Many thanks for the invitation. UNCTAD has a longstanding commitment to Landlocked Developing Countries (LLDCs), as well as to Least Developed Countries (LDCs) and small island developing states (SIDS).

In fact, the mere global recognition of the circumstances of these groups of countries was a result of work by UNCTAD and decisions at UNCTAD conferences.

I will make four points:

1. Land-locked developing countries (LLDCs) are heterogeneous - their situations vary tremendously in terms of GDP, FDI-levels, aid-dependence, and natural resource endowments. But they clearly have one thing in common: all face particular, and sometimes big, challenges of connectivity to world markets.

   For example, the World Bank's Logistics Performance Index (LPI), a composite index comprising such measures as efficiency of customs and ability to track and trace international shipments, shows that LLDCs consistently perform worse than other countries - although luckily the gap in the LPI between LLDCs and other countries has been declining over time.

2. Why is this important? Deficiencies in connectivity increase the transaction costs of getting products from factory to market, or from farm
to market, i.e. they hamper export competitiveness and reduce the attraction for FDI, especially trade and investment linked to global value chains (which is by far the fastest-growing segment of economic integration over last decade). As such, connectivity deficiencies act as an obstacle to diversification, private sector development, and thereby, development through structural transformation.

3. What is this all about? The "connectivity challenge" facing LLDCs takes many forms.

Physical infrastructure is clearly one of the key issues. The percentage of paved roads in LLDCs in 2012 was 30 percent while the proportion for non-LLDCs developing countries was 73 percent. Only nine of the 32 LLDCs have more than 50 percent of their roads paved.

Road density (kilometers of road per 100 square kilometers of land area) was seven percent in LLDCs compared to 37 percent in other developing countries. A sum of US $390 billion is needed annually to develop transportation infrastructure in LLDCs in Africa and Asia. Foreign direct investment (FDI) in LLDCs has risen from US $8.9 billion in 2003 to US $29.2 billion in 2014, but increases in foreign investment alone will not bridge the infrastructure gap in LLDCs, as FDI flows to LLDCs are heavily concentrated.

In 2014, five countries attracted 70 percent of the total FDI sent to LLDCs, and the inflows remained concentrated in a few sectors (mainly oil and extractive activities), leaving the huge resources gap unaddressed. One major change has been the emergence of developing Asia as the biggest recipient and investor in the world. Other key issues are soft infrastructure and infrastructure services. Customs and trade facilitation, logistics, distribution, energy services, financial services, and information and communications technology also work as lubricants for trade and for the economy as a whole.

4. How to address it? Much more needs to be done to overcome this "connectivity challenge," and to ensure that national and regional priorities are aligned.
Nationally, a recent Africa report on soft infrastructure highlighted the importance of the domestic regulatory framework. The right regulatory framework increases the chances of getting FDI into soft infrastructure services sectors.

UNCTAD has several tools to help governments reach this objective: It offers holistic reviews of investment and services policies, provides support in seizing opportunities related to the rise of electronic commerce, and contributes to reduced transaction costs and enhanced duty collection through its work on customs automation.

On hard infrastructure, some LLDCs - though not all - may face financing issues where public-private partnerships can play important roles. But there is also a need to ensure the "right" policies to get the maximum benefits out of these partnerships.

LLDCs with abundant natural resources can leverage their natural resources wealth to attract foreign investment or use the resource rents for investments in basic infrastructure.

For countries that are less endowed with natural resources, official development assistance - as well as South-South cooperation and triangular cooperation - will continue to be an important source of infrastructure investment and a means of leveraging private sector involvement.

Regionally, there is huge untapped potential. Not long ago, the time and cost of transport from inland border posts of Kenya to the Mombasa harbor was greater than the time and cost of transport from Mombasa to Rotterdam.

Take another example, the Chirundu one-stop border post between Zambia and Zimbabwe.

This border post lies on a main trade route connecting commercial ports in South Africa with Central and Eastern Africa.
The most convenient trade route for Zambia is through Zimbabwe and South Africa. But the problem is the bottleneck at the Zambian-Zimbabwean border.

By removing the duplication of customs checks on each side of the border, the time a truck takes to cross the border has been reduced from 2-3 days to 2 hours. The minimized transaction costs have spurred trade, which has increased revenues for the government of Zambia.

To cite one last example, the Ethiopia-Djibouti railway, set to launch this fall, will cut transportation time from 3 days to 10 hours, producing huge benefits for both countries. There is also a need to put services into regional integration priorities. Too many regional integration processes are politically driven; more enhanced private sector involvement is needed.

These measures can increase the chances of attracting FDI and make projects more bankable. It can also enhance negotiating power in public-private partnerships.

Thank you.