FINANCING INFRASTRUCTURE DEVELOPMENT FOR ENHANCED INTEGRATION OF THE LLDCs INTO GLOBAL TRADE

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<td>ITT for LLDCs</td>
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<td>LCOE</td>
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EXECUTIVE SUMMARY

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 32 landlocked developing countries because of their geography, require secure, reliable, sustainable, resilient and efficient transit transport systems in order to effectively participate in global trade. They also need other critical infrastructure, such as energy and ICT, to improve their competitiveness and connectivity to global markets.

The infrastructure investment needs for LLDCs are high. 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 utilizing all sources of financial resources, both public and private, development cooperation and exploring innovative partnerships.

Against this background OHRLLS organized the Expert Group Meeting on Financing Infrastructure Development for enhanced integration of the LLDCs into global trade held on 4 and 5 October 2017 in New York to discuss this issue in more depth. The main objective of the meeting was 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 for LLDCs and support the achievement of the Sustainable Development Goals by the LLDCs. The meeting was attended by about 70 participants that include experts from the United Nations System organizations, international and regional organizations, LLDCs, transit developing and donor countries the private sector and other stakeholders.

A. Context

The importance of infrastructure development for connecting the LLDCs to international and regional markets was clearly articulated in the meeting. It was emphasized that infrastructure development and maintenance is a key priority for enhanced implementation of the Vienna Programme of Action for the LLDCs and that effective implementation of the Vienna Programme of Action is necessary for the LLDCs to achieve the 2030 Agenda for Sustainable Development.

The meeting highlighted the investment needs in the regions with LLDCs. For example it was highlighted that for Africa US$93 billion is needed annually for infrastructure development and maintenance. In Latin America it was reported that the infrastructure investment in the region was about 2.2% of GDP yet in order to meet investment needs more than 6% of GDP is required.

B. Trends in financing transport, energy and ICT infrastructure in regions with the LLDCs

The meeting indicated that national governments have played a major role to finance infrastructure development as they finance more than half of global infrastructure and more than 75% of infrastructure in developing countries. Most of the domestic public resources were from domestic taxes; remittances; minerals and mineral fuels; banking revenues; international
reserves; and recovery of illicit financial flows. Domestic private sector resources including stock market capitalization, pension funds, national banks, use of PPPs and others were discussed. It was noted that private sector financing was used more commonly in the ICT and energy sectors.

The meeting noted that ODA to infrastructure has been small compared to other sources and that it has been declining. The proportion of ODA that is grants has been declining and the proportion that is loans has been on the increase. The meeting noted that the Multi-lateral development Banks have played an important role in providing funding for infrastructure development.

The meeting also noted that China has emerged as a major player in infrastructure investment in all the 3 sectors over the recent years. For example Foreign Direct Investment (FDI) from China to Africa grew sharply with a 106% rise in projects, according to Ernst and Young’s Attractiveness Program Africa 2017. New funding sources include the China Development Bank and the China Exim Bank, China Africa Development Fund, China State Construction Engineering Corporation, The Silk Road Fund and the China – Central and Eastern Fund.

The meeting discussed innovative funding mechanisms including climate finance, pandemic emergency facility, project finance special purpose vehicle etc. The meeting discussed trends in other funding such as Africa Growing Together Fund (jointly funded with AfDB), Global infrastructure facility, Investment Facility for Latin America, South-South Climate Cooperation Fund etc.

C. Challenges and recommendations by funding source

The meeting discussed and identified the following challenges and recommendations under each different source of financing for infrastructure development.

1. National Public Finance

The meeting identified several challenges involved in utilizing public resources for infrastructure development. These include: presence of subsidies especially in the energy sector that cause inefficiencies; the fact that the LLDCs have low infrastructure investment efficiency ratings and other service delivery issues; and scarce domestic resources and competing priorities.

Recommendations

- Transport, energy, and national broadband plans need to be an integral part of national sustainable development strategies in the LLDCs so that they can be allocated budgetary resources.
- The LLDCs and transit countries should enhance efficiency in the use of available resources through improved regulatory systems, policies, and governance. If LLDCs can reduce inefficiencies and are able to reach the threshold efficiency levels, about 30% more infrastructure could be built without any increase in funding.
- Countries should implement more rigorous and transparent arrangements for investment project appraisal, selection, and management. They should consider using Infrastructure Prioritization Framework (IPF), strengthen institutions related to investment implementation, implement transparent procurement procedures and apply the IMF approach to making public investments more efficient.
• Create fiscal space – fiscal reforms, tax reforms, widening tax base and tax collection. For example, consider scaled up use of Tax inspectorate without borders.
• Intensify work on recovery of illicit financial flows and direct them to infrastructure development.
• Search for ways to increase revenue generation – eg. through enhancing productive capacities, diversification; value addition; increased participation in international and regional trade.
• Consider making infrastructure investment attractive to national pension funds. For example, Bhutan – successfully used pension funds to support hydro-electricity. NEPAD and UNECA are forging partnership to promote the 5% Pension Funds campaign.
• Development partners and relevant international organizations should provide capacity building support such as project development and on how to improve efficiency.
• Develop financial inclusion that will encourage greater participation of the population in the banking sector and the savings generated can then be used towards supporting infrastructure development.

2. Development Cooperation/International Public Finance

The meeting stressed that ODA is an important and stable source of income for the LLDCs when compared to FDI, however the share of ODA used for infrastructure is small. Most ODA is channeled through MDBs and bilateral cooperation. The meeting noted that donor countries are also now promoting use of aid through the private sector. But using aid as private capital has a risk of debt sustainability.

The meeting noted that the major challenges in using ODA as a source of financing for infrastructure include the fact that ODA is decreasing and that the share of grants to loans is changing. With regard to financing from MDBs, the meeting noted that there is a lack of viable projects, capacity challenges and the fact that LLDCs are not fully aware of all existing resources.

Recommendations
• Review all the potential sources of multilateral and bilateral funding and maximize access of LLDCs to international financing.
• Leadership of the Governments is important to set effective and reliable targets, frameworks and investment plans that are key to attract FDI and concessional financing.
• The LLDCs should take advantage of the funding that is available from the MDBs. A source of available financial resources is available from IMF for 2015. However, this source need to be updated and needs to be made more specific to LLDC needs. Then share it widely among the LLDCs.
• Enhance development cooperation and regional and sub-regional cooperation.
• Provide capacity building support to LLDCs and transit countries to develop bankable projects.
• Ensure that LLDCs benefit from climate financing instruments (e.g. GCF, GEF, CDM) by supporting the LLDCs with the information and technical capacity building.
• Aid for trade need to be increased and must be tailored to the needs of the LLDCs. Some of the needs of the LLDCs identified in the 2017 WTO – OECD Aid for Trade Review include transport infrastructure, trade facilitation, border agency cooperation,
publication of information, release and clearance of goods, and freedom of transit. LLDCs also need support in assessing their Aid for Trade needs.

**Regional level requires specific support**

Regional level support is important because ODA is aligned around national development plans and not regional plans. The meeting noted that MDBs and Regional development banks are helping meet this need. Some of the regional initiatives were identified to be effective eg. – Trademark Africa was identified to be a best practice case of where development cooperation is working to support regional development. It is important that this initiative be replicated to other regions.

Some participants noted that regional funds by the MDBs are facing difficulties with implementation of regional integration projects as the funds are only used as a form of last resort. The meeting indicated that even though there is a fund its utilization is limited, and recommended that there is need to understand the politics behind why countries might not want to utilize joint loans. In this regard, there is need for studies to further understand how countries can jointly secure financing at regional level.

**South-South Cooperation**

The meeting noted the importance of South-South cooperation as a growing source of financing for infrastructure development for example the One Belt One Road Initiative of China; and India-UN partnership development fund. The meeting recommended joint work or event on enhancing south-south cooperation to support infrastructure funding.

3. **Private sector**

The meeting highlighted the major challenges of utilizing private sector financing to include:

- Lack of reliable policy, regulatory and incentive frameworks that encourage private sector investment.
- Specific risks associated with investment in transboundary infrastructure.
- Low project preparation capacities and skills to deploy financing models that encourage blended finance to attract more funds.
- Technical barriers e.g. in the energy sector related to intermittency, availability of technology, metering, accessibility, limited storage, or charging infrastructure.
- Lack of knowledge, data and awareness (e.g. resource assessments, technologies)
- Lack of entrepreneurship, sustainable business models and local value creation (e.g. in the energy sector mini-grids and stand-alone systems, business model of utility)

**Recommendations**

- LLDCs should implement measures to improve legal, regulatory, policy and incentive framework for an enabling investment climate through business-friendly reforms and enhanced democracy. The Africa region for example is developing a continent-wide model law to enhance investment in transboundary infrastructure.
- Development partners, international and regional organizations and relevant partners should provide capacity-building assistance to LLDCs to enhance their investment climate and towards development of bankable projects.
- High level of political will and national ownership is needed.
- Urgent need to develop financing instruments/mechanisms for small scale projects below an investment volume of US$10 to 20 million in partnership with local banks.
• Need to address barriers and risks for infrastructure investments holistically and in an integrated way – finance alone cannot solve the problem.
• Comprehensive study of risks that pertain to investment in transboundary infrastructure in Africa.
• Efficient instruments are required that focus on high leverage of private sector capital: for example, grants that provide risk capital for pre-investment or investment phase; venture capital equity which provides long-term risk capital to make the investment more attractive for other lenders (shareholder, reflows, high risks); Guarantees and insurance; Others: revolving fund, micro-credits, revolving funds, and incubation.

4. Public-Private-Partnerships (PPPs)
The meeting also discussed blended financing such as public-private-partnerships (PPPs). The meeting noted that research findings to date indicate that PPPs are better suited for economic infrastructures such as transport and electricity. The meeting indicated that although PPPs can be used to support important infrastructure, however their efficacy is dependent upon institutional capacity of countries to effectively create, manage and evaluate them. The meeting recommended that LLDCs should make investment climate for infrastructure more attractive to PPP investors. Participants also suggested that LLDCs can use PPP Readiness Assessment diagnosis to assess their own readiness, and based on its outcomes, determine the best path to becoming ready.

5. Transport infrastructure observatories
The meeting also noted the importance for financial institutions to have access to reliable data as well as analytical tools in order to ensure the financing of transport infrastructure projects that efficiently improve regional and international connectivity. The meeting noted that the International Transport Infrastructure Observatory being developed by the UNECE Working Party on Transport Trends and Economics in cooperation with the Islamic Development Bank, is an innovative example of how Governments’ data on new transport infrastructure projects is presented to financial institutions in a transparent, comprehensive and "bankable" way. The observatory is devised as an online platform where (a) governments find all the relevant data to prepare, benchmark and present their transport infrastructure projects and (b) financial institutions can consider, analyse and compare projects from a regional/international perspective and identify projects to finance.

D. Overarching Recommendations and Lessons
The meeting provided overarching recommendations and lessons that include the following:

• There is need to improve the policies on infrastructure development and maintenance and embed them in the national development plans.
• Environmental sustainability is important in all the 3 sectors – transport, energy, ICT and should be considered in funding of infrastructure development.
• Information on available funding resources is important for the LLDCs: - update the available resource and prepare a compilation specific to the LLDCs.
• Improving data and reliable indicators on infrastructure development and financing is important. Eg. ECLAC and its partners have a database on infrastructure financing; UNECE is developing an international observatory on transport infrastructure in a GIS environment as well as a benchmarking study on transport infrastructure construction costs for all transport modes including nodes (intermodal terminals, ports). Monitor the
use of various funding mechanisms and coordinate the interventions of the various partner UN institutions and relevant actors.

- Capacity building is critical – support national dialogue on financing, in more efficient use of financing resources, support national institutions to develop bankable projects and to access vertical funds. An example that can be scaled up is the African legal support facility to support countries to negotiate contracts.
- Build a pipeline of well prepared and commercially viable ("bankable") projects.
- National and local government can play a very important role in de-risking infrastructure investments. It is very important to work with them in the development of blended infrastructure funding.
- Support national, regional and global dialogue and regional cooperation initiatives
- Link investments in hard infrastructure with investments in soft infrastructure because the soft infrastructure is important for increasing efficiency and improved service delivery. This will improve overall return of the investment in infrastructure development.
- Further studies are required on regional funding.
INTRODUCTION

The United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) organized the Expert Group Meeting on Financing the Infrastructure Development for Enhanced Integration of the Landlocked Developing Countries (LLDCs) into the Global Trade, held on 4th and 5th of October 2017. The main objective of the meeting was 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.

The meeting was attended by about 70 participants that included technical experts from the UN, international and regional organizations, officials from LLDCs, transit countries and other Member States, civil society, private sector, and academia. The list of participants is presented in the annex. The meeting involved presentations, delivery of statements, brainstorming of ideas and discussions. The meeting consisted of five key thematic sessions and for each session; there was a panel of experts from different fields, regions, and organizations that made brief presentations after which the moderator opened the floor for discussion on the issues that emanated from the presentations. Concrete recommendations on financing infrastructure development were 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 outcome of this meeting will feed into the contributions of the LLDCs to the deliberations of the Global Infrastructure Forum.

The report is structured by thematic areas of the meeting as follows: Section 1. Opening; Section 2. – Overview on Trends in infrastructure funding by thematic sector: Challenges, Opportunities and Recommendations; Section 3. – Enhancing of Domestic Funding for Infrastructure Development – government spending, cost recovery and management of public utilities, domestic capital markets, national banks, use of innovative funding: Recommendations.

Section 4. – Enhancing development cooperation for financing infrastructure (ODA/Aid for Trade, New financing mechanisms and South-South Cooperation): Trends, Challenges and Recommendations; Section 5. – Optimizing financing from international and regional finance institutions and private sector financing for infrastructure development, including Public-Private-Partnerships: Trends, Challenges and Recommendations; Section 6. – Enhancing the capacity of the LLDCs to access international and regional funds and facilities (including climate financing) and other innovative sources of financing: Policy recommendations; and Section 7. – Way Forward, Recommendations and Closing Remarks.
SECTION 1.

Opening

Statement by Ms. Fekitamoeloa Katoa ‘Utoikamanu, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

We all know from our own personal experiences how good and reliable transport, energy, and ICT infrastructure and networks open up and also close opportunity. You and I practically live with our phones!

I do not need to tell an audience like you how central infrastructure development is to fostering economic growth and trade, poverty alleviation, famine prevention, better health outcomes, schooling and overall sustainable development.

Yet, we need to acknowledge that we live on a planet with highly unequal infrastructure development and highly unequal access to the financing of infrastructure development. This is especially the case for the LLDCs and SDG 9 recognises this.

The topic of this important Expert Group Meeting could not be more important and allows us indeed to take a closer look at the Financing for Infrastructure Development for the enhanced integration of the LLDCs into global trade.

A 2015 World Bank Research Paper states it clearly and I quote:

“The developing world suffers from an undersupply of infrastructure, constraining economic growth rates, leaving the world’s most vulnerable communities without access to basic services, and hampering attempts to achieve broad-based poverty reduction.

Currently, it is estimated that some $700 billion to $800 billion is invested worldwide ($550 billion in emerging markets and developing economies (EMDE)) in infrastructure every year, although data are scarce.”

The study concludes indicating and I quote “The annual infrastructure investment requirements for EMDE countries is $836 billion or 6.1% of current GDP per year over 2014-2020.”

In terms of current investment gaps with the exclusion of China, the study estimated an investment gap for EMDE countries of $452 billion over the period 2014-2020 which amounts to a need to double infrastructure investment.

This says it all and we need urgent action not to leave the LLDCs behind.

LLDCs experience substantial infrastructure deficits, existing infrastructure assets are overstretched, not well maintained and often inefficient. There are missing links in the road and rail networks in all regions with LLDCs, and only a small proportion of the roads are paved. Infrastructure for air transport and inland waterways need further development. More needs to be done to achieve universal access to sustainable energy and to close the digital divide in ICT.
We also need to ensure that infrastructure development is not based on past technologies but capable of resilience to natural disasters and climate change while remaining cost efficient and affordable. This is a tall order but one that we must tackle.

The international community recognised these needs in various agreements such as the Vienna Programme of Action - the comprehensive framework that was agreed upon to tackle the LLDCs’ structural limitations, the 2030 Agenda for Sustainable Development in underscoring the important role of energy, resilient infrastructure, sustainable transport systems, and ICTs in sustainable development. The Addis Ababa Action Agenda and the 2030 Agenda explicitly recognize the special challenges and needs of the LLDCs.

While the issue is recognized, and analysed we must now ensure rapid scaled up funding for quality infrastructure development.

For the LLDCs financing is key. The LLDCs continue to experience severe constraints in accessing finance given lack of scale, lack of the capacity to mobilise substantial local investment, institutional capacity constraints, poor or non-existent credit ratings, as well as low project cycle management capacities and skills and capacities needed to deploy financing models of blended finance to attract more funds.

In many LLDCs a further challenge pertains to the capacity to create the enabling frameworks and conditions to attract private sector investment including foreign direct investment.

There are no two ways about it and we can only try to fill these considerable funding gaps and overcome challenges, if:

- we accelerate the development of clear and realistic financing strategies and
- we accelerate capacity development for effective planning and management.

This must entail capacity-building, improving mobilization of domestic resources, forging international, regional, sub regional and bilateral cooperation on infrastructure projects, effective deployment of international development assistance and multilateral financing, leveraging the private sector including strengthening Public Private Partnerships, improving access to capital markets and tapping new sources and initiatives, such as climate finance.

The LLDCs also require special instruments and vehicles that can help them de-risk investments, attract new finances including through blended finances.

I am very encouraged that at this year’s Global Infrastructure Forum the Multi-lateral Development Banks pledged not only to work on increasing their financing to infrastructure development, but also to leverage their resources by joining forces to co-finance projects, to help generate interest among private sector investors in Public-Private Partnerships and the development of infrastructure as an asset class for institutional investors. I hope that these efforts will help the LLDCs and transit countries to make progress in addressing their infrastructure needs.

It is of special concern to me that at the same time we pursue substantial investment in capacity-building and legal, regulatory and policy reform to create an environment
supportive of greater public and private investments in infrastructure coupled with the requisite implementation capacities.

If we are to realise SDG9, it is important to help landlocked developing countries to build the capacity they need to prepare bankable, large-scale infrastructure projects and to explore innovative financing mechanisms for infrastructure development.

The issue of infrastructure development in LLDCs is a key priority for all of us in OHRLLS.

What is needed is tangible practical guidance that we can provide to the LLDCs on how they can enhance their ability to mobilize additional resources to address their infrastructure needs.

As we see it, we must look at current and projected trends in financing towards infrastructure development in these countries and their neighbouring countries.

We must better understand what is working well, why it is working or what is not working and how can we scale up and replicate successful efforts.

We must ask ourselves what are the major challenges that they face and how can they be addressed?

We must ask ourselves what the different stakeholders can do each with their comparative advantage to assist the LLDCs to close the infrastructure gap that is so important to enhance connectivity, transit, trade and overall sustainable development?

This very important Expert Group meeting getting together today and tomorrow provides us just this very opportunity to discuss these issues in detail.

I also hope for a platform that shares ideas, lessons and best practices and thinks out of the box. I hope for a platform that addresses how and through what means we can improve use of the different sources of financing and finally, a platform that identifies alternative and innovative sources of finance in support of infrastructure development.

This is my challenge to you all.

Most importantly, I hope for a meeting offering practical suggestions on how we can support the LLDCs to enhance their capacities to mobilize additional funding for infrastructure development and maintenance.

OHRLLS stands ready to further partner with all the stakeholders, governments, development partners, international and regional organisations and the private sector, to strengthen our joint response to meeting the challenges of sustainable infrastructure development for the LLDCs.

No one should be left behind.
SECTION 2.

Overview on Trends in infrastructure funding by thematic sector: Challenges, Opportunities and Recommendations

Introduction
Ms. Heidi Schroderus-Fox, Director, UN-OHRLLS moderated the session. In her introductory remarks, she highlighted that the 32 landlocked developing countries, due to their geography, require secure, reliable, sustainable, resilient and efficient transit transport systems to effectively participate in global trade; and they also need other critical infrastructure, such as energy and ICT, to improve their competitiveness and connectivity to global markets.

She pointed out that the scale of the resources required to invest in infrastructure development and maintenance is huge, and that many sources of financing need to be utilized including: national budgets; international development assistance including bi-lateral and multilateral financing; public-private partnerships; the private sector; blended finance, combining concessional public finance, non-concessional private finance; innovative financing and others.

She indicated that the session was aimed at reviewing the key trends in financing of transport, energy and ICT infrastructure in regions with the LLDCs and to address some of the following questions: What have been the main sources of financing for infrastructure development in LLDCs? What have been the key achievements? What has worked well which can be recommended for scaling up? What are some of the challenges that the LLDCs are facing in mobilizing financial resources for infrastructure development? And how can they be addressed?

Transport Sector – by Mr. Robin Carruthers, Transport expert and consultant

Introduction
There have been changes in the focus on landlocked developing countries (LLDCs) and infrastructure development since before the Almaty Programme of Action to the present time. The Almaty Conference in 2003 represented a new global awareness of the additional constraints that geography places on LLDCs. Until that time the LLDCs had been considered no differently to other developing countries of similar size, population and GDP per capita. Almaty brought attention to the until, then overlooked constraints of landlocked-ness, including – transit policy and regulatory frameworks, infrastructure development, trade and transport facilitation, development assistance etc.

Up to about 2010, there was a focus on investment, which was quicker and easier to implement than the other methods, and its potential benefits were thought to be more obvious. By 2010 a period of disillusionment with the infrastructure dominated approach emerged, since few of the perceived benefits were realized and the costs turned out to be greater than anticipated.

A new emphasis to logistics and supply chains was hoped to be more cost effective. This however, has proved difficult to apply in practice and found to be still dependent on more and better infrastructure to realize any significant benefits. Logistics have become increasingly
complex and critical for firms’ competitiveness, and addressing logistics weakness would be the most cost-effective way to overcome the transport and trade disadvantages of landlocked countries.

More recently there has been a coming together of these two perspectives of the importance of transport infrastructure for land-locked countries. It is the concept of reliability and confidence in the certainty of transport times and costs that is common to the two approaches and that brings them together.

The Santa Cruz Ministerial Declaration reflected this new paradigm and included concepts not emphasized before: Mobility, Connectivity, Sustainable, Facilitation, Intra-modality. These are the concepts that are essential to the new paradigm of addressing the constraints of LLDCs. They all involve a combination of infrastructure, transport and logistics services and trade facilitation. Implementing them will need a different approach to deal with the landlocked-ness than was applied previously.

LLDCs have about the same trade share of GDP as other countries, however, the shares of imports and exports are very different. Other than LLDCs in east Asia, all have a negative balance of trade. On average, LLDCs have only 12.5% of the global density of paved roads, but for the LLDCs that have them, the rail density is 50% of the global average, though Eastern Europe and Central Asia is an exception with above global benchmarks for both road and rail. There is a very high correlation, more than 95%, between paved road and rail density for LLDCs. So those with no rail network do not compensate with a higher density road network. LLDCs in three regions have very low transport densities, those in East Asia and Sub-Saharan Africa, and to a lesser extent, those in Latin America. LLDCs in the third of these regions have good inland waterway networks that partially compensate, at least for international transport and trade.

**Challenges**

Infrastructure is expensive and not all LLDCs have the same capacity to access finance, neither do all LLDCs have the same priority issues – some are closer to a deep-water port, some do not have a railway, some have inland waterway access to a deep-water port, some have a low GDP per capita and low GDP, and some do not have benefit of a regional corridor agency.

LLDCs have large differences in distance from deep-water port. The average distance to a deep-water port is just almost 1600 km (1587 kms) but with a large standard deviation almost the same as the average (1534 kms). LLDCs in Eastern Europe and Central Asia have the longest average of 2630 km (166% of the mean) and Latin America with 718 km. While far from a dependable index, these distances are a very approximate indication of the relative “landlocked-ness” penalty of the LLDCs.

Only just over half of the LLDCs have railway networks. So what should the strategy be for those without any railway? For most the cost will be prohibitive, but they are all proposing to build one, some more seriously than others. The costs are very high, around US$ 3m to US$ 8m per km for a standard gauge railway, depending on the terrain. If they have prospects of high tonnage, repayment of the financing loans might be feasible, but for most of those proposed, the feasible revenue might cover only the operating costs, and nothing over and above.
Inland waterway access can be a valuable transport asset. Only four LLDCs have feasible, or potentially feasible inland waterway access to a port – Bolivia, Lao PDR, Paraguay, and Central African Republic. Bolivia and Paraguay have access to a major waterway on which large barge trains (12,000 tons or more) can be operated without any additional infrastructure investment, and the operations are financially viable. Lao PDR and Central African Republic do not have access to waterways with such large economies of scale and significant investment is needed to make anything other than local transport of building materials viable. The potential benefits and necessary investment costs need to be assessed to see what level of investment could be justified.

LLDCs should also focus on regional corridor management agencies to manage the cross-border corridors for freight movement. The regional agency like CAREC, Greater Mekong Sub-region have a broad focus, are strategic, have lending agencies as partners, and receive limited input from the users. On the other hand, specific corridor agencies have more focus on the corridors to keep them operational, they have the lending agencies as supporters as against partners, and most of all the users have a significant role in them.

For the LLDCs, the average investment (including maintenance) for them to match the global standards should be more than 2% of the GDP. This is just for paved road and rail networks. It does not include unpaved roads, airports or urban transport. It does not include replacing narrow gauge with standard gauge railways. It does, however, make allowances for additional infrastructure needed to provide resilience to disaster in transport networks. There are large differences between LLDCs in different regions, with East Asia and Sub-Saharan Africa needing to spend the largest share of GDP per capita, which is less than US$ 600.

Opportunities
For LLDCs there are opportunities for more funding and financing with many new sources that are now available. For generation of revenue domestically the LLDCs face a lot of challenges. The national budgets of LLDCs can rarely provide more than 1% of GDP. There are only a few opportunities available with LLDCs, like, to raise more user fees, including road maintenance charges, concessioned railways can rarely charge tariffs high enough to cover infrastructure maintenance and investment, so ‘cycle of degradation of state-owned enterprises railways continues. Change model from vertically integrated to separation of infrastructure and operation, and to raise more pension funds and diaspora funds. Though, they can make better use of public investment by having to implement more rigorous and transparent arrangements for investment project appraisal, selection, and management; use infrastructure prioritization framework (IPF); strengthen institutions related to investment implementation; implement transparent procurement procedures; strengthen the management of PPPs; integrate institutions for strategic investment planning with subsequent stages in the public investment management (PIM). There is a large potential benefit to the LLDCs, however, the LLDCs tend to be at the lower end of the infrastructure investment efficiency ratings. About 30% more infrastructure could be built without any increase in funding only by reaching the threshold efficiency level by these countries.

LLDCs should work towards making the investment climate more attractive to the private investors in the PPPs. Apart from project feasibility and country confidence issues, implementation of PPPs is most impacted by the readiness of the institutional structure of the government to deal with PPPs. To assist with this the Public-Private Infrastructure Advisory Facility (PPIAF) a global technical assistance facility managed by the World Bank on behalf of donors has designed a PPP readiness assessment diagnosis. Although aimed at the staff of
the MDBs, and specifically the World Bank, with little change it can be used by governments to assess their own readiness, and based on its outcomes, determine the best path to becoming ready. Another, perhaps, more useful tool for self-diagnosis of readiness to implement PPPs is provided by UNESCAP.

There are now more opportunities for the LLDCs as the MDBs have many specific funds that LLDCs can use with even the private investors being more interested in LLDCs, the new bilateral sources are now the largest providers of finance. The MDB lending to LLDCs is growing faster than as compared to other countries, but it tends to be focused on fewer countries and fewer number of loans. But, LLDC loans are smaller in quantum than to other countries. The Regional Integration Funds of LLDCs have not achieved their expected success.

The corridor concept can help attract investment funds. There may be two approaches to this – first – by regional planning of several corridors, where the focus can be on planning and investment for example CAREC and Mekong; second – by having separate management of individual corridors, where the focus can be on operation and management of the corridors, for example the East Africa Northern and Central Corridors, and Nacala Corridor.

Use of resources from the World Bank and CAREC/UNESCAP can help identify the infrastructure and other gaps in LLDCs’ trade and transport corridors, and provide guidance on how to address them. Therefore, LLDCs may take help of the tools for example Trade and Transport Corridor Management Toolkit of World Bank, and Corridor Performance Measurement and Monitoring (CPMM) method used on CAREC corridor etc.

PPP finance finds LLDCs more attractive than before. The public-sector funds around 40% of PPP costs in LLDCs, higher than in other sectors such as energy and water as project revenue generation is lower and less secure. East Asia attracts more private sector funding to its transport PPPs (83%), Latin America and Caribbean the least (19%). Institutional private investors such as pension funds still contribute only about 1% of transport equity, and that too mostly for ports and airports.

Since 2015, the major MDBs have been implementing a new approach to their lending that will have a large impact on LLDCs:

“In most simple terms this approach prescribes that we first consider private investment for projects; then public private partnerships; and if the first two are not available then, only then, consider public finance.” – Managing Director and World Bank Group Chief Financial Officer, June 2017.

This could involve a complete rethink of how LLDCs approach MDBs for project financing. Moreover, there have now been new bilateral and multilateral funds. Financing from these sources is now greater for the transport sector than that from the “big seven”. The new bilateral sources are mostly from China, and now include – the China Development Bank and the China Exim Bank, already with more assets than the MDBs of around US$ 1.8 trillion. The others are – China Africa Development Fund; China State Construction Engineering Corporation, and others; The Silk Road Fund and the China – Central and Eastern Fund; other funds that invest in transport infrastructure in South America; Africa Growing Together Fund, which is jointly funded with the AfDB; South-South Climate Cooperation fund; Asia Infrastructure Investment Fund, in which China has at least 50% of the total equity, currently more than US$ 100 billion
equivalent to two thirds of the capital of the Asian Development Bank and about half that of
the World Bank.

**Recommendations**

Make best use of available domestic resources
- Apply the IMF approach to making public investment more efficient
- Make better use of road funds and transport user fees
- Consider making infrastructure investment attractive to national pension funds
- Implement a project prioritization process

Maximize access to international finance
- Make investment climate for transport infrastructure more attractive to PPP investors. Use PPPIAF or UNESCAP PPP assessment tools.
- Where appropriate, implement system of corridor management
- Review all the potential sources of multilateral and bilateral funding
- Involve potential new bilateral and multilateral sources, such as the AIIB and Silk Road Fund, as early as possible.

**Energy Sector** – *Mr. Martin Lugmayr, Sustainable Energy Expert, UNIDO*

There is a need for turning challenges into investment opportunities by unlocking sustainable energy financing for LLDCs. For this purpose, it is important to turn interrelated energy challenges to investment opportunities for LLDCs, which constitute a market with around 480 million potential energy consumers. Energy is a crucial driver to increase the productivity, competitiveness and the ability of LLDCs to participate in global trade.

There is tremendous scope, while mitigating the energy challenges for investment opportunities in LLDCs. As per the energy security trends seen today, there is a need for access to modern, affordable and reliable energy services. There has been progress over the last 30 years particularly in Central and East Asia and Latin American countries. Still, around 2.4 billion people are living without access to modern energy services even today. In business-as-usual (BAU) scenarios, there will be 1.4 billion without access even in 2030 (mainly in Africa, and South Asia). Developing countries representing 80% of the global population consume only 30% of the energy produced globally. Globally there are around 90% of people with access to electricity in urban areas and 60% in rural areas. In sub Saharan Africa, only 51% have access in urban areas whereas in the rural areas it is just 8%, LLDCs however do not have even 50% electricity access. This is resulting in migration of the rural populace to the urban centers, posing challenges with the existing electricity system in the urban areas, specifically in the parts of the urban centers having slums.

Reliance on traditional biomass for cooking and heating is still the sole means and source of energy in some LLDCs. The situation being that the poor are spending more income for poor quality energy services as compared to those who are better-off. There exists a very high vulnerability of the poor to the fluctuations of the fuel prices, caused at times due to fluctuations like that in the cost of transportation. The situation is aggravated by the low interest of the private sector to invest in such areas like the slums and the rural areas fearing loss in the market or very low return from these markets. This lack of access to modern, affordable and reliable energy services is interrelated with a variety of economic, social, environmental and political
problems for example, indoor-pollution, social unrest, low productivity of industry, and poor public services etc.

The scenario in terms of climate change mitigation, adaptation and other negative externalities has an aspect which is worth pondering. In BAU scenarios a doubling of pre-industrial levels of greenhouse gas emissions is very likely and would lead to a rise in the global temperatures between 2 to 6 degrees centigrade. Some LLDCs would suffer from negative climate change impacts at the most - for example from the rise in the sea level, severe droughts, extreme weather events etc. According to estimates, 66% of the global greenhouse gas emissions are caused by the energy sector. Developing countries representing 80% of the world population account for 53.6% of the greenhouse gas emissions globally. It is estimated that in future 75% of the projected increase in greenhouse gas emissions, shall be made by the developing countries, and it is further estimated that the cities would emit 76% of the global greenhouse gases in 2030.

In order to stabilize the global temperature at 2 degree centigrade levels the emissions would have to peak at latest in 2020 and be reduced by 30% to 70% until 2050. There is an immediate need for energy efficiency improvements and shift of 30% to 50% share of the renewable energy sources in the global primary energy by 2050. Based on the expected determinants the needed energy investments shall be between 1.7 to 2.2 trillion USD per year and the LLDCs are a market of around 480 million energy consumers. The new investments, therefore, shall determine the greenhouse gas emissions for at least the next 20 to 30 years, or perhaps, even longer. The LLDCs have an important role to play.

More than USD 3 billion of investment in 2016 was made towards renewable energy (including large hydro) / excluding energy efficiency). The investments are higher in Europe, America, Asia (excluding China) and China as shown in the figure below.

There have been some barriers and risks for renewable energy and energy efficiency (RE&EE) investment in LLDCs, as there is a general perception of risks of investment climate in LLDCs. Some of the other barriers and risks involve the scarce domestic and external public/private resources and competing priorities in the region. As energy is not ICT, its tendency to require public involvement also proves to be a barrier for attraction of investment, as is the absence of reliable policy, regulatory and incentive frameworks for example unbundling, targets, obligations, feed-in-tariffs, auctions, fiscal and non-fiscal incentives, RE&EE standards etc.

The economic barriers include for example, the competitiveness of RE&EE, non-pricing of externalities, fossil fuel subsidies, non-cost recovery based tariffs, shadow-markets are also barriers of investment boost in the field.
The technical barriers include: the intermittency, availability of technology, metering, accessibility, limited storage, charging infrastructure etc. Some other issues which are seen by the private investors as hindrance to investment is the lack of qualification, certification and accreditation frameworks, including lack of capacities at all levels, low public and private research and development etc. The lack of knowledge, data and awareness for example resource assessments, technologies etc. also add to the disinterest of private investors. Last but not the least the lack of entrepreneurship, sustainable business models and local value creation, like mini-grids and stand-alone systems, business model of utility etc. are also some of the barriers seen more specifically in the LLDCs.

Some particular financial barriers for RE&EE are - lack of national sustainable energy investment plans (uncoordinated activities); high upfront capital costs and low operation costs of RE&EE (e.g. hydro, principal agent problem); high and uncertain pre-investment costs, development/approval times (e.g. land use requirements, resource availability in the case of geothermal and hydro); lack of affordable long-term, project and equity finance for on-grid and off-grid projects (high interest rates, low equity capacity of promoters); small size of RE&EE projects vs. high transaction costs of international financial institutions (minimum capital costs between US$10 and 20 million); non-cost recovery tariffs and low willingness and ability to pay (clients and utility) are a major obstacle for private investments; unreliable and bureaucratic carbon financing instruments; lack of capacities to develop bankable projects and appraise them; and lack of matching between project promoters, investors and financiers.

Some public financial instruments address parts of the financial risks but rely on progress in other areas (e.g. policy, regulatory and incentive frameworks, feed-in tariffs, auctions). Efficient public financial instruments focus on high leverage of private sector capital. Grants provide risk capital for pre-investment or investment phase (easy to operate, help projects to break-even, tend to distort markets or over-subsidize, costly) - for example in Chad and Guinea Bissau. Venture capital equity provides long-term risk capital to make the investment more attractive for other lenders (shareholder, refloows, high risks) - for example Cape Verde. Senior
debt provides long-term lending through concessionary funds to be blended with commercial funding – for example Bhutan (Dagachhu, Basochhu). Subordinated debt (mezzanine) provides funding between equity and senior debt. Guarantees and insurance reduce risks for commercial financing by paying part of the costs in case of a specified event (e.g. liquidity guarantee, political risk insurance) – for example wind energy in Cape Verde, geothermal in East Africa, hydro in Lao PDR. Other public financial instruments include: revolving fund, micro-credits, incubation – example Burkina Faso.

Recommendations:

- No blue prints – need to adapt to the individual circumstances of LLDCs;
- Leadership of the Government to set effective and reliable targets, frameworks and investment plans is key to attract FDI and concessional financing;
- Urgent need to develop financing instruments/mechanisms for small scale projects below an investment volume of US$10 to 20 million in partnership with local banks;
- Capacity building for utilities to consider new business models including RE&EE;
- Need to address barriers and risks for RE&EE investments holistically and in an integrated way – finance alone cannot solve the problem;
- Need for cooperation and coordination between various international partners with different financial instruments and comparative advantages;
- Ensure that LLDCs benefit from climate financing instruments (e.g. GCF, GEF, CDM);
- Stronger regional cooperation through the respective regional organizations, power pools and regional renewable energy and energy efficiency centers;
- Establish a sound base of domestic RE&EE entrepreneurs and companies.

ICT Sector – Ms. Kadiatou Sall – Beye, Project Officer, ITU

ITU is harnessing the potential of ICTs/broadband infrastructure as key bedrock and essential for the 21st century global digital economy. These efforts include assistance with governments, inter-governmental organizations, the private sector and other multi-stakeholders to connect the LLDCs in the most effective and transformative manner to overcome their challenges through improving their connectivity and ICT infrastructures.

Globally the private sector investment in ICT infrastructure development is high. The multi-lateral development Banks are involved in financing ICT for Development – such as World Bank; European Bank for Reconstruction and Development, Asian Development Bank; African Development Bank; Inter-American Development Bank and European Investment Bank. Further, China Investment in ICT has increased significantly in Africa from US$409m in 2014 to $1032m in 2015. National Governments and local operators play a major role in financing ICT infrastructure. For example in Rwanda broadband networks have been supported by the ICT operators who have invested more than $800 million over the last five years which boosted broadband connectivity. The Government also invested $40 million to build national fiber optic backbone. Multilateral assistance through the World Bank provided a grant of $10 million for the development of E-Government and $13million for the procurement of international bandwidth. Rwanda gained access to the East African submarine cable (EASSy) through a terrestrial cable which helped the country to have a more robust internet access with high speeds.

Trends in financing towards ICT infrastructure to LLDCs - ITU’s projects and initiatives involve deployment of wireless broadband infrastructure for selected countries in the LLDCs
such as Burundi, Burkina Faso, Lesotho, Mali, Rwanda, and Swaziland, and the financial support is about 1 million Swiss francs. ITU is also implementing a project that provides connectivity between hospitals in Zimbabwe with ICTs to improve medical service delivery. Audit of infrastructure and facilities related to telemedicine will be delivered, and the financials involved are again around 1 million Swiss francs.

Priority 2b of the Vienna Programme of Action for LLDCs highlights the importance of “Infrastructure development, maintenance and ICT infrastructure.” ITU is assisting the LLDCs in decreasing, high ICT infrastructure development and trade transaction costs; ensuring that appropriate technical standards are developed for industries, with efficient spectrum allocation, policies, legal and regulatory frameworks. In terms of trends in ICT financing, the 2016 annual flagship report of the Infrastructure Consortium for Africa (ICA) reveals that total commitments to the development of Africa’s ICT sector stood at US$2.5bn in 2015. The budget allocations made by African national governments decreased from US$1.1 billion in 2014, which is 45% of total investment from all sources to US$705 million in 2015, which is 28% of total investment. But, that was compensated by increased commitments from China, which pledged investments in 2015 of over US$1 billion.

One of the major challenges linked to ICT connectivity is the high cost of infrastructure development with an estimated 4.1 billion people, amounting to 57% of the global population not being connected as at the beginning of the 2016, most which live in the LLDCs. Further, the low interest to invest in the ICT sector in LLDCs also poses a major challenge to the furtherance of ICT connectivity in the LLDCs. As connectivity remains a great challenge and among the reasons why people are not connected, studies have identified: lack of infrastructure to allow access; lack of affordability, the cost of internet is too high for most of the unconnected; and lack of digital literacy and content in LLDCs.

The LLDCs lag in terms of broadband internet access, facing severe challenges in keeping up with the necessary infrastructure deployment. Broadband costs as a share of gross national income are much higher in LLDCs than coastal countries close to the submarine communications cable laid on the seabed. ITU-UNESCO Broadband Commission for sustainable development estimates that there is a need for a global investment of 450 billion dollars to bring 1.5 billion unconnected people online which include LLDCs. ICT partnerships are transforming industries, enhancing innovation and improving infrastructure at a rapid pace. SDG17 on partnership is at the core of ITU’s mission to ensure that the opportunities offered by ICTs can benefit everyone -- everywhere.

Recommendations

- Promote establishment and use of universal service funds.
- Make ICTs/ broadband more affordable
- Encourage infrastructure sharing
- Consider use of tax incentives
- Promote trade, e-commerce and SMEs (Small Medium Enterprises)
- Encourage increased ODA
- Prioritize ICT infrastructure investment.
Interactive Discussion
In the ensuing interactive discussion, participants noted that in many countries, people must be connected, for which access and rural roads is an important issue, rural roads help in poverty reduction, better access to schools and hospitals. They emphasized that there is a need for a new perspective on transport, and access as an entitlement is necessary. The railway network needs a minimum critical mass in mileage and output for it to be functionally successful; moreover, the railways need to be connected to other modes of transport for the last mile coverage. Participants noted that with regards to PPPs, there always remain certain areas of concern as, when it comes to fixed infrastructure, the state must chip in and build it as the private sector would not take it up. The experience of India, where most of the banks are nationalized was shared, and the meeting noted that the role of the state cannot be diminished as even in the PPPs experience, the money should come from banks, which comes from state.

The meeting noted that the private sector has been actively involved in the VPoA, 2030 agenda, Addis Ababa Action Agenda, and Climate Accord. Participants recognized that the barriers and risks for private sector participation present a daunting scene, but stressed that there is need to look for new opportunities, such as pension funds, and at new investors such as China. The meeting acknowledged that the whole landscape is changing, with new players on the scene, and meetings such as these will be important not only in confronting some of the concerns that potential investors have, but also by providing common language that will enable investors to address issues around risks.

Participants also noted the significant drop in new investment in renewable energy between 2015 and 2016 for nearly all the continents. One of the factors is that the period saw stabilization and then huge reduction in the cost of production and prices of the equipment used in the renewable energy sector. However, there may have been other factors responsible for overall decrease in investment in the sector and specific studies might help to give the answers. The meeting also noted the changes in institutional funding sources for example Bhutan, was successfully able to invest pension fund in their hydro power project.
SECTION 3.

Enhancing of Domestic Funding for Infrastructure Development – government spending, cost recovery and management of public utilities, domestic capital markets, national banks, use of innovative funding: Recommendations

Mr. Sandagdorj Erdenebileg, Chief of Policy Development, Coordination, and Reporting Service, UN-OHRLLS, moderated the session. He highlighted that the session was focused on reviewing how to enhance domestic funding for infrastructure development including government spending, cost recovery and management of public utilities, domestic capital markets, national banks, use of innovative funding and identify the key recommendations. He stressed that because of the tightening international aid environment, domestic resource mobilization is important for infrastructure development. Domestic resources are more sustainable way of raising resources.

He indicated that in many countries, the domestic public sector has been the traditional provider of infrastructure financing. In Asia, per a recent study by ESCAP on Investing in infrastructure for an inclusive and sustainable future, the composition of infrastructure financing sources in countries with special needs in the Asia region is 65% from domestic sources; 10% multilateral development bank; 10% ODA; and 15% private sector. In Africa, per the 2016 Report on Infrastructure Financing Trends in Africa of the Infrastructure Consortium for Africa, in 2015 the continent received US$83.5 billion towards infrastructure development – of this 34% was from African Governments.

Per ECLAC analysis, Latin American countries should invest around 6.2% of their annual GDP to meet their infrastructure needs. In Asia, ESCAP estimates that Asian countries would need to invest on average 10.5% of their GDP per annum to overcome infrastructure gaps by 2030. However, the current total infrastructure financing amounts to only 5-7% of GDP in the countries with special needs including LLDCs. Domestic resources are important for infrastructure development. How can they be enhanced to cover the infrastructure gap?

He informed that the session would review trends in domestic financing, identify what was working well that could be replicated in other countries. The session would also identify some of the challenges that the LLDCs were facing in mobilizing domestic financial resources for infrastructure development and suggest some recommendations.

Presentation by Professor Melvin Ayogu, University of Cape Town

Seaport and or access to one or several ports is important but not decisive for external trade. This argument has been amply demonstrated by many examples of successful landlocked economies and lagging coastal economies. Therefore, what matters is the mix of resource endowment, accessible technology and the structure of economic activities because these factors interact to determine the extent to which landlocked-ness is a binding constraint.

To the specific question of domestic resource mobilization for infrastructure the first order of
business, given resource constraints, is a clear articulation of the country’s development strategy and policymaking process. Within this context emerges the basis of what to build, when, where, and at what capacity, incrementally if feasible or lumpy if modularity is precluded through either technological constraints or by the resulting high cost of splitting the transactions.

It should be noted also that performing a needs assessment within an integrated developmental framework is master planning which in this instance serves to secure buy in of the private sector. Depending on the nature of what, where, and when to build the private sector can view favorably the investment demand on the market as contributing directly to economic activities because it augments the productivity of private capital (the crowding in view of things but this perspective must be sold not assumed). The clever sequencing and selection of what to build can achieve that.

In this connection, any existing infrastructure gap defined by the difference between installed capacity and operable capacity must be explained because it could be seen to be indicative of existing inefficiency arising from neglect or under-resourcing or simply poor management. If a power plant capable of generating 10 gigawatts (GW) of electricity is operating at 40% of its capacity while the power utility is in the domestic market seeking funding for expansion, such a prospectus is unlikely to attract investor interest absence some cogent explanation for the obvious performance gap.

The nature of the gap between installed and operable capacity also draws attention to both service delivery and fiscal discipline.

Because consumers who pay user costs will typically care about the quality of the stream of services and less about the size of the facility, the quality of services is an important part of the value proposition or social compact in the case of social infrastructure. For a government, anxious to access domestic markets, it must demonstrate long run sustainability or viability of the borrowing. That demo comes from showing performance mettle. Would it not be encouraging if a government seeking to attract investment can show that it has achieved International Organization for Standardization (ISO) 9001:2015 certification in its existing services? Such is the quid pro quo (Latin phrase that literally means "something for something").

Where government issues general obligation bonds for instance, it should project fiscal discipline by demonstrating how it will grow its revenue base, typically through more jobs and higher aggregate income as well as restraining its spending proclivities. The latter shows up in the important parameter called fiscal support ratio that measures the relative number of effective taxpayers to effective recipients of public transfers, indicative of long run fiscal sustainability or public solvency. On the other hand, the aggregate lifecycle deficit measures the difference between domestic absorption and labor income, indicative of private savings. The sum of private and public savings is national savings which is the fountain of that sought-after money pot in the domestic arena.

Alternatively, or additionally, where government issues revenue bonds, which are supposed to be self-liquidating, the need to deliver on services becomes even more pressing in order to avoid a default. If the services are not there, users may not pay. When users revolt, revenue dries up and the payments go into arrears or technical default.
Presumably where public sector borrowing requirements [PSBR] are high, projects amenable to revenue-bond financing can be given to a concessionaire if the asset cannot be privatized outright perhaps due to a high risk of technological obsolescence. However, in such a case, government through the regulator must insulate the operator from political pressure arising from consumer objections to adhoc rate adjustments.

Clearly, domestic resource mobilization is very stressful for governments, which is as well because PSBR can crowd out private borrowing and therefore must show cause. Overall, financing infrastructure is without doubt key. But the funding always ought to show due diligence otherwise it is reckless. If aid, such as external assistance is absent due diligence can lead to dead aid as in perpetuating dependency.

If a loan, such as external borrowing without safeguards but in the presence of poor governance and weak institutions can create odious debts. Odious debts arise when lenders recklessly or knowingly extend loans under circumstances that places the lending at a high probability of default. Ultimately the loans go bad or countries struggle to repay borrowings that conferred zero benefits on the society saddled with the repayments. An example is the case where the money leaves the borrowing country either through the front door or the rear door as capital flight back to foreign bank accounts, sometimes to the country of origin of the debt. So, in effect, developing countries owe monies that is sitting in the pockets of the creditor and serving no purpose to the borrower except grief in the sense that debt repayments deprive current and future generations of valuable resources for human development.

**Presentation by Mr. Krishnan Sharma, Senior Economic Affairs Officer, Financing Development Office, United Nations DESA**

**Overview of infrastructure financing needs**
There exists an estimated infrastructure finance gap of $1 to 1.5 trillion annually in developing countries as highlighted in the Addis Ababa Action Agenda and the global gap is estimated at $3 to 5 trillion. The LLDCs have unique needs in areas relating to transportation and transit corridors for example roads, rail, airports, pipelines etc., but they also have broader infrastructure needs like other developing countries. The LLDCs’ needs can be interdependent with those of neighbours and the surrounding region.

According to the 2016 McKinsey report - Bridging global infrastructure gaps – the highest estimated infrastructure needs globally are for the transport sector followed by energy which is followed by communication and water and sewage as shown in the figure 1 below.
There are varied options for financing infrastructure in LLDCs, which include: national public finance, international public finance, private finance, blended finance, partnerships and other initiatives.

The key issues pertaining to enhancing public finance for infrastructure development for LLDCs include creating fiscal space, enhancing development cooperation, utilizing potential of development banks, and tapping into recent international and regional initiatives for example GIF, G20 initiative, AIIB, New Development Bank etc.

Figure 2 shows private participation in infrastructure by different groups of countries. As shown, the LLDCs show low levels of private financing. Private financing for infrastructure face project side impediments and other financing impediments. Impediments on project side can be addressed by having a list of bankable projects. AAAA recognizes this and focuses on capacity building to develop pipelines of projects. International assistance can be useful for LLDCs in this regard.

The impediments on the financing side can be addressed by looking for traditional sources of private finance, as banks hit by crisis and are de-leveraging. There have been attempts to tap institutional investors such as pension funds. It is a potential source; however, it is easier said than done. There is a fundamental problem involved and that is unattractive risk return configuration in these projects.
For Public Private Partnerships, there is inconclusive evidence on performance of PPPs, especially pertaining to development impact, and paucity of studies in developing countries. Research findings to date indicate that PPPs are better suited for economic infrastructures such as transport and electricity. They are however less likely to deliver efficiency gains in the social sectors such as hospitals and schools. Even in more ‘viable’ sectors, efficacy of PPPs is dependent upon institutional capacity of countries to effectively create, manage and evaluate them. Figure 3 shows an institutional framework that is important for the PPPs to work successfully.

Figure 3. Institutional Framework for PPPs

Overall LLDCs need to explore effective use of all sources of finance: national public, international public, and various private sources. These countries need to decide on appropriate composition of public and private finance depending on the concerned sectors and their ability to attract the latter. Blended finance and PPPs can be useful but need to be employed with discretion. It is also important for LLDCs and the transit countries to utilize international and regional initiatives.

**Presentation by Mr. K. L. Thapar, Chairman, Asian Institute of Transport Development (AITD)**

The key issue to be addressed is how a landlocked country should plan its development strategy in the 21st century. There are, in my view, five inter-related aspects that need to be addressed. Together, these constitute a low-cost solution and would help in enhancing domestic resources.

One is a change in the structure of production towards a greater emphasis on the production of tradable goods. Developing landlocked countries are characterized by labour intensive but low value-added goods because of the low capital intensity of production. This results in highly localized trade. The effort should be to increase value addition using very light machinery so that the market can expand beyond the immediate environs of production. This will help increase incomes both of the people and the State. The development of light and micro industry is not only less costly but also environmental friendly as its energy requirements are a fraction of medium and heavy industry. Global production in the latter two segments is dominated by China to such an extent that LLDCs cannot realistically hope to compete at the global level. They can, however, do so at the regional level, where they have the advantage of proximity. Thanks to changes in technology, business processes, fragmentation and localization of markets, we must ask how relevant the 20th century notion of scale is in the 21st century. It is my belief that while it will remain relevant for certain types of industrial production, for many others it will not. Further, time is both ripe and opportune for adopting frugal technologies in resource constrained economies. In the last decade, this kind of science has had something of a renaissance – developing a host of low cost, high performance tools and systems. It is on these aspects; the developing landlocked countries must focus not exclusively but in a significant way. Indeed, this is an important opportunity for these countries in that they can invest less in supporting infrastructure, thus converting a handicap into an advantage.

Secondly, the integration of landlocked developing countries should largely be with regional markets on their borders. This has been shown to yield immediate benefits in terms of higher incomes for the population. Even at present, for example, 80 - 90 per cent of exports and imports of Bhutan, Nepal and Afghanistan is with the neighbouring countries. The stress should, therefore, be to optimize these trade linkages. Mimicking integration at the global level would neither be cost-effective nor sustainable for these countries.

Thirdly, many LLDCs are fortunate in that they are abundantly endowed with energy resources such as rivers, oil, gas and coal. They must find ways of exploiting these endowments for export to neighbours. Bhutan with its hydropower export to India is hugely benefiting. Nepal can be another example. It is worth noting that the resource rich countries are located in close proximity of resource deficit countries. For example, Central Asian landlocked countries are surfeited with energy, while South Asia is deficient.
But all this can be possible only if there is finance available which brings me to the fourth aspect: financial inclusion to bring the people into the modern banking systems so that their household savings can be intermediated for better utilization in the economy. It is well-known that financial inclusion increases the amount of available savings and the rate of capital formation in the country. In most of the landlocked and developing countries, large segment of people are not a part of the formal banking system. The governments should, therefore, strive to bring them into the fold of the formal banking channels. The financial inclusion encourages them not only to borrow from these channels but also to invest in various financial instruments.

It is submitted that state sponsored universal banking contributes to a greater economic diversification than is the case in the more competitive banking environments. The state has thus to play an important role in this regard. Further, the scope of financial inclusion is not limited to banking services. It also extends to other financial services like insurance, pension products, etc. The mantra has to be micro-savings, micro-insurance, micro-credit: small is beautiful and exploit its full potential.

As an illustration of the immense possibilities of financial inclusion, allow me to cite a recent case study from India. In the recent past, the government has actively encouraged and facilitated opening of bank accounts by the marginalized rural and urban poor. As a result, within a period of three years, 300 million new accounts have been opened. Importantly, these account holders have deposited nearly 6 billion US dollars in their accounts. Thus, a large amount has become available for investment in developmental works in the country.

An important collateral benefit of financial inclusion would be the integration of remittances by migrant workers and recipients into the banking systems. Presently such linkages are tenuous if not missing. Remittances investments in local development projects have a huge potential drawing on family and social linkages of the migrant workers.

This brings us to the role of multilateral and regional development banks in financing infrastructure in LLDCs. They are the only ones who fulfil all the criteria for undertaking infrastructure projects as their terms are affordable. The landlocked developing countries should, therefore, utilize the services of these to the fullest.

Lastly, pricing of services is a thorny problem of political economy especially for the developing countries. There is however a growing recognition that in the interest of promoting sustainable development, the users of services should ordinarily be required to pay the social cost of providing these services.

There could be a transition period to move over to this pricing regime. The role of the government should change from provider of services to that of a facilitator. There is plenty of evidence to show that State owned enterprises are in need of institutional reforms. Hence the emphasis put on deregulation, privatization and franchising. Here the role of regulatory bodies becomes important. These institutions need to be created with care and foresight. Use of information technology helps in solving the problems associated with differential pricing and cross subsidization.

There is need for developing a truly long-term market for bonds which, at present, does not exist in most developing countries. Until such a market develops, the scope for procuring private finance for investment in infrastructure will be severely constrained. The internal
dynamics of bond markets, on the one hand, and their interplay with infrastructure industries, on the other, have become important in this context.

Recommendations - Landlocked Developing Countries should focus on the following ten strategies:

• Modify the structure of production;
• Tend to regional markets;
• Exploit energy endowments for export to neighbours;
• Financial inclusion to tap into rural savings;
• Develop bond markets;
• Draw on the resources of regional development banks;
• Users of services to pay the social cost of these services;
• Change in the role of the government;
• Establish regulatory institutions;
• Use information technology.

National Perspectives the case of Zambia- by Mr. Sylvester Mundanda, Director of Development Cooperation and International Organizations, Ministry of Foreign Affairs, Zambia

Issues of infrastructure development are of particular interest to Zambia particularly because the country is landlocked and surrounded by 8 neighbouring countries. The country is traversed by many corridors such as the Walvis Bay-Ndola- Lubumbashi corridor, which covers Namibia, Zambia and the DRC and the Nacala corridor covering Malawi, Mozambique, and Zambia making it a strategic player in regional transport linkages and integration.

Infrastructure development is one of the priority areas in Zambia’s Seventh National Development Plan which runs from 2017 to 2021. To this end, a number of initiatives are being undertaken to develop the necessary infrastructure such as roads, rail, communication towers, power transmission networks and improvement of inland ports.

Related to infrastructure, the Government has put in place regulatory framework for service provision that ensures proper licensing and reduces administrative constraints.

Although, Zambia is on course of developing country wide infrastructure, it still has a huge infrastructure gap. This manifests itself in missing links and a big maintenance backlog. Some of the binding constraints in the sector include lack of private sector interest to invest in infrastructure development projects, debt sustainability limitations, and conditions attached to loans from International Cooperating Partners.

Zambia has found itself in this situation due to limited resources in terms of finances and technical skills. It has, therefore, embarked on the mobilization of resources through domestic initiatives and Foreign Direct Investments in order to address this challenge in line with its national and regional priorities. The Government will also continue to provide conducive environment to attract Foreign Direct Investment.

Zambia in conjunction with the Ports management of Eastern and Southern Africa (PMAESA) will be hosting a conference in November, 2017. The theme of the Conference is, “Raising the
Profile of Land-linked countries in the logistics and maritime value Chains”. This will be the first time that a land-linked country will be hosting PMAESA conference since its established in 1973. The rationale for hosting such a conference in a land-linked country is to have an inclusive approach in addressing matters relating to maritime, shipping, logistics and infrastructure development. This is because land-linked countries play a pivotal role in responding to global completion, feeding and de-feeding of coastal ports, regional integration, intra-Africa trade and reducing the cost of logistics to contribute to their development.

National Perspectives the case of Bhutan - Mr. Karma Choeda, Counsellor, Permanent Mission of Kingdom of Bhutan to the United Nations

The issue of enhancing domestic funding for financing infrastructure projects is of course not any easy subject, especially given the fact that financing infrastructure to begin with is capital intensive, associated with high risks and the returns do not come quickly as one would expect.

This is especially true for a country like Bhutan, with a small economy and a weak private sector. That being said, this is an important conversation, especially given the fact that infrastructure is one of those big ticket items that has the potential to bring about transformative change, particularly for LLDCs. And given the fact that infrastructure investment requirement run in trillions, one cannot realistically expect that kind of funding to come from one single source or financing mechanism.

From Bhutan’s experience, traditionally, funding for infrastructure projects have come in form of grants and aid, from our development partners – both bilateral and multilateral, such as India, Japan, Austria, World Bank and the ADB. While their support and assistance remains important, there is a need to also start thinking of ways to enhance internal capacity to take on some of the development projects, including infrastructure, especially as Bhutan has been identified as a country for graduation out of the LDC category. Some of the grants and aid assistance may not be forthcoming once Bhutan does graduate out of the LDC category.

A multipronged approach to infrastructure investments, including enhancing domestic funding is therefore required. First, development of domestic debt and bond markets is important. This is one area that has a good potential and hence there is a need to work on developing this sector. A good example where government bonds were used was in the purchase of one aircraft for the national airline. If this can be developed well, in future, institutional investors such as Pension Funds, Government Investment Agency and the Banks, could be tapped in.

Second, the PPP model also has good promise. Since 2009, the Government has embarked on PPPs to leverage private sector resources for development projects. Using the PPP model, Bhutan has undertaken three projects: (i) A Tech Park in the capital city (Thimphu Tech Park); (ii) A Hydropower Project (Dagachhu Hydropower Power project - 126 MW); and (iii) A Multilevel Car Parking Facility.

The projects do not fit strictly within the area of transport infrastructure, but I share these as examples as potential models that we could replicate in future to undertake some of the infrastructure projects, using private resources. In the case of the hydropower project, Bhutan had its Pension Funds as one of the investors.
Third, is to continue pursuing the traditional methods of financing through grants and concessional loans from MDBs.

Finally, enhancing domestic funding goes back to the need to put in place a whole set of policies at the macro level geared to enhancing our productive capacities, strengthening and diversifying the economic base for development and growth so that Bhutan can enhance its revenue base. These issues are captured well in the Vienna Programme of Action for Landlocked developing countries. For countries like Bhutan and other LLDCs to be in a position to achieve transformation, the economic goals within the SDGs – SDG7 through 10 - are critical.

National Perspectives the case of Chile – By Mr. Carlos Dettleff, Director of Borders, Ministry of Foreign Affairs

The normative framework for financing infrastructure development consists of the Vienna Programme of Action (VPoA), the 2030 agenda for sustainable development, and the Addis Ababa Action Agenda for financing for development.

The VPoA for decade 2014-24 looks for transforming landlocked countries into land-linked countries, through cooperation and strengthened partnerships with transit countries, private sector, civil society, public-private associations, relevant international and regional organizations. In terms of private sector the VPoA states that the private sector and civil society are important stakeholders, whose contribution will be critical to the implementation of the VPoA, including through transparent, effective and accountable public-private partnerships.

In Latin America there are two LLDCs, Bolivia and Paraguay. From the perspective of Chile there are common investment challenges such as – a large section of the main roads and the integrated border facilities are located at the height of 4000 metres above sea level, there is an increased use of transit complexes at the border, there is an increased transit of heavy weight trucks on the roads, as well as there is an increased trade impacting in the port facilities, which has impacted major traffic trend within the city border and there is a need for looking into creating infrastructure for sustainable transportation. There are investment challenges at both ends and in the middle section that is at the integrated border control, sea ports and the roads and railways in the middle.

Public and Private Investments made towards infrastructure development

<table>
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<tr>
<th>BORDER COMPLEX Investment</th>
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<tr>
<td>Chungara</td>
<td>US$ 33 million</td>
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<tr>
<td>Colchane</td>
<td>US$ 4.2 million</td>
</tr>
<tr>
<td>Hito Cajon</td>
<td>US$ 1.2 million</td>
</tr>
<tr>
<td>TOTAL</td>
<td>US$ 38.4 million</td>
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<tr>
<th>MAIN ROAD Investment 2015-2018</th>
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<tr>
<td>Road 11 CH Port of Arica to Intergrated Border Complex of Chungara</td>
<td>US$ 118 million</td>
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<tr>
<th>PORT FACILITIES Investment</th>
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<tr>
<td>ZEAP</td>
<td>US$ 6.2 million</td>
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<th>RAILWAY Investment</th>
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<tbody>
<tr>
<td>Railway Arica-La Paz Chilean Section</td>
<td>US$ 32 million</td>
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The total investment both public and private made to meet the demands for these sections at border complexes, main roads, port facilities and railways is US$ 194.6 million, in the last five years.

For Bolivia, Chile has three border complexes of third generation, the main border complex at Chungara, and one each at Colchane and Hito Cajon. The road to port of Arica has 500 trucks a day and due to the expansion in the trade facilities the Bolivian economy is growing fast. Chile has built specific parking lot with ancillary facilities such as restrooms for drivers.

Similarly for Paraguay, Chile has facilitated border complexes, of which the main border complexes are connected through Argentina. The current project links the port of Antofagasta in Chile to Porto Mourthino at the Paraguay-Brazil border, and at Antofagasta Port, Chile has provided free warehousing facilities for Paraguay.

As the physical investments also need a legal framework to facilitate trade, the most important instrument for this is the WTO trade facilitation agreement, which Chile joined in November 2016.

**Interactive Discussion**

Participants indicated that the need for interconnection between maritime and railways is one aspect that is usually overlooked in infrastructure development in LLDCs. It is important that LLDCs, and other countries to consider including this aspect in their projects at the planning stage only.

The meeting discussed technical assistance provided in the ICT sector and called for more support to LLDCs from international organizations such as ITU and World Bank. Participants also noted the importance of the LLDCs to analyze the tariffs that they are charged at the different seaports and try to negotiate better tariffs with the ports, and this will present a great opportunity for them.
Enhancing development cooperation for financing infrastructure: Trends, Challenges and Recommendations

Mr. Sandagdorj Erdenebileg moderated the session. He highlighted that the session was focused on enhancing development cooperation for financing infrastructure including ODA/Aid for Trade, New financing mechanisms and South-South Cooperation: Trends, Challenges and Recommendations. He noted that in the last session the discussion indicated that mobilization and efficient use of domestic resources is important, however, domestic resource mobilization was not adequate to close the infrastructure gap hence it was necessary to complement domestic resources with better and targeted use of official development assistance (ODA in its various forms – multilateral, bilateral and blended Aid for trade), south-south cooperation, and increased use of other official financial flows.

He expected that the session would discuss the role that ODA and south-south cooperation has played in financing infrastructure development, and wished that discussions in the session will address the following questions: What has been the role of ODA in financing infrastructure in LLDCs?; How can ODA be used to better leverage both public and private funding to support infrastructure development?; What are the trends in the South-South support to infrastructure development?; and How can it be enhanced?

Presentation by Mr. Frans Lammersen, Principal Administrator, OECD

Financing for development needs of the LLDCs must look out for the options of ODA, FDI and remittances. Out of these, ODA is the most stable external resource flow as compared to FDI and remittances. For low income countries, ODA is still the most important source of external finance. For low middle income countries, FDI has the same importance as ODA and OOF combined importance. Within aid the most important priority areas are export diversification, network diversification, and trade facilitation.

Financing for Development ODA, FDI and REMITTANCES to LLDCs (in US $ Billion)
There has been an equal share of ODA disbursed for infrastructure and building productivity capacities in LLDCs. This differs from the distribution for all developing countries. There is some cause of concern regarding the high level of fluctuations in the growth rate of disbursements to the LLDCs. There is also a worrisome trend that the terms support are getting harder resulting in the share of loans in total support going up. As per a study conducted by IMF on low income countries (LICs), in almost 60% of LICs the financial space is very limited, which raises question on debt sustainability. The figure below shows Aid for Trade disbursements to the LLDCs.

**Aid for Trade Disbursements to LLDCs Volume, Sector Distribution and Growth (USD bn. 2015 Constant)**

Source: OECD
Aid for trade commitments for infrastructure are two thirds destined for transport and storage, a quarter for energy and the rest for ICT. Aid for trade priorities identified in the 2017 Aid for Trade Review are shown in the next figure.

Aid for Trade to the LLDCs - PRIORITIES

Source: 2017 OECD/WTO survey

The figure below shows that over the years, aid for trade in the form of loans has been increasing while grants are on the decline.

Aid for Trade Disbursement to LLDCs grants and loans USD bn. 2015 constant

There has been a drop in the rate of interest, which means that the Official Development Finance (ODF) have increased significantly, mainly from MDBs. Most of this is going to mining sector in Central Asia and the richer LLDCs. A survey in 2012-15 showed that US$ 80
billion in blended finance was generated over the four-year period. But, it does not go to the countries that are in most need of this finance, in fact it mainly goes to the middle income countries, and only a small part goes to development of infrastructure.

It is important for the LLDCs to take a regional approach. However, the donors align around national priorities, making funding of regional programmes difficult. A solution would be for regional development banks to act as financiers and honies brokers for regional projects. A very good example of regional programme is trademark “East Africa”.

The discourse in the donor community is changing. The Accra Action Agenda for Financing for Development highlighted the increased role of private sector as an actor in development. There is however a risk that of the private sector in donor countries becoming the benefactor of development assistance flows.

To move forward the LLDCs need to emulate the best practices by enhancing efforts to improve infrastructure and improve logistics services. They should focus on expansion of ICT solutions with a view to coordinate border management by trying to reduce time taken for completion of formalities at the border, and highlight the use of regional approaches at solving the issues pertaining to the region.

**Presentation by Mr. Raul Torres, Counsellor, Development Division, WTO**

Building supply side capacity and trade-related infrastructure is hugely important in LLDCs. It is a necessary complement to more open markets. And, together, this is a proven recipe for greater growth, development, poverty reduction and job creation. In the current economic and political climate where donor financing is becoming tighter and harder, it is ever more important to make sure that the funds that are available are put to the most effective use. How to enhance the effectiveness of Aid for Trade is of course one of the main questions we try to answer collectively at the Aid for Trade Global reviews that are hosted by WTO. So I want to briefly tell you what have been some of the main messages that emerged from the most recent Global Review this July.

First, there is a close synergy and correlation between Aid for Trade and the Sustainable Development Goals and the VPoA. Indeed, achieving economic growth is a key objective for both initiatives. This has been recognized in the SDGs with target 8. A calling for an "increase in Aid for Trade support for developing countries, particularly LDCs". So it is important to ensure that Aid for Trade continues to deliver more and better – and that coordination across the international community is improved.

Second, Aid for Trade has to respond to the specific situation of the recipients. In the case of LLDCs it is necessary to look more closely at their range of needs and ensure that they are being met. For example, we may need to look at directing help in different sectors and show readiness to innovate and prioritize support on the basis of the specific needs expressed, which may not necessarily be the traditional ones involving transport, energy, agriculture and financial services that capture most of today's aid.

Third, Trade Facilitation and reducing trade costs is still enormously important. With the entry into force of the TFA, implementation is becoming a greater priority for both developing countries and donors. High trade costs have the potential to price many firms, particularly the
small ones and those located in LLDCs, out of markets and reinforce economic isolation. So reducing those costs must remain an important focus – and one that can be viewed in the broader context of the sustainable development challenges that Members face.

This leads to the Fourth point which is connectivity. It is clear that promoting inclusive trade for sustainable development requires an improvement of connectivity – both physical and digital. Without connectivity, trade just cannot happen and this hurts both sellers and buyers. Indeed, digital connectivity is essential for growth, irrespective of the sector. From tourism to agriculture, being connected is fundamental. But of course, without an affordable connection, individuals and firms cannot access the marketplace of the world-wide web. And without the necessary skills and regulatory environment in place, micro, small and medium sized enterprises may have a hard time competing in the global marketplace. So we must act to bridge these gaps in connectivity – both digital and physical. Failure to do so would be to reinforce existing inequalities between developed and developing economies, and within countries between women and men, rural and urban, and large and small firms. Aid for Trade must be mobilized to address this challenge.

Fifth, gender issues need to be mainstreamed into Aid for Trade work. Women play a key role in economic development and trade can be used as a tool for women's empowerment, while also helping to achieve SDG 5 on gender equality. Increasing women's participation in the economy means more jobs, more economic autonomy, more growth and more poverty reduction.

Those are some of the key ways in which we can enhance Aid for Trade overall. More concretely with respect to the LLDCs, as I mentioned in the second point it's important to focus on addressing their needs. But how do we know what those needs are? One way is looking at the questionnaires that were part of the monitoring and evaluation exercise on AFT conducted with the OECD. 16 LLDCs provided their responses to the questionnaire and the information they contain is quite interesting. For example, all LLDCs that replied said trade priorities were included in their national development strategies. Most identify export diversification, trade facilitation and transport infrastructure as their AIT priorities. All responses also point out that trade facilitation is a priority in their national development policies and that they are at different stages of implementation of the agreement. The TFA measures that were identified as needing more AIT support related to border agency cooperation, publication of information, release and clearance of goods, and freedom of transit. 5 respondents also put forward Aid for Trade facilitation projects that they wished to showcase as examples of best practices.

Regarding the questions on e-commerce, half of the LLDC respondents said that they had a national e-commerce strategy. These strategies cover issues of access to online platforms, B2C and B2B transaction and payment issues. High shipping and small parcel shipping costs were pointed out as the most common challenges faced by MSMEs when conducting cross-border e-commerce. When it comes to access to the internet most identified broadband subscription costs and slow connections as the main issues impeding access. All but one of the LLDCs respondents said that electronic payment solutions were available in their country, with e-banking and mobile money being the predominant solutions. Almost all respondents said that they anticipated the need for future assistance to meet their e-commerce objectives.

When it comes to assessing trade related infrastructure needs the responding LLDCs identified Energy distribution, telecommunications and road transport infrastructure as their priorities. 14 of the respondents also said that their development strategies linked growth in services capacity
to growth in industrial capacity and exports. Banking, computing and road transport services were highlighted as the fastest growing services in most LLDCs. While poor ICT infrastructure was most commonly pointed out as the main issue constraining the growth of services trade in LLDCs.

Focusing now on the area of trade facilitation, a way to enhance Aid for Trade is to use the institutions that are contemplated in the TFA. For example, the National Committees on Trade Facilitation that each country has to establish under Article 23.2 of the TFA can play a key role in identifying needs, and categorizing commitments for notification. Aid for Trade has to be demand-driven to create country ownership this is why the NCTF should first identify what an LLDC needs in terms of infrastructure development. This would avoid the situation where it is the creation of a program by a donor which generates the demand. Once needs have been identified the NCTF could contact the donors to see what assistance can be provided or work with the TFA Facility to find a donor to cover those needs. Then there is the key task of coordinating the capacity building efforts taking place in the country including by ensuring maximum efficiency in the work of donors and implementing agencies. This is why in the WTO we encourage countries to include as part of their NCTF representative from the development cooperation agencies of the country or those institutions in charge of development planning and coordinating the receipt of developmental assistance.

Lastly, I want to congratulate OHRLLS on this meeting because this kind of events helps the multilateral institutions working on financing infrastructure and aid for trade to bolster global cooperation and ensure that our efforts to deliver on the promises made in the 2030 Agenda for Sustainable Development and the VPoA remain coordinated and coherent.

Presentation by Mr. Tarik Iziraren, Deputy Director for Policy and Strategic Partnership, UN Office for South-South Cooperation (UNOSSC)

UNOSSC is the focal point in the UN system that facilitates, promotes and mainstreams South-South Cooperation (SSC) at the UN and globally. From SSC perspective, there is no categorization of countries. It is about solidarity cooperation and partnerships in SSC are not only financial flows, but cooperation that goes beyond. UNOSSC conducts every year the SSC development expo, which is a venue for countries of South and North for cooperation. Another observation is that looking at specific LLDC challenges, important modality of cooperation is regional and sub-regional integration. The Office is currently undertaking the preparatory process for the general assembly resolution on SSC conference to be held in March 2019 in Buenos Aires. The elements considered to be pertinent of how LLDCs can benefit from SSC initiatives are - Belt and Road Initiative, in which 1/3 of participating countries are LDCs, LLDCs and SIDS. It will provide opportunities for international cooperation. Another aspect was creation of the New Development Bank, through which ¾ billion people will be connected by 2020 and around 9 million USD is estimated to be the lending power of the bank by 2034.

The other aspect of the SSC is provision of the office support on advocacy, and an example of SSC is the India, Brazil, South Africa (IBSA) fund to fight hunger. LLDCs can benefit from the means extended by these countries to promote sustainable development. There are projects to improve countries’ productive capacities, for example the project in Laos – IBSA initiative. Created by India, the fund provides assistance to countries that are most in need, initially for LDCs and SIDS, but can be extended to LLDCs. Chad benefited from the fund to improve its agricultural capacity.
There are innovative development solutions, which the UNOSSC is trying to promote. There is space for LLDCs to share experiences and learn from each other. It is not only about financial flows. SSC promotes ownership by countries of their own sustainable development path. There is a need to look beyond large infrastructure projects, as small infrastructure can impact the lives of people such as connection from large roads to villages.

In case of PPPs, the private sector is willing to be part of the process of implementation of 2030 agenda, as well as the CSOs, which is like a triangular cooperation, and developing countries have to tap into this potential. There have been efforts to bridge the two modalities of partnerships, that is the SSC and triangular cooperation.

**Interactive Discussion**

In the ensuing discussion, participants discussed the identified Aid for Trade priorities by LLDCs underscoring that the LLDCs that participated in the reviews did not indicate transport infrastructure to be the highest priority yet in some regions like Latin America, infrastructure is key. Instead export diversification and trade facilitation were ranked highest by the participating LLDCs. The meeting underscored that LLDCs had different levels of productive capacities and that infrastructure, trade facilitation and export diversification were closely linked and should all be addressed for optimal benefits to the LLDCs. Participants also noted that the issue of export diversification as first priority may stem from timing, as the LLDCs are commodity export dependent, with downturn in commodity prices, they feel the pain more and realize the dangers of this dependency.

The meeting discussed the observation that the loans spiked in 2009, which was immediately after the financial crisis, and whether the LLDCs were not affected by it. It was clarified that the loan qualifies as ODA when it has 25% concessionality level, which has to do with discount rate which was 10%, now when interest rates are close to zero, the Governments can lend at almost nothing and then the commercial loan qualifies as concessional loans. Further for currencies with low interest rates, you benefit, you can claim loans with low concessionality level as ODA, and it makes sense to have loans for the donor agencies. Countries that use loans, pushed very hard to get them recognized as ODA.

Participants discussed the issue of regional funding. They noted that Trademark is best case example of how bilateral agencies cooperating together to produce excellent results since this support has financed OSBPs between LLDCs and transit countries in East Africa, and helped with transport on Lake Victoria, and have been trying to expand to west Africa – but that has proved very difficult because there are no corridor agencies. The meeting also noted that the World Bank has a regional integration fund for Africa since 2008, which had a midterm review last year, and it was found that it is not being applied in the way it was intended to and is in need of reconstruction. Its main difficulty is the need for regional agency to implement regional project. From lender part, task managers do not like regional integration projects because they are difficult to implement because it requires incorporating so many views and actors. Therefore, it is considered only as a last resort. The World Bank has learnt from these experiences in the midterm review and it is expected that next version of the fund will be better. The meeting also stressed that regional integration is the key to enhancing development cooperation and there is a need to strengthen it.
SECTION 5.

Optimizing financing from international and regional finance institutions and private sector financing for infrastructure development, including Public-Private-Partnerships: Trends, Challenges and Recommendations

Mr. Sandagdorj Erdenebileg, Chief of Policy Development, Coordination, and Reporting Service, UN-UNOHRLLS, moderated the session. He highlighted that the session focused on perspectives on Financing for Infrastructure development, Private Sector and Public-Private-Partnerships: Trends, Challenges and Recommendations. He pointed out that the investment needs for infrastructure development to support inclusive growth and sustainable development of LLDCs are high. He indicated that the session would showcase the regional perspectives and provide with an overview of the status of financing of various infrastructure projects in the regions with LLDCs, including Africa, Latin America, Europe and the countries of the Europe-Caucasus-Asia transport corridor.

He stated that the discussions in the session would address some of the following questions: What is the role of regional development banks and other regional institutions in financing infrastructure in LLDCs? How can the private sector be tapped as a more significant contributor to develop sustainable infrastructure? What can LLDCs’ do to be better able to attract private sector financing? and How can public private partnerships be used to support infrastructure development?

Presentation by Mr. Mircea Ciopraga, Secretary General, Permanent Secretariat of the Intergovernmental Commission TRACECA

TRACECA’s activity is aimed at promotion and expansion of trade-economic relations and transport connections between Europe and Asia, as well as realization of economic opportunities of TRACECA member states by means of infrastructure development along the TRACECA corridor. TRACECA is also an internationally acknowledged programme directed towards development of the Europe-the Caucasus-Asia corridor that represents a multimodal complex of the regional countries’ transport system aimed at the development of trade and economic relations and reliable transport communication between the countries and regions. TRACECA corridor is by right acknowledged as one of the natural transit bridges between Europe and Asia. The promising idea of this transport corridor development is substantiated by the fact that in ancient times the “Great Silk Road” passed along the current TRACECA routes. Therefore, the name “Great Silk Road of the 21st century” given to TRACECA became popular amongst the international community.

For 24 years the TRACECA institutions have been carrying out continuous activity on the development of transport communication in the corridor and for this long-standing experience of TRACECA activities that emphasize a considerable contribution of the TRACECA member states to the development of international cooperation in the field of transport.
Today the efforts of the TRACECA member states are focused on further dynamic development of the TRACECA transport corridor. The key measures in this dimension are defined in the TRACECA Master Plan for the 7-year period, the document which served the basis for the Strategy for development of the international transport corridor Europe-the Caucasus-Asia for the period 2016-2026, unanimously adopted by the TRACECA member states at the Twelfth Meeting of the Intergovernmental Commission TRACECA held on 1 June 2016, in Odessa, Ukraine.

One of the priority objectives is the implementation of infrastructure investment projects and diversification of schemes and sources of finance, promotion of public private partnerships. Development of transport infrastructure along the corridor and transport communication favouring the consolidation of trade-economic relations in the region, directly contributes to creation of favourable conditions for the increase of population employment and involvement of specialists in the transport sector, having a multiplicative effect on the development of economies of TRACECA countries and promoting the implementation of corresponding national programmes in TRACECA member states, as well as stability and prosperity in the region.

Therefore, the attraction of domestic and foreign private investments to the transport sector needs favourable conditions basing on public-private partnerships mechanisms. This is indisputably substantiated by the world practice. Reconstruction and upgrade of transport infrastructure facilities as well as building out on their basis of multifunctional complexes may become one of the trends of investment cooperation. Development of cooperation in the field of logistics opens up considerable opportunities for attraction of private investments. Efficient development of the transport system ensuring growth of competitiveness in international transport markets at the expense of considerable investments in infrastructure projects is one of the objectives facing us.

The international transport corridor “Europe-the Caucasus-Asia” (TRACECA) occupies a favourable geographic location, one part of it is situated in Europe, the other – on the border with the East Asian countries, and offers goods owners as an alternative to intercontinental transoceanic corridor. Its overland routes pass through the countries of the Black Sea and Caspian Sea basins, the South Caucasus to Iran and Turkey ensuring exchange of commodities in the whole Eurasian continent.

So far 13 states have signed and ratified the Multilateral Agreement on TRACECA, including 7 landlocked countries. Transport connections along the TRACECA routes are directed towards mutually beneficial cooperation in the whole Eurasian space, promoting not only commercial but cultural relations between the countries as well.

The tendency to dynamic growth of international trade volumes stimulates the activity aimed at optimization of traffic, increase of transport efficiency and promotion of sustainability of traffic in the region.

Within TRACECA the European Commission has financed 85 projects to the total amount surpassing 187 million euros. These projects favoured the attraction of large investments out of international financial institutions and more than 40% of the budget was allocated for the support and development of the transport infrastructure along the corridor.
Until now, technical assistance and investment projects implemented within the framework of TRACECA, promoted attraction of large investments of International Financial Institutions in the field of ports, railways and roads along TRACECA, in the total volume surpassing 2 billion euros. Out of the investment projects of current importance I could emphasize the construction of railway/road connections between Turkey and Georgia (Baku Tbilisi Kars project), as well as the port of Kuryk and construction of roads in the “East-West” connection in Kazakhstan.

In recent years along with investments to railways, roads and ports infrastructure there is growing interest for capital investments to the development of logistics and construction of logistic centres practically everywhere, with the initiative coming mainly from private sector. With the aim of ensuring more active information exchange and cooperation of TRACECA countries with potential investors within TRACECA framework there was created a standing mechanism realized by means of TRACECA International Investment Forums.

It should be noted that the improvement of transport infrastructure within the TRACECA corridor goes on in parallel with taking measures to ensure free movement of goods and passengers. With the view of promoting the attractiveness of the TRACECA corridor the countries take active measures to eliminate non-physical barriers: these are measures on harmonization and simplification of regulatory standards, facilitation of border crossing procedures, use of advanced transport and information technologies and other factors that are able to guarantee uninterrupted transport communication in the TRACECA region. We are sure that a complex approach towards solution of transport infrastructure problems will contribute to creation of a long-term basis for sustainable development of the Europe-the Caucasus-Asia corridor.

Geographic proximity and availability of common borders with China being a locomotive of economic growth throughout the South-East Asia, is a great advantage of the region. P R China organised the Silk Road Business Summit within the framework of the multilateral cooperation platform. With this occasion, PS IGC TRACECA signed MoU with the Silk Road Chamber of International Commerce on 8th September 2017 in Xi’an, China as a part of One Belt One Road initiative.

Presently, China is one of the largest economies of the world ranking high by world export volumes. Trade relations between China and the European Union are an example of the most active economic cooperation in the world. The countries of our region represent the largest export markets for goods and services produced in China. It is obvious that the construction of new transport infrastructure facilities will make it possible to considerably increase the capacity of the corridor.

China plans to construct 30 thousand kilometres of railways by 2020 in order to extend the total network up to 150 thousand km. More than 530 billion USD will be allocated for the implementation of this large-scale project. TRACECA on its part has to provide appropriate interoperability with the Chinese partners regarding transport support of the growing freight traffic.

In September 2013, the Government of China announced the initialization of the project on creation of the “Silk Road Economic Belt” in the context of development of the large-scale international initiative named “One Belt, One Road”. A special fund in the size of 40 billion USD was offered for the implementation of this initiative. This amount will be allocated for construction and modernization of transport communications, connecting China, Central Asia,
Middle East and Europe. A new Silk Road is a transcontinental project, and its implementation should envisage the improvement of the infrastructure network.

At the same time this new Silk Road can be considered as a renewed model of cooperation within the Eurasian region which will favour the development of the economy not only of Central Asia region, but of all countries situated along the axis China–Europe. The improvement of transport infrastructure is of key importance for TRACECA countries most of which are landlocked countries. Therefore, we are interested in successful realization of the Vienna Programme of Action for 2014-2024.

The World Bank has already allocated in total around US$8 billion for infrastructure projects within the framework of the Chinese initiative of the Silk Road Economic Belt. In fact, the Chinese initiative of the Silk Road Economic Belt is the engine of infrastructure investments and the World Bank assists the countries covered by this initiative to take advantage of the given opportunities according to their development strategies.

Presentation on the Africa Region by Mr. Adeyinka Adeyemi, Senior Inter-Regional Adviser and Head of Regional Integration and Infrastructure Cluster/NEPAD Focal Point, UNECA

There are many challenges facing investment in transboundary infrastructure in Africa, but the two challenges that have emerged from experts and potential investors are: (i) Plethora of policies, laws and regulations which inhibit private sector investment and curb its enthusiasm, and (ii) Specific risks associated with investment in transboundary infrastructure in Africa. UNECA’s response to challenge (i) was to develop a continent-wide model law to enhance investment in transboundary infrastructure; and to address challenge (ii) it is undertaking a Comprehensive study of risks that pertain to investment in transboundary infrastructure in Africa.

The investment in transboundary infrastructure in Africa is beset by three giant fallacies, which are that Africa is too risky, there are too many divergent laws, policies, and regulations, and that the investment opportunities are scarce. Despite this, Africa has made some progress towards raising resources for infrastructure development.

16 projects were endorsed in 2016 at Dakar Financing Summit (DFS) across energy, transport, and ICT sector. On the aspect of risks, apart from the DRC, none of the risky countries in Africa is in the DFS 16. Despite “low risks” in developed countries, their markets and investments collapsed in 2008. Further, there is an error of aggregation, as to how can countries like Central African Republic, Somalia and South Sudan be lumped with South Africa, Nigeria, Mauritius, and Botswana, when talking of risks in investing.

There have been four recent key findings, that the risk premium is higher for Africa, due to the perceived risk and cost of capital, internal rate of return for securing partners and investors is 16 to 20 percent, whereas in other developing countries it is 11-15 percent; greater support is required in Africa during project development, that is, political support, risk mitigation, development institutions, incentives etc.; there is a greater difficulty in securing qualified professional, which is 7.6 versus 5.0 for Asia and 4.6 for emerging Europe, on a scale of 1-10,
where 10 is the hardest; and project developers in Africa face more challenging roles while securing off-take agreements, negotiating with Governments, securing risk mitigation, etc.

By 2025, African countries will spend over US$180 billion on infrastructure, while Nigeria alone will spend US$77 billion on infrastructure up from US$23 billion in 2013. By 2025, South Africa will spend $60 billion on infrastructure, up from $22 billion in 2012. Moreover, countries like South Africa, Nigeria, Morocco, Kenya and Egypt, accounted for 58% of Africa’s total FDI projects in 2016. The investment climate has improved in Africa through business-friendly reforms and democracy. High level political will exists evidenced by DFS 16, PIDA, Agenda 2063, 2030 Agenda, and PICI.

China is investing in Africa and was Africa’s largest foreign investor in monetary terms in 2016. The foreign direct investment from China to Africa grew sharply with a 106% rise in projects, according to Ernst and Young’s Attractiveness Program Africa 2017. In comparison, FDI projects in Africa by the US and UK fell 5.2% and 46.8% respectively.

The pension funds are eager to increase investment in infrastructure in Africa, Eskom, second largest in South Africa will increase investment to 15%. Johannesburg Stock Exchange says “infrastructure firms exhibit lower revenue volatility and higher payout ratios (dividends to revenue) than any other group of private or public firms.” There now exists a continental model law in Africa, which addresses concerns of foreign investors and there has been a comprehensive risk mapping of DFS 16.

Africa can fund its priorities with domestic resources, as US$520 billion are generated annually from domestic taxes. Remittances have steadily increased by an estimated rate of US$10 billion annually. $168 billion annually from minerals and mineral fuels, banking revenues are estimated at about $60 billion, international reserves amounts to $400 billion, $50 billion annually in illicit financial flows, stock market capitalization was estimated at $1.2 trillion in 1977. In 2016, just the Johannesburg Stock Exchange held $0.9 trillion.

Recommendation for enhancing infrastructure investment in LLDCs
- Harness/integrate various frameworks (AAAA, VPoA, SDG, Agenda 2063, etc) into a coherent strategy.
- Forge partnerships (AU, NEPAD, ECA) to implement Model Law on investment in transboundary infrastructure.
- Forge partnership on the 5% Pension Funds campaign (NEPAD, ECA). Exploit Domestic resources.
- Use infrastructure champions (eg Dangote)
- Advocacy: What Africa, China others are doing; exploiting poor state of infrastructure
Presentation on the Latin America Region by – Ms. Azhar Jaimurzina, Chief, Infrastructure Services Unit, Natural Resources and Infrastructure Division UN ECLAC

The presentation focuses on 4 key components of the ECLAC’s activities related to the LLDCs issues in South America: (i) Monitoring infrastructure performance; (ii) Measuring infrastructure investment; (iii) Estimating Investment needs; and (iv) Policy recommendations.

Monitoring infrastructure performance

In general, infrastructure in the ECLAC region receives the lowest quality rating among the various components of logistics performance in the global perception indicators, such as Logistic Performance Index and, in the recent years, the gap between quality of infrastructure between LAC and best performer (Germany) has grown even large see figure 1. The rating of infrastructure quality of the South American Landlocked countries (Plurinational state of Bolivia and Paraguay) is below the regional average as shown in Figure 2.

![Figure 1. LPI Infrastructure Quality, 2007-2016](image1)

![Figure 2. Infrastructure Quality in LLDCs and Transit Countries in South America, 2016](image2)

Source: ISU/NRID, ECLAC, based on data from World Bank, 2017.

ECLAC data on road density and other infrastructure parameters confirms the gap which exists between the LAC countries and other regions of the world, as well as the lower levels of
infrastructure development in Paraguay and Plurinational State of Bolivia in comparison to the regional average (Figure 3).

Figure 3. LLDCs and Transit Countries in South America and selected regions: Road Density, 2015 (km of roads per 100 km²)

Source: ISU/NRID, ECLAC, based on official data, for 2015 or latest year available.

There is an increase over the last decade in infrastructure provision in the region, it does not always imply the creation of significant new infrastructure, in some cases it is merely reclassification and, at any rate, the demand grows faster. Furthermore, some natural advantages of the LLDCs and transit countries in the region, such as an extensive network of inland waterways, are not being used to its full potential. In this context, the contribution of international freight to the total costs of imports remains higher in LLDCs than in transit countries.

Measuring Infrastructure investment

ECLAC, in cooperation with Inter-American Development Bank (IDB) and the Development Bank on Latin America (CAF), has been assisting countries in enhancing the transparency and measurement of the public and private investment in economic infrastructure. This work has resulted in the creation of INFRALTAM (www.infralatam.info) – an online source of the information on the historical and current level of infrastructure investment.

Historical data and information from INFRALTAM, summarized in Figure 4, suggest that for the entire infrastructure sector, 80s was greatest period which saw great investment, which however went down over a period of time due to policy choice as well as optimism of the private sector’s investment which never compensated for fall in public investment. On average, there is 2.2% of GDP investment in LAC in infrastructure, which is not sufficient to meet the demand and shows a lot of volatility.
There have been high levels of investment in LLDCs, Bolivia in particular. ECLAC is looking at how much investment is needed for various scenarios of growth, however, it is estimated that there will never be enough investment, when taking into account economic growth and population growth.

For the purpose of infrastructure financing in South America the countries are dependent on the public budget, national banks and PPPs, which are the main domestic sources of financing. The external sources of financing comprise of multilateral development banks, regional infrastructure funds, sub-regional and bilateral banks, ODAs and FDI. The innovative mechanisms and other forms of financing used for funding infrastructure development in South America comprise of investment facility for Latin America (LAIF), Project Finance (PF) – Special Purpose Vehicle (SPV) etc. There is a need to improve the way we use current financing options, like PPPs, bearing in mind the advantages but also the costs of using each financing instrument.

**Estimating Investment needs**

ECLAC estimations of the infrastructure investments needs for the region are currently being updated to cover the needs arising both from the use of the infrastructure as a factor of production and the goals of the universal coverage of basic infrastructure services.

The preliminary results suggest that, the total amount of the infrastructure gap could reach the following values: 1.5% ($1,451 billion 2010), 2.9% ($2,998 billion in 2010), 3.9% ($4,290 billion in 2010) and 5.2% ($5,942 billion in 2010), for scenarios with GDP growth projections equal to 1.4%, 2.5%, 3.2% and 3.9%, respectively (see figure 5). It should be noted that the gap would probably be greater if transport investment needs were included for universal...
coverage. However, it must be remembered that the investment amounts executed do not include the cost of maintenance and repairs.

**Figure 5. Infrastructure Investment Needs in the Business-As-Usual (BAU) scenarios ((In billions of USD of 2010)**

![Infrastructure Investment Needs Graph](image)


**Policy recommendations**

ECLAC policy recommendations offer specific elements on infrastructure development and maintenance, such as:

- Promoting increase in public investment intended for the creation of new infrastructure, and programmes for transport infrastructure maintenance
- Facilitating compliance with transit rules and improving infrastructure quality
- Improving and maintaining railway infrastructure (tracks and rolling stock)
- Improving the navigability of inland water routes, including signalling, maintenance and channel-widening projects

With regards to Infrastructure Financing, it seems essential to:

- Increase the level and the efficiency of the public infrastructure investments:
  - Integration of sectoral policies
  - Contra cyclical investments
  - Multi-criteria evaluation
- Build upon the region’s extensive and rich experience with the PPPs in infrastructure
- Improve the overall quality of institutional processes on the selection, implementation and evaluations of infrastructure projects

Building upon its work on infrastructure services, ECLAC has recently launched a High Level Regional Dialogue, which seeks to address the challenges of Infrastructure Governance, seen as a set of processes, relating both to the taking of decisions in the area of infrastructure and to implementation of those decisions, where there is interaction between the mechanisms, procedures and rules established formally and informally by institutions.
Presentation on the European Region by Mr. Andre Sceia, Information Systems Officer, UNECE

The numerous UNECE managed legal instruments (58) are key to leverage the benefits of transport infrastructure projects (e.g. TIR and Harmonization Conventions). UNECE is also responsible for the development of several transport infrastructure Master Plans such as

(a) the Trans-European Motorways (TEM) and Trans-European Railway (TER) masterplans;
(b) Euro-Asian Transport Linkages (Phases I, II and III) and prioritization of ongoing and planned transport infrastructure projects (9 international road and 9 rail transport corridors were identified);
(c) the High-Speed Rail Master Plan in TER and UNECE regions;
(d) the Pan-European cycling infrastructure Master Plan in the framework of the THE-PEP partnership;

The Master Plans provide a useful tool and framework for intergovernmental cooperation towards the coordinated development of coherent international transport infrastructure networks in Central, Eastern and South Eastern European countries, and their integration into the pan-European networks.

Two workshops (2015-2017) in the framework of the Working Party on Transport Trends and Economics (http://www.unece.org/trans/main/wp5/wp5.html) took place on the development of Transport Corridors along Europe and Asia. As a result of those Workshops, the development of an International Transport Infrastructure Observatory was agreed and mandated to UNECE. This Observatory will be an electronic space developed on a GIS environment, which would permit to all users (Governments, International Financial institutions (IFI)) to find and analyze:

(a) data about all transport networks and nodes (road, rail, inland waterways, ports, airports, intermodal terminals, logistics centres and border crossing points);
(b) data on transport corridors (length, services, missing links, time schedules, tariffs);
(c) data about new transport infrastructure projects;
(d) data about traffic and cargo / goods flows;
(e) results of different regional studies such as: (i) Benchmarking transport infrastructure construction costs; (ii) Climate Change impacts and adaptation for transport networks and nodes; (iii) Good practices and innovative solutions in financing transport infrastructure.

Furthermore, as a follow up to the above-mentioned workshop it was noted that along Europe and Asian corridors there are currently and operate eleven different regional initiatives all having transport as their main objective such as BSEC, TRACECA, CAREC, ECO, European Commission TEN-T, SEETO, UNECE EATL, ESCAP Transport Networks etc. However, even though all these initiatives are working for the same region, for the same projects (transport corridors development, border crossings facilitation etc.), cooperation among them is limited if not existing. Therefore, the International Observatory also will enhance cooperation among those different initiatives, create economies of scale, maximize efficiency and provide concrete and tangible inputs to Governments. Focal points of those initiatives will use the observatory in order to communicate and exchange basic information (next meetings of their groups, agendas, reports, workshops programs, etc.); to disseminate adhoc knowledge and best or good practices including information about vendors, consultants, etc.; to exchange...
information about projects and other initiatives/proposals; to seek cooperation on specific transport infrastructure projects/tasks/studies and researches decided during their Secretariat sessions; and at a later stage, and depending on extra budgetary resources all international transport corridors will be hosted in this observatory in a GIS environment in order to create a more interactive and user friendly environment that would further promote and enhance cooperation on development of transport infrastructure.

The development of the International Transport Infrastructure Observatory has already started and it will be ready towards the end of 2018. Initially it will include the 56 UNECE member States. However, discussions have already started in order to include in the near future other United Nations member States.

Finally, the First session of the Working Party on Public-Private Partnerships will be held in Geneva, 21 - 22 November 2017. UNECE is also undertaking an open consultation on the draft report “Overcoming barriers to investing in energy efficiency.

Recommendations

- Make use of integrated GIS solutions, such as the International Transport Infrastructure Observatory, to get a holistic overview of infrastructure projects and ensure that the best projects obtain financing;
- Implement international conventions and other transport facilitation measures to leverage the benefits of transport infrastructure projects and increase their chances of being financed;
- Coordinate internationally transport infrastructure projects and regional initiatives;
- Share/consult data, success stories and innovative financing mechanisms (for construction and maintenance);
- Combine trade and transport facilitation measures with infrastructure projects (e.g. TIR green lanes);
- Take into account potential climate change impacts to ensure the sustainability of the transport infrastructure.

Presentation by Mr. Jens Hugel, Head-Goods Transport & Sustainable Development, International Road Transport Union (IRU)

Road transport has great importance to LLDCs for their transformation from landlocked to land-linked countries, however, the most cumbersome process is the scenario of border crossing, which consumes nearly 57% of the total transportation time. International Road Transport Union is happy for every part of roads linked internationally, but it would like to stress upon the need to link the road infrastructure with improvements in procedures of border crossing and enhancements and improvements in the soft infrastructure. This can be achieved by initiating along model highway initiative, and linking to enhancement of soft infrastructure including training on road safety etc.

Investments from private sector is hard to secure, as they will always look at return on investment, therefore, there is a need to give private sector a perspective to see improved return on investments. There are a few good examples of border crossings, some of which are the Turkey-Bulgaria border, where the private sector invested to modernize the facilities, which stays with private sector for 20 years before returning to government.
Governments should strive to improve procedures and improve the border post facilities and amenities and also the documentation for which ICT could be used to expedite the time taken for border crossing. There is a need to improve the linkages between hard and soft needs, which needs to be incorporated in every single project even at the time of its inception and planning. There is a strong need to communicate this to the governments and IFIs to look into having a section of project planning look into this aspect of provision of soft infrastructure.

**Interactive Discussion**

In the ensuing discussion, participants stressed the importance of soft infrastructure. The meeting was informed that in US in late 2014-2015, there was a west coast port slowdown due to a labour strike. This is an example of how soft infrastructure side can go wrong. One side is operational, which is the hard infrastructure but the institutional governance, the soft infrastructure did not work well. There was an estimated loss of 1% of GDP due to the strike. The economy lost 7 billion in revenue across the US.

The meeting reiterated the need to peg soft infrastructure to hard infrastructure right at the time of project planning. There are many ways to improve this and use technologies such as blockchain economy, single windows, automations etc. can make a lot of difference in reducing the actual time taken in the transportation. There is a need not only to include the aspect of soft infrastructure at project level, but it is also mandated that it must be considered also at the policy level. This is a more challenging aspect as, moving to soft infrastructure you change actors, audience, etc. It adds to complexity of projects, makes it more difficult to implement. Further, there is a need to consider both the soft and hard infrastructure, with more focus on the service delivery, as people care about the flow of services, and not just the infrastructure itself.

Participants underscored the importance of regional integration including processes such as harmonization of policies, and how to tap on economic complementarity. They underscored promoting ways of how regions can learn from each other. The meeting noted that there is a big impact of regional integration, as evidenced by the extensive role that has been played by the European Commission within EU. However, there is a need to coordinate beyond regions and ensure that connectivity between the regions is enhanced.

The meeting also noted that the process of regional integration is very tricky, as it needs to encompass some serious questions as to how to manage the complexity of projects etc. The meeting noted that though there have been advances in the Latin America region, but achieving regional integration remains one of the difficulties in the region. Participants noted that in the Africa region regional integration usually has to start with a political decision, then it can go through the RECs, and this makes the regional integration effort is easier.

The Meeting commended the efforts of the Africa region in making efforts to design model law to enhance investment in transboundary infrastructure which will help in terms of changing the regional dynamics. The meeting noted that the whole regime of commercial law needs to be revisited so as to encourage other countries to attract FDI since South Africa, Nigeria, Morocco, Kenya and Egypt account for more than 50% of total FDI to the region. On the aspect of FDI, the meeting expressed concern that some of the countries are attracting it, while some are not. The meeting suggested that OHRLLS should undertake a study to look at how to make countries attract more FDI to bring out a clear picture of the future road map. The meeting also noted that volatility in private sector investment need to be addressed.
SECTION 6.

Enhancing the capacity of the LLDCs to access international and regional funds and facilities and other innovative sources of financing: Policy recommendations

Enhancing the capacity of the LLDCs to access funds, facilities, and financing by Ms. Jaehyang So, Senior Advisor, World Bank Group

For the World Bank Group (WBG), the primary fund to finance infrastructure projects comes from International Development Association (IDA). The WBG is using IDA to implement the 2030 Agenda through building resilience, promoting growth and opportunities. WBG focuses on 5 priority themes which include: Jobs and Economic Transformation, Governance and institutions building, Gender and Development, Fragility, Conflict and Violence and climate change. The key eligibility criteria for IDA includes: Poorest countries: GNI per capita below IDA operational cutoff (US$1,185 in FY17); and lack of creditworthiness: No access to IBRD. 77 countries worldwide are eligible for IDA in fiscal year 2017.

The IDA 18 replenishment concluded last year with a record replenishment of $75 billion. Public financing is scarce. In order to maximize the best use of public financing, the World Bank Group has begun to implement the Cascade Approach. This means that for every project being considered for financing, WBG staff will first review all possible sources of financing in order to ensure that scarce public resources are put towards the best use as shown in the figure below.

Getting the right balance of public and private financing is tricky. The level of policy and regulatory framework; the sectoral considerations, and the interest from the private sector are all considerations that affect the availability of private financing. First, as we think about private financing, we should be clear that this includes user fees. ICT has the highest level of
private financing, with almost 80-90% of funding coming from private sources, and water has the lowest level of private financing, with only about 20 to 40% coming from private sources. Transport and energy fall somewhere in between. The sources of public financing include Federal, National or Local Budgets, Development Finance Institutions and Multilateral Development Banks, Public Bond Financing and National Development Banks.

The WBG has invested heavily in tapping all sources of financing, from creating new innovative instruments on international and domestic sources, and maximizing financial leverage as shown in the figure below.

### WBG Mobilizing Agenda: Areas of Focus

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Earlier this year, the World Bank Group launched the first green Sukuk, another new instrument tapping Islamic Finance. The shariah-compliant assets have reached nearly $1.9 trillion, spreading across 50 Muslim and non-Muslim countries across the world, and there is an estimated $3.3 trillion in sovereign wealth funds based in Organization of Islamic Cooperation (OIC) countries. More recently, the WBG has invested more heavily in open platforms to bring together public and private financing.

### Global Infrastructure Forum

As set out by the 2030 Sustainable Development Agenda, sustainable, inclusive and high-quality infrastructure is of cross-cutting importance to increasing economic growth, attaining the Sustainable Development Goals (SDGs) and meeting the ambitions of the Paris Agreement (2015 COP21). In pursuit of the achievement of the SDGs, the 2015 Addis Ababa Action Agenda (AAAA) called on the MDBs to establish the Global Infrastructure Forum in order to “improve alignment and coordination among established and new infrastructure initiatives” while bringing together the full range of stakeholders. In view of the enhanced importance of infrastructure, many countries are now scaling up their plans based on their ownership of the SDGs and to meet their strategic infrastructure targets and their Intended Nationally
Determined Contributions. MDBs historically have focused their efforts on increasing infrastructure investments with particular emphasis on developing economies. In line with their commitments under the Billions to Trillions Agenda, MDBs are increasingly seeking to devote a substantial part of their annual financing resources in support of sustainable infrastructure investments. The First Joint MDB Report on Mobilization of Private Finance, April 2017, showed that out of $163.6 billion of private finance mobilized, $68.7 billion went to infrastructure in 2016.

The Global Infrastructure Facility
The Global Infrastructure Facility (GIF) tries to bring together public and private financing through a strong project preparation and financing platform. In order to contribute to the transformation of infrastructure into an attractive asset class for private sector investment, the GIF serves as a project preparation and financing platform with three key characteristics: It draws upon skills and financial instruments from multiple partners, public and private, rather than replicate those skills; It crowds in external financing - commercial, institutional and official; and it focuses on projects that meet specific eligibility criteria according to priority areas, size, complexity and the potential for financial viability as PPPs. An important challenge is to catalyze private finance - such as pension funds, insurance companies and sovereign wealth funds. Estimates of long-term assets held by the largest institutional investors are in the tens of trillions of dollars. By end-2012, pension funds in emerging economies had $2 trillion in assets, insurance companies over $3 trillion, and sovereign wealth funds (SWFs) more than $5 trillion. Only a tiny part of their increasing resources is invested in infrastructure finance (1% of assets).

The Invest4Climate Platform
The Invest4 Climate Platform was launched last month at UNGA. It is designed to bring together national governments, financial institutions, private sector investors, philanthropies, and multilateral banks to support transformational climate action in line with the Paris Agreement. It provides a matching function involving public, private, and philanthropic capital. It will bring together investors with high-impact opportunities in developing countries such as large-scale development of battery storage, electric cars, and low emission air conditioning. It will also facilitate such investments through the development of risk mitigation instruments and, based on demand, will work with national governments to improve policy environments. This concept has caught the interest of many global leaders. The idea is that private capital can take higher risk than public financing. President Macron of France has offered the first milestone for this platform, called “Douze – Douze – Douze”. On December 12, he will launch 12 projects to be launched on this platform. WBG staff are working intensively with countries to prepare these 12 projects. Hopefully, the success of this launch will enable dozens more.

The Belt and Road Initiative
The Belt and Road Initiative, first proposed by President Xi Jinping in 2013, is an effort to improve regional cooperation and connectivity on a trans-continental scale. Precise scope of each aspect of the initiative is still taking shape. Initiative is open to all countries and international organizations. WBG is deeply engaged in countries along the Belt and Road initiative. WB commitments of about US $80 billion for infrastructure in Belt and Road countries, plus numerous projects addressing infrastructure, trade, and connectivity in project pipeline. The Belt and Road Initiative is undoubtedly one of the most ambitious connectivity projects attempted. WBG is one of the many organizations who have signed on to support
cooperation around BRI. Already there are $80 billion for infrastructure financing along the BRI countries.

**Technology**
At the World Bank, in every sector, technology has the power to fundamentally change the sectors, and our interventions in the sectors. For example, in enhancing trade facilitation and connectivity, SMEs face a particular constraint, because they don’t have easy access to the kind of resources that may be available to negotiate access. However, the growth of Amazon, eBay, Ali Baba, clearly show that with digital connectivity, SMEs have access to trade in ways they have never had before. Technology has the power to allow lagging countries to leapfrog. Early mover countries may be stuck with aging infrastructure. Of course, technology is not a panacea. There are issues of inequality, privacy and security that must be carefully considered. The Fourth Industrial Revolution, the concept of the World Economic Forum last year, starts to identify some of the issues.

The cost of solar power fell by 80% in last 6 years; wind power by 50% because of improved technology. The installed capacity of solar energy grew 40 times and that of wind 6 times in the last 10 years. Cost of smartphones has decreased 5% per year (2008-2013). Concerns of inequitable access, privacy and security and impact on jobs from automation and improved technology must be analyzed.

**Can the SDGs be met without infrastructure?**
SDG 9 refers specifically to infrastructure outcomes. However, based on a series of impact evaluations that have been conducted by the World Bank Group and others, it is clear that infrastructure is a critical input to many of the other key SDG outcomes. Two examples can be seen in this context, one pertains to the construction of an all-weather road in rural communities in Morocco, which increased girls’ primary school attendance from 28% to 68%, and the second one is the completion of networked water and sanitation services in Ahmadabad, India, which increased local women’s daily profits from vegetable farming by ~ US$1 per day and reduced the incidence of disease by 75%.

Connectivity is essential for LLDCs. WBG is the largest provider of development finance for infrastructure, in 2016, US$12.4 billion, 42% of total WBG financing for transport went to LLDCs, and in 2017, the number of LLDCs in WBG portfolio increased from 26 to 29. One fourth of all transport-related programs are for enhancing the connectivity and regional integration of LLDCs. WBG assistance support to Vienna Program of Action includes: corridor projects; backbone internet connectivity; intermodal connections, especially at the interface between ports, rail, roads and inland waterways; asset preservation and expansion of broadband coverage and border crossing interventions.

However, this level of public financing is simply not enough. There are major gaps in the world in basic services, as more than a billion people lack access to electricity, more than 2 billion people lack access to sanitation, and almost 1 billion people live more than 2 km away from an all-weather road.

There is a need to access additional facilities in order to expand access. There is a tremendous potential of Islamic finance, which is an expanding market. Intersection of Islamic finance and PPPs in infrastructure. Both types of investment intend to meet basic service delivery needs and achieve social good. Hallmark of shariah-compliant structures is their asset backed or asset based nature, a tangible or physical asset underlies the transaction. Interest income or
guaranteed returns are forbidden in Islam, there must be a degree of risk sharing, as in the case of PPPs. Given the long term and stable nature of infrastructure investments generally, they allow for long term stable rates of return to investors. There is a need to look into financing infrastructure with co-existence of conventional and Islamic financing.

*Presentation by Mr. David Jackson, Director, Local Development Finance, UNCDF*

The local development blended infrastructure finance at UNCDF contributes to enhancing capacity through innovations by looking at how blended finance can work for the benefit of the LLDCs. GMS connectivity conference was held in Hanoi a few weeks ago. One of the issues they tried to address was how to re-orient value chains to look at local economic development on either side of the border rather than value chains that see Laos as the country that exports go out of, and through other countries, exporting value out of the region. How can we promote connectivity for regional economic integration? How can we attract other financing into blended finance? Blended finance depends on actors which get involved. UNCDF tries to come up with ways to deploy blended finance in border areas to promote those economic activities that are catalytic to cross-border trade, working on border between Laos and Cambodia.

UNCDF involves local government, process that can do de-risking in order to attract more funding, by providing complementary public expenditure that makes the project viable. Main fund is the domestic bank/pension fund, and the UNCDF is trying to unlock the concessional lender, to get them interested. The concessional lender may need concessional finance, but there has to be some positive externality connected to the concessional fund that countries are trying to access, UNCDF is helping countries to meet criteria to access those funds, such as UNCCD fund, Paris Agreement, Green Climate Fund. This enables domestic banks to invest in the project. There is a lot of regional work going on, but often for LLDCs it is bilateral funding that is the key, in order to get economic activity going.

*Presentation by Mr. Ayodele Odusola, Chief Economist and Head, Strategy and Analysis Team, Regional Bureau for Africa, UNDP*

UNDP’s approach of supporting development management in LDCs and LLDCs is changing from funding to financing. This approach is focusing on enhancing national capacity to mobilize resources to finance development, including capacity for domestic resource mobilization. The key approaches UNDP is using to deliver on this are enumerated below.

UNDP is working with countries to organize roundtables on their national development plans and strategy to raise funds for development initiatives and projects. These roundtables bring in all actors working in the country, so that they are a part of the financing mechanism of the national development plan. The recent ones we supported are the Central African Republic and Chad roundtables. On Chad, $20 billion was pledged of which 31% is on infrastructure. And out of this 47% is on transport, 36% on energy and 17% on ICT.

UNDP has been working with member states to strengthen their capacity to access vertical funds such as the GEF, GCF. UNDP works with national players to develop the proposals. Since the capacity to develop it and access to the finance is weak, it has catalyzed a lot of
development initiatives. UNCDF supported Ethiopia in accessing vertical fund, and Zambia is a very good example in energy area.

Joint implementation and partnership is another approach. A good example is the Malawi innovation challenge fund to de-risk investment climate for logistics and manufacturing targeted at export promotion. This is being implemented in partnership with DFID and the World Bank.

Triangular cooperation across many African countries is being promoted including the UNDP-China-Denmark partnership in Zambia on renewable energy technology transfer focusing on rural electrification project; establishing centres of excellence on hydro and solar energy; and the development of national industrial policy focusing on SMEs.

To support LLDCs to prevent and reduce illicit financial flows, a project on Tax Inspectorate Without Borders was launched in 2015 in partnership with OECD. The project mobilizes tax experts and auditors that have worked in multinational companies, all over the world, to work with tax authorities in Africa to be able to determine actual obligations of multinational companies operating in their countries. This has been done in several countries including Kenya and Liberia – with millions of dollars saved from the process.

UNDP is also using strategy of partnerships. It is partnering with UNCDF, World Bank, AfDB, to look at areas that are under-served. It is partnering with institutions, as well as national governments, to be able to focus on areas that are marginalized such as rural communities. Malawian innovation challenge fund is an insurance scheme to mobilize resource to catalyze private sector development in partnership with DFID, to help export of value added products. It serves as insurance and private sector mobilizes through this, and has proved to be catalytic in building capacity.

Some of the key lessons that have been learnt from this are that whatever the support, national ownership is critical; second, the scalability is important – there are so many projects, but ability to scale up to national level or scale up to regional level is an important aspect for the project; third, coordination, which again forms a very important aspect, there is a need to do effective coordination in partnerships, and there is a need to partner or garner support of the national actors; and fourth is sustainability, which also is very important, as capacity development is key in promoting sustainability and ownership.

Unlocking private investment in infrastructure: The PIDA Model Law by Mr. Adeyinka Adeyemi, Senior Inter-regional Adviser and Head of Regional Integration and Infrastructure Cluster/NEPAD Focal Point, UNECA

There are many challenges facing investment in transboundary infrastructure in Africa, but the two challenges that have emerged from experts and potential investors are: (i), a plethora of policies, laws and regulations which inhibit private sector investment and curb its enthusiasm; and (ii) specific risks associated with investment in transboundary infrastructure in Africa.

ECA/NEPAD responded to first challenge by developing a continent-wide model law to enhance investment in transboundary infrastructure; and response to the second challenge is that it has undertaken a comprehensive study of risks that pertain to investment in transboundary infrastructure in Africa.
The investment challenge for PIDA is to arrange for US$360 billion by 2040. Similarly, for PIDA PAP, that is the 51 Priority Action Plan projects, there is a challenge to get US$68 billion per year up to 2020, out of which 95% will be on transport. The African Governments spend about $45 billion annually on infrastructure, out of which 2/3 is spent just on maintenance. The $48 billion remainder can be reduced by $17 billion if existing infrastructure is rehabilitated, better subsidies are targeted and budget execution is improved. For all this to be successful the private sector investment is crucial, and the proposed PIDA model law can unlock private investment, by creating more confidence in the business environment in Africa.

The PIDA Model Law, has been developed pursuant to the Assembly of the African Union Decision (Assembly/AU/Dec.563 (XXIV)). The aim of the PIDA Model Law is to implement and accelerate the Dakar Agenda for Action, in particular, private sector investment of the DFS Projects and to promote industrialization of the African continent through the development of transboundary infrastructure.

The objectives of the Law is to facilitate private sector investment and financing in Transboundary Infrastructure Projects; to ensure transparency, efficiency, accountability and sustainability of Transboundary Infrastructure Projects; to harmonize cross-border regulation of Transboundary Infrastructure Projects; and to promote intra-African trade and open domestic markets to international trade.

ECA/NEPAD are presently going to four countries with the proposed model law, to Burundi, Rwanda, DRC and Zambia, where they will have a stakeholder workshop with government, CSOs and private sector to introduce the law to them. Since it is model law, countries are expected to integrate it within their own national law. One complaint from UNDP pertaining to the model law is how to ensure that the countries will implement the law. The simple response to the query is that they cannot be breaking their own laws. However, despite these observations, there is a need to start somewhere.

Infrastructure funding in LLDCs and transit countries in South America by Ms. Azhar Jaimurzina, Chief Infrastructure Services Unit Natural Resources and Infrastructure Division, UNECLAC

Low level of investment in infrastructure in the region is a problem, but shortage in public policies is also a critical issue. For instance, when it comes to the transport and logistics policies, in many cases transport agenda are driven by only one ministry, whereas the policy encompasses jurisdiction of so many other ministries and departments. Furthermore, the sustainability of public policy is not incorporated from the beginning. The institutional setting prevents the long-term vision as the financing of infrastructure cannot be separated from infrastructure governance.

One opportunity for enhancing infrastructure development is through improving data and reliable indicators on infrastructure development and financing – an importance shortage which the INFRALATAM initiative seeks to address. There is work to be done to develop indicators, as a lot of information is not captured. There is too much data, however, it is not known as to what is the value added of which one. This is a worrying trend, as the countries rely on global indicators, though these countries should be monitoring it themselves and there is need for improvement to be done. There is a need to better monitor the use of various funding mechanisms for infrastructure development. Launching and supporting the regional dialogue...
on infrastructure governance is an excellent opportunity to address the shortages in the existing infrastructure policies in the region and the governance issues arise at various levels: sectoral, local, national or regional. ECLAC has been organizing national transport policy workshops to promote the integrated and sustainable approach to transport sector, while also supporting a regional dialogue and regional cooperation initiatives. This has been a good opportunity to mainstream the VPoA priorities in the day to day decisions and programme of work of organizations and enhance the coordination of various UN institutions and regional development partners.

**Interactive Discussion**

In the ensuing discussion, the meeting noted that governments have capacity challenges in negotiating with private sector. The meeting was informed that one facility that can contribute is the African legal support facility, which is run by AfDB, which provides legal advice to governments when they negotiate with the private sector, which typically is negotiating through two unbalanced side. The fund helps to re-address this unbalance. This is one of the measures which needs to be scaled up. It is quite successful in Africa, though it has limited resources. The meeting stressed the need to promote similar mechanisms in other regions.

Participants discussed the issue of the paying capacity of these countries to manage debt repayments since the loans are going up and grants are going down. They stressed the need to consider the capacity of LLDCs to repay the debt and look for mechanisms which may address this issue as well. Some participants in the meeting noted that if focus is made on projects that drive local and regional development, it leads to richer and deeper economic growth because you are less dependent on global markets and this in turn will help in the repayments.

The meeting also discussed the need for financing for small and medium scale projects in sustainable energy as many instruments are not focusing on them. They underscored the need to invest in local capacity in order for projects to be sustainable. The meeting was informed that the World Bank has IFC, its private sector arm that has funds specifically for small scale climate related projects. The World Bank works, either through IDA or through providing technical assistance to countries to design the small-scale projects that would be funded by other institutions.

The meeting discussed further the question of how to finance big regional projects. UNCDF informed the meeting that at a recent GMS conference, it was noted that there is regional investment framework with large portfolio of infrastructure investments in the region, as part of ASEAN connectivity programme. Some investment is public expenditure, some private sector driven, some by World Bank, and ADB. It was indicated that when these investments are added, there is a short fall of the regional investments framework. There has to be a blend which fills that gap, blending different actors together helps to fill it.

Participants noted that the African legal facility could be replicated in Asia and Latin America. Long term capacity for investment is a problem that should be solved; leapfrogging technology cannot solve this completely. The meeting noted that capacity is a major problem in negotiating with private companies and international organizations need to help countries. Participants suggested that all development banks should try to provide legal support facility.
SECTION 7.
Way Forward, Recommendations and Closing

Summary of Discussions and Key Policy Messages

Ms. Gladys Mutangadura, Senior Programme Officer, UN-OHRLLS presented a summary of the discussions and key recommendations. Participants made their comments which were incorporated and the summary and recommendations are presented in the executive summary section of this document.

Closing Statement by Ms. Fekitamoeloa Katoa ‘Utoikamanu, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

I thank you all for making yourself available to engage in the debate and discussions over these 2 days on the important topic of how to enhance Financing Infrastructure Development for enhanced integration of the LLDCs into global trade.

I wish to thank you for your participation and contributions that were very illuminating, engaging and very comprehensive. It was clear from the presentations that the infrastructure financing needs for the LLDCs are huge.

We heard about the trends in infrastructure financing towards the LLDCs and the changing landscape in the sources of financing. It is crucial for LLDCs to come up with bankable projects.

I was very encouraged to hear you stressing the need for the LLDCs to optimally harness all the sources of finance – domestic resources; development cooperation; private sector; blended finance and other innovative sources. You proposed important recommendations to strengthen the ability of the LLDCs and transit countries to mobilize additional resources.

Improving efficiency in utilization of domestic resources to infrastructure development can substantially stretch the budgeted resources to infrastructure development.

Enhancing revenue generation through tax reforms, and improving productive capacities, value-addition, diversification, and effective use of natural resources is critical.

It is very important for the LLDCs to capitalize on the new sources of funding that are available including the different sources of foreign direct investment that are being offered from China.

One area where I heard you stressing a lot is capacity building for the LLDCs in different aspects including: preparation of viable projects; establishing a business-friendly environment that can attract the private sector; and on improving the development and monitoring of data and reliable indicators on infrastructure development and financing.
I was also very impressed by the sharing of experiences and best practices that was facilitated by this meeting. Some of these examples include: the 5% pension fund campaign that UNECA highlighted; the use of pension funds to support hydro-electricity in Bhutan.

I also appreciate the initiatives that you shared that you are doing to support infrastructure financing for the LLDCs and transit countries.

As I said at the beginning of this meeting, OHRLLS stands ready to further partner with you to strengthen our joint response to meeting the challenges of sustainable infrastructure development for the LLDCs.

You have provided very useful information and recommendations. OHRLLS is ready to work with partner organizations on initiatives to support the LLDCs.

In conclusion, I once again wish to thank you all for contributing to this important meeting. We will prepare a detailed report of the proceedings and share with you. I am looking forward to our continued close collaboration on this issue.

I wish you all a safe trip back, especially those who have to travel further than New York City.
## List of Participants

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<td>Adjunct Professor</td>
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<td>David Jackson</td>
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<td>UNDP</td>
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<td>Eunice Kamwendo</td>
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<td>Jae So</td>
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<td>Nicholas Bian</td>
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