Resource Mobilization for Sustainable Transport for LLDCs

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Financing needs for sustainable transport are high

- **Hard infrastructure** - close the infrastructure gaps, upgrade, expand the transport networks, develop the supportive and ancillary infrastructure, resilient infrastructure
- **Soft infrastructure** - Legal and regulatory frameworks
- **Enhance Human and institutional capacity building**
- **Technologies for sustainable transport**
- **Regular data collection**

The Addis Ababa Action Agenda notes that the annual infrastructure gap in developing countries is about $1 trillion to $1.5 trillion. The international community agreed to bridge this gap through enhanced financial and technical support.
Sources of Funding

1. Domestic Resource Mobilization
2. Official Development Assistance including Aid for Trade
3. International private financing – FDI
4. Role of Financial Institutions
5. South-South cooperation
6. Regional Integration and Cooperation
7. Technical support/capacity building
8. Other Sources
Domestic Resource Mobilization

- Major source of domestic resources reported by LLDCs - road funds and budget allocations
- It is a sustainable source but not adequate
- ECLAC estimates, each country in the region should annually invest 6.2% of its GDP to satisfy its infrastructure demands in the period 2012-2020. Allocations 2.7% of regional GDP.

- Addis Ababa Action Agenda – enhance domestic resource mobilization by broadening the tax base and strengthening tax administration; and to substantially reduce illicit financial flows
Enhancing ODA

• ODA remains the main source of external financing, accounting for 10 per cent or more of GNI in 8 LLDCs in 2014, and between 5% and 9.9% in 7 countries.
• SDG 17 Target 2 calls on developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of ODA/GNI to developing countries.
• Increase ODA to economic infrastructure
• Leverage ODA to attract private sector financing for infrastructure development
Aid for Trade

• Aid for trade to LLDCs doubled since 2002.
• Disbursements to LLDCs were $6.49 billion in 2014, down from $6.7 billion in 2013.
• Most support is going to economic infrastructure (56 per cent) and building productive capacities (41 per cent).
• Given the importance of aid for trade in addressing the special needs of LLDCs - disbursements need to be enhanced and funds allocated to regional projects as well.
Aid for Trade

LLDCs - Aid for trade disbursements, Constant Prices (2013 US$ millions)
Foreign Direct Investment

- However FDI flows have been declining in the past 3 years.
- Poor destination – only 2.4% of global flows (2014)
- Concentrated in few LLDCs (4 LLDCs almost 70% of group’s total)
- Majority of FDI to LLDCs is in extractive industries
- Assist LLDCs to attract and retain FDI and channel it to infrastructure development
- LLDCs to create enabling environment for investing.
- Strengthen capacity of LLDCs to negotiate with multinationals
FDI flows LLDCs

LLDCs Inward foreign direct investment flows
(US $ current prices in millions)
International and regional financial Institutions/Banks

- AAAA invited MDBs and IFIs to continue providing both concessional and non-concessional stable, long-term development finance to support the 2030 Agenda and established Global Financial Infrastructure Forum.
- New banks - the New Development Bank (BRICS) and Asian Infrastructure Investment Bank (AIIB) in 2015
- Livingstone Call for Action – LLDCs call for new and additional funding from development banks.
- Also call for MDBs and regional development banks to establish dedicated infrastructure funding for the LLDCs and special windows to meet their needs.
- Should consider special instruments to help the LLDCs de-risk investments, - blended finances and targeted longterm concessional loans for critical infrastructure.
South-South and triangular cooperation

• The Addis Agenda appreciated the South-South cooperation as an increasingly important element of international development cooperation.

• Comprehensive data is not available, corporations from the global South, in particular from China and India, accounted for 41 per cent of FDI to LLDCs in 2011.

• China has supported infrastructure development in LLDCs. China’s $40 billion Silk Road Infrastructure Fund.

• **Foster South-South cooperation through sharing of best practices and experiences and knowledge, increased investment, transferring of appropriate technologies etc**
Regional infrastructure financing initiatives

- Regional Infrastructure Funds can help pool resources to support sustainable transport.
- Each of the regions with LLDCs have a regional programme aimed at mobilizing resources for infrastructure development:
  - PIDA – Africa,
  - COSIPLAN Project Portfolio – Latin America
- The ASEAN Infrastructure Fund is an innovative ASEAN initiative to mobilize the region's resources for its infrastructure development needs.
Technical support/capacity building

• Donors, UN, multilateral institutions, regional development banks, regional and sub-regional organizations - support
  • Technical assistance/capacity building
  • Technology transfer
  • Data collection/analysis
  • Specific studies

• Other Sources of resources
Conclusion

• Enhance domestic resource mobilization and prioritize allocation towards infrastructure development

• ODA remains critical, and should be leveraged, as appropriate, to attract additional financing for infrastructure development

• Support and encourage FDI flows to LLDCs and need for supportive environment to nurture and support the private sector

• Need for special windows or specific dedicated funds to meet the needs of LLDCs.

• Promote use of blended financing
Thank You