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CHALLENGES AND OPPORTUNITIES FOR FURTHER IMPROVING THE TRANSIT SYSTEMS AND ECONOMIC DEVELOPMENT OF LANDLOCKED AND TRANSIT DEVELOPING COUNTRIES

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Abbreviations

ACIS	Advance Cargo Information System (UNCTAD)
AGOA	African Growth and Opportunity Act
ASYCUDA	Automated System for Customs Data (UNCTAD)
BIT	Bilateral Investment Treaty
CIM	Contract for International Carriage of Goods by Rail
COMESA	Common Market for Eastern and Southern Africa
DTT	Double Taxation Treaty
ECCAS	Economic Community of Central African States
ECMT	European Conference of Ministers of Transport
ECOWAS	Economic Community of West African States
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
HGV	heavy goods vehicle
ICT	information and communication technologies
ITU	International Telecommunication Union
LDC	least developed country
LLDC	landlocked developing country
MERCOSUR	Southern Common Market
SADC	Southern Africa Development Community
SIDS	small island developing states
SMGS	Agreement on International Rail Transport of Goods
TIR Convention	Convention on the International Transport of Goods under Cover of TIR Carnets
TNC	transnational corporation
UEMOA	West African Monetary and Economic Union
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
WTO	World Trade Organization

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OVERVIEW

The 1995 Global Framework for Transit Transport Cooperation between Landlocked and Transit Developing Countries and the Donor Community provides a sound strategy for dealing with the transit problem. It challenges landlocked and transit developing countries to strengthen their transit transport cooperation by adopting and implementing policy measures and actions designed to improve their transit systems, and it urges the donor community to support such commitments. The countries involved and the donor community have kept their promises only to a limited extent. While the countries have concluded many bilateral and regional agreements, implementation remains patchy. Similarly, while financial and technical assistance from the donor community has continued, resources, particularly in the form of official development assistance, have declined significantly. Steps must be taken to reverse this trend.

Substantial financial resources are required for the maintenance and upgrading of not only transport infrastructure (road, rail, ports) but also related transit facilities at national borders and inland terminals, as well as telecommunications and energy infrastructure and pipelines. Given their lack of adequate government financial resources (owing to financial crises, budget deficits and austerity programmes), governments in landlocked and transit developing countries should encourage private-sector participation in infrastructure development. Indeed, in recent years various forms of private-sector involvement have been introduced. A number of railways (in Bolivia, Burkina Faso, Malawi, Mali and Senegal) have been concessioned. In the road sector, there are build-operate-transfer (BOT) and toll road schemes in landlocked developing countries (LLDCs) and transit countries (Mozambique, Paraguay and South Africa), port concessions (Djibouti and the United Republic of Tanzania) and increasing private-sector participation in the telecommunications sector.

Another modality that has proved useful relates to the corridor development concept. This addresses the “chicken-and-egg” problem facing infrastructure in countries with low income levels: on the one hand, infrastructure investment is not viable until economic activity justifies it (i.e. transport is a derived demand), while, on the other hand, economic activity cannot emerge unless there are adequate transport facilities. Also, development of the latter is impeded by high costs until traffic flows increase to levels where economies of scale can be achieved and competition becomes more effective.

The corridor approach addresses this issue by seeking to concentrate viable industrial investment projects within selected corridors connecting inland production areas to ports at the same time as infrastructure investment takes place. The corridor development concept has been very successful in the case of the Maputo Corridor. Other development corridors in the Southern African Development Community (SADC) region include the Beira development corridor between Mozambique and Zimbabwe.

The international community should encourage foreign direct investment (FDI) to contribute to the development and upgrading of infrastructure and increase the volume of official development assistance (ODA) and donor coordination. Because purely private financing schemes may not be feasible in many landlocked and transit developing countries, the international community is invited to promote new modalities of financing such as the following:

- ***Regional venture funds*** – Grants from multilateral organizations are used to pay development and management fees for selected countries or projects and to help promote interest in riskier infrastructure projects by reducing development risks.
- ***Equity participation in local financial institutions*** – A foreign institution purchases shares in a selected bank that lends to small infrastructure projects.
- ***Co-financing*** – This involves parallel loans to an infrastructure project by a multilateral financial institution and the local bank.
- ***Bank-to bank loans*** - A foreign institution makes a long-term loan to a local bank for forward lending to small infrastructure projects.