

The potential of Aid for Trade
to improve the infrastructure and
logistics performance of
landlocked developing countries
of Latin America



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of landlocked developing countries
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This document has been prepared by the Infrastructure Services Unit of the Natural Resources and Infrastructure Division, of the Economic Commission for Latin America and the Caribbean (ECLAC), as a contribution to the United Nations Development Account project: "Facilitating the Effective Integration of Developing Countries in the Global Economy through Aid for Trade Schemes", ROA 139-7. It is based on inputs by Gabriel Pérez-Salas, Azhar Jaimurzina and Gordon Wilmsmeier, Economic Affairs Officers, and Lauren Gaudry, consultant of the Unit. The work was performed with overall coordination provided by Ricardo J. Sánchez, Officer in Charge of the Division.

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Introduction

Improving infrastructure and logistics performance of landlocked developing countries of Latin America is one of the priority areas of the Economic Commission for Latin America and the Caribbean (ECLAC) of the United Nations and, in particular, of ECLAC Natural Resources and Infrastructure Division (NRID).

Prepared as a contribution to the United Nations Development Account Project: “Facilitating the Effective Integration of Developing Countries in the Global Economy through Aid for Trade Schemes”, ROA 139-7, the present document presents the main activities, carried out by NRID for the benefit of the landlocked developing countries since the adoption of the Almaty Programme of Action: addressing the special needs of the Landlocked Developing Countries. It is intended to serve as an inventory of the Division’s studies and projects in the area, highlighting the main conclusions and policy recommendations resulting from these activities.

In line with this objective, the document presents the results of the NRID work in the following three areas:

- Linking Landlockedness and development (Chapter II)
- Status of landlocked countries in Latin America (Chapter III)
- Logistics in landlocked countries (Chapter IV)
- Landlocked developing countries and the Aid for Trade initiative (Chapter V)

The concluding Chapter deals with the Aid for Trade initiative and identifies the activities in the area of infrastructure and logistics where Aid for Trade would be beneficial for landlocked countries in Latin America.

I. Landlockedness and development

Landlockedness, i.e. the lack of territorial access to the sea, is broadly recognized as a major impediment to trade due to the dependency on transit countries for access to seaports, additional border crossings, high transport and transit costs, inadequate physical infrastructure and logistical and institutional bottlenecks (United Nations Office of the High Representative for the Least Developed, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), 2013).

According to UN-OHRLLS there are 31 landlocked developing countries (LLDCs), 16 of which are classified as least developed.

Landlocked developing countries, in general, face similar challenges around the world (Cipoletta Tomassian, Pérez-Salas, Sánchez, 2009), such as:

- (a) Coordination problems;
- (b) Lack of reliability of transport systems;
- (c) Distance and difficulties to access the sea ports;
- (d) Costly bureaucratic procedures especially as they refer to transport and trade facilitation;
- (e) Excessive logistic and transport costs;
- (f) Weak infrastructure with growing bottlenecks;
- (g) The dependency of using the infrastructure of transit countries; and
- (h) The lack of the effective implementation of some regional agreements which could improve the LLDC conditions related to infrastructure and transport.

The specialized development needs of “LDCs” have been recognized in many outcome documents of the United Nations System, including the Millennium Development Goals (MDG) and Rio +20 Conference on Sustainable Development, just to mention a few. Following the creation of the UN-OHRLLS in 2001, a Ministerial Intergovernmental Conference held in Almaty in 2003 resulted in the Almaty Programme of Action (APoA) as a means to pursue commitments to address the special needs of LLDCs. The APoA is a broad call for a joint effort by the international community, landlocked

countries and transit countries to revise regulatory frameworks that affect trade and which can improve trade-related infrastructure for the benefit of LLDCs.

APoA includes five priority areas: (i) fundamental transit policy issues, (ii) infrastructure development and maintenance, (iii) international trade and trade facilitation, (iv) development assistance and technical support from the international community, and (v) implementation and review of activities to pursue commitments that can address the special needs of LLDCs.

The broad issues of transport systems and their role in social and economic development are analyzed in the following documents published by the NRID division of ECLAC within the Bulletin FAL's, Series and additional publishings. The following documents cover the topics of Millennium Development Goals, the Almaty Programme of Actions or other international commitments which affect trade or other trade-related infrastructure topics.

Connectivity, Impact Areas and Territorial Development: Analysis of International Experiences (Series No. 113, N. 27033) deals with the issue of connectivity, whose goal is to enable the provision of basic infrastructure services to the economic agents, residents and people of a country, so that they can have access to sanitation, energy and physical and virtual communications. This means that the structure consists of a network of mobilized corridors serving for goods, services, information and people from different parts of the country also engaging mobilized considered flows (physical dimension) and the implementation (operative dimension) along the links established in the territory between different functions and levels of government (institutional dimension).

Integrated Policies for Infrastructure, Transport and Logistics: International Experiences and Initial Proposals (Series No.150, N. 39877) discusses integrated policies for infrastructure, transport and logistics, international experiences and initial. The work is a seminal dissertation posed the foundations for the development of an integrated national policy. With this objective, the study of international cases assists in the construction of new proposals and obtaining analytical elements for decision-making in countries that intend to reformulate their policies in order to promote productivity, competitiveness and sustainable economic development. Advanced logistics and multimodal transport, although not imposed by the mere existence of a law, policy frameworks require modern and flexible structures. This includes policies and plans, infrastructure and logistics, normative framework, logistic and productive cadenzas, institutional development, R & D + I and Human resources, Facilitation of Transport and Trade.

The Infrastructure Gap in Latin America and the Caribbean (Series No. 153, N. 44153) covers the infrastructure gap in Latin America and the Caribbean. The economic infrastructure is a tooling high impact in reducing poverty and achieving sustainable economic development. In Latin America and the Caribbean, recent years have shown a decline in investments for this purpose, which caused a rift between the infrastructure requirements and the effective provision of the same. The main objective of the study was to measure the gap infrastructure and investment requirements needed from both perspectives. In this regard, the various methods had tackled a common denominator to quantify the amount of required investment: use of infrastructure costs adjusted for Latin America and the Caribbean.

Principles of Public Policies on Infrastructure, Logistics and Mobility based on Integrity and Sustainability (Series No. 155, N. 45077) presents principles of political infrastructure, logistics and mobility based on integrity and sustainability. In this context, to follow the path integrator, sustainable and equitable development, it is essential to consider the virtuous effects of development of infrastructure and transport services as indispensable tools to achieve the main objectives of the nations that have been identified. Emphasis on the positive relationship between economic development and social infrastructure and services, although at this point it could be obvious, is intended to bring light on the prioritization of such consideration in the design and implementation of public policies; since without the infrastructure or without transport services no economic or social development is possible.

The basis for the adoption of the paradigm shift have been sitting and expose the need to review the structure of current policies, and work towards the development of a strategy for the development and establishment of integrated policies and sustainable infrastructure, logistics and mobility, can be incorporated into the development agenda in the region and its countries.

The Role of Transport in Relation to the Millennium Development Goals (Series No. 160, N. 47717) discusses the role of transport in relation to the Millennium Development Goals. The initial focus exposes the targets set in the Millennium Declaration to address poverty and links them to the existing infrastructure and transport services. Next, the importance for improving transport conditions and why existing conditions are not sufficient to increase the welfare of the population of developing countries, with particular emphasis on the case of road improvement condition are discussed. The problems of accessibility and social exclusion, the particular situation presented by the Latin American region on the MDGs and transport are presented. In short, the costs of transport in developing countries pose such a high barrier to the mobility of the poor to reduce their chances of improving their quality of life and thereby harm the performance of each of the MDGs. Hence the need to assess the spatial component of any strategy designed to advance compliance over the coming years; that is, hence the need to analyze both the chances of success of the initiatives given the characteristics of the transport sector in each case as to assess to what extent it can contribute to improving the success of the proposed strategies.

II. Status of landlocked countries in Latin America

According to the UN-OHRLLS, Bolivia (Plurinational State of) and Paraguay are the two cases under the denomination of Landlocked Developing Countries in Latin America and the Caribbean.

The Infrastructure Services Unit of Natural Resources and Infrastructure Division of ECLAC is in charge in the technical implementation of the APoA through substantive contributions, capacity building programmes, advisory services and support toward transport and logistics infrastructure development. In this context, ECLAC publishes periodic reports about the current situations of Bolivia and Paraguay. The last report was published in June 2009 on the occasion of the regional mid-term review of the implementation of the Almaty Programme of Action: addressing the special needs of the Landlocked Developing Countries. The next report will be presented in the Comprehensive Ten-Year Review Conference of the Almaty Programme of Action to be held 3-5 November 2014 in Vienna, Austria.

In the course of this work, the following broad observations can be made.

First, according to ECLAC's Panel of regional experts in infrastructure, transport, logistics and transport facilitation, losses of competitiveness can be observed for LLDCs mainly originating from: i) inadequacies in infrastructure due to lack of investment in new works and maintenance (e.g. insufficient dredging and deficiencies in road connections); ii) problems with trade and transport facilitation, in LLDCs and in the transit countries; iii) failure of the public and private sectors to comply with international standards, and iv) regulatory and institutional coordination problems.

Second, the relationship between LLDCs and transit countries in Latin America is positive and there is a willingness of both groups to move forward to solve the challenges of transit transport systems. However, some issues remain pending, including, for example:

- (a) inconveniences are related to transit rules;
- (b) persistent red tape problems at border crossings;
- (c) cargo restriction policies, such as the double taxation of freight, excessive administrative requirements, the practice of detaining containers in transit, cargo reservation policies, and especially, the failure to execute the widening, signaling and installation navigation aids in the Paraguay Parana river; and
- (d) lack of infrastructure.

Third, neither LLDCs nor transit countries have coherent planning and implementation of public policies for infrastructure, transport, logistics and facilitation, thus causing negative effects on the efficiency of the logistics chains within countries. For this reason, ECLAC has emphasized the importance of establishing national and regional transport policies based on an integrated approach, taking into account the individual characteristics and existing asymmetries between the countries as well as the necessity of increasing public investment flows for infrastructure development and maintenance.

These challenges are presented in the following documents published by the NRID division of ECLAC through Bulletin FAL's, Series and additional publishings. The following documents highlight specific topics for South America involving infrastructure, transport and situations for landlocked countries.

Infrastructure, Transport and Integration: the Link with Productive Development and Regional Competitiveness (Bulletin FAL 211) highlights the topics of infrastructure, transport and integration, and discusses the links with productive development and regional competitiveness. Infrastructure is a prerequisite, but alone is insufficient for guaranteeing development. Development also depends on other crucial factors such as the quality of institutions, the careful design and application of economic policies, openness to trade, planning of sustainable development, economic regulation, security for private investment, access to financing, development of human capital and appropriate criteria for evaluating projects and assigning scarce resources. Several of the region's countries still apply regulations in some transport markets such as non-urban buses or air transport. It is not necessary for competitive market forces since, without to be replaced by such rules since, without them, the market could find a competitive balance better suited to customers than the balance simulated by such regulations. In at least some cases, the origin of these regulations lies in a concern that some of the community would have no service without them.

The Situation of Transport in the Landlocked Countries of South America (Bulletin FAL 262) presents the situation of transport in the landlocked countries of South America. There is evidence of a direct link between transport costs and the competitiveness of economies. In the case of countries such as Bolivia and Paraguay, since the cost of international transport is higher, imported inputs for industry and final consumption goods are also more costly. The income the countries derive from their exports will therefore also be less, for the same reasons. Furthermore, those countries are less attractive as destinations for foreign investment in the export sector; and their high international transport costs are reflected in the prices of the capital goods they import, resulting in less investment, less technology transfer and, consequently, lower economic growth. On the basis of the information contained in the report, the survey completed by the panel of experts and the remarks by national delegations present at the meeting, it can be stated that the regional plan of action should focus on those activities defined as highly important and whose implementation is politically and financially viable. The creation and strengthening of public-private partnerships would permit effective sharing of information and knowledge, which would help considerably to improve competitiveness in landlocked and transit countries.

Training in the Inland Freight Transport Sector in Latin America (Bulletin FAL 270) discusses training in the inland freight transportation sector in Latin America. Although the inland freight transportation sector is relatively important, it appears to be professionalizing less markedly and more slowly and unevenly than related sectors. It also seems to have limited access to training systems. Part of this can be explained by the fact that it comprises a vast, complex, extremely fragmented group of companies characterized by the diversity of services and the heterogeneity of components. Nevertheless, the sector has made important advances in the quality of services offered. It has overcome both external and internal obstacles, spurred primarily by the demands of its customers. This study reveals that future increases in productivity and competitiveness for businesses in the sector depend on the extent to which certain specific actions and approaches can be implemented. Institutional leveraging, Support for businesses and workers to join the formal economy, Transparency in management and information, Facilitation of high-quality, relevant training.

Transport: the State of Affairs in Landlocked Developing Countries of Latin America, through 2009 (Bulletin FAL 272) highlights transport as the state of affairs in landlocked developing countries of Latin America. This is done in order to assess and assist in resolving problems they encounter and to coordinate actions with their transit countries: Argentina, Brazil, Chile, Peru and Uruguay. The data from customs agencies provides a breakdown by transport mode and reveals that air transport costs are not much higher in LLCCs. In fact, Paraguay has the lowest air transport cost in the group. In maritime transport, there is a clear difference in cost between the east and west coasts of South America.

Connecting South America: Mobility and Inland River Navigation Systems (Bulletin FAL 327) connects the theme of river mobility and navigation systems within South America. Among all modes of transportation, the river is revealed as the most supportive pattern of land use, population distribution, supply demand and local production, travel distances, current availability of transportation and the fragility of the predominant biologically rich ecosystems. River mobility within the countries of South America is important in the social and economic dimensions, especially in regions where terrestrial infrastructure provision is hampered by existing geography. In these regions governments must recognize that the navigable rivers, as the only way available, replace roads, and therefore receive equal treatment and attention to the road.

The Challenges of the Transport System in Landlocked Countries in South America (Series No.149. N.36358) presents the challenges of transport systems in landlocked countries in South America reviewing the prevailing situation in Bolivia and Paraguay. Specific themes include national infrastructure and connectivity with neighboring countries involving recent evolution in respect of treaties and international laws and cross-border transactions. Transport policy and normative framework for the sector consist of infrastructure development, facilitation of international trade and transport, development assistance and execution and review. Bolivia and Paraguay have adopted only partial approaches in these areas and therefore have failed to make lasting improvements. Consequently, these areas fail to comply with the transit countries which further contribute to the complexity for the task ahead.

III. Logistics in landlocked countries

Logistics are a sector of increasing importance, because management in global trade structures has developed toward thinking in processes rather than tariffs. Further, final distribution costs in many logistics chains make up a major part of total transaction costs. The costs resulting from inefficiency have a direct impact on the export sector because the extra costs have to be saved at other points of the transport chain in order to remain competitive. Also, due to competition from similar export products from other countries, selling prices are rather fixed to external market conditions and cannot be modified to consider the inefficiency costs. On the other hand the costs of inefficiency are directly passed on to the end consumers for imported cargo. This impedes investment in the country.

Further, additional costs resulting from infrastructure bottlenecks and deficiencies, result in loss of scale economies, delays or product damage which can account for one-fifth of overall costs. The border crossing and customs organizations also have a significant impact on the competitiveness of LLDCs. The institutional inefficiency (time losses due to infrastructure deficiencies or in issuing certificates) and regulatory frameworks also generate additional costs within the logistics chain. All these factors imply a burden to international trade that requires urgent action.

The predictability and reliability of supply chains is increasingly important in a world of just-in-time production. Costs related to hedging against uncertainty can have significant influence on the competitiveness of a product. Equally, cost and quality of logistics are determined not just by infrastructure and performance of public agencies but also, by the availability of quality and competitive private logistics and transport services (Wilmsmeier, Sanchez, 2009).

Policymakers should look beyond the traditional trade facilitation agenda - focused on road infrastructure and information technology in Customs - and also focus on reform logistics service markets and reduction of coordination failures, especially those of public agencies active in border control; the realization of these is impeded largely by institutional inefficiency, absence of long-term strategic frameworks, lack of administrative capacities and short-term oriented politicized decision making (Arvis et al, 2007). This creates a vicious cycle which is present in both countries that holds back development and creates a high risk environment adverse for investments especially in national small and medium enterprises. The above-mentioned situation demands a more integrated, comprehensive approach to implement reforms all along the supply chain. Indeed, there are strong synergies among reforms to customs, border management, infrastructure, and transport regulations because reforms usually reinforce each other. So far, Bolivia and Paraguay have worked with a piecemeal approach in these areas and therefore long-lasting improvements have not yet been reached.

However, it must be stated that these reforms need to go hand-in-hand with synchronized activities in the transit countries, which adds further complexity to the already existing challenges (Wilmsmeier, Sanchez, 2009).

The Logistics Performance Index (LPI) from the World Bank provides an estimate of the supply chain performance using an average scale (from zero to five) that weighted the country scores on six key dimensions:

- (1) Customs: Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs;
- (2) Infrastructure: Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);
- (3) International Shipment: Ease of arranging competitively priced shipments;
- (4) Logistics Competence: Competence and quality of logistics services (e.g., transport operators, customs brokers);
- (5) Tracking and tracing: Ability to track and trace consignments;
- (6) Timeliness: Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

The comparison between Bolivia and Paraguay with their neighboring countries (see Table 1) shows that in the LPI ranking (the average of the six areas before mentioned), Bolivia has the lowest performance of the group, ranked 121 out of 160 countries analyzed during the 2014 version. Paraguay is in 78th place above its neighbor Uruguay that it is in 91st place. At sub regional level, Chile leads in 42nd place, followed by Argentina (60th) and Brazil (65th).

TABLE 1
LOGISTICS PERFORMANCE INDEX RANKING 2014

Country	LPI Rank	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Bolivia, (Plurinational State of)(LLDC)	121	108	133	135	88	94	141
Paraguay (LLDC)	78	90	97	79	78	74	70
Argentina	60	85	63	64	62	53	55
Brazil	65	94	54	81	50	62	61
Chile	42	39	41	53	44	40	44
Peru	71	96	67	69	76	83	66
Uruguay	91	111	90	103	100	75	91

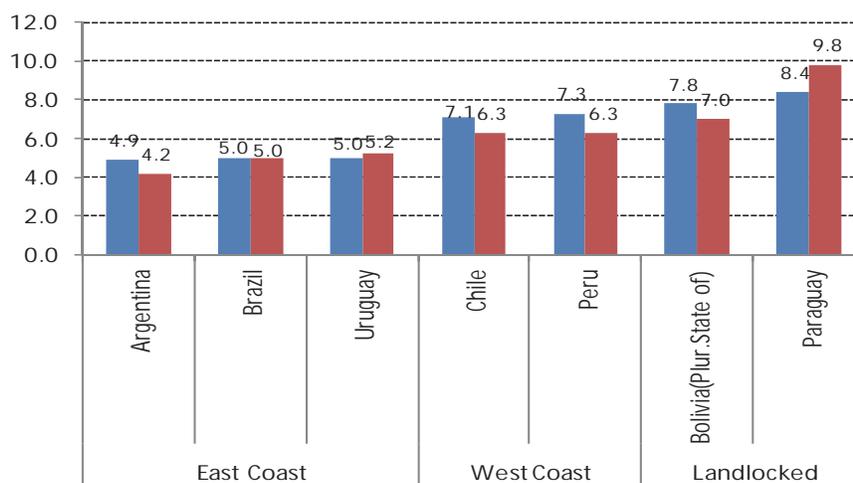
Source: Logistics Performance Index, World Bank 2014.

In a cross-sectoral analysis, the lowest performance of Bolivia is in Timeliness (Timeliness of shipments in reaching destination within the scheduled or expected delivery time) where it is in the 141st position —far from the best sub-regional performance that in 44th place by Chile. For Paraguay, the Infrastructure (Quality of trade and transport services related) is the least-developed area (in 97th place) also far from Chile which has the best performance in this area (41st place).

It should be borne in mind that, even when some of the observations of the main shortcomings that LLDC showed in the LPI are valid, other results, according to the ECLAC experience and interviews with stakeholders in Bolivia and Paraguay, seem questionable. Consequently, a detailed analysis should take into account the different performances at border crossings; also depending on the performance in the neighbour and transit countries. A similar situation happens with figures on international transport costs that provide clear indications that

Bolivia and Paraguay have to cope with restrictions imposed by high costs in terms of international competitiveness of their export products, even when elevated international transport costs are common for all South American countries in comparison to other world regions, see figure 1.

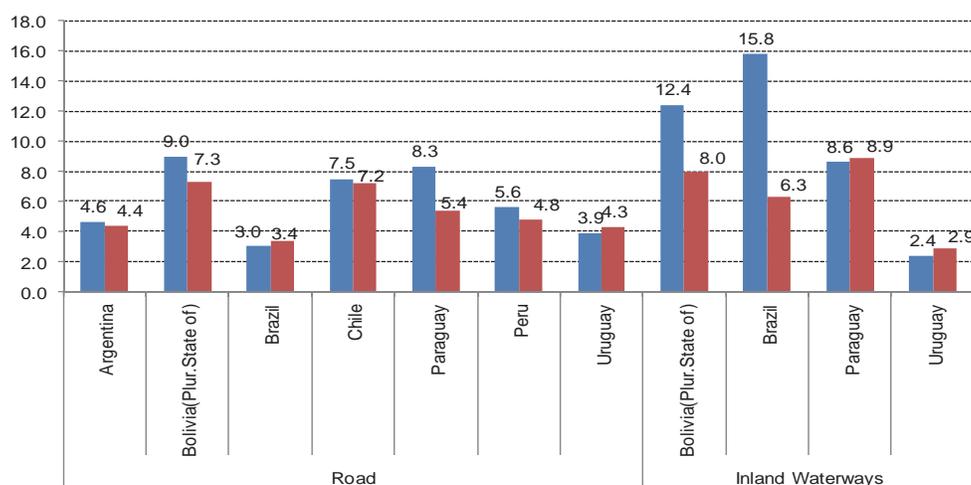
FIGURE 1
CONTRIBUTION OF INTERNATIONAL FREIGHT TO THE TOTAL COST OF IMPORTS (2000-2010)
(As a percentage)



Source: International transport database, Infrastructure Services Unit, ECLAC, 2011.

Similarly, the contribution of freight to the total cost of imports by mode of transport (figure 2) shows that in spite of significant improvements made in the landlocked countries over the decade in those countries, freight costs continue to account for a larger share than in the transit countries.

FIGURE 2
CONTRIBUTION OF INTERNATIONAL FREIGHT TO THE TOTAL COST OF IMPORTS BY ROAD AND INLAND WATERWAYS
(As a percentage)



Source: International transport database, Infrastructure Services Unit, ECLAC, 2011.

In the particular case of freight by inland water, Paraguay and Bolivia (Plurinational State Of) reported the highest values, with 8.9 per cent and 8 per cent, respectively. While in terms of road

transport, Bolivia (Plurinational State of) had the highest figure with 7.3 per cent of the total costs, followed by Chile with 7.2 per cent. This is a reflection of the fact that many of the difficulties or inefficiencies facing landlocked countries are also shared by the transit countries and, for this reason, finding effective solutions to these difficulties would benefit both parties. Thus, it is important to deepen this kind of analysis on these issues before making policy recommendations in order not to overestimate or underestimate the impacts of landlockedness over development.

The following document is published by the NRID division of ECLAC and highlights the areas of logistics and trade infrastructure in Latin America.

The Transport and Trade Infrastructure Growth Gap in Latin America (Bulletin FAL 280) highlights the transport and trade infrastructure growth gap in Latin America. The development of transport infrastructure is positively correlated to economic growth. Greater availability and quality of infrastructure services help increase the productivity of factors and reduce the costs of production, making firms more competitive and encouraging investment and economic growth, which in turn lead to increased demand for infrastructure services, completing the virtuous circle. There is an urgent need to improve public policies related to infrastructure provision, where the State assumes a central role, overseeing not only design and construction, but also the quality of the service offered. To this end, it is fundamental to achieve a long-term vision within the Government, defining and implementing an investment plan in which the development of infrastructure services becomes a competitive tool for the countries of the region.

Physical Infrastructure and Regional Integration (Bulletin FAL 280) covers physical infrastructure and regional integration. Regional integration is the process by which diverse national economies seek mutual gains by complementing one another more. According to this premise, building regional integration blocks bestows a series of general benefits on the economies of member countries, chiefly: greater negotiating power; greater ability to attract international resources; better use of economies of scale in production; extension of the effective market; and less economic vulnerability in the face of external factors, among others. In this sense, regional or sub-regional integration areas have the potential to become launching grounds for taking advantage of the opportunities presented by the globalized world economy, while simultaneously buffering member countries from the fluctuations and risks of global markets. Physical integration projects exist now, whereas they were practically non-existent in the region a few years ago, and for most of the projects being implemented, implementation continued even during periods of crisis. The results described in this Bulletin reflect the main advances made in the framework of different physical integration initiatives covering the regions of Latin America and the Caribbean. Regional physical integration is making progress; it is gaining momentum and extending, turning projects into concrete works, which, along with strengthening regional integration processes, make economic and social development for the countries of Latin America and the Caribbean possible.

Diagnosis of Constraints on Development and on Further Economic Integration (Bulletin FAL 287) diagnoses the constraints on development and on further economic integration. This document places a strong emphasis on transport infrastructure and services, as their characteristics make them a potential constraint on the region's economic and social development and on its continuing integration. The efficient provision of infrastructure services is one of the most important aspects of development policies, at both the national and regional levels. Lack of suitable infrastructure and inefficient service provision are therefore primary obstacles in the effort to implement social development policies effectively, achieve economic growth rates in excess of international averages and attain integration goals. The estimates indicate higher growth in the demand for transport infrastructure than in the supply, and the most troubling thing is that the transport infrastructure gap widens throughout the period analyzed.

Trends in the Shares of Railways in Transportation (Bulletin FAL 303) presents trends in the share of railways in transportation. Railways flourished in the nineteenth century, becoming a key element in the transport of goods and passengers for a number of reasons, however, their prominence has gradually diminished and they now have only a limited role, mostly in the transportation of certain bulk products. This document looks at the how the use of the railways for freight has changed over the

years, and puts forward a series of recommendations to increase their use in present-day Latin America. The countries therefore need not only to rebuild port infrastructure, but also to restore a social fabric of experts and enterprises which will back railway development. Reliability in transport policies and the security of plans and investments which will last for more than one parliamentary term are vital factors for the achievement of suitable railway systems which will meet present-day requirements and ensure sustainable transport.

Institutional Framework, Co-modality and Sustainable Transport Services (Bulletin FAL 316) highlights the institutional framework, co-modality and sustainable transport services which are a key element of economic development and competitiveness at the country level and are therefore a major investment budget item. They also generate externalities for the population. These include environmental impacts, particularly if the main energy matrix is based on non-renewable fossil fuels. It is therefore crucial to have effective, high-quality transport policies which take proper account of this core issue and the complexities involved. Considerations for public policy on transport and institutional support in Latin America in light of the need for a new paradigm calling for a systemic and integrated policy that promotes the co-modal use of sustainable transport services. The picture in Latin America is not very auspicious. Globalization and the integration of national economies and institutions have meant that the State in Latin America has undergone significant functional changes. Globalization and the integration of national economies and institutions have meant that the State in Latin America has undergone significant functional changes.

Provision of Transport Infrastructure in Latin America: Recent Experience and Challenges Encountered (Series No. 94, N.22599) consists of a provision of transport infrastructure in Latin America: experience and problems recently observed. This study aims to analyze the situation of the transport infrastructure in Latin America and its salient features, base on which to develop a better understanding for the design and implementation of public policies and private transport infrastructure, essential to sustain and deepen economic development and combating poverty in Latin America status. As we have previously analyzed the peculiarity of Latin America in their large areas and small population, it is important also large sections of the region exposed to natural hazards, climate, geological type, or (mainly earthquakes are recorded ,volcanoes, floods and tropical storms / hurricanes). Indeed, as the first characteristic implies a restriction to areas of potential interest to exploit the infrastructure simultaneously forces the public sector to build vast areas with low populations, but care needed territorial implications of infrastructure development.

Urban Development and Infrastructure Investment: Elements for Decision-Making (Series No. 108, N. 25658) presents urban development and infrastructure investment and the elements for decision making. In this document delivery is emphasized, first, in the multiple meanings attributed to the concept of urban development, identifying the set of variables that are associated with this process from different analytical perspectives that are addressed. To do this a large number of studios were analyzed on the material referred to different cities around the world and made by different studio centers and international organizations. Since the early nineties, urban development policies in Chile have had demanded requirements derived from commercial processes aperture and financier of economic and territorial integration, the globalization of production, trade and financial structures, and endowment greater competitiveness of cities and access roads.

Infrastructure and Rail Transport Services Related to Inland Navigation Routes (Series N. 124, N. 34014) in South America covers the infrastructure railway services linked to the ways of fluvial navigation in South America. Inside the conveyor rail transport charges in South America l remains the minor both national and sub-regional levels. But with the boom in export and renewed infrastructure development interest grows the possibility of creating a new approach which includes not only the unimodal perception, but also the intermodal or multimodal. In general, it is not simple to achieve a transcendental change of modal split (medium chain participation in the total energy): incremental changes require time, a stable political vision and Objectives. It is also necessary to integrate non-transport sector policies with transport policies, to create the basis for an incremental change.

IV. Landlocked developing countries and the Aid for Trade initiative

In line with the APoA, the steps undertaken by international organizations to assist developing countries relate mostly to trade and transport issues.

The Aid for Trade (AfT) Initiative helps developing countries, and particularly least developed countries, to trade in a better and more competitive way. Many developing countries face a range of supply-side and trade-related infrastructure obstacles which constrain their ability to engage in international trade. This initiative encourages developing country governments and donors to recognize the role that trade can play in development. In particular, the Initiative seeks to mobilize resources to address the trade-related constraints identified by developing and least developed countries.

In this context, ECLAC jointly with the other United Nations Regional Commissions for Africa, Europe, Asia and the Middle East, has initiated the implementation of the project entitled “Facilitating the Effective Integration of Developing Countries in the Global Economy through Aid for Trade Schemes.”

The main objective of the project is to strengthen the capacity of countries in the region to maximize the benefits from AfT interventions at national and regional level. The project seeks to contribute toward the understanding of policy makers and other stakeholders, as well as their technical capacities and skills, in formulating Aid for Trade projects specifically aimed at enhancing intraregional trade and improving participation in the global trading system.

In order to achieve these objectives, the project will make policy recommendations on the basis of in-depth analysis of the projects developed and implemented with priority given to the following topics:

- (a) Harmonizing of trade policy, norms and regulations;
- (b) Building and improving infrastructure;
- (c) Promoting trade facilitation;
- (d) Transforming productive capacity;
- (e) Reducing of costs associated with landlocked countries; and
- (f) Promoting global value chains.

These challenges are presented in the following documents published by the NRID division of ECLAC in the form of Bulletin FAL's, Series and additional publishings. The areas regarding aid for trade, institutions, regional development and promotion for trade openness are presented in the following documents.

ECLAC: *Thirty Years of Contributing to Transport Infrastructure Institution Building in Latin America and the Caribbean* (Bulletin FAL 292) is dedicated to the thirty years of transport infrastructure institution-building in Latin America and the Caribbean. Many ECLAC studies have explained the role that infrastructure, transport and related services play in developing national competitiveness and productivity, identifying infrastructure as a requisite for development¹ along with other crucial factors like quality of institutions, design and implementation of economic policy, trade openness, planning for sustainable development, economic regulation, security for private investment, access to financing, human capital development and standards for evaluating projects. These also help in allocating scarce resources and to focus on how infrastructure impacts social development. Infrastructure, transport and logistics help determine potential capacity for economic and social development in a country or a region. That is why they have been a prime subject for ECLAC research since the outset, in its desire to further research in the field, deepen interdisciplinary approaches that can group the highest number of variables in order to help implement sector-based policies and formulate comprehensive solutions to ensure the well-being of the entire population of Latin America and the Caribbean.

UNASUR: Infrastructure for Regional Integration (LC/L.3408) covers the infrastructure for regional integration. The development of infrastructure and related services are indispensable tools for reaching major development objectives along the road towards inclusive, sustainable and egalitarian development. Even though the positive correlation between socioeconomic development and infrastructure and its related services may seem obvious, the point made here is that it should be given priority when designing and executing development strategies; economic and social development are not possible if the infrastructure or associated services are not in place. Infrastructure services —and ensuring that they are efficient— are one of the cornerstones of any national or regional development strategy because they directly impact cohesiveness among the three aspects of development: territorial (connecting inhabitants to their environment), economic (ensuring basic services necessary for production) and social (improving living conditions and the quality of life of the population). In short, efficient infrastructure services increase connectivity, reduce transport and logistics costs, and improve services for moving people and goods. This leads to corresponding increases in productivity, competitiveness and economic growth.

V. Conclusion

Aid for Trade could be an important tool to improve the trade of LLDCs and through this, promote a more sustainable regional development. The key areas related to infrastructure and logistics services where AfT could focus its action are related to increasing investment in new infrastructure and maintenance programmes, especially for road maintenance and waterway infrastructures; reviewing and modifying the regulatory frameworks for expeditious cargo transit through procedures that promote transparency and mutual respect of transit regulations and agreements in force between the transit and landlocked countries; providing technical assistance and capacity-building activities for landlocked countries, giving special attention to the establishment of institutional capacities related to logistics and institutional development, avoiding isolated efforts.

Moreover, regional integration is a process that should continue to be strengthened and in which landlocked countries can and should play a more active role. This scenario is favourable for the coordination of intraregional investments; the establishment of a flexible and secure regulatory framework could expand the markets, reduction of cost of services and providing integrated solutions to the people of both landlocked and transit countries, with important synergic effects for the sustainable development of the entire region. In this connection, it would be advisable to explore the possibility of partnerships between countries as well as between the public and private sectors while seeking ways to share the costs and benefits of these investments equitably.

Finally, advancing toward common logistics policies is a crucial issue for Latin America. These policies provide an institutional framework for the analysis and effective resolution of problems faced by the countries that are related to the availability of infrastructure and facilitation and promotes the coordination of actions and normative among countries.

The following sections present the activities in the area of infrastructure and logistics where Aid for Trade would be beneficial for landlocked countries in Latin America

1. Key infrastructural bottlenecks

An analysis of the physical infrastructure and transport services supply situation in Latin America's LLDCs, carried out by ECLAC, identifies the following key infrastructural bottlenecks and activities where AfT would be useful:

- Improvement of the road network:
 - Supervision and administration of road construction projects need to be reviewed and could be improved adopting international best practices. The existing differences in road construction costs in different tenders are not always justifiable referring to differences in road layout and geographic location factors. Cost and quality control need to be implemented providing strict supervision on all infrastructure projects.
 - Intensive cross-border bi- and multi-lateral cooperation between Bolivia, Paraguay and transit countries should be developed to solve physical barriers. Even when this is highly dependent on the political willingness of each of these countries, physical and technological infrastructure gaps persist that could be solved through AfT.
 - Improve the design of infrastructure projects in order to improve their performance, reduce the negative externalities on the environment, and provide a higher resistance to natural disasters;
- Improvements of the inland waterways:
 - In particular, solve the problems regarding absence of dredging, signaling, navigation aids and maintenance of the existing river infrastructure.
- Improvement of the logistics facilities:
 - Lack of cold storage facilities in ports and airports;
 - Lack of storage facilities for dangerous goods in ports and airports;
- Promotion to co-modality options:
 - Railway is not a competitive option even when the greatest flows traded are bulk cargoes that could be transferred to this mode. An adequate integration among fluvial ports and train would be beneficial for LLDCs.

2. Key cross-border trade and facilitation activities

Trade facilitation can boost intra-regional trade and improve the situation of LLDC, but its implementation in practice requires capital investment, capacity building and regulatory and institutional arrangements that could benefit from AfT. In particular, the following activities should be considered:

- Agree on establishing integrated border controls with neighbouring countries and in particular with transit countries to speed up the border crossings.
- Implement capacity building programs in order to avoid bureaucracy and reduce the cost (time and money) for preparation and provision of the documentation for customs. Also train public officials with regard to aspects of trade facilitation and regional and international trade negotiation to have a better understanding of the different strategies and alternatives that can be carried out.
- Promote mechanism for harmonization of vehicle standards to reduce discriminatory vehicle controls of LLDC at the transit countries' borders.
- Support the organization of round tables for the transport and trade sector, in order to develop a long-term strategy and implementation of projects and solve infrastructure and trade and transport facilitation problems.
- Create an information and knowledge centre on import–export procedures, tariffs, best practices in logistics operations and transport services, etc. to reduce the information asymmetries among LLDC companies and improve national competitiveness.

- Analyse current institutional responsibilities and regulatory powers in order to eliminate redundancy of responsibilities, red tape and ineffective governmental procedures among national authorities of LLDCs and with transit countries authorities.

3. Institutional bottlenecks

Beyond investment in infrastructure and facilitation, the institutional regulatory mechanisms need to be upgraded so as to render a facilitated service to the business sector. Activities to develop should include:

- Promote best practices for coordination between ministries and improve the decision-making processes, avoiding the politicization of trade facilitation and transit discussions.
- Avoid conflicts of interest between national and sub-national governments and between different governmental bodies and the trade sector, especially related to infrastructure investment.
- Bolivia and Paraguay have signed various agreements to respect specific standards and procedures e.g. multimodal transport within ALADI and MERCOSUR, but both lack a proper national legislation to implement these nationally.
- Update laws in relation to trade standards and current logistics activities. While Customs should facilitate trade, customs regulations must still prevent the smuggling of goods and ensure proper control of cross-border trade flows to avoid terrorism and illicit trade. New investment needs to focus on terms of Customs clearance, goods inspection and data collection to support selective controls.
- Improve labour conditions of national officers to avoid high fluctuation of personnel, enhance training programmes, as well as widen the educational offer in the transport and logistics sector for the public and private field.

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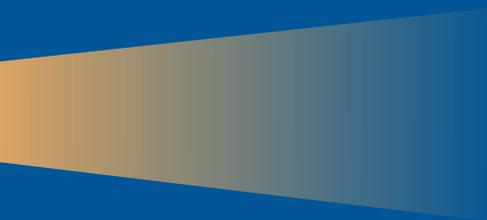
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