Status of VPoA implementation across North and Central Asian LLDCs

Savia Hasanova
Methodology

- Assess the progress in VPoA implementation since 2014 to the most recent date available
- Review national strategies
- Analyze gaps and suggest priority areas to be included in the next programme of action
Priority 1: Fundamental transit policy issues

- Improved performance in terms of time and resources spent at the land borders (particularly, Kazakhstan, Tajikistan and Uzbekistan)
- Reduced border compliance time for export (slightly less for import), except for Kyrgyzstan

- Heavy dependence on road transport (approx. 75% for LLDCs)
- Underdeveloped rail connectivity, especially in Central Asia
- Lack of harmonized border crossing procedures
- Lack of effective coordination mechanisms for managing the corridors
Priority 2: Infrastructure development and maintenance: Transport

+ Improved quality of roads (espec. Tajikistan and Azerbaijan)

+ Large infrastructure projects implemented

examples:
Trans-Caspian International Transport Route (TITR)
Baku–Tbilisi–Kars railway
China-Kyrgyzstan-Uzbekistan Railroad Agreement signed in 2022

Kyrgyzstan and Armenia have the lowest scores in terms of quality of road infrastructure and transport services

Source: Global Competitiveness report 2019
Priority 2: Infrastructure development and maintenance: Energy and ICT

Energy

+ Potential for hydro power
+ National policies to promote RE (Uzbekistan's Green Economy Transition Strategy, Azerbaijan's State Agency for Renewable Energy Sources)

ICT

+ Full mobile cellular coverage
+ Increase in internet users

Energy

— Decline in the average share of renewable energy consumption (from 12.1% to 11.7%)
— Insignificant share of RE in Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan — less than 2%

ICT

— Kyrgyzstan, Tajikistan and Turkmenistan: still low access to internet (less than 50%)
— Infrastructure challenges, affordability challenges, non-universal access
Priority 3: International trade and trade facilitation

- Low participation in global trade, however
- Increased export-to-GDP shares
- Export is dominated by commodity sector

+ By 2022, all NCA LLDCs countries joined at least four international conventions
+ Armenia, Kazakhstan, Kyrgyzstan and Tajikistan signed WTO trade facilitation agreement
+ Uzbekistan's proclaimed intention to join WTO

<table>
<thead>
<tr>
<th>Country</th>
<th>2014</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>28.6</td>
<td>35.0</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>43.3</td>
<td>46.7</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>39.3</td>
<td>32.6*</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>37.4</td>
<td>39.3</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>9.2</td>
<td>17.3**</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>16.0</td>
<td>23.7</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>46.8</td>
<td>Not available</td>
</tr>
</tbody>
</table>
Priority 4: Regional integration and cooperation

**significant number of multilateral and bilateral trade agreements signed**

<table>
<thead>
<tr>
<th></th>
<th>Cumulative Number of RTAs in force</th>
<th>incl. multilateral</th>
<th>Share of trade agreement partners (last available year)*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2022</td>
<td>2022</td>
</tr>
<tr>
<td>Armenia</td>
<td>7</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>5</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>7</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>7</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>5</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>NCA LLDCs</td>
<td>5.4</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Average, LLDCs</td>
<td>3.34</td>
<td>4.35</td>
<td></td>
</tr>
</tbody>
</table>

*Data for Kazakhstan is presented for 2020, for the rest of the countries - for 2021

Sources: WTO, Regional Trade Agreements Information System, UN COMTRADE database
Priority 5: Structural economic transformation

+/— Mixed progress:
Shift towards industry and service sector in Uzbekistan, Armenia and Kazakhstan
Kyrgyzstan and Tajikistan remain dependant on agriculture in terms of employment, Azerbaijan (over 35%)
+ Focus on clusters, industrial parks and special economic zones development (Kazakhstan, Uzbekistan)
+ Improved business environment, but
— uneven progress in FDI attraction (COVID-19 outbreak imposed major challenge)
Priority 6: Means of implementation

- Little progress has been made in mobilizing adequate resources
- High level of external debt (limits the possibility to attract new borrowings)
- All the countries face challenges of designing financial strategies to address all aspects of economic and social development

+ Uzbekistan has become one of the first countries in the region to issue a Sovereign Sustainable Development Goals Bond
# Challenges: summary

<table>
<thead>
<tr>
<th>Priority</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority 1: Fundamental transit policy issues</strong></td>
<td>Transport connectivity, reliance on road transport as primary transport mode, insufficient rail density and rail infrastructure</td>
</tr>
<tr>
<td><strong>Priority 2: Infrastructure development and maintenance</strong></td>
<td>Lack of renewable energy sources and infrastructure, Digital divide remains strong</td>
</tr>
<tr>
<td><strong>Priority 3: International trade and trade facilitation</strong></td>
<td>Lack of export diversification, dependence on commodities and minerals export</td>
</tr>
<tr>
<td><strong>Priority 4: Regional integration and cooperation</strong></td>
<td>Insufficient benefits from free trade in the region</td>
</tr>
<tr>
<td><strong>Priority 5: Structural economic transformation</strong></td>
<td>Undiversified economies, reliance on commodity sector, insufficient FDI attraction</td>
</tr>
<tr>
<td><strong>Priority 6: Means of implementation</strong></td>
<td>Design of financial strategies to address all aspects of economic and social development</td>
</tr>
</tbody>
</table>

Source: author's summary
Areas for further facilitation

- Assistance in implementation of international conventions
- Expansion of renewable energy sources and infrastructure
- Reducing digital divide
- Export diversification
- Economic diversification: *industrial parks and economic clusters development, sustainable tourism development*
- Increasing efficiency of ODA
Further discussion

Achieving gender equality

- Female labor force participation rate is low (45.7% of women versus 64.9% of men)
- Wage gap
- Rankings in Gender Inequality Index vary from 41 for Kazakhstan (being the best) to 87 for Kyrgyzstan having the highest gender inequality index in the region
- Not all of the NCA LLDCs directly prioritize the gender equality issues in their development strategies for the upcoming years

Data collection and monitoring

Current strategic documents do not explicitly mention the goals and tasks of the VPoA and the data for the relevant indicators is not being collected
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