

As Delivered



Statement

by

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at the

**High-Level Interactive Panel on Financing for infrastructure
development and regional integration for the LLDCs**
**Side Event at The Third International Conference on Financing for
Development**

Hilton Hotel, Addis Ababa

Wednesday, 15 July 2015

Excellency Honourable Alexander B. Chikwanda M.P. Minister of Finance
of Zambia and Chair of the Group of LLDCs,

The President of the General Assembly, H.E. Mr. Sam Kutesa,

Excellencies, Ministers,

Distinguished delegates,

Ladies and gentlemen,

I wish to join our Chair of the Group of the LLDCs in welcoming you to this side event that is aimed at discussing the importance of infrastructure development and regional integration for the LLDCs in the context of FFD. And we would be looking at and how we can foster stronger global partnerships and enhance international support towards this area.

LLDCs are faced with a number of development challenges that are linked to their geographical position, distance and remoteness and isolation from global markets. As a result, they incur high trade and transport costs and are also affected by other challenges linked to inadequate infrastructure, inefficiencies and delays at border crossings. The LLDCs are dependent on exports of primary commodities, have inadequate productive capacities and limited diversification and as a result they are highly vulnerable to external shocks. This has a huge implication for constraining structural transformation of these countries. Conversely, if they can manage to have a

better and competitive infrastructure together with efficient transit facilities, land lockedness can be turned into land linkedness with huge opportunities.

The Vienna Programme of Action for LLDCs therefore adopted a more holistic, ambitious and results-oriented programme with clear goals, priorities and specific objectives. Infrastructure development and regional integration are two of the six key priority areas of the Vienna Programme of Action, the other 4 being: Fundamental transit Policy Issues, International Trade and Trade Facilitation, Structural Economic Transformation, and Means of Implementation.

This year the world leaders will also adopt the Post-2015 Development Agenda that includes the Sustainable Development Goals, and host the Climate Change conference. The outcome of FFd will have a huge implication for the success of the two conferences. In order for the 32 LLDCs to be set on a trajectory to achieve rapid, inclusive and sustained economic growth, poverty reduction and sustainable development, their challenges and vulnerabilities and their expectations and aspirations need to be fully taken on board by the FFD here and the global processes. This is very important to ensure that no one is left behind.

As some contribution to our discussions here today, let me briefly touch upon a few issues that are of critical importance for improving infrastructure development and regional integration in order to promote connectivity, trading capacity, and market expansion in the LLDCs.

First: I would like to reiterate the fact that historically all over the world, economic growth and development have been fueled by infrastructure, energy and innovation supported by institutional development. This process cannot be different in LLDCs. On the contrary, there is a premium on efficient infrastructure, given the structural constraints of LLDCs. Therefore, Infrastructure development and regional integration are key enablers of sustainable development in the LLDCs. As such, the investment needs are high. But resources and capacity are limited. The need for higher level of Infrastructure financing is critical for them in terms of both quality and quantity. All, reports and estimates from the World Bank to other development banks indicate the requirement in hundreds of billions of dollars in Asia, Africa and Latin America to close the infrastructure gap. There are both physical infrastructural challenges as well as institutional and regulatory challenges in LLDCs. We are glad that today we have with us countries like Sweden which have fulfilled their ODA commitments. We encourage others to fulfil the commitment at the earliest.

Second: Domestic resource mobilization for infrastructure financing remains critical in the LLDCs and their transit partners, as it is the most sustainable way to finance development needs. Policy measures at the national level for widening the revenue base, improving tax collection, combating tax evasion and illicit financial flow are important. However given the low level of development in many of the LLDCs, domestic public finance alone will hardly meet the total financing needs for infrastructure development and regional integration. All sources of finance – public and private, domestic

and international –are essential, and they should be complementary and mutually-reinforcing.

Third: While the Vienna Programme of Action recognizes that the development of any country is the primary responsibility of the country itself, it underscores the importance of strengthened and expanded partnerships between LLDCs, their transit neighbours, their development partners and other stakeholders in addressing the challenges of landlockedness. ODA remains a critical source of external finance for many LLDCs. In 2013, net ODA to LLDCs increased slightly by 7.6% compared to 2012, to \$24.7 billion. However, this is still well below the level of 2010. The Vienna Programme of Action calls upon development partners to urgently fulfil existing commitments on ODA. Linked to this is the need to enhance Aid for Trade which is critical for assisting LLDCs in trade related infrastructure building.

Fourth: There is great potential in South-South and triangular cooperation. Some partners from the South have supported infrastructure development in many LLDCs particularly roads. Therefore developing countries should, under the spirit of South-South Cooperation, provide more support, in order to aid sustainable development efforts of the LLDCs.

Fifth: The role of multilateral and regional development banks, in providing financing as well as technical capacity building for infrastructure development is crucial. In line with the current discussions in the Financing for Development, they should address gaps in trade, transport and transit

related regional infrastructure in LLDCs, including by completing missing links and improving regional connectivity. The efforts that they are currently undertaking are acknowledged and greatly appreciated. In 2014, The World Bank launched a new Global Infrastructure Facility. We also take note of and appreciate the recently established BRICS development bank and the Asian Infrastructure Investment Bank as new sources for infrastructure resources. As the infrastructure financing gap is large, so more needs to be done. The Livingstone Call for Action that was adopted last month at a follow-up meeting to the Second UN Conference on the LLDCs requests multilateral financial and development institutions and regional development banks to establish dedicated infrastructure funding for the LLDCs. It also calls upon them to provide the LLDCs with a special window for allocation of resources for infrastructure development and maintenance. They need special instruments and vehicles that can help them derisk investments, attract new finances including through blended finances.

Furthermore, what we are looking at is promoting the concept of economic corridor with infrastructure development so that the feeder roads can be developed to connect with and create new economic activities and link the informal economy with formal economy to promote scale and competitiveness.

The current draft outcome document of the Financing for development calls for the establishment of a global infrastructure forum building on existing multilateral collaboration mechanisms, and led by the multi-lateral development Banks. It is important that when this forum is established

issues of transit transport infrastructure development for LLDCs and their neighbours are given due priority.

Fifth: regional integration has a great role to play in making their economy competitive and enhancing their product diversity. Linking with regional value chain, linking up infrastructure with transit collaboration and customs modernization and coordination, including regional economic integration will greatly help boost the economic potentials of LLDCs. Therefore they need to be fully supported by international community to promote regional and subregion all integration.

Sixth: I wish to underscore the need for enhanced role of the private sector including through public-private partnership (PPP) in providing investment towards infrastructure development and maintenance. We need to mobilize more private finance for infrastructure development. Broader participation of the private sector including long-term investors such as insurance companies, pension funds and sovereign wealth funds can serve as alternative sources of financing, as the life cycles of infrastructure assets match their long-term liabilities. There should be targeted support to them to create right instruments and regulatory mechanisms to attract such investment in infrastructure.

Finally: Let me stress on capacity building. I understand that a major challenge related to financing for infrastructure development is the need to develop bankable projects – commercially viable and sustainable infrastructure investments. I suggest that the LLDCs and their transit

neighbours be provided with a comprehensive and long term capacity building support in order to help them develop bankable projects.

Investments in infrastructure and regional integration have an immense potential to enhance economic growth through building productive capacity, competitiveness and diversification for structural transformation.

I hope that in our discussions today we will share experiences, perspectives and examples on how countries have secured increased resources to close the infrastructure financing gap. Better infrastructure will lead towards development of a dynamic and resilient economy which then contributes effectively towards poverty eradication and sustainable development. There are many good examples of that before us.

Allow me to conclude by expressing OHRLLS's full commitment to working with all Member States to support the LLDCs and transit neighbours to raise the resources that they need to improve infrastructure and deepen regional integration.

I thank you.