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**INTERACTIVE THEMATIC SESSION**

Transport and Development

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***Transport and Development***

1. The session underlined the importance of transport services for the development process. Transport services are not only essential elements of physical integration, but also provide access to marketplaces. Without transport trade cannot take place. Transport is both a prerequisite for LDCs to be integrated into the global economy and also a condition for balanced development within countries. The development of a coherent rural, national and international transport network is necessary to facilitate commercial relations between surplus and shortage areas and support development of trade between different regions within the country, neighbouring countries and international markets.
2. A major donor noted that a large portion of its ODA was allocated to the transport sector, particularly for road development and rehabilitation. Future funding allocations to this sector would depend on the ability of recipient countries to maintain and operate their infrastructure.
3. The session identified a number of areas requiring improvements. While infrastructure was considered to be an essential element of a development strategy, other problems and solutions were identified that could be expected to have a direct bearing on LDC competitiveness and more efficient use of existing infrastructure and equipment. These issues arising from globalization, liberalization and technological development relate to regulatory reforms, better management practices and human resources development.

**Landlocked LDCs**

4. The availability of adequate transport services is particularly important for the trade based development process of landlocked LDCs. Trading opportunities of landlocked countries exporting low-value goods with limited potential for differentiation and at considerable risk for substitution are largely determined by transport availability and cost. More than other countries, LDCs bear the incidence of excessive freight cost which for landlocked LDCs can amount for up to 40 per cent of c.i.f. import values – eight times more than the world average of 5 per cent.
5. The establishment of regional transit transport corridors and the adoption of common rules and standards are important as methods to improve transit systems thereby reducing transport costs and boosting trade competitiveness.
6. Regional transport cooperation aimed at reduced inland transit costs through improving the efficiency of transit transport is a major objective. Landlocked and transit developing countries have concluded a number of bilateral and regional agreements designed to provide the legal framework for transit operations. However, many of these agreements are not sufficiently effective. Although the international community has supported regional initiatives, more financial and technical assistance is needed to consolidate existing arrangements and broaden areas of cooperation.

## **Regulatory reform**

7. Deregulation, liberalization and privatization are among the new instruments being pursued in efforts to reduce real costs and improve the efficiency of transport and transit systems. The increased role of the private sector in service delivery and the public sector's new role as regulator to ensure quality of services prevents monopoly abuse and protects the consumer. This has led to the creation of public-private sector partnerships (PPP) in a number of LDCs. There is need to encourage the establishment of PPPs in LDCs and to promote institutionalized and regular public-private dialogue and consultations.

8. Private sector involvement, including PPPs, is required for transport infrastructure development in LDCs. An approach to attract additional finance for transport infrastructure is to develop an integrated investment programme that brings together industrial projects, such as mining, agriculture and forestry to provide cargo for the transport operator. Through the security offered by such a programme, the private sector is more willing to provide funding for infrastructure and equipment. This partnership can result in a cluster of development along a transport corridor that often links landlocked States with the sea. Cross border agreements, as well as regulations, are required to prevent abuse by private sector transport operators. In this context a strong case was made for granting concessions to private sector operators on a line or corridor basis. In the case of a railway for instance a regionally coordinated decision on the selection of a single concession should be taken. Fragmentation with different concessions on national stretches of a corridor would invariably lead to system inefficiencies.

9. A donor made a strong case insisting that ODA should not be used to upgrade infrastructure that is subsequently sold. There was a need to study how public and private cooperation could be used to modernize and rehabilitate railways.

10. A number of speakers stressed the contribution of the transport sector to the globalization process. Without access to low cost quality transport services, LDCs will not be able to share the benefits of globalization and will continue to be marginalized. Transport sector efficiency is of critical importance and has to be addressed both at the regional and national levels. Global or at least regional harmonization and coordination of regulatory instruments are necessary to avoid proliferation of national regulations to which operators must adhere. Standard documentation and consequent reduced bureaucracy are a necessity for LDCs and of particular importance for landlocked ones. At the national level, transport efficiency must be seen as a strategic necessity and Governments should take the necessary action to ensure a framework within which transport operators can provide least cost services. To this end it is necessary to provide the facilities, such as ports, terminals and other infrastructure for land side delivery of international trade. Over and above the provision of infrastructure, speakers stressed the need for Governments to refrain from levying excessive taxes or charges on transport movements that would unduly raise the cost of transport and consequently reduce competitiveness of LDC exports or increase import prices to the detriment of local consumers.

11. The session highlighted the need to implement a number of trade facilitation measures that could result in effective improvements in the transport of goods across countries. The operation of regional transport facilities calls for the establishment of appropriate cross-border regulations of transport systems extending over different countries: common concession; intra-regional coordination; etc. Other measures include: the establishment of one-stop border posts (hosting representatives of all governmental authorities concerned by cargo border-crossing); the standardization of cargo management procedures and handling operations (to increase the efficiency of terminal facilities); the use of information technology (to reduce logistics costs); the effective implementation of existing transit agreements; and the strengthening of regional private sector associations of transport service providers.

12. A modern well functioning transport sector requires an enabling regulatory framework. Least developed countries need assistance to modernize their national laws and regulations and effectively implement international and regional agreements. At the national level, assistance is not only required to support the normative law reform processes but also to strengthen institutional capacities in order to ascertain that the legislation in force is efficiently and impartially enforced and that the regulatory mechanisms ensure fair competition.

### **Management practices and human resources development**

13. The session stressed the need to assist LDCs to create or strengthen transport supply capacities. Upgrading port and transport management standards and practices are important steps in this process, as they help to ensure predictable and acceptable service qualities. This process needs to be supported by the bilateral and multilateral donor community through financial and technical assistance programmes. Management systems should be put in place as widely as possible to reduce the cost of transport of foreign trade and to reduce excessive transit times. At the same time it is important that LDC traders be afforded access to appropriate management systems that will allow them to maintain control over the goods while in transit to foreign markets.

14. Information technology applications and accompanying training measures offer the means to dramatically improve the efficiency of transport operations at a relatively modest cost, provided there is a political will to adopt reform processes and confront vested interests. UNCTAD has developed practical solutions to address efficiency issues, such as the Advance Cargo Information System (ACIS).

15. The session recognized that human resources development was a key issue for the transport sector of LDCs. The LDCs are committed to implement reforms, however, the people responsible for their implementation frequently do not have the requisite expertise or experience to do so. This issue has generally not received sufficient attention from the concerned authorities and institutions and requires joint efforts from LDCs and donors, as well as assistance from international organizations.

16. Human resources management and training in the field of transport should be directed, among other things, at improving management, securing higher quality in the

provision of services and increasing the use of information technology. It should not follow a modal approach but rather an integrated one, taking into account all the inter-related elements of supply chains.

17. Training must be a pro-active as well as a continuous, recurring process, based on permanent dialogue and leading to a training content that prepares staff for the implementation of management and technological changes.

### **Follow up measures**

18. After having raised a number of issues and solutions to LDCs' transport problems, it clearly emerged that urgent action is required to improve development prospects of LDCs through increased transport efficiency. Apart from infrastructure, possible solutions of the possible solutions include improvements in the regulatory framework, better management practices and human resources development. These elements are reflected in the deliverables that the co-chairs had put forward. The chairman strongly urged the international donor community to pledge support to the strategy outlined and to take this on as a blueprint for the development of efficient international transport services in LDCs.

19. In line with this blueprint, the International Union of Railways (UIC) and *Ecole Polytechnique Federale de Lausanne* (EPFL) announced their support for the development of a railway database based on ACIS RailTracker performance indicators and management training in logistics respectively.