



## **Expert Group Meeting on Financing Infrastructure Development for enhanced integration of the LLDCs into global trade**

**4 and 5 October 2017**

**Conference Room 11  
UNHQ New York**

### **Context of the meeting**

Landlocked developing countries (LLDCs) face development challenges owing to their geographical disadvantage of lacking direct territorial access to the sea and their remoteness and isolation from world markets. Critical infrastructure deficiencies, long distances to ports and poor trade facilitation result in high transport and overall trade costs. The LLDCs pay almost double in trade costs when compared to their neighbouring coastal countries. These high costs reduce competitiveness, diminish export profits, inflate the prices of imported inputs for manufacturing, discourage investment and undermine LLDCs' efforts to fully gain benefits from global flows of knowledge, technology, capital and innovation.

Reducing the high costs and improving the export competitiveness of the LLDCs requires addressing both the hard physical infrastructure, and the soft infrastructure. It requires the LLDCs and transit countries to work together to provide adequate physical infrastructure in the transport, energy and ICT sectors. Development of quality and adequate transport infrastructure such as roads, railroads, seaports, and airports is important for connecting the LLDCs to the markets. Adequate and quality infrastructure at the borders is a vital element for the reduction of border congestion and costs. The WTO TFA indicates to "make available, where practicable, physically separate infrastructure (such as lanes, berths and similar) for traffic in transit". Improved trade facilitation requires the establishment of one stop border posts or joint controls that require border infrastructure. A robust ICT infrastructure is necessary to speed up transit procedures, increase connectivity, information and data exchange, and increased productivity of the customs administrations and other border agencies, contribute to the decrease of processing time for transit operations, reduce trade costs, and stimulate economic growth. Reliable and sustainable energy is required to support faster customs clearance, border crossing, tracking of shipment that is in transit and for enhanced overall trade facilitation.

The Vienna Programme of Action (VPoA) for the LLDCs for the decade 2014 to 2024 underscores the importance of partnerships between LLDCs and transit countries for the development/improvement and regular maintenance of their transport, energy and ICT infrastructure and stresses the importance of promoting enabling legal environments and institutional arrangements.



The 2030 Agenda for Sustainable Development underscores the importance of international trade as an engine for inclusive economic growth and poverty reduction, and as an important means to achieve the Sustainable Development Goals (SDGs). SDG 9 on resilient infrastructure and industrialization stresses the important role of infrastructure, SDG 11 includes a target to provide access to safe, affordable, accessible and sustainable transport systems for all and SDG 7 focuses on energy in sustainable development. The 2030 Agenda acknowledges that the most vulnerable countries, including LLDCs deserve special attention and VPoA is an integral part of the 2030 Agenda.

The Addis Ababa Action Agenda (AAAA), which is an integral part of the 2030 Agenda, emphasizes the importance of infrastructure investment for achieving the SDGs. It notes “that both public and private investment have key roles to play in infrastructure financing, including... mechanisms such as public-private partnerships.” The AAAA also recognizes the special challenges and needs of the LLDCs and stresses the need to support the LLDCs to enable them to structurally transform their economies, harness benefits from international trade, and develop efficient transport and transit systems.

The latest report of the Secretary-General notes the efforts that are underway to expand and upgrade road and rail transport infrastructure in all the regions with LLDCs. It however indicates that more needs to be done to close the missing links in the road and rail networks; to expand and improve the existing networks; and to further develop air transport infrastructure and inland waterways.

Regarding energy infrastructure, the report notes that the average proportion of population with access to electricity in LLDCs increased from 41.9% in 2010 to 48.5% in 2014, however the LLDCs still lag behind the world average. Furthermore, at least two thirds of the LLDCs’ population relies on traditional use of biomass for cooking, underscoring the urgent need for improved access to clean and modern cooking energy. With regard to ICT, the LLDCs have experienced strong growth in mobile cellular subscriptions that increased from 3.1 per 100 people in 2003 to 71.9 in 2015, and the average internet users increased from 1 per 100 people in 2003 to 20.5 in 2015. While this is an achievement, the LLDC group lags behind other groups of countries. Furthermore, the LLDCs still face high costs of broadband. Whereas a monthly fixed broadband price is 5% of average per capita monthly income in developed countries, and 20% in transit developing countries, it is 72% in LLDCs. More efforts are required to lower these prices.

The recent relevant meetings of the Group of LLDCs include the High-level meeting on sustainable transport of LLDCs - held in October 2016 in Santa Cruz, Bolivia; the High-Level Seminar on Accelerating Sustainable Energy for All in LLDCs through Innovative Partnerships held in Vienna in October 2016; the fifth meeting of trade ministers of LLDCs that was held in June 2016 in Geneva, and the High-Level Meeting for the Euro-Asia Region on Improving Cooperation on Transit, Trade Facilitation and the 2030 Agenda for Sustainable Development in that was held in



Hanoi, Viet Nam held in March 2017. These meetings have reaffirmed the importance of enhancing development and maintenance of transport, energy and ICT infrastructure for lowering transaction costs and for the achievement of the SDGs in the LLDCs and stressed the need to accelerate the implementation of the VPoA.

At the 2017 Global Infrastructure Forum, the multi-lateral development banks agreed to deepen their collaboration to encourage private sector investment in infrastructure development, by joining forces to co-finance projects, helping to generate interest among private sector investors in Public-Private-Partnerships and the development of infrastructure as an asset class for institutional investors. The Belt and Road Initiative by China is making progress that is important for the LLDCs. At the Belt and Road Forum held in May 2017, some of the relevant achievements of the initiative were highlighted to include: China-Laos railway, and Addis Ababa-Djibouti railway. The initiative has also created financing mechanisms specifically to carry out the Belt and Road vision, including the multilateral Asian Infrastructure Investment Bank and China's Silk Road Fund.

In order to achieve the specific objectives of the VPoA within the ten years of its implementation, there is need for mobilization of adequate financing for infrastructure development. The investment needs for infrastructure development to support the inclusive growth and sustainable development of LLDC are high. The need for higher levels of infrastructure financing is critical in terms of both quality and quantity. 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.

Whilst domestic resources are a more sustainable way of raising resources for infrastructure development, LLDCs have limited capacity to meet the total financing needs for infrastructure development. Meeting the infrastructure needs in LLDCs will require deploying financial resources, both public and private, technical capacity-building assistance and exploring innovative partnerships. There is also need to foster a regional approach in infrastructure development in particular for transport, ICT and energy.

It is against this background that OHRLLS is organizing the Expert Group Meeting to discuss this issue of the substantial and growing demand for transport, energy and ICT infrastructure for LLDCs that is constrained by limited budgets and borrowing capacity and identify recommendations on how to enhance resource mobilization for infrastructure development.

### **Objectives of the meeting**

The main objective of the meeting is to review how to enhance resource mobilization from the key sources of financing for infrastructure development and maintenance for the LLDCs and provide recommendations that can advance the implementation of the Vienna Programme of Action and support the achievement of the Sustainable Development Goals by the LLDCs.



In this regard the meeting is expected to:

1. Review the key trends of financing transport, energy and ICT infrastructure in regions with the LLDCs – identifying the major challenges and opportunities;
2. Share ideas, lessons and best practices on how to improve use of the different sources of financing - including domestic resources, official development assistance, public and private sector partnerships, South-South and Triangular cooperation, dedicated trust funds and special windows in multi-lateral and regional resources, and innovative sources of funding;
3. Identify other alternative and innovative sources of finance that can be used for infrastructure development and provide guidance on how the LLDCs can access the resources; and
4. Identify recommendations on how to better utilise available resources and how to expand the resource envelope.

The deliberations at the meeting should build on available reports, analysis, think pieces, research papers and statistics.

#### **Expected outcome**

Concrete recommendations on financing infrastructure development will be suggested that are important for accelerating the implementation of the 2030 development agenda, the Addis Ababa Action Agenda and the Vienna Programme of Action for LLDCs. The meeting will suggest how the LLDCs could optimally combine different financing modalities and instruments to address the infrastructure finance needs. The outcome of the meeting will feed into the contributions of the LLDCs to the deliberations of the Global Infrastructure Forum.

#### **Format of the meeting**

The meeting will consist of several sessions focused on discussing the key issues. For each session there will be a panel of experts from different regions and organizations that will make brief presentations to kick start the discussion.

#### **Working Language**

The working language of the Expert Group Meeting is English.

#### **Dates and Venue**

The Expert Group Meeting on “Financing Infrastructure Development for enhanced integration of the LLDCs into global trade” is scheduled to take place at the UN Headquarters in New York, United States of America on 4 and 5 October 2017 in Conference room 11.

#### **Speakers/Participants**

Participants invited to attend the event will include technical experts from the UN, international and regional organisations, officials from LLDCs, transit countries and other Member States, civil society, private sector, and academia.



### **Possible questions for discussion**

1. *What are some of the challenges that the LLDCs face in mobilizing financial resources for transport, border, energy, ICT infrastructure? How can they be addressed?*
2. *What are the trends in using domestic resources to support infrastructure development in LLDCs and transit countries? How can domestic resources towards infrastructure development be enhanced?*
3. *How can ODA be used to better leverage both public and private funding to support infrastructure development?*
4. *What is the role of multilateral and regional development banks in financing infrastructure in LLDCs?*
5. *How can the private sector be tapped as a more significant contributor to develop sustainable infrastructure and services? How can the LLDCs' be assisted to develop bankable projects to tap the private sector at scale for sustainable transport?*
6. *How can the public private partnerships be used to support infrastructure development?*
7. *What are the trends in the South-South support to infrastructure development? How can it be enhanced?*
8. *What are the available initiatives or funding mechanisms/resources on infrastructure development for sustainable transport, energy and ICT that the LLDCs can utilize to support their programmes? How could the LLDCs be assisted to utilize these initiatives or funding?*
9. *How can Climate Financing (e.g. Global Environment Facility, Clean Development Mechanism, Green Climate Fund) be utilized to support transport infrastructure and services and to develop a pipeline of high quality programs and projects that can be taken up by the public and the private sector?*
10. *What are the other alternative and innovative sources of finance that can be used for infrastructure development?*