2020 period and the NEPAD Presidential Infrastructure Champion Initiative is supporting eight projects championed by African Heads of State and Government. Under South-South cooperation, China has supported infrastructure
investment in several African LLDCs and the newly formed BRICS development bank is a new source for infrastructure resources.

In the Asian region the Asian Infrastructure Investment Bank was launched in China as an international financial institution to provide finance to infrastructure projects in the region. The ASEAN Infrastructure Fund established in 2013 is an innovative initiative to mobilize the region's resources for infrastructure development. The Asian Development Bank (ADB) has been supporting investment into infrastructure development in the region. For example, the ADB’s Greater Mekong Subregion (GMS) Program has between 1992 and 2010 invested about $15 billion in projects covering subregional roads, airports and railways, power facilities, tourism infrastructure, and communicable disease prevention. The GMS Regional Investment Framework 2013 to 2022 identifies more than 200 projects across 10 sectors with an estimated investment of more than $50 billion. The number and value of CAREC projects supported by ADB have grown from 6 projects worth $247 million in 2001 to 158 projects worth about $24.6 billion in 2014.

26. According to the OECD, ODA that includes both concessional and non-concessional flows from bilateral and multilateral donors disbursed by development partners to LLDCs for infrastructure development and maintenance amounted to roughly USD 6.7 billion in 2013. The largest providers were the World Bank, Japan, United States, and the Asian Development Bank. In 2013, the largest recipients were Kazakhstan, Afghanistan, Ethiopia, and Azerbaijan. Most of the resources went to the transport and storage sectors.

**Priority 3: International trade and trade facilitation**

27. This priority area has two sub-priorities: (i) international trade, and (ii) trade facilitation. At the global level, efforts need to be made to conclude the Doha Development Round of trade negotiations, giving full attention to the needs of developing countries, including LLDCs. WTO members are working to conclude a work programme on the remaining Doha Round issues.

28. On international trade, the steady expansion of LLDCs merchandise exports has slowed down rapidly in 2012 and 2013. In 2014, exports reached an estimated $226 billion, a fall of 1.8% from the previous year. Similarly, the growth in LLDCs merchandise imports turned negative in 2014, reaching $218 billion. This slowdown is mainly due to the prolonged sluggish growth and downward trend in commodity prices.

29. The share of LLDC exports in global exports was 1.2% in 2014, remaining around that level since 2011. However, only two countries capture half of the export earnings of the group, suggesting continued marginalization of the majority of LLDCs from international trading system. In contrast, LLDCs' trade of goods and services represents, on average, over 70% of their GDP. Therefore, despite their geographical locations and high transport costs, LLDCs seem highly dependent on trade for their economic development.
30. LLDCs exports are increasingly highly concentrated in just a handful of export products, in particular raw commodities such as minerals, agricultural products and fuel, which have little or no value addition. The export concentration index of LLDCs has risen from 0.20 in 2003 to 0.36 in 2013. In comparison, the index for all developing countries stands at just 0.13. Higher value-added products, manufactured goods and services exports, such as tourism, ICTs, finance and banking present an avenue for LLDCs to reduce the cost of trade and vulnerability to external shocks, including commodity price fluctuations.

31. On trade facilitation, some tangible progress has been made by many of the LLDCs, including through further simplification and harmonization of customs, border and transit procedures and formalities and trade facilitation measures, leading to reduction of the time spent and documents required to export and import. According to World Bank, the time to export a container of cargo has decreased between 2005 and 2014 in 24 LLDCs. The number of documents LLDCs need to export has decreased in 12 LLDCs and in 16 LLDCs with regards to import. Despite these positive developments it still takes LLDCs, on average, 40 days to export, while it takes only 22 days for transit developing countries.

32. LLDCs continue to face much higher trade and transport costs. The average cost for LLDCs to export and import in 2014 was $3,443 and $4,343, compared with $1,301 and $1,559 for transit developing countries, respectively. Furthermore, since 2010, LLDCs’ export costs have risen by 25% and 29% for imports, as compared with just 6 and 7 per cent for transit developing countries during the same period. Such high costs prevent LLDCs’ exports from becoming truly competitive in world markets.

33. As indicated under priority 1, LLDCs have the weakest LPI in 2014. Efficient customs and border management and quality of trade and transport infrastructure are still constraining factors for LLDCs in ensuring the efficiency of their logistics facilities and services.

34. Furthermore, preliminary analysis from monitoring and evaluation exercise for the 5th Global Aid for Trade Review, to which 16 LLDCs have responded, has revealed that the LLDCs consider border procedures and network infrastructure as the most important sources of trade costs. In addition, priorities for aid for trade assistance highlighted by the LLDCs include trade facilitation.

35. An important step forward in ensuring a common platform for the implementation and widespread use of trade facilitation measures at the global level was the adoption of the WTO Trade Facilitation Agreement (TFA). The TFA will enter into force once two thirds of WTO members, complete their domestic ratification process. As of 29 June 2015, 8 Members\(^1\) have ratified the Protocol and more than 40 have indicated their intent to ratify the Agreement in the near future. Two LLDCs have completed their internal ratification process.

\(^1\) Botswana; Hong Kong; Singapore; USA; Mauritius; Malaysia, Japan and Australia
36. The main objective of the TFA is to expedite the flow, release and clearance of goods through borders and reduce trade transaction costs. Of particular importance for LLDCs are the provisions covering goods in transit, and the requirements on customs-related fees, procedures and documentation; transparency; trade facilitation measures; and improving cooperation between different countries’ customs authorities and border agencies. Additionally, the Agreement contains innovative special and differential treatment provisions for developing countries.

37. It is crucial that development partners provide the necessary financial and technical assistance to developing countries, in particular LLDCs, to effectively implement the provisions of the Agreement and identify their needs. The WTO secretariat, in cooperation with other international organizations, has since 2013 supported 15 LLDCs in assessing their trade facilitation needs and priorities. In addition, some international organizations, many of which are already supporting LLDCs on trade-related matters, have jointly committed to assist developing countries in implementing the TFA.

38. As of 31 May 2015, out of the 66 notifications of Category A commitments - those provisions that countries will implement by the time the Agreement enters into force - received by the WTO, 9 have been presented by LLDCs and 13 by transit developing countries. Six transit countries have indicated that they are ready to fully implement Article 11 on Freedom of Transit, while another four are ready to partially implement it. It is important that all countries work to domestically ratify the Agreement as soon as possible and that developing countries notify the WTO of their Category A commitments.

39. At the national level, committees on trade facilitation are important tools for analyzing, negotiating and implementing trade facilitation commitments. To date, 17 LLDCs have established a national trade facilitation committee/body. LLDCs should ensure that all relevant stakeholders, including the private sector, are involved in those bodies. In addition, 13 of the 16 LLDCs notifying the WTO indicated that they have mainstreamed trade facilitation as a priority in their national development strategies.

**Priority 4: Regional integration and cooperation**

40. For LLDCs, close cooperation with transit countries in the region is a necessity for enhancing their connectivity, competitiveness, reaching international markets and reaping the benefits of globalization, leading to collective benefits in terms of growth opportunities and increased FDI flows to the region. An important area of promoting regional integration is through regional infrastructure activities and development of transport corridors which have the potential to address the challenge of fragmented approach of national transport policies.

41. LLDCs have been increasingly participating in regional trade agreements, whether bilateral or plurilateral. According to WTO data, on average, as of April 2015, LLDCs participate in 3.8 regional trade agreements. Euro-Asiatic LLDCs are party to, on average, 5.4 regional trade agreements as compared with 2.5 for African LLDCs. Paraguay and
Bolivia participate in 4 and 3 regional trade agreements, respectively. According to UNCTAD, by end of March 2015, LLDCs have, on average, signed 20 bilateral investment agreements and 7 other international investment agreements. It is important that bilateral and regional investment agreements that LLDCs enter into include a core focus on inclusive growth and sustainable development.

42. In Africa, regional integration and cooperation has featured amongst strategic priorities of policy-makers. There are some 30 regional trade agreements, including the 8 Regional Economic Communities (RECs) recognized by the African Union, of which 7 include LLDCs. Overall, however, developments on the ground have been sluggish and the share of intra-African trade has hovered at just around 12% of total trade. The establishment of a larger regional trade agreement - the African Tripartite Free Trade Agreement - has been ongoing. The Tripartite includes 26-countries (10 are LLDCs) and builds on the agreements already in place in COMESA, EAC and SADC. Moreover, the Continental Free Trade Area that is planned to be established in 2017 will further deepen integration in Africa.

43. Within the RECs, many efforts have been made at adopting common programmes and harmonizing policies on trade, transport and border-crossing procedures and promoting border cooperation such as the ECOWAS West Africa Joint Border Post Programmes, the East African Community Customs Management Act and the Regional Transit Guarantee Scheme within COMESA.

44. Some progress is being made within the sub-regions with LLDCs to enhance energy cooperation and connectivity. For example, COMESA has launched an initiative to promote regional cooperation in energy development, trade and capacity building, and the Eastern Africa Power Pool has developed a regional power master plan and grid code.

45. In the Euro-Asian region, in January 2015, the Eurasian Economic Union was established, which provides for free movement of goods, services, capital and labor, pursuing coordinated, harmonized and single policy. The members include: Armenia, Belarus, Kazakhstan, and the Russian Federation, and Kyrgyzstan is in accession process.

46. The Trans-Asian Railway and Asian Highway Networks connect the Euro-Asian LLDCs to internationally recognized regional corridors. Various other projects and agreements support LLDCs’ efforts to enhance connectivity in the region, ensure harmonized policies and speed up transit transport. Within the framework of the Shanghai Cooperation Organization, the Multilateral Agreement on Creating Favourable Conditions for the Development of International Road Transport, was signed in September 2014. A Framework Agreement for Energy Cooperation was signed in 2014 in the SAARC sub-region, which includes Afghanistan, Bhutan and Nepal and two other agreements on regional railways and vehicular traffic have been prepared. Other important agreements affecting LLDCs include the Transit and Transport agreements within the ECO, TRACECA, the Greater Mekong Subregion and the Black Sea Economic Cooperation region.
47. As a continuing process of integration in South America, the constitutive treaty of the Union of South American Nations (UNASUR), an intergovernmental union integrating the MERCOSUR and the Andean Community, entered into force in 2011. Both Bolivia and Paraguay are members. Recently, the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), that has since 2000 coordinated the development of transport, energy and telecommunications infrastructure in Southern America, has been incorporated into the institutions of the UNASUR. According to ECLAC, in 2012, Bolivia and Paraguay accounted for a total of 16% (or $19,250 million) of total investment of the IIRSA. By May 2013, the total of the completed IIRSA transport projects, rail and road, involving LLDCs represented $2,926 million.

48. It is essential that regional integration efforts in the regions with LLDCs focus not only on cooperation on trade, trade facilitation, investment and deepening regional connectivity but also on policies that would foster real structural change and growth in LLDCs in the region such as in areas of research and development and industrial policy. In this regard, transforming transport corridors into development corridors should be encouraged through creating industries, businesses, social facilities and other ancillary infrastructure in conjunction with the transport infrastructure. This will help stimulate social and economic development in the areas surrounding the transport route. Sharing of experiences and information between LLDCs and their transit neighbours should also be a component of regional integration and cooperation efforts.

**Priority 5: Structural economic transformation**

49. It is imperative that LLDCs structurally transform their economies if sustained economic growth and poverty eradication is to be achieved in the next decade. Structural transformation is a process that involves the reallocation of economic activity from low value-added and low productivity to higher value-added and high productivity activities and sectors.

50. On average, LLDCs exhibit a declining share of value added agriculture in total GDP (figure 2). Manufacturing has also been declining albeit at a slower rate relative to the agriculture sector. Between 2003 and 2013, manufacturing declined by about 3% while the decline in agriculture was double that of manufacturing. At the same time, the trend of the share of services was in the opposite direction with an average increment of about 4%. This implies that LLDCs are experiencing de-industrialisation. In transit developing countries on the other hand (figure 3), the trend is somewhat similar but the share of manufacturing is much higher than that of LLDCs.

51. It is striking that the levels of de-industrialization in LLDCs are being experienced at very low levels of GDP per capita. The LLDC average GDP per capita in 2013 was about US$5,300 up from US$3,300 in 2003. This income level is much lower than the level at which advanced economies started to deindustrialize, which was US$9,000-11,000 at 1990 prices. This means LLDCs are experiencing “premature de-industrialisation” as they are running out of industrialization opportunities sooner and at much lower levels of income compared to the experience of early industrializers.
52. Furthermore, the declining share of manufacturing in LLDCs output is of concern given that manufacturing has historically been at the core of economic growth and transformation. It also offers greater opportunities than other sectors to accumulate capital, exploit economies of scale and foster technological change. Industrialization is more important for LLDCs relative to coastal countries as it enables them to alleviate the impediments due to their landlocked position. For example, through industrialization, LLDCs are able to produce goods with a higher value to weight ratio, which reduces the relative cost of transport. Thus, the development of manufacturing is critical for the ability of LLDCs to compete in global markets.

Figure 2: Value added shares by sector of economic activity in LLDCs (% of GDP), 1990-2013

![Figure 2: Value added shares by sector of economic activity in LLDCs (% of GDP), 1990-2013](image)

Data Source: World Bank

53. The LLDCs’ share of high-technology exports as a percentage of manufactured exports is only about 20%. The low technology content is an important impediment to the LLDCs’ ability to compete in global markets, which further entrenches their dependence on primary raw commodities. In order to develop their manufacturing sector, LLDCs need to move from lower to higher technology.

Figure 3: Value added shares by sector of economic activity in transit dev. countries, (% of GDP), 1990-2013

![Figure 3: Value added shares by sector of economic activity in transit dev. countries, (% of GDP), 1990-2013](image)

Data Source: World Bank

54. Structural transformation also facilitates employment shifts towards the manufacturing-related industries. The latest LLDCs’ employment data reveals that a higher proportion is either in the agriculture or services sector. Recalling that structural transformation entails the ability of an economy to constantly generate new dynamic activities characterized by higher productivity, this is evidence of the inherent bottlenecks that may still exist in LLDCs. As many of the LLDCs are natural resource-rich, it may imply that many countries may need to take advantage of those resources to create more industries that would provide decent and well-paying jobs to more of their citizens.
Governments should encourage labour intensive sectors and technologies. This also requires aligning education to the industrial strategies and appropriate labour demands.

55. As observed in the section on international trade and trade facilitation, LLDC trade is highly concentrated in a few products mainly export of primary commodities (25.8%) and fuels (55.9%) while an overwhelming proportion of imports (69.8%) are manufactured products (Figure 4). This level of concentration exposes LLDCs to the damaging effects of fluctuations in the global demand and commodity prices.

![Figure 4: Aggregate structure of LLDC exports, 2013](image1)

![Figure 5: Aggregate structure of LLDC imports, 2013](image2)

Source: UNCTAD database

56. Small and medium-sized enterprises (SMEs) make the bulk of the private sector and are major contributors to employment creation. However, many SMEs lack the necessary capital and expertise to expand their activities. The financial resources provided to the private sector by financial corporations, such as through loans, purchases of non-equity securities and trade credits in LLDCs is only about 30% of GDP. In contrast, domestic credit to private sector in transit developing countries is over 80% of GDP. It is imperative to bring financing for private enterprises, especially SMEs, to the forefront of the development strategy in LLDCs.

Priority 6: Means of implementation

57. The VPoA recognizes that the development of any country is the primary responsibility of that country itself. It also underscores the importance of strengthened and expanded partnerships between LLDCs, their transit neighbours, their development partners and other stakeholders for the successful implementation of the VPoA. Development partners are encouraged to provide targeted technical and financial support, as appropriate, towards the implementation of the specific actions in the VPoA.
Strengthened partnerships within the context of South-South and triangular cooperation, public-private partnerships and with the relevant international and regional organizations and between public and private sector actors is particularly important for raising the required additional financial resources.

58. Figure 6 shows inflows of ODA, FDI and remittances to the LLDCs between 2010 and 2013. In 2013, net ODA to LLDCs has increased slightly by 7.6% compared to 2012, from $23.0 billion to $24.7 billion, but it is still below the level of 2010 ($26.5 billion).

**Figure 6: ODA, FDI and Remittances to LLDCs, 2010-2013 millions of US$**

[Bar chart showing ODA, FDI, and Remittances inflows from 2010 to 2013]

Source: OECD, UNCTAD and World Bank

59. ODA flows remain a major source of external financing for many LLDCs, in particular, for African LLDCs as illustrated by figure 7.

60. The slowdown in development cooperation funds registered during the recent years from traditional donors is indicative of the fragility of international aid and of internationally agreed promises to increase it. The volume of aid overall is still far from sufficient when compared to the amounts needed to support internationally-agreed goals, including the VPoA.
61. South-South and triangular cooperation has played an important role in complementing ODA to LLDCs, through their contribution, as appropriate, to the sharing of best practices, human and productive capacity-building, investment in infrastructure, financial and technical assistance and technology transfer on mutually agreed terms. More support is needed in order to ensure the achievement of the VPoA.

62. Aid for trade, in combination with complementary policies, has contributed to lower trade costs, with additional infrastructure, better border institutions and regulatory procedures and enhanced capacities. Aid for trade, along with the commitment of LLDCs to necessary reforms, is also important in linking to or advancing the position of LLDCs in the global and regional value chains. Aid for trade disbursements to LLDCs stood at $6.8 billion in 2013.

63. It is also important to note that among donors, European Union has continued supporting LLDCs to address their development challenges. Key areas of support by EU include: trade facilitation, transit, transport infrastructure and regional integration. In the framework of the VPoA, the EU has committed to maintain its current level of support to trade facilitation (of €400 million) for the five years following the signature of the WTO TFA. Twenty seven LLDCs are among the 96 developing countries that currently enjoy preferences under EU’s Global Schemes of Preferences which provides developing countries with unilateral trade preferences. 4 LLDCs also benefit from the Special Incentive Arrangement for Sustainable Development and Good Governance. Over the years (2007-2012), EU has funded €11.3 billion to projects in LLDCs, of which 62% was allocated to projects in Africa.

64. FDI plays a critical role in LLDCs through building and strengthening productive capacities, export growth, technology transfer, diffusion of productive know-how, managerial skills and capital, creation of wealth, the opening up of new markets for high-
value added products and services and employment generation. FDI inflows to LLDCs fell by 11 per cent to $29.7 billion in 2013. This follows a slight fall in 2012, which makes 2013 the first year that FDI has fallen two years in a row for this group.

65. In 2013, flows of remittances to LLDCs were $25.2 billion and exceeded official development aid to those countries. Remittances have the potential to lift people out of poverty, fund small businesses, facilitate financial inclusion, and help countries with their balance of payments and hard currency problems. However there is need for supportive policies in both the sending and receiving countries to reduce transaction costs and harness its development potential.

D. Follow-up and review

66. The VPoA invites Member States in particular the LLDCs and transit countries to mainstream the VPoA into their national and sectoral development strategies and regional and subregional organizations, governing bodies of organizations in the United Nations system and international organisations to mainstream the VPoA into their programme of work. In this regard, the UN Secretary-General sent a letter to the Member States and Regional and sub-regional organisations inviting them to mainstream the VPoA. As of June 2015, seven countries (including 1 LLDC) and two regional development banks have positively responded. The Africa region in March 2015 adopted a resolution on mainstreaming of the VPoA by African LLDCs and regional and subregional organizations during the joint UNECA and African Union Conference of Ministers of Finance and Development Planning. The Asian region adopted a similar resolution at the seventy-first commission session of ESCAP held in May 2015.

67. The United Nations system and other relevant international organisations have been providing continuous assistance to LLDCs through, inter alia, capacity building programmes, advisory services, support towards transport infrastructure development and the promotion of legal instruments related to trade and transport facilitation. The UN-OHRLLS coordinates activities in the UN system to ensure the effective implementation of the VPoA, including advocacy and international awareness, and resource mobilization campaigns for LLDCs. To this end, UN-OHRLLS in consultation with UN and relevant international and regional organizations prepared a road map for the implementation of the VPoA to ensure coherence and better coordination amongst all the stakeholders in the implementation of the VPoA.

68. UN-OHRLLS in collaboration with relevant international and regional organizations and Member States, is preparing a set of indicators to inform the national, regional and global follow-up and review of the VPoA. Furthermore, UN-OHRLLS in partnership with the Government of Zambia organised a High-Level Follow-up Meeting to the Second UN Conference on LLDCs that was held in June 2015 in Zambia that adopted the Livingstone Call for Action for the Accelerated Implementation of the VPoA that highlights key measures and initiatives required to accelerate implementation.
69. UNECA is providing support to the African RECs and member States, on institutional framework for management and operations of transit transport corridors, infrastructure development, international trade, trade and trade facilitation, regional integration, and capacity building. UNECE is promoting international transport and trade facilitation, and the implementation of relevant international legal instruments, norms and standards. ESCAP is providing capacity building support to LLDCs and transit countries for accession to and implementation of international conventions and formulation and implementation of subregional and bilateral agreements on transport, technical assistance on paperless transit and transport systems, regional integration and trade and trade facilitation. ECLAC is providing technical assistance to LLDCs on integration of trade and transport facilitation in national plans, and sustainable transport and logistics policies.

70. The World Bank is supporting the implementation of the VPoA through publications and data sets to raise awareness and disseminate knowledge of what policies work and what do not work; technical assistance or investment projects in LLDCs and transit countries to improve their transport, ICT connectivity, trade and trade competitiveness and energy development. The World Bank contributed to promote infrastructure and transit facilitation with the loan assistance worth about US$11 billion to LLDCs in fiscal year 2013-2014.

71. UNCTAD is contributing through various measures including data collection, publications and studies focusing on issues including best practices and policy lessons in commodity value chains, providing technical assistance on intellectual property rights, supporting competitive SMEs and providing advisory services in areas such as developing National Trade Facilitation Plans and needs assessments for trade facilitation preparedness.

72. ITC has begun mainstreaming the VPoA into its Strategic Plan 2015-2017. ITC is assisting LLDCs to improve SME competitiveness and to implement the WTO TFA through both scheduling of commitments and in preparing bankable projects. ITU is supporting LLDCs to develop and implement broadband and ICT policies. UNEP is supporting LLDCs to reduce vehicle emissions and improve fuel economy and to build national green economy strategies.

73. WTO has launched the process of ratification and entry into force of the TFA and launched a new WTO Trade Facilitation Facility, which became operational in November 2014. WTO is implementing the 2014-2015 Aid-for-Trade Work Programme under the theme of "Reducing trade costs for inclusive, sustainable growth".

74. The International Road Transport Union (IRU) is working on projects and activities that contribute to the implementation of VPoA in the areas of transit policy, trade facilitation and infrastructure development such as the Model Highway Initiative which aims to create an exemplary section of motorway including ancillary infrastructure; and the TIR system. IRU also works closely with key countries to assist in their accession to the TIR Convention. OHRLLS and IRU signed a Memorandum of Agreement on 15 April 2015 to undertake joint activities for the implementation of the VPoA.
75. The OSCE is providing tailor-made technical assistance on border crossing facilitation and good governance in customs. ECO is supporting transit policy, trade facilitation and infrastructure development in its sub-region.

E. Conclusions and recommendations

76. The VPoA is a holistic and ambitious development programme that seeks to achieve rapid, inclusive and sustained economic growth along with poverty reduction for LLDCs that is based on renewed and strengthened partnerships between LLDCs, transit countries and development partners, as well as with UN system and other international organizations, private sector, and North-South and South-South and triangular Cooperation.

77. A critical element for its effective implementation is mainstreaming of the Programme into national and sectoral development plans and into the work programmes of the international, regional and sub-regional organizations. LLDCs should take the lead in further mainstreaming the VPoA into national strategies so as to fully implement it. Similarly, transit developing countries should also mainstream the VPoA to ensure its effective implementation. Development partners including through South-South and triangular cooperation should give priority to LLDCs and align their support with the priorities of the LLDCs.

78. Some of the UN organizations – UNECA and ESCAP have taken decisions to implement the VPoA. Further mainstreaming efforts and support are required from the UN including at the national level and by the regional and sub-regional organizations.

79. LLDCs and transit developing countries should continue their efforts to streamline and harmonize customs and border crossing procedures and formalities, along with scaling up and implementation of successful trade facilitation initiatives.

80. All WTO members, particularly LLDCs and transit developing countries should ratify the WTO TFA in order to bring it into force. Adequate technical and capacity-building assistance should be extended to LLDCs in order to ensure their effective implementation of the provisions of the Agreement.

81. Regional integration is a crucial instrument for LLDCs for improved connectivity, competitiveness, economic growth and for linking into global markets. LLDCs and transit developing countries should strengthen effective regional cooperation by strengthening intra-regional trade and participation in regional frameworks and agreements, development of regional infrastructure and harmonization of regional policies.

82. LLDCs should pursue domestic measures aimed at increasing the share of high-value added exports, such as manufactured goods and services, with the aim of diversifying their export structures and taking full advantage of the opportunities that
linking into global and regional value chains offers. Development partners should provide technical, financial and capacity building assistance to support such efforts.

83. In order to facilitate structural transformation, LLDCs should encourage labour intensive sectors and technologies through industrial and educational policies.

84. In order to monitor the implementation of the VPoA, there is need for systematic collection of data in LLDCs and transit countries to monitor improvements in both trade facilitation and at intermodal points - the transfer from rail to road or port to rail or road.

85. The VPoA requires more resources for investing into infrastructure development and maintenance, improving trade facilitation, increasing trade, structural transformation, addressing internal and external vulnerabilities and building capacities. Although the LLDCs have made considerable efforts to mobilize domestic resources, there are enormous financing gaps. It is important for the international community to provide more support in the form of ODA, South-South and Triangular cooperation, as well as increased role of the private sector. It is important that international and regional development banks provide dedicated infrastructure funding for the LLDCs.

86. It is critically important that the Post-2015 Development Agenda and the Third Financing for Development Outcome pay special attention to LLDCs. Anchoring the needs of LLDCs, particularly those related to trade development and trade facilitation, productive capacity building, in these processes will help focus the attention of international community and help ensure a coordinated response.

87. With consistent and dedicated efforts of LLDCs supported by strong partnership and enhanced collaboration from transit countries and development partners including global institutions landlocked countries should be able to turn themselves into land-linked countries.
## Statistical Annex

### Table 1: Gross domestic product, rate of growth and HDI

<table>
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Source: UNSD, World Bank.
### Table 2. Selected infrastructure indicators

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<th>Roads* Kms 2000-2011</th>
<th>Roads* % paved 2000-2011</th>
<th>Railways Kms 2013</th>
<th>Mobile cellular subscriptions (per 100 people) 2013</th>
<th>Internet users (per 100 people) 2013</th>
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TFYR Macedonia 13 983(2011) 58(2011) 699 106.2 61.2 99.0
Turkmenistan 59 623(2012) .. 4,980 116.9 9.6 100.0
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Uzbekistan 81 600(2000) .. 4,280 74.3 38.2 100.0
Zambia 66 781(2000) .. 2,157 71.5 15.4 18.5
Zimbabwe 97 267(2002) .. 3,427 96.3 18.5 36.9
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Source: World Bank and ITU. * The year that corresponds to the figure is shown in brackets.
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<th>Total imports (USS million)</th>
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Source: UNCTAD
Table 4.
Trading across borders and logistics performance

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*Source: World Bank*