



High-level Thematic Dialogue on the Priorities of Landlocked Developing Countries in the post-2015 development framework

A Brief on LLDCs' Concessional Financing¹

A global commitment made towards Landlocked developing countries at the Millennium Declaration

In 2000, Heads of States from around the world committed themselves through the Millennium Declaration to a new global partnership for development by establishing a series of time-bound targets, with a deadline in 2015. The General Assembly outlined and elaborated eight sets of Millennium Development Goals (MDGs) in an effort to provide a clear set of global norms for development, which were to serve as an incentive for policy change at the national level, and exert a positive influence on aid budgets of traditional development partners.

The Millennium Declaration, among many other breakthroughs, recognized the special needs and problems of Landlocked developing countries², and urged both bilateral and multilateral donors to increase financial and technical assistance to this group of countries to meet their special development needs³ and to help them overcome the impediments of geography by improving their transit transport systems. A series of MDG targets were set up and helped monitor the special needs of LLDCs (primarily Target 8.C, which sought to “address the special needs of Landlocked developing countries and Small Island Developing States”).

On the eve of the post-2015 era, Landlocked developing countries still face major developmental issues

Like the rest of developing countries, the majority of Landlocked developing countries (LLDCs) have unfortunately achieved insufficient progress in meeting the MDGs. UN-OHRLLS estimates that 23.3 % of Landlocked developing countries' population experience severe poverty at any single moment. This low social performance is hardly surprising since a majority of these countries, 20 out of 32, have a per capita income that is well below USD 1,000. The Landlocked developing countries also face many other developmental challenges, in health for example, where 15 Landlocked developing countries continue to have mortality rates in excess of 150 per 1,000 live births, or in education with the ratio of women to men with at least secondary education improving from only 0.6 to 0.7 in 20 years, from 1990 to 2010.

In June 2012, at the Rio + 20 conference, Heads of State and High-Level Representatives met in Brazil to renew their commitment to sustainable development and the promotion of an economically,

¹ This issues note was prepared jointly by UN-OHRLLS and OECD as a background document for the High-level thematic roundtable on the Priorities of Landlocked developing countries in the post-2015 development agenda. Standard disclaimers apply.

² The 32 LLDCs are: Afghanistan, Armenia, Azerbaijan, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, Central African Rep., Chad, Ethiopia, Former Yugoslav Republic of Macedonia, Kazakhstan, Kyrgyz Republic, Laos, Lesotho, Malawi, Mali, Republic of Moldova, Mongolia, Nepal, Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

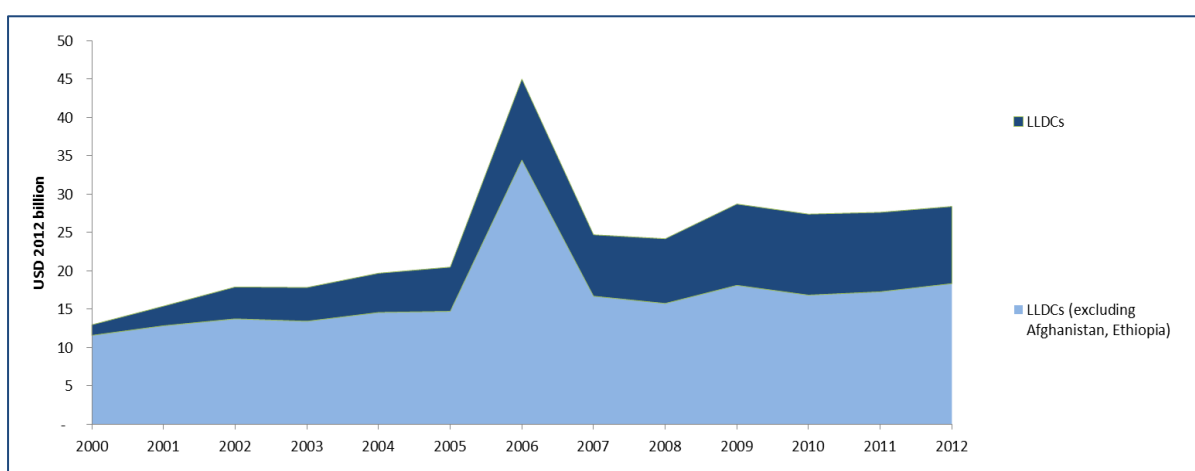
³ Lack of territorial access to the sea, remoteness and isolation from world markets, additional border crossings, cumbersome transit procedures, inefficient logistics systems, weak institutions and poor infrastructure make LLDCs to incur substantially higher transport and other trade transaction costs when compared to coastal countries.

socially and environmentally sustainable future for present and future generations. Two years down the road, the Post-2015 development agenda is being shaped up and needs to respond to new challenges with the upcoming Sustainable Development Goals (SDGs), building on the momentum of the Rio+20 Conference and the Millennium Development Goals, which in many aspects, remain unfinished business.

Taking stock of funding trends, aid allocations have not particularly favored Landlocked developing countries

In 2012, allocations of concessional finance⁴ to LLDCs represented about 25% of total concessional finance to developing countries. Between 2000 and 2012, aid going to LLDCs has increased substantially and, at first sight, with a faster pace than for all developing countries. However, this increase is mostly due to major increases in two countries (Afghanistan and Ethiopia - see figure 1). Excluding these 2 countries, the **growth in concessional finance to Landlocked developing countries would have been in line with the increase in concessional finance for all developing countries.**

Figure 1: Concessional finance to Landlocked developing countries (2000-2012)

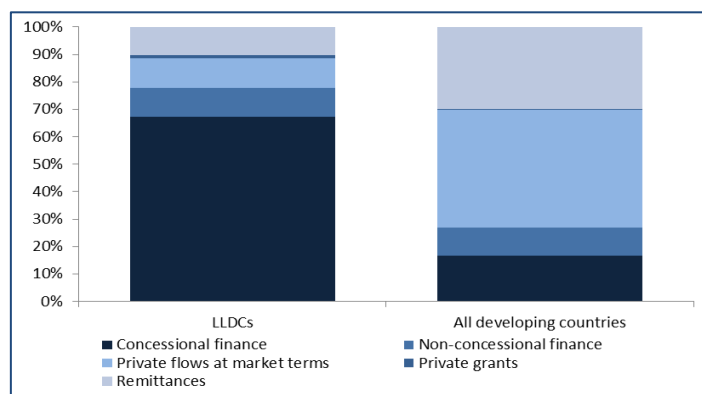


Source: OECD/DAC Statistics

Landlocked developing countries are heavily dependent on concessional financing

In 2012, concessional finance to LLDCs represented 67% of total external finance, compared to 17% for all developing countries, showing a high level of dependence of this group of countries on concessional financing. This is no major surprise as 13 of the 32 LLDCs are currently classified as “fragile states”⁵ and 17 of them as least developed countries.

Figure 2: External finance to Landlocked developing countries and all developing countries (2012)



Source: OECD/DAC Statistics

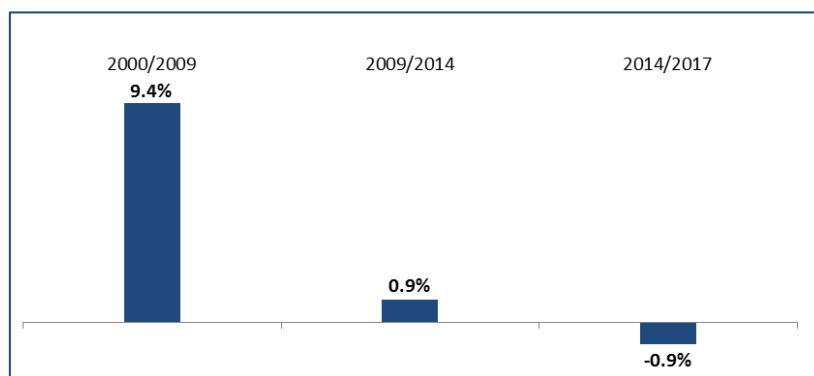
⁴ Concessional finance in this brief covers concessional outflows from bilateral sources (i.e. bilateral gross ODA) as well as gross multilateral concessional outflows to developing countries.

⁵ Please visit <http://www.oecd.org/dac/incaf/> for a complete list of LLDCs that are considered fragile states.

Post-2015, there is a need to step up efforts towards Landlocked developing countries

Concessional finance going to Landlocked developing countries mostly takes the form of Country Programmable Aid (CPA) and Humanitarian and Food Aid. In 2012, Programmable Aid represented 82% of aid received by landlocked countries. **Since the Millennium Declaration, between 2000 and 2009, global CPA to Landlocked developing countries has increased substantially, but has since 2009 stagnated at around USD 23 billion. CPA projections up to 2017 do not show signs of increased ambitions (see figure 3).**

Figure 3: Average annual CPA growth in Landlocked developing countries

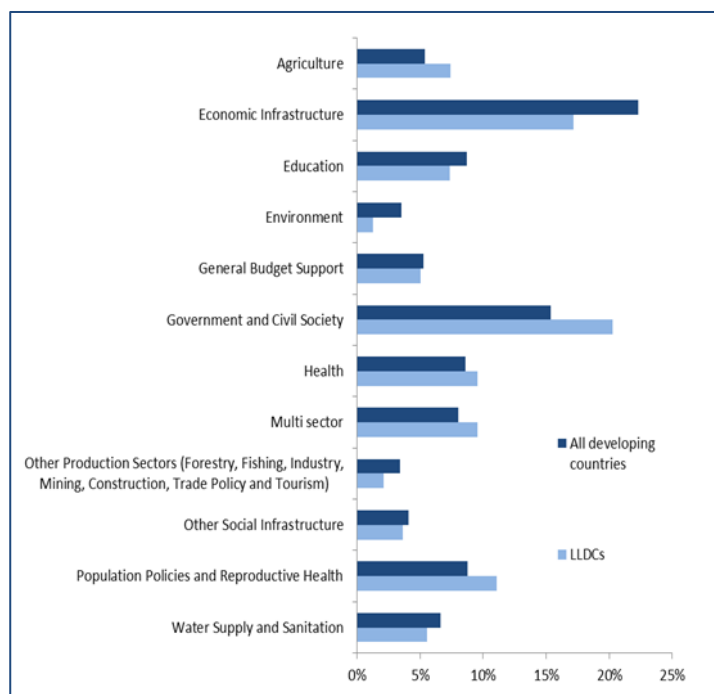


Source: OECD calculations and estimates based on OECD/DAC Statistics and data reported to the 2014 DAC Survey on Donors' Forward Spending Plans.

Without forgetting other sectors, renewed efforts will be needed in economic infrastructure

Figure 4: CPA by sector (2012)

Source: OECD/DAC Statistics



Sectoral distribution of CPA (see figure 4) reveals that, Landlocked developing countries receive a higher share of CPA than other developing countries in a number of important sectors such as “government and civil society”, or “population policies and reproductive health”. This is not the case for the “Economic infrastructure” sector, in particular the area of “transport and storage”⁶, which are particularly relevant to the principal challenges faced by Landlocked developing countries⁷. **In these particular critical sectors, LLDCs actually receive a lower share of CPA than for developing countries as whole. There is a need for cooperation providers to step up their efforts to LLDCs and pay particular attention to critical sectors, particularly economic infrastructures.**

⁶ This category is composed of ODA allocation going to the following sub-sectors “Transport policy and administrative management”, “Road transport”, “Rail transport”, “Water transport”, “Air transport”, “Storage”, and “Education and training in transport and storage”.

⁷ These include a lack of access to global markets, as recognized in the Almaty Programme of Action: <http://www.un-documents.net/almaty-p.htm>.

On the eve of a new era post-2015, Landlocked developing countries still face major developmental challenges. With the upcoming Conference for Financing for Development in Addis-Ababa, Ethiopia, in July 2015, it is important that LLDCs make the stepping up of donor support towards them a priority. Even more important, they must emphasize that this support targets the most relevant sectors, taking into account their special development challenges that stem from landlockedness and geographical isolation from major global markets. The OECD/DAC-led reform process on the measurement of ODA, including on the assessment of concessionality, will together with the introduction of a broader measure of resource flows beyond ODA - Total Official Support for Sustainable Development - be very important for developing countries, including LLDCs, to maximise resource mobilisation for the post-2015 framework.

The roundtable will tackle the following questions:

1. What are the contours, elements and focus of the post-2015 development agenda?
2. What are the development priorities of Landlocked developing countries in the next decade?
3. What is common between the new Programme of Action for Landlocked developing countries and the global development agenda?
4. How can Landlocked developing countries ensure they are being heard in intergovernmental discussions?
5. Which actions are necessary to establish and harness synergies between the two development initiatives?
6. What financing options are available to Landlocked developing countries when it comes to implementing the new Programme of Action?
7. What role can UN-OHRLLS and other multilateral institutions play to ensure that Landlocked developing countries maximize benefits from both initiatives?

This brief was prepared as a background note for the High-level thematic roundtable on the priorities of LLDCs in the Post-2015 development agenda. The roundtable, organized jointly by UN-OHRLLS and OECD took place within the framework of the Second United Nations Conference on LLDCs in Austria, Vienna. For additional information regarding this brief, and a summary report of the roundtable, please contact the following focal persons.

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