

Implementation of the UN Programme of Action for Landlocked Developing Countries:

Overview of ADB Efforts

A. Introduction

1. **Landlocked countries among ADB's developing member countries.** According to the United Nations criteria,¹ there are 12 ADB developing member countries (DMCs) that are landlocked developing countries (LLDCs).² LLDCs usually face special difficulties in economic growth due to high transport costs which impede their trade. They have to route their merchandise through longer routes passing through neighboring transit and coastal countries.

2. **ADB's strategic direction for regional cooperation and integration in support of LLDCs.** ADB's support for LLDCs has been integrated into its regional cooperation and integration (RCI) related strategies which promote economic cooperation among ADB's DMCs through subregional programs such as the Central Asia Regional Economic Cooperation Program (CAREC), the Greater Mekong Subregional Program (GMS), and the South Asia Subregional Economic Cooperation Program (SASEC) for which ADB serves as the secretariat and key financier. In 2006, ADB adopted its RCI Strategy.³ In 2008, ADB adopted Strategy 2020 which identified RCI as a strategic agenda and core area of operations. ADB's Strategy 2030 adopted in July 2018 continues to highlight RCI as one of the seven operational priorities for ADB's operations.⁴ In 2019, ADB approved the Strategy 2030 Operational Plan for RCI, which focuses ADB's support in three pillars: (i) greater and higher-quality connectivity between economies; (ii) expanded global and regional trade and investment opportunities; and (iii) increased and diversified regional public goods.⁵

B. ADB Support for LLDCs 2018–2020

3. **ADB's overall RCI lending.** Figure 1 presents an overall picture of RCI lending (volume) in ADB DMCs over the period of 2018–2020. It has followed an increasing trend, with a significant jump in 2020 as ADB provided large-scale assistance under the COVID-19 Pandemic Response Option (CPRO). Figure 2 presents the sectoral composition of RCI lending support in 2018–2020. Transport sector, which has been the traditional priority area for regional cooperation, still comprised the bulk of RCI projects with 35% share. Notable share of RCI lending went to Public Sector Management (PSM), largely driven by the COVID-19 response packages. ADB's private sector operations also provided much-needed assistance to the private sector in DMCs, especially SMEs, by supporting international trade through direct investments in businesses and indirectly through its trade finance program and support to SME-focused funds.

¹ United Nations Conference on Trade and Development. List of land-locked developing countries. <http://unctad.org/en/pages/aldc/Landlocked%20Developing%20Countries/List-of-land-locked-developing-countries.aspx>

² These are: Afghanistan, Armenia, Azerbaijan, Bhutan, Kazakhstan, Kyrgyz Republic, Lao PDR, Mongolia, Nepal, Tajikistan, Turkmenistan, and Uzbekistan.

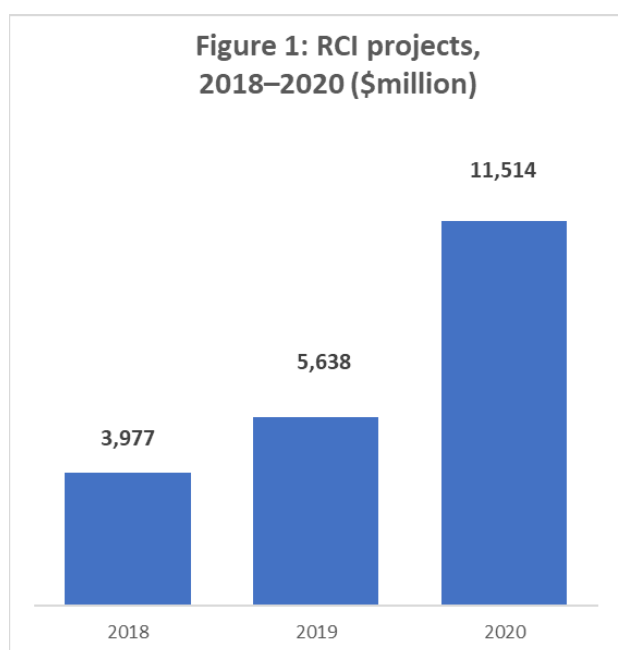
³ ADB's RCI Strategy has four pillars: (i) cross-border infrastructure (both hard and soft), (ii) trade and investment, (iii) monetary and financial cooperation, and (iv) regional public goods. ADB. 2006. *Regional Cooperation and Integration Strategy*. Manila.

⁴ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

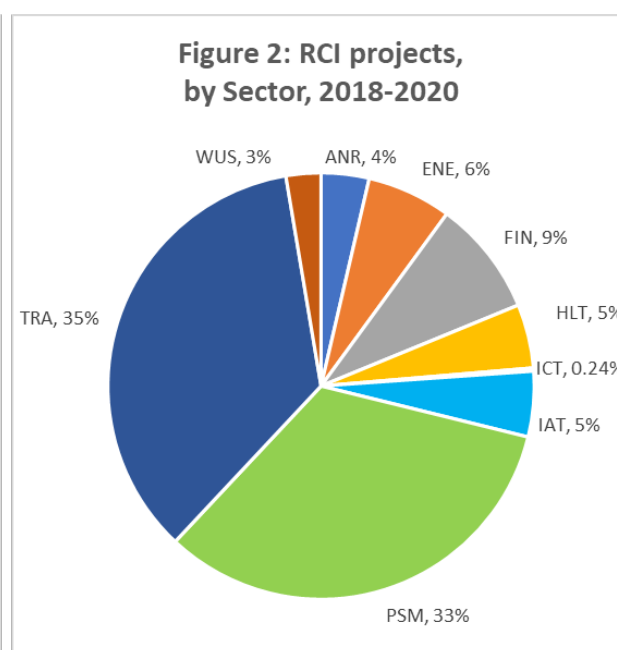
⁵ ADB. 2019. *Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024*. Manila.

4. RCI is an important element in the ADB-assisted CPRO programs. To the extent possible, RCI opportunities were identified in the CRRO projects related to the following:

- (i) ensuring national responses to address COVID-19 are consistent with any inter-DMC agreements or other relevant commitments to implement joint surveillance measures or protocols on communicable diseases; and guided by learning from the experience of other countries;
- (ii) reducing shared health risks;
- (iii) enhancing private and public sector production and distribution, including through regional procurement of medical supplies and/or food supplies, reduced tariffs and/or trade facilitation of priority supplies;
- (iv) applying World Health Organization standards in relation to cross-border health protocols; and
- (v) supporting key trade sectors of the economy (e.g., tourism, SMEs) to ensure their resilience.



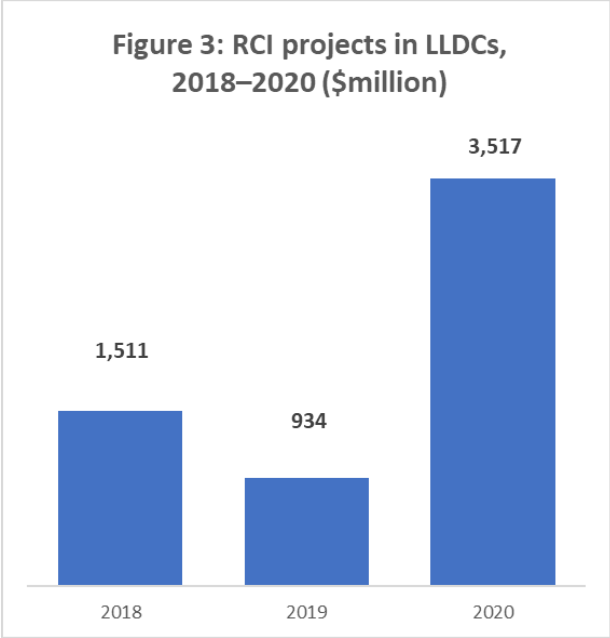
Source: ADB RCI Thematic Group, based on data from ADB Strategy, Policy, and Review Department



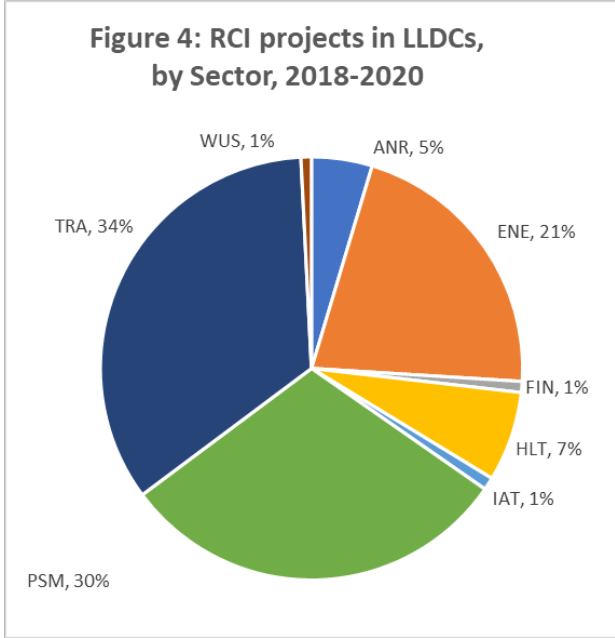
Source: ADB RCI Thematic Group, based on data from ADB Strategy, Policy, and Review Department

Reference to ADB sector/thematic areas: ANR = agriculture, natural resources and rural development, EDU = education, ENE = energy, FIN = finance, HLT = Health, ICT = information and communication technology, IND = industry and trade, PSM = public sector management, RCI = regional cooperation and integration, TRA = transport, WUS = water and other urban infrastructure and services.

5. **ADB's RCI lending support for LLDCs.** Figure 3 shows ADB's lending support for LLDCs in 2018–2020, well reflected in its overall RCI support. Over the period of 2018–2020, ADB provided \$5.96 billion worth of loans and grants to LLDCs, accounting for 24.87% of ADB's overall RCI support in the same period. Figure 4 shows the sectoral distribution of ADB's support to LLDCs. Almost 70% of this lending volume was provided to the transport and PSM sectors (34.39% and 30.15% respectively). The rest of the RCI lending for LLDCs was for energy (21.33%), health (6.88%), agriculture, natural resources and rural development (4.65%), industry and trade (0.96%), finance (0.84%), water and other urban infrastructure and service (0.81%).

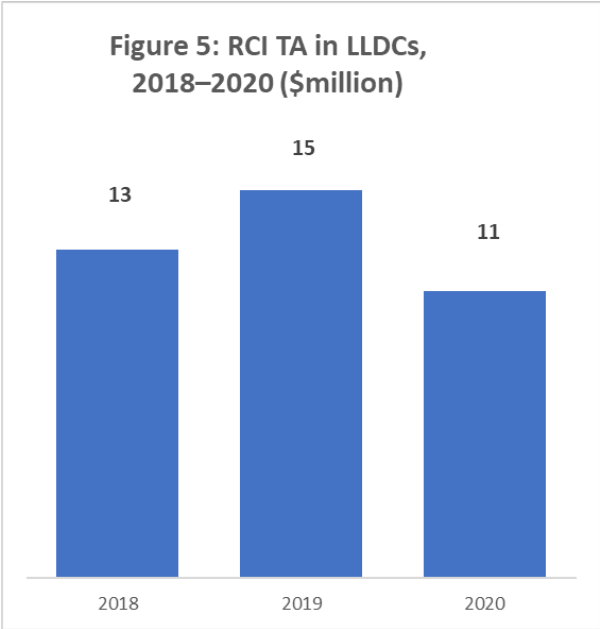


Source: ADB RCI Thematic Group, based on data from ADB Strategy, Policy, and Review Department

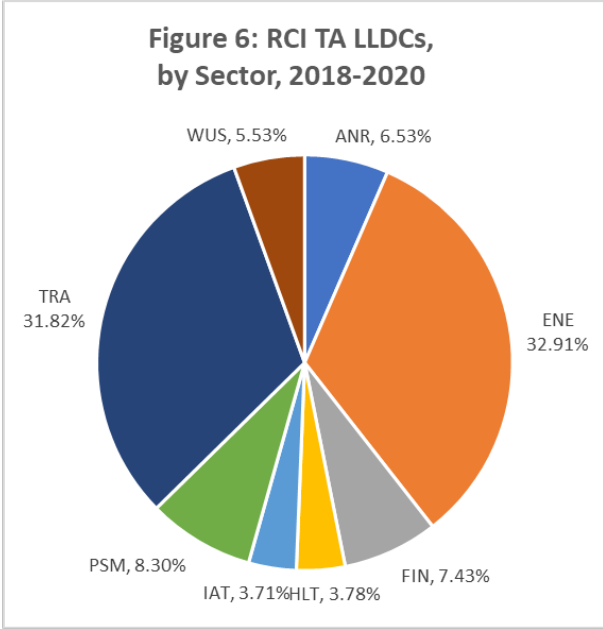


Source: ADB RCI Thematic Group, based on data from ADB Strategy, Policy, and Review Department

6. ADB’s RCI-related technical assistance for LLDCs. Substantial RCI technical assistance (TA) was also provided to LLDCs, amounting to \$39.05 million in 2018–2020 (Figure 5). Figure 6 shows that energy accounted for the bulk (32.91%) of this amount, followed by transport (31.82%), public sector management (8.30%), finance (7.43%), agriculture, natural resources, and rural development (6.53%), water and other urban infrastructure and services (5.53%), health (3.78%) and industry and trade (3.71%).



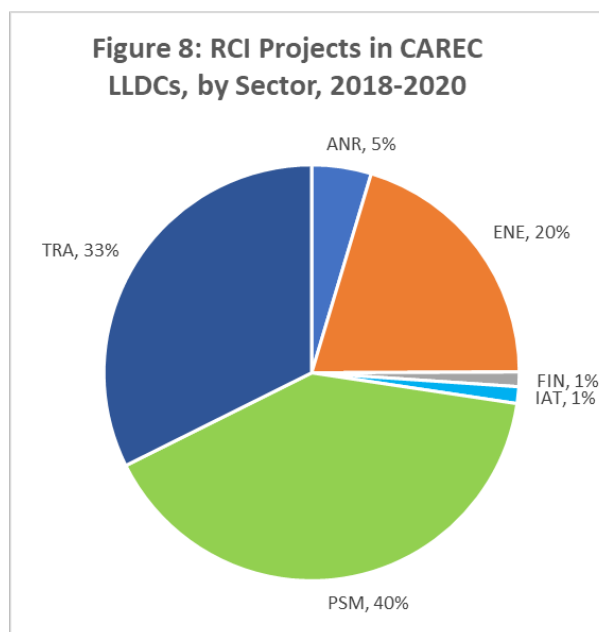
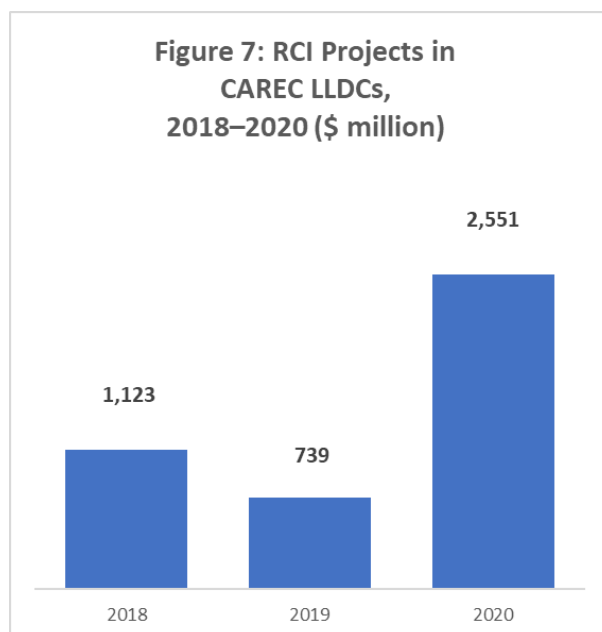
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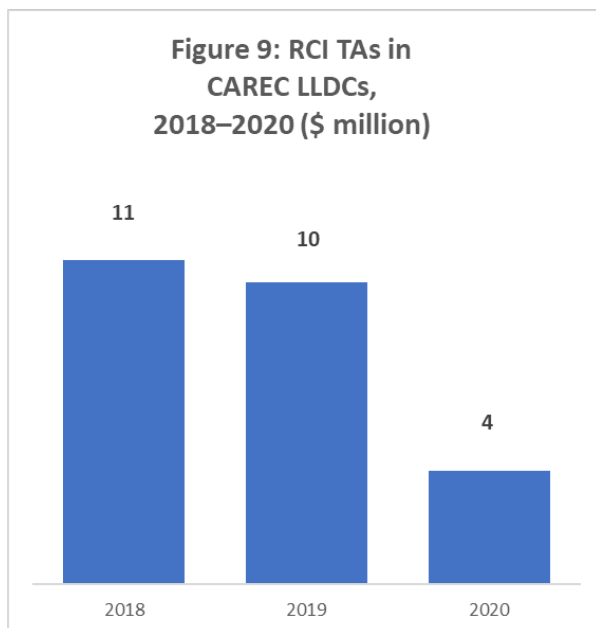
Source: ADB RCI Thematic Group, based on data from ADB Strategy, Policy, and Review Department

7. **ADB support to LLDCs in Central Asia.** ADB has been providing significant support for LLDCs in different parts of Asia and the Pacific. The scaling-up of ADB's support for LLDCs has been particularly demonstrated in Central Asia. The CAREC Program, which includes 9 of ADB's LLDCs, has made special efforts in turning the landlocked nations into land-linked economies. This vision has been clearly built into the CAREC Program's long-term strategic framework, or the CAREC 2030, which was adopted in October 2017 with a new mission statement "A Regional Cooperation Platform to Connect People, Policies, and Projects for Shared and Sustainable Development".⁶ It broadens the CAREC agenda into five operational clusters: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development. As of December 2020, CAREC has updated or formulated key sector strategies to further promote regional cooperation for comprehensive and inclusive development in the region. These include (i) the CAREC Transport and Energy Strategy 2030, CAREC Tourism Strategy 2030, and CAREC Gender Strategy 2030.

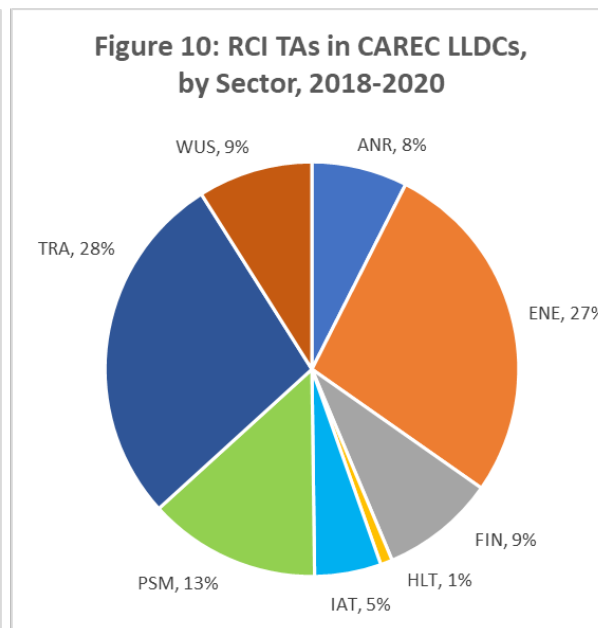
8. RCI loans and grants provided to LLDCs in the CAREC region amounted to \$4.41 billion in 2018-2020 (Figure 7), accounting for 74% of ADB's total RCI lending to LLDCs in the same period. The sectoral distribution is shown in Figure 8. Out of the \$4.41 billion, about 40% went to PSM; 33% to transport; and 20% to energy. The increase in the share of lending in the PSM sector is largely driven by the COVID-19 response packages. Other sectors accounting for the remaining amount include agriculture (5%), industry and trade (1%) and finance (1%). Meanwhile, RCI-related TA provided to CAREC LLDCs in the same period amounted to \$24 million or 62% of ADB's total RCI TA support to LLDCs (Figure 9). Again, the transport and energy sectors accounted for the majority shares—28% and 27% respectively, followed by PSM (13.5%), water and other urban infrastructure services (9%), finance (8.9%), agriculture (7.5%), industry and trade (5.2%), and health (0.9%) (Figure 10).



⁶ ADB. 2017. CAREC 2030: Connecting the Region for Shared and Sustainable development. Manila.



Source: ADB RCI Thematic Group, based on data from ADB Strategy, Policy, and Review Department



Source: ADB RCI Thematic Group, based on data from ADB Strategy, Policy, and Review Department

9. Key examples of ADB support to the LLDCs under the CAREC Program include:

- (i) ADB stepped up budget support and emergency assistance through its Countercyclical Support Facility—specifically the CPRO—to help CAREC LLDCs mitigate the health, social, and economic impacts of the pandemic. As of 31 December 2020, a total of \$2,579.8 million emergency and CPRO assistance in sovereign loans and grants were committed by ADB.
- (ii) ADB organized high-level policy dialogues on macroeconomic policies for LLDCs and other countries to mitigate COVID-19 impact for economic growth, including a CAREC Economic and Financial Stability Forum held virtually in December 2020, which discussed challenges to the economies and financial systems caused by the pandemic and coordinated solutions at regional and global level to foster growth while containing the virus. ADB is also in the process of developing a disaster risk transfer facility in CAREC to support LLDCs in building physical and financial resilience to infectious disease outbreaks (such as COVID-19) and natural hazards.
- (iii) ADB adopted the CAREC Tourism Strategy 2030 in 2020, to promote safe and more inclusive tourism development in CAREC LLDCs to support their socio-economic recovery, help restore jobs and livelihoods, and achieve sustainable growth going forward. ADB's support is advancing work for the Almaty-Bishkek Economic Corridor (ABEC), which includes improving air quality in Bishkek, preparing a project in developing a modern agricultural wholesale market network along the ABEC.
- (iv) ADB adopted the CAREC Transport Strategy 2030 and Energy Strategy 2030 to enhance infrastructure and economic connectivity in CAREC LLDCs by improving road safety and logistics services, and railway sector development; as well as to promote energy trade between Central Asia and South Asia, advance key infrastructure projects such as the Turkmenistan-Afghanistan-Pakistan-India

natural gas pipeline project, and the Afghanistan Energy Supply Improvement Investment Program—Uzbekistan-Afghanistan 500 kV Power System Interconnection project, to help strengthen the sustainability of Afghanistan’s power sector and promote cross-border energy trade.

- (v) ADB is in the process of developing a CAREC Regional Infrastructure Projects Enabling Facility to help bridge the infrastructure gap in LLDCs of CAREC countries and jumpstart regional projects. The Facility will ultimately support the governments in preparing regional projects, initial design, and application of appropriate financial solutions while promoting knowledge exchange and capacity development.
- (vi) ADB is supporting CAREC LLDCs in developing agricultural value chains to meet international food safety standards and increase agriculture exports through improving public health, facilitating agro-food trade, and piloting regional pest control.
- (vii) ADB is also advancing health cooperation among CAREC LLDCs and Armenia through a TA that will formulate a CAREC health strategy leading to 2030, and strengthen national health system and regional health security, as well as improve health services for migrants, mobile populations and border communities.

10. The COVID-19 pandemic has highlighted the necessity of regional cooperation and importance of strengthening resilience to risks arising from cross-border movement of goods and people. Trade continues to be a driver for achieving the sustainable development goals and CAREC countries' post-pandemic recovery. CAREC member countries continue to exchange information and experience with respect to trade measures implemented amid the COVID-19 pandemic with the objective of facilitating safe trade.⁷ Under the CAREC Integrated Trade Agenda 2030 and its strategic action plan for 2019-2021, investments and technical support are progressing in terms of: (i) accession to World Trade Organization by Azerbaijan, Turkmenistan and Uzbekistan; (ii) regional improvement of border services for Kyrgyz Republic, Mongolia, Pakistan and Tajikistan; (iii) upgrade of sanitary and phytosanitary measures in Mongolia and implementation by Uzbekistan of its commitment under the International Plant Protection Convention; (iv) pilot project on the CAREC Advanced Transit System and information common exchange IT system for Azerbaijan, Georgia, and Kazakhstan; (v) research and capacity-building to promote paperless trade and cross-border e-commerce among CAREC countries including accession to and/or implementation of the *UN Convention on the Use of Electronic Communications in International Contracts*; the *WTO Trade Facilitation Agreement*, and the *UN Framework Agreement on the Facilitation of Cross-border Paperless Trade in Asia and the Pacific*; and (vi) preparation of CAREC Corridor Performance Measurement and Monitoring (CPMM) reports, including country-specific analysis in partnership with CAREC Institute, to address connectivity and trade bottleneck issues. A new TA will support CAREC countries to improve their capacities to develop, negotiate and explore the potential of a region-wide free trade agreement.

11. **ADB support to LLDCs in other subregions.** In South Asia, ADB provided \$951 million to Nepal in the areas of airport capacity enhancement and civil aviation sector reforms, road improvement for regional connectivity, and power grid strengthening and expansion. ADB also provided \$20 million and \$250 million loans, respectively, to Bhutan and Nepal under its COVID-19 Active Response and Expenditure Support Program.

⁷ ADB. 2020. Appendix 1 of CAREC Trade Sector Report 2020. See <https://www.carecprogram.org/uploads/CAREC-Trade-Sector-Report-and-Workplan.pdf>

12. In Southeast Asia, ADB provided \$20 million in grants and loans in 2020 to the Lao People's Democratic Republic to support regional health security. Specifically, the financing will support the Government of the Lao PDR's National Preparedness and Response Plan for COVID-19, which aims to mitigate the impact of possible large-scale community transmission and improve pandemic preparedness. In addition, ADB is supporting Lao PDR in COVID-19 response through technical assistance projects focused on strengthening regional health cooperation in the Greater Mekong Subregion and community-led and civil society responses to COVID-19. In 2021-2023, ADB is planning for future investments in healthy borders and special economic zones, cross-border livestock health and value chains improvements, transport network improvements, agriculture infrastructure in economic corridors, and urban infrastructure and livable cities.

13. In East Asia, ADB is supporting a bilateral agreement signed in June 2019 by Mongolia and the PRC to develop an economic cooperation zone along CAREC Corridor 4. The \$30 million Developing the Economic Cooperation Zone Project for Mongolia, approved in June 2020, will develop the physical infrastructure, operationalize the Zamyn-Uud free zone, and support seamless transit to and from the neighboring Inner Mongolia Autonomous Region of the People's Republic of China. It will create a port of entry system which will use information technology solutions to promote trade while ensuring border security, social safety, and improved traceability to mitigate transboundary health risks.⁸ As of 31 December 2020, ADB's lending to Mongolia includes 14 projects totaling \$617.5 million, mainly for developing transport corridors and logistics facilities, modernizing customs systems, improving sanitary and phytosanitary services, developing economic cooperation zone, and upgrading border crossing points. ADB's future operations in Mongolia has 3 pillars, including infrastructure to drive competitiveness and diversification. It will continue to expand transport and economic corridors by developing regional road connectivity, enable private sector-led agricultural and tourism value chain particularly in the Western region, and improve economic opportunities while enhancing resilience to future transboundary threats.

C. Way Forward

14. ADB's DMCs are confronted by a host of new challenges under the changing development landscape in the region. Reviving growth while containing the impact of the COVID-19 pandemic remains a significant challenge for LLDCs. Amid COVID-19 pandemic, the prospects are uncertain with no significant relaxation on restrictions across the region. It is critical for LLDCs to maintain the right policy balance between restoring economic activities and protecting public health. Regional cooperation can help keep the hardest-hit sectors (such as trade, tourism, and health) functioning, while preparing for a full recovery during post-pandemic time. To help LLDCs meet these challenges will require continued support from international development agencies, including ADB.

15. In this challenging and uncertain times, maintaining trade flow is essential to save lives and livelihoods. LLDCs in different subregions can work together to reduce restrictions on trading medical equipment, food and other products that help save lives and ensure food security. Gradually easing restrictions offer opportunities for LLDCs to reopen borders and restore travel and tourism by initially creating tourism "bubbles". The CAREC Tourism Strategy 2030 will support

⁸ It comprises the development of (i) a passenger and vehicle inspection system that uses digital surveillance and facial biometric recognition; and (ii) an integrated border management database. The database will promote interagency coordination by linking the Customs Automated Information System of Mongolian Customs General Administration with the Inspection Management System of the General Agency of Specialized Inspection and the Immigration System, which is a joint platform shared between the General Authority of Border Protection and the Mongolia Immigration Agency.

capacity building and skills development of CAREC LLDCs through piloting tourism projects with safety measures to mitigate COVID-19 impact. LLDCs can also jointly develop harmonized set of health and safety protocols for travel and tourism, through multisector collaboration among airlines, hotels, and other tourism services. Ensuring a safe and healthy environment is a precondition for restoring economic activity across all sectors. Thus, cooperation on health issues is critical for mitigating public health risks as LLDCs gradually reopen. LLDCs can step up regional health cooperation (e.g., in the CAREC and GMS) to build resilient health systems for the future, such as through joint actions responding to the COVID-19 pandemic including participating in World Health Organization led global vaccination program, and other activities.