Third United Nations Conference on Landlocked Developing Countries

High-level Thematic Round Table 5: Provision and mobilization of resources, and strengthened global partnerships for sustainable development in landlocked developing countries

Thursday, 12 December 2024, 3-6 pm

Introduction

Landlocked developing countries (LLDCs) face interconnected challenges in mobilizing resources. These include limited domestic resource mobilization, declining and unevenly distributed ODA, stagnant export earnings from goods and services, high debt distress, and uneven remittance flows with high transaction costs. Insufficient infrastructure and productive capacity hinder their economic growth and competitiveness. Limited access to global markets and value chains further impedes their full participation in the global economy and international trading system.

The implementation of the Vienna Programme of Action (VPoA) for Landlocked Developing Countries (LLDCs) has been hindered by insufficient resources to meet the growing investment and spending needs required to achieve the VPoA priorities and the Sustainable Development Goals (SDGs).

Current landscape

Domestic Resource Mobilization (DRM)

DRM is crucial for LLDCs to fund vital development projects sustainably without relying on external sources. However, gross domestic savings as a percentage of GDP in LLDCs remains significantly lower than the world average, indicating persistent development finance deficits. In 2021, domestic savings in LLDCs stood at 24.1 per cent, compared to the world average of 28 per cent. This gap underscores the need for LLDCs to broaden their tax base and improve tax collection system and efficiency. Development partners should also provide technical assistance and capacity-building support to help LLDCs strengthen their institutional frameworks for effective DRM.

Official Development Assistance (ODA)

ODA plays a vital role in helping LLDCs close the resource gap. However, LLDCs consistently receive less ODA compared to other developing countries. In 2021, despite global ODA levels reaching a historic high, ODA to LLDCs declined by 15 per cent.

As a percentage of the gross national income (GNI) of LLDCs, ODA increased from 1.96 per cent in 2014 to 2.13 per cent in 2021. In 8 LLDCs, ODA accounted for more than 10 per cent of their GNI in 2021, highlighting its significant role in their economies.

In order to address the unique challenges faced by LLDCs, development partners should prioritize the needs of LLDCs in their ODA allocation.

Foreign Direct Investment

FDI flows to LLDCs have experienced a significant decline, falling from $28.9 billion in 2014 to $22 billion in 2019. The COVID-19 pandemic further exacerbated this trend, leading to a severe 35 per cent decline in 2020. Although FDI inflows recovered in 2021, the increase was below both the global and developing country averages. Factors contributing to the decline in FDI flows to LLDCs include weak integration into global and regional trade networks, increased competition for investment flows, low productive capacity, and uncompetitive investment regulations. Moreover, FDI flows have remained concentrated in a few countries within the LLDC group.

FDI in LLDCs has primarily targeted natural resources, with limited investment in manufacturing and services sectors. This focus on natural resources has perpetuated dependency and prevented leveraging the knowledge spillovers and other benefits associated with foreign investment for their structural transformation.

Remittances

Remittances play a vital role in the economic and social development of LLDCs. For many households in LLDCs, remittances provide a stable source of income which enhances economic stability and helps lift families out of poverty by providing funds for essential needs such as food, housing, and healthcare.

Remittances have the potential to stimulate entrepreneurship in LLDCs. These funds can be used to establish or expand small and medium-sized enterprises.

Between 2014 and 2022, remittance flows to LLDCs increased by 43 per cent, highlighting their growing importance. However, the distribution of remittances among LLDCs remains uneven, with some LLDCs received significantly higher amounts than others.

To maximize the positive impact of remittances, LLDCs, with the support of their development partners, should develop policies and infrastructure that facilitate the efficient and cost-effective transfer of funds, encourage the productive use of remittances, and create an enabling environment for SME growth.

Debt

External borrowing remains an important source of financing for LLDCs. However, out of the 22 LLDCs for which a debt distress analysis is available, 8 are classified as having a high risk of distress, while 3 are already in distress. This highlights the pressing need for the international community to provide targeted support to LLDCs in managing their debt obligations and promoting long-term debt sustainability.

LLDCs are grappling with complex challenges in inflation control, financial stability, and sustainable economic recoveries, especially in the context of persistent geopolitical and economic uncertainties. High and rising interest rates threaten debt sustainability for many LLDCs with substantial external debt burdens. These countries need both short-term and long-term support to maintain debt sustainability. This support can include well-designed debt relief interventions, such as a combination of temporary standstills, debt reprofiling, and restructuring, as well as comprehensive long-term measures.

To ensure the effectiveness of debt relief measures, it is essential to adopt a holistic approach that considers the unique challenges and constraints faced by LLDCs and incorporate technical assistance for strengthening debt management capacities, promoting responsible lending and borrowing practices, and encouraging the participation of all relevant stakeholders, including public and private creditors and international financial institutions.

Way forward

To address these challenges and accelerate sustainable development in LLDCs, a comprehensive and targeted approach is necessary. The Gaborone Programme of Action outlines several ambitious targets and commitments to strengthen the means of implementation for LLDCs. These include: substantially increasing the volume of development finance in support of LLDCs through traditional and innovative sources of finance; enhance the capacity of LLDCs to develop bankable projects and secure financing; substantially increase foreign direct investment flows to the LLDCs and mobilizing all existing investment promotion platforms to support the attraction of investment in LLDCs; and addressing the debt problems of LLDCs that are in debt distress or in high risk of it. The Programme of Action also recognizes the important role, on a case-by-case basis, of debt relief, including debt cancellation, as appropriate, and debt restructuring as debt crisis prevention, management and resolution tools, while also recognizing the development needs of LLDCs.

In view of the above, this roundtable will concentrate on concrete strategies and actionable recommendations to enhance resource mobilization and strengthen global partnerships for LLDCs. Additionally, participants will discuss how to strengthen global partnerships to support LLDCs in overcoming their unique challenges and accelerating their progress towards achieving the SDGs.

Guiding Questions

1. How can LLDCs, with support of their development partners, increase revenues, mobilize domestic savings, and reduce inequalities, including gender inequalities?
2. What traditional and innovative financing mechanisms can LLDCs unlock to close the sustainable infrastructure finance gaps?
3. What concrete measures can promote domestic and foreign investment in LDCs; and how can the proposed agricultural research hubs and infrastructure financing facility play to support the LLDCs?
4. How can the increasing debt burden of LDCs be addressed and made sustainable; and how can the international debt architecture be made more favorable for LLDCs?

5. How can remittances contribute to structural transformation and fostering entrepreneurship in LLDCs; and how can transaction costs of remittances be reduced?

Programme

Co-chairs (interventions - 4 minutes each)

1. Co-Chair 1
2. Co-Chair 2

Keynote (interventions - 12 mins)

3. Keynote presenter

Panel (interventions - 7 minutes each)

4. Member State 1
5. Member State 2
6. UN system 1
7. UN system 2
8. Stakeholder

Discussion