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Ministerial Meeting of the Landlocked Developing Countries on the theme “Enhancing equitable, affordable and inclusive transport connectivity as a driver for sustainable and resilient economies”

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Yerevan, Armenia

SESSION 5:

Strengthening Global Partnerships for Improving Transport Connectivity and Increasing Trade in LLDCs

14:00 - 15:30
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Issue Paper

Connectivity has become a defining feature of the modern economy and one of the significant trends of the 21st century[1]. This is reflected in the increasing demand for resources to be invested in linking communities, economies and countries.

The development and maintenance of transit transport infrastructure, information and communications technology and energy infrastructure are crucial for landlocked developing countries to reduce high trading costs, improve their competitiveness and become fully integrated in the global market.

Despite some progress in developing and maintaining infrastructure and connectivity, LLDCs face several challenges. There is inadequate physical infrastructure in rail transport, road transport, dry ports, inland waterways, pipelines and air transport in many of these countries. There is little progress in harmonized rules and procedures, cross-border investment and private-sector participation.

The ten-year assessment on the implementation of the Vienna Programme of Action found that while there is progress in reducing barriers to trade through deeper economic integration, economic infrastructure in most LLDCs remains a significant obstacle to trade and economic integration of most LLDCs such as transport, energy and ICT infrastructure remain underdeveloped.

Challenges that exacerbate these issues include a shortage of financial and human resources, limited capacity for developing bankable projects, conflict and political fragility in some LLDCs and transit countries, low implementation rate of trade facilitation measures, and lack of awareness about the legal instruments that support improvement of transit.

[1] OECD, 2019

The physical links of the LLDCs to regional transport infrastructure networks fall far short of expectations. In a 2018 study, the Office of the High Representative for LDCs, LLDCs and SIDS estimated that, to reach the global average road and rail network densities, LLDCs would need to construct almost 200,000 km of paved roads and another 46,000 km of railway at a cost of about $0.51 trillion.

Roads, railways and inland waterways need to be upgraded and missing links need to be addressed urgently to a level that can establish seamless and efficient transport infrastructure networks within these countries and across their borders.

Reinvigorated partnerships at all levels will be critical for LLDCs to develop resilient infrastructure, achieve seamless connectivity and increase trade with timely, intensive and coordinated support from all stakeholders.

Official development assistance (ODA) remains one of the key sources of external development finance for many landlocked developing countries. ODA to LLDCs decreased by 15% in 2021 and shares in global merchandise exports stand at 1 per cent. Aid for trade support has also decreased – it is now below the 2015 level. Non-concessional financing, mainly targeting infrastructure, is relatively higher in LLDCs than in other developing countries (totaling 10% of LLDCs' total external mix versus 7% in other developing countries). However, LLDCs need scaled up levels of ODA to address their infrastructure investment gap.

Many LLDCs are also suffering from growing debt burdens, limited fiscal space and the increasing cost of borrowing. The external debt stock of LLDCs, as compiled in the World Bank statistics database, amounts on average to 52% of LLDCs' GDP. But this ratio could reach 59% when including 'off the radar' Chinese debt. For the 22 landlocked developing countries for which a debt distress analysis is available, 8 have a high risk of distress and 3 are already in distress. Comprehensive measures are needed to address the debt problems of LLDCs especially through debt cancellation, debt standstill, debt restructuring and debt swaps.

Foreign Direct Investment (FDI) to LLDCs rose by 6%, but still stands at $20 billion in 2022 which is only around 1.5 per cent of the total flow of the global FDI.

To rescue the SDGs, the Secretary-General of the United Nations called for an SDG stimulus package to the tune of at least $500 billion per year. This needs to be materialized.

There are several infrastructure investment funds already actively involved in the LLDCs. However, the available windows of infrastructure finance have proven to be far from adequate. It is therefore timely to consider new and innovative approaches to explore new infrastructure finance facilities for the LLDCs. Stronger support from development partners, IFIs, MDBs, and RDBs will be critically important for LLDCs. It will also be essential to engage with the private sector more deeply, especially in the areas of infrastructure development, energy transition, structural transformation and risk management.

The LLDCs also need access to technology and digital connectivity, enact regulatory frameworks that favour emerging technologies, improve digital and financial literacy, make broadband internet affordable, and improve partnerships with transit countries to bridge the digital divide to support e-commerce.

This session will address the following key questions:

- What are the main challenges faced by LLDCs in transit transport connectivity that have the highest impact on their trade and development prospects?

- What kind of support LLDCs need to build, upgrade, and maintain their connectivity to optimize their economic and trade potentials?

- What are the potentials of the LLDCs to have greater participation in South-South and triangular cooperation?

- The available windows of infrastructure finance are fare from adequate. What kind of new and innovative infrastructure finance facility could be explored for LLDCs?