

Accelerating Inclusive and Sustainable Development in Landlocked Developing Countries (LLDCs) Through Structural Transformation: Pursuing Policy at the Nexus of Infrastructure and Industrialization

Concept Note for the High-level Side Event at High-level Political Forum 2017

Co-organized by: Permanent Mission of Austria, Permanent Mission of Republic of Zambia, United Nations Office of the High Representative of Least Developed Countries, Landlocked Developing Countries and Small Islands Developing States (UN-OHRLS), and United Nations Industrial Development Organisation

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1. Background and Theme

The High Level Political Forum's 2017 theme of "eradicating poverty and promoting prosperity in a changing world" is particularly relevant for the 470 million people living in 32 landlocked developing countries (LLDC), spread over four continents. These countries face multiple development challenges linked to their geographical position, resulting in high trade and transport costs. Their marginalization in the global economy is exacerbated by their geographical handicaps, including small size, remoteness and isolation from major international markets and prohibitively high trade transaction costs. These challenges are further exacerbated by inadequate infrastructure constraints and lack of structural transformation and economic diversification of their economies.

The higher trading costs lead to diminished export competitiveness, reduced attraction for FDI and decreased industrialization. Between 2005 and 2015, the value-added of the manufacturing sector as a percentage of GDP in LLDCs declined from 11.8 to 10 per cent of GDP. This implies a decline in industrialization in the LLDCs. In addition, the share of manufactured goods in total exports from LLDCs decreased from 21 per cent in 2000 to 13 per cent in 2014, while around 70 per cent of imports to these countries were manufactured products. The majority of the LLDCs are still marginalized with respect to international trade as the share of their global exports in 2015 was only 0.96 per cent. Four LLDCs in Central Asia account for 55 per cent of the group's total merchandise exports, while 20 countries account for 2 per cent each. The LLDCs' export structure is dominated by limited number of products – mostly low-value agricultural products and mineral resources. LLDCs are yet to fully participate in global and regional value chains – which account for a rising share of international trade.

Establishment of a robust and competitive industrial sector in LLDCs will require a strong supportive infrastructure - particularly in the transport, energy, and information communication technology sectors - that is critical to reduce the high trading costs that they face, and improve their competitiveness. Prioritizing industrialization enabled by infrastructure is not only effective but critical in increasing the export potential of the LLDCs, and in driving their sustainable and inclusive development in the near-term.

For example, LLDC's Ethiopia, Laos, and Mongolia have made considerable progress in this regard. Over a 15-year period, these countries had an average annual growth in manufacturing value added of 10.4%, 9.43%, and 5.6%, respectively. By championing development agendas effectively utilizing infrastructure and policy incentives to foster industrialization, much of this development has been inclusive – all three countries reduced their poverty headcount ratios by over 15% during this period.

How can all LLDC's get on a similar path to transformation? The priority areas of the Vienna Programme of Action (VPoA) provides a comprehensive framework to tackle LLDCs' structural limitations through mutually reinforcing 6 priority areas that include fundamental transit policies, infrastructure development and maintenance, international trade, regional integration and cooperation, structural economic transformation, and means of implementation. It reflects a deeper understanding of the challenges that prevent LLDCs from achieving inclusive economic growth and sustainable development.

Recent events focussed on the LLDCs have underscored the importance of addressing infrastructure and industrialization. The declaration adopted at the Fifth Meeting of Trade Ministers of LLDCs held in June 2016, underscores that the development and maintenance of transit transport, energy and information and communications technology infrastructure are crucial for LLDCs in order to reduce high trading costs, improve their competitiveness and become fully integrated in the global market. The recommendations adopted at the OHRLLS, the Government of Austria, UNIDO and SE4All High-Level Seminar on Accelerating Sustainable Energy for All in LLDCs through Innovative Partnerships held in October 2016, stress the need to develop the energy sector in order to the strengthen industrial capacities in the LLDCs. The recommendations of the High-Level Meeting for the Euro-Asia Region on Improving Cooperation on Transit, Trade Facilitation and the 2030 Agenda for Sustainable Development held in March, 2017 emphasize that LLDCs should create a conducive environment for industrial development including through building infrastructure, building productivity capacity, and enhancing the services sector.

This High-Level Side Event is an opportunity for LLDCs and their partners to review the progress that has been made towards economic structural change and to review LLDC-specific strategies that utilize infrastructure to foster industrialization that can spur rapid growth and widely-distributed prosperity. The event will address the following questions:

- a) What are the key infrastructure and policy challenges for industrial sector growth and trade competitiveness specific to LLDCs?
- b) What lessons can be replicated from existing, successful practices – such as improved regional integration, effective participation in value chains, use of spatial industrial policy and industrial agglomeration, and public-private partnership – to foster infrastructure development for industrialization efforts in LLDC's?
- c) How can LLDC's leverage multi-stakeholder partnerships and public-private partnerships to strengthen infrastructure, industrialization and innovation?
- d) What are the key policy recommendations to overcome challenges arising from landlockedness in order to promote achievement of Vienna Programme of Action and SDG 9, and overall achievement of sustainable development by the LLDCs?

2. Expected Outcome

The event will increase awareness and share key policy tools on infrastructure development and industrialization for achieving sustainable development in the LLDCs. The session will examine how LLDC's – through a synergistic consideration of the nexus – can develop policies and implement programmes that will fast-track the industrialisation process and ensure the achievement of the 2030 Agenda.

3. Format and Programme

The event will feature an open panel discussion consisting of different stakeholders from the UN, other international organizations, and academia followed by an interactive dialogue with members of the audience. There will be seven LLDCs participating in the Voluntary National Reviews during the HLPF and they will be invited to share their experiences on SDG 9 in this side event. Participants will include Member States, United Nations organizations, as well as representatives from academia, the private sector, and civil society.