UNCTAD-UNESCAP

Mid-term Review of the Vienna Programme of Action for LLDCs for the Decade 2014-2024

High- level Side Event on Impact Investing and Innovative Resource Mobilization to Foster Productive Capacities and Structural Economic Transformation in Landlocked Developing Countries

Jointly organised by

United Nations Conference on Trade and Development (UNCTAD)
United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
International Think Tank for Landlocked Developing Countries (ITTLLDC)
Common Fund for Commodities (CFC)

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CR-12

Concept Note

Introduction

Attaining inclusive economic growth and sustainable development in landlocked developing countries (LLDCs) remains a daunting challenge. Decades of domestic policy reform efforts and international support mechanisms in favour of LLDCs have not led to substantial socioeconomic improvements. Geographical challenges or remoteness from main markets and the resulting high trade and transport costs undermined export competitiveness and these countries' ability to attract and benefit from FDI as well as integrate into regional and global value chains. These challenges are further exacerbated by their heavy dependence on exports of primary commodities. Out of the 32 LLDCs in the world, 26 of them are dependent on primary commodities for more than 60% of their exports. This means that economic growth is highly concentrated in a single sector that is not very labour-intensive, and the gains of growth are not automatically shared broadly. This has also made economic growth highly vulnerable to external shocks, such as changes in world prices of commodities. Overcoming commodity-dependence and embarking on a sustainable and inclusive growth path requires fostering productive capacities and structural economic transformation, including diversifying exports away from primary commodities.

Fostering productive capacities and structural economic transformation is key to reducing the vulnerabilities of landlocked developing countries, creating jobs, and reducing poverty and inequality. Diversification of their economies and progressive reduction of dependency on extraction and simple processing of commodities can bring about significant gains in achieving developmental advancements. Although some progress has been made, landlocked developing countries as a whole lag behind other developing countries in building productive capacities and achieving significant structural transformation that would put their economies on a sustained growth and development path to achieve the objectives of the Vienna Programme of Action (VPoA) and Sustainable Development Goals (SDGs). Almost all landlocked developing countries are experiencing negative or pre-mature deindustrialisation, where the decline in the role of manufacturing is not due to natural advancement to high productivity service sector, but due to the decline in manufacturing competitiveness. Landlocked developing countries' lack of diversification makes them not only vulnerable to external shocks but limits their competitiveness and ability to create high value-added products, meaningful productive employment and innovative technologies. The limited manufacturing and industrial capacity hamper the integration of landlocked developing countries into regional and global value chains, as modern manufacturing relies on the import and export of components through regional and global value chains.

To amend the situation more effective and innovative policy proposals and international support mechanisms are needed to accelerate structural transformation and economic diversification. It is estimated that LLDCs would need to spend an additional 8-10 % of GDP on average per year, relative to their current investment levels, to achieve the Sustainable Development Goals by 2030. Close to half of the total estimated cost would be on providing sustainable infrastructure, particularly the cost to build, maintain and improve access to climate-resilient infrastructure such as transport, electricity, information communication technology, and water and sanitation. Another 25% of total required investment would be on ending poverty and hunger.

The SDGs not only outline the challenge ahead but also provide a common framework for resource mobilization based on shared goals of sustainable development, including new opportunities for attracting investors to the challenges facing LLDCs. According to Global Impact Investing Network (GIIN), while traditional channels of development aid increasingly face limitations, the impact investing industry had been growing rapidly, reaching over USD 500 billion in 2018. Leveraging private sector resources through impact investing requires new approaches to initiating actions towards building productive capacities and enhancing structural transformation.

Objective

The main objective of this side event is to illustrate the importance of fostering productive capacities and structural economic transformation and to examine how impact investing and innovative resource mobilization can foster these to accelerate progress towards achieving the VPoA targets and SDGs. The side-event will provide opportunities for exchange of experiences and best practices for improving policy formulation and implementation in LLDCs with specific focus on:

- How to accelerate and enhance productive capacities to foster structural transformation in LLDCs to enable achieving globally agreed goals and targets;
- Which new and innovative policies can contribute to attracting impact investors to sustainable development in LLDCs;
- How to address the challenges of landlocked developed countries?
- How to address the challenges of economic diversification in landlocked developing countries?

Programme

• Introductory remarks
• Presentation on **“Productive Capacities Index for Evidence-based Policymaking in LLDCs: Challenges and the Way Forward**” (UNCTAD) • Presentation on **“Structural Transformation, Poverty Reduction and Financing for Development in Asia’s Landlocked Developing Countries”** (UNESCAP) • Presentation on **“Innovative Financing for Fostering Productive Capacities in LLDCs”: The Role of Impact Financing** (CFC)
• Statements by representatives of Asia’s Landlocked Developing Countries
• (Panel) Discussion with experts
• Closing remarks