“Financing Sustainable Transport Infrastructure for Enhanced Connectivity of Landlocked Developing Countries”

Report of the Side Event held at the Global Sustainable Transport Conference

26 November 2016
Ashgabat, Turkmenistan

Organized by UN-OHRLLS, Government of Zambia and UNECA
EXECUTIVE SUMMARY

This is a report of the Side Event on “Financing Sustainable Transport Infrastructure for enhanced connectivity of landlocked developing countries” held on 26 November 2016 in Ashgabat, Turkmenistan in the margins of the Global Sustainable Transport Conference. The event was jointly organized by the United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), the Government of the Republic of Zambia and the United Nations Economic Commission for Africa (UNECA).

The objective of this side event was to provide a platform for Member States and partners to share experiences on financing of sustainable transport infrastructure and make suggestions on how to better mobilize and utilize available resources. The event was also used to launch the report on the 16 cross-border infrastructure projects for Africa’s integration that have been deemed ready for private sector financing by the 2014 Dakar Financing Summit.

The meeting underscored the crucial role of efficient and sustainable transport in helping LLDCs to achieve the objectives of Vienna Programme of Action (VPoA) and sustainable development goals and to finally transform them from landlocked countries into land-linked countries. Participants commended the efforts made by LLDCs to expand transport and its related infrastructure in cooperation with transit countries and development partners. They nevertheless noted that the progress that has been made is not enough to fully address the huge connectivity challenges facing LLDCs and thus more need to be done to close the transport infrastructure gap.

The meeting noted that financing of sustainable transport infrastructure requires an integrated approach. It requires that LLDCs and their neighbouring countries work together to identify and prioritize the required projects and working together to mobilize adequate resources to ensure the completion of the projects. Participants emphasized that all modes of transport need to be considered and developed along with the associated ancillary infrastructure to service the corridors. Development corridors are important to help stimulate structural transform in both the LLDCs and transit countries. The development of hard infrastructure should be matched with the development of the soft infrastructure in order to reduce the number of barriers in transit and at the borders thereby reducing the costs of trade that the LLDCs face. This includes promoting the applicable policies, laws and regulations to facilitate transit and the investment of transport projects.

The meeting noted that resources were required for financing infrastructure development and also for capacity building. Participants underscored that all sources of financial resources were very important to support sustainable infrastructure development including Official Development Assistance, Aid for Trade, South-South cooperation as well as the private sector investment. They also noted the importance of leveraging ODA for an increased role of the private sector in infrastructure development.
A. Introduction

The United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) in collaboration with the Government of the Republic of Zambia and the United Nations Economic Commission for Africa (UNECA) organized a side event “Financing Sustainable Transport Infrastructure for enhanced connectivity of landlocked developing countries” on 26 November 2016 in Ashgabat, Turkmenistan in the margins of the Global Sustainable Transport Conference. The aim of this side event was to provide a platform for Member States and partners to share experiences on financing of sustainable transport infrastructure and make suggestions on how to better mobilize and utilize available resources.

The event was chaired by H.E. Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative for the Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS). Panelists included: H.E. Mr. Brian Mushimba, Minister of Transport and Communications of the Republic of Zambia and Global Chair of the LLDC Group; H.E. Mr. Milton Claros Hinojosa, Minister of Public Works and Housing Services, Bolivia; Mr. Umberto de Pretto, Secretary General, International Road Transport Union (IRU); Mr. Toru Hasegawa, Deputy Director, Economic Development, Air Transport Bureau, International Civil Aviation Organization (ICAO); and Mr. Soteri Gatera, Chief of Industrialization and Infrastructure Section, UNECA. The presentations by the panelists were followed by exchange of views and interactive discussion.

The event was attended by about 40 participants from LLDCs, transit and donor countries, international and regional transport organizations, the private sector and other stakeholders as shown in the participant list in the annex.

B. Proceedings

In his opening remarks, Mr. Gyan Chandra Acharya, Under-Secretary-General and High Representative stressed that transport is of paramount importance in fueling economic growth and development, which is especially crucial for LLDCs who are faced with special challenges arising from their geographical constraints and resulting in them incurring high trade and transport costs. He reminded the meeting that the Vienna Programme of Action (VPoA), the 2030 Agenda for Sustainable Development and other global frameworks attached great importance to sustainable transport and that the 2030 Agenda and the Addis Ababa Action Agenda reaffirmed the need for the international community to give LLDCs special attention and to address their special challenges and needs.

The high representative underscored the key role of sustainable and efficient multi-modal transit transport systems with effective trade facilitation measures and supportive energy and ICT infrastructure in creating development corridors for LLDCs, facilitating their full integration into the regional and global markets, and finally transforming them from landlocked countries into land-linked countries. In that regard, he urged the need to close the transport infrastructure gap, the missing links, expand and upgrade all modes of transport infrastructure needed in the cities and rural areas and to connect the LLDCs to sea ports and to build resilient transport infrastructure. He also stressed that transport systems need to be sustainable to avoid the negative environmental,
social and economic impacts such as air pollution and harmful greenhouse gas emissions.

Mr. Acharya further informed the meeting that the investment needs to support the LLDCs to make transport systems sustainable, are very high due to the limited resources and capacity in these countries. Therefore, he highlighted the necessity for higher level of infrastructure financing in terms of both quality and quantity through greater partnerships between governments, the private sector, regional, international organizations, civil society, North-South and South-South cooperation.

Regarding the role of multilateral and regional development banks, the High Representative emphasized that they are extremely crucial in providing financing as well as technical capacity building for infrastructure development. He underlined that notwithstanding the great efforts that the financial institutions are currently undertaking, more need to be done in the form of dedicated infrastructure funding for the LLDCs and special instruments and vehicles that can help them de-risk investments, attract new finances including through blended finances. In that regard, he called upon the LLDCs to actively participate in the Global Infrastructure Forum that will be hosted in the future by different development banks and to advocate for dedicated funding or special facilities to help bridge the infrastructure gap.

Finally, Mr. Acharya highlighted the crucial role of capacity building support particularly in developing and implementing bankable projects and in developing the relevant policies and regulatory reforms to nurture a strong enabling environment that can encourage greater investment.

In his statement, H.E. Mr. Brian Mushimba, Minister of Transport and Communications of the Republic of Zambia and Global Chair of the LLDC Group indicated that the LLDCs attach great importance to financing transport infrastructure, which is cardinal to the achievement of the objectives and priorities of the VPoA. Given the high cost of infrastructure development and maintenance particularly for the transport sector, he emphasized the need for collaboration and support in all areas including mobilizing international public resources, mobilizing Official Development Assistance, Aid for Trade, as well as enhanced partnerships through North-South, South-South Cooperation and the private sector which are essential for the VPoA and the realization of sustainable development goals.

Minister Mushimba noted that LLDCs’ specific challenges of geographical constraint and lack of territorial access to the sea compounded by poor transit transport infrastructure contributes to high trading costs which are more than double that of the coastal countries. He indicated that LLDCs are still marginalized from international markets, accounting for only 1% in global exports. He also reminded the meeting that the VPoA and the 2030 Agenda recognized the importance of sustainable transport and the special needs of LLDCs.

Minister Mushimba commended the efforts made by LLDCs to expand and upgrade all modes of transport and border crossing infrastructure in cooperation with the transit countries and the development partners. However, he underlined that despite the progress in developing highway networks in Asia, Africa and Latin America regions, the road transport transit networks continue to have major missing links between key origins and destinations, and that capacity constraints and high accident rates are also often of great concern. In that regard, he stressed that LLDCs require smooth implementation of the inter-governmentally agreed trade facilitation measures to promote
the effective use of the transport infrastructure in addition to having reliable, seamless and efficient transit transport systems with well-maintained transport infrastructure.

Minister Mushimba further recalled the High-Level Meeting on Sustainable Transport of LLDCs that was held in Bolivia last month at which the challenges posed by inadequate infrastructure and the importance of mobilizing resources to fill the infrastructure gap were discussed in detail. He noted that the Ministerial Declaration adopted at the meeting stressed the need for partnerships that are mutually beneficial for the improvement and regular maintenance of infrastructure connectivity and encouraged landlocked and transit countries to allocate a greater share of their public investment to the development and maintenance of sustainable transport infrastructure. He therefore called for greater partnerships with the cooperating and donor partners as well as the private sector to support financing efforts including through the promotion of public-private partnerships and encouraged the international financing institutions in collaboration with other stakeholders to establish dedicated infrastructure funding to provide LLDCs with a special window and facilities for allocation of resources.

Minister Mushimba concluded by welcoming the launch of the Global Infrastructure Forum led by the multilateral development banks on 16 April 2016 in Washington, DC and encouraged participants to advocate for the Forum to address LLDCs’ infrastructure needs in a focused manner as well as the Global Infrastructure Facility established by multilateral development banks from which LLDCs should be given special priority in accessing funds.

In his presentation, **H.E. Mr. Milton Claros Hinojosa, Minister of Public Works and Housing Services of Bolivia** indicated that his country has been investing in all the modes of transport – road, railway, and air. He noted that his country has also been making efforts to improve their connectivity to other countries. He indicated that LLDCs need to be better connected to seaports and underscored the need for LLDCs and transit countries to work in partnership to improve transit connection.

In his presentation, **Mr. Umberto de Pretto, Secretary General of International Road Transport Union** highlighted the importance of efficient road transport in expanding supply chains and market distribution opportunities, enhancing regional economic integration, helping achieve sustainable development goals, and finally transforming landlocked countries into land-linked countries.

He underlined that however, there are often barriers that hinder effective road transport and thus its economic and social benefits. For example, the IRU’s New Eurasian Land Transport Initiative (NELTI) highlights that over 57% of road transport time is lost at borders due to inappropriate procedures and that 38% of transport costs are related to illicit payments and corruption, exacerbated by long border waiting times. In that regard, he stressed the crucial importance of good roads along with associated infrastructure such as secure parking areas, hotels and fuel stations, as well as continued support of governments and financial institutions, in particular the development banks.

Mr. de Pretto indicated that IRU has taken a lead with promoting innovative financing mechanisms with its Model Highway Initiative which is focused on the modern routes of the Silk Road through Central Asia and aims to design and build, with public-private partnerships,
exemplary sections of the road with ancillary infrastructure. He also emphasized that the continuing support of the international financial community and the governments of the region is of utmost importance in fully implementing this initiative and helping the landlocked countries of this region to boost trade and prosperity.

Mr. de Pretto noted that software elements of transport (processes, rules and services) are also essential along with the hardware elements (good roads and related infrastructure). In that regard, he highlighted the paramount importance of streamlining customs procedures through ratifying and implementing key UN multilateral trade and road transport facilitation instruments, particularly the TIR and Harmonization Conventions which have been confirmed and endorsed by VPoA, in order to facilitate international transport and trade in landlocked developing countries.

He further informed the meeting of the study which compared the cost of acquiring a transit guarantee on key transport corridors in East and Southern Africa with the cost of acquiring a TIR carnet. The results of the study showed that the potential impact of TIR on reducing the costs of trade is up to 15 times less expensive than current transit regimes.

Mr. de Pretto finally indicated that the UN TIR Convention is a proven solution that has worked for almost seven decades across Europe and Eurasia. With minimal investment, it has the potential to bring huge gains to transport and trade for landlocked developing countries, helping turn them into prosperous land-linked countries.

In his presentation, **Mr. Toru Hasegawa, Deputy Director of Air Transport Bureau at International Civil Aviation Organization (ICAO)** informed the meeting that the aviation sector created 2.8 trillion dollars in value and job opportunities for 65 million people. He underlined that despite its huge contribution to economies and societies, the aviation sector has so far received limited public attention in the context of sustainable development. He indicated that ICAO, in cooperation with the United Nations, Member States and international organizations, is developing a universally-accepted methodology to measure aviation’s GDP relative to overall economic activity in order to better showcase the economic benefits of aviation to the public.

He noted that although passenger traffic originating from LLDCs (a total of 26.5 million flying to approximately 2,100 destinations in 2015) is 2.1 per cent of the world traffic, aviation represents an essential lifeline to enhance connectivity, which in turn promotes greater tourism, trade and other vital business activities of LLDCs.

Mr. Hasegawa informed the meeting that global air traffic will double by 2030, placing an increased pressure on existing aviation infrastructure. In that regard, he urged the need for a large number of investments over a long period of time and the collaboration of multiple States to modernize and expand aviation infrastructure, in order to fully play the role of air traffic in driving economic development.

He further showed his concern that air transport received a mere 4.2% (USD 4.6 billion) of the total Official Development Assistance (ODA) provided by all donors for economic infrastructure and services for the past decade (2005-2013), whereas road transport was allocated a share of 54.7% which amounts to USD 60.9 billion. Therefore, he strongly encouraged States, especially LLDCs,
to incorporate the aviation sector into the integrated transport system and prioritize aviation in their development plans in order to maximize its benefits.

He finally emphasized that the special needs and structural characteristics of LLDCs should be taken into account in the coordination, prioritization, facilitation and implementation of assistance programmes, for example, through the ICAO Aviation Partnerships for Sustainable Development and various assistance platforms.

In his statement, Mr. Soteri Gatera, Chief of Industrialization and Infrastructure Section of UNECA, reminded the meeting of the Dakar Financing Summit on Infrastructure which recognized the importance of transboundary transport infrastructure in regional integration as well as its crucial role as a peace locomotive and growth catalyst to ignite growth, deliver on SDGs and drive climate action.

He noted that the challenge for the African LLDCs is not only to secure the benefits from increased infrastructure investment but to also ensure that the transport infrastructure is sustainable and of the right type. He underlined that notwithstanding the immense resources of Africa to respond to many of its transport needs, transport infrastructure picture in Africa is rather sordid, with only 19% of the roads outside North Africa paved. Further, the transport costs are 100% higher than in other developing countries.

He pointed out two possible major reasons for African’s failure to generate adequate financial resources for transport needs despite the vast resources that it has: (i) the lack of applicable policies, laws and regulations to assist the investment of transboundary transport projects; (ii) outright cancellations, currency devaluations and price controls in member States. He informed the meeting that the UNECA is currently undertaking the harmonization of policies, laws and regulations pertaining to investment in transport infrastructure in Africa in order to have a single framework for investment in transboundary infrastructure so as to expand the investment space immediately.

Mr. Gatera informed the meeting that the Global Advocacy Tool requested by the Dakar Financing Summit has been completed and is being launched at this event. Titled “Infrastructure Projects for African Integration”, the book deals with issues regarding how viable these projects are, their strategic importance, technical specifications, political support and sub-regional ownership. It also deals with available resources within Africa and eight instruments through which they can be mobilized.

C. Discussion

In the ensuing discussion, participants underscored the importance of mobilizing resources to invest in all modes of transport – road, rail, maritime and air. Participants noted that road infrastructure tend to yield quicker returns and can pay itself off faster than the other modes of transport. The meeting noted that the road transport was necessary to support the other modes of transport. The meeting underscored that where it is cost-effective, it is important to develop all modes of transport to improve the connectivity of the LLDCs and to stimulate structural transformation. Participants also noted that converting LLDCs into land-linked countries require
all modes of transport. For example the Nepalese delegation indicated that if good infrastructure including both road and rail transport systems is developed in the country, this could help it to become land-linked and be the bridge between India and China.

The meeting underscored the importance of soft infrastructure. Participants encouraged LLDCs and their neighbours to ratify international conventions that promote transit facilitation and to adopt bilateral agreements that address the issue of landlockedness.

The meeting noted that financing has to be planned together/jointly by all members at bi-lateral, subregional or regional levels. At the bi-lateral level, the meeting stressed that it was very important for neighbouring countries to work together particularly on transboundary transport infrastructure. An example was provided of a road that was constructed in Zambia that would require working together with the neighbouring country Zimbabwe to support the continuation of the road across the border.

Financing of transport corridors that provide the LLDCs with access to the seaport should be done by all concerned member states at a regional level. The concerned states should plan, prioritize projects and mobilize resources together in a regional approach. The example of the Northern corridor in Africa was provided where a regional approach is being used.

The meeting also noted that Europe planned as a region to prioritize rebuilding of infrastructure after the world war. Europe also made efforts as a region to improve the soft infrastructure particularly at the borders. Through regional efforts the landlocked countries in Europe were able to transform to become developed. In this context, participants were informed that in Africa a regional approach being driven by African Union, UNECA and African Development Bank is being used to promote infrastructure development in line with Agenda 2063.

The meeting noted that resources were required for financing infrastructure development and also for capacity building. Participants underscored that all sources of financial resources were very important to support sustainable infrastructure development including Official Development Assistance, Aid for Trade, South-South cooperation as well as the private sector investment. They also noted the importance of leveraging ODA for an increased role of the private sector in infrastructure development.

D. Closing

Mr. Acharya highlighted some of the key points that were raised in the meeting. He indicated that financing of sustainable transport infrastructure requires an integrated approach. It requires working together with other countries to identify the projects and working together to mobilize adequate resources to ensure the completion of the projects. He noted that all modes of transport need to be considered and developed along with the associated ancillary infrastructure to service the corridors. He stressed that development corridors are important to help stimulate structural transform in both the LLDCs and transit countries. He emphasized that development of hard infrastructure should be matched with the development of the soft infrastructure in order to reduce the number of barriers in transit and at the borders thereby reducing the costs of trade that the LLDCs face. He then closed the meeting.
E. **Annex: List of Participants**

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**Bolivia**
4. H.E. Mr. Milton Claros Hinojosa, Minister of Public Works and Housing Services, Bolivia

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