Consultative Meeting (retreat) on the Third United Nations Conference on LLDCs (LLDC3)

Session 4: Mobilizing domestic and external resources and fostering access to technologies for the effective implementation of the New Programme of Action for LLDCs and the SDGs

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ISSUES PAPER

Landlocked developing countries are heavily dependent on public resources to finance sustainable development needs. While financing needs for LLDCs have been growing significantly, access to most forms of financing including ODA and FDI has either remained stagnant or declined. Over the past decade, external debt of LLDCs has been on the rise, often exacerbated by the large-scale economic losses caused by disasters and structural vulnerabilities.

Mobilizing resources for sustainable development in LLDCs is challenging due to underlying systemic constraints, which include low levels of income and domestic savings, lack of domestic resource mobilisation, weak financial market infrastructure as well as high dependency on external development finance. These factors limit their capacity to mobilize financial resources. In addition, private finance in support of the sustainable development goals in the LDCs has remained low. As a result, their marginalization in the global economy has continued

Gross domestic savings as a percentage of GDP peaked at 26.7 per cent in 2019 but fell to 24.1 per cent in 2021. This figure was significantly below the world average of 28 per cent, suggesting persistent development finance deficits in landlocked developing countries.

Official development assistance (ODA) remains one of the key sources of external development finance for many landlocked developing countries. However, ODA flows to these countries decreased by 15 per cent. Furhermore, ODA flows continue to be concentrated in a few landlocked developing countries, accounting for more than 10 percent of gross national income in eight of them.

During the implementation period of the VPoA, the share of aid for trade to landlocked developing countries compared to the total to developing countries dropped by 10 per cent, which is concerning given the specific developmental needs that landlocked developing countries have in all aspects of trade and trade facilitation.

Regarding foreign direct investment (FDI) the inflows to LLDCs started to recover after the COVID-19 pandemic, but this recovery was below both the global and developing country average increase. According to UNCTAD's World Investment Report 2023, foreign direct investment (FDI) in the 32 landlocked developing countries (LLDCs) as a group rose by 6% to $20 billion in 2022. Some factors leading to the decline in FDI flows to landlocked developing countries over the years include their weak integration into global and regional trade networks, higher competition for investment flows, low productive capacity and uncompetitive investment regulations. FDI flows also remained concentrated in a few countries.

Although remittance flows to landlocked developing countries increased by 43 per cent between 2014 and 2022, the distribution of remittances across those countries is also quite uneven.

External borrowing remains an important source of financing for LLDCs. For the 22 landlocked developing countries for which a debt distress analysis is available, 8 face a high risk of distress and 3 are already in distress.

Therefore, it is crucial that LLDCs, transit countries and their partners take transformative action, including through substantially increasing resources from all sources to realize the full implementation of the next Programme of Action and the achievement of the Sustainable Development Goals.

Current trends emphasize the renewed importance of access to modern and digital technologies, including artificial intelligence, machine learning, robotics, and big data, as key drivers of industrialization, structural transformation, and sustainable development. LLDCs need access to these technologies.

However, the benefits of digital technologies have not been evenly spread across and within the LLDCs. These countries struggle to leverage the power of science, technology and innovation due to stark gaps in the areas of infrastructure, regulations, policies, enforcement capabilities and institutions, and digital skills.

The proportion of individuals using the Internet in LLDCs was only 32.3 per cent in 2021, compared to the world average of 66 per cent. This factor highlights the need for substantial progress to achieve universal information and communication technology connectivity in LLDCs.

In terms of research and development, the share of expenditure in the Gross Domestic Product of the LLDCs was stagnant at 0.2 per cent, markedly below the world average of 1.8 per cent. Annual patent applications filed by residents of LLDCs declined significantly from 2,764 to 929 between 2014 and 2021.

The COVID-19 pandemic accelerated trends, such as the growing relevance of e-governance and e-commerce, underscoring the pressing need for the LLDCs to elevate the application of science, technology and innovation and digital solutions at both policy and operational levels.

Although LLDCs have made efforts to increase investments in digital ecosystems for integration into regional and global markets, there is great potential for growth. Additionally, artificial intelligence can contribute to addressing many challenges of our time, which can help the long-term development aspirations of the LLDCs.

Guiding questions

1. *Which factors are preventing LLDCs' access to more and better financing opportunities? What are some possible ways to address them?*
2. *How can the specific needs and challenges of LLDCs be considered in the existing financing platforms? Are there innovative strategies to better accommodate LLDC-specific issues?*
3. *How can development partners, regional organizations and the private sector collaborate with LLDCs to support their efforts in unlocking the potential of science, technology and innovation for their sustainable development?*
4. *What concrete measures and initiatives can be included in the next programme of action to allow increased financial and technical resources availability for LLDCs?*