The Potential of South-South and Triangular Cooperation for Landlocked Developing Countries

Background paper prepared for the High-Level Launch of the South-South Technology Transfer Facility for Landlocked Developing Countries (LLDCs) at the Global South-South Development Expo (31 October 2013, Nairobi, Kenya).

I. Introduction

The lack of direct territorial access to the sea, remoteness and isolation from major international markets makes landlocked developing countries (LLDCs) highly dependent on transit countries for their seaborne trade. They also face additional border crossings, cumbersome transit procedures, inefficient logistics systems, weak institutions and poor infrastructure, all of which substantially increase the total costs of transport services and other trade transaction costs. These high costs create a tremendous trade-reducing effect that has a direct negative impact on the countries’ economic growth and, consequently, on their capacity to promote social development and environmental sustainability.

Effective participation of LLDCs in South-South and triangular cooperation has been suggested as one way LLDCs could meet their developmental objectives, including sustainable growth, increased access to the sea, economic diversification and capacity development. This primer on the experiences of LLDCs’ engagement with the global South has been jointly authored by the United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing countries and Small Island Developing States (UN-OHRLLS) and the United Nations Office for South-South Cooperation (UNOSSC) to serve as a background document at the High-Level Launch of the South-South Technology Transfer Facility for LLDCs in Nairobi, Kenya. It will also serve as an input to the preparatory process for the Comprehensive Ten-Year Review of the Implementation of the Almaty Programme of Action.

II. LLDCs and the Almaty Programme of Action (APoA)

31 of the 193 UN sovereign member states are recognised as Landlocked Developing Countries (LLDCs), nations that lack territorial access to the sea. Access to the sea is crucial for connecting a country's

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industries, goods and services to the world markets. Hence, landlockedness becomes a structural impediment for LLDCs.

Additional border crossings and long distances from markets substantially increase total expenses associated with trading, burdening LLDCs with high transit and transport costs. Cumbersome transit procedures and customs requirements further add to these costs. According to UNCTAD estimates, LLDCs spend on average almost twice as much of their export earnings for the payment of transport and insurance services than developing countries and three times more than developed economies.

Sea borne trade for LLDCs unavoidably depends on transit through other countries, making LLDCs susceptible to tariff and non-tariff measures and other conditions of their neighbours. LLDCs’ dependency on their neighbours also increases their vulnerability to external shocks including financial, economic, social and environmental. Furthermore, in most cases neighbouring transit countries are themselves developing countries, often of broadly similar economic structure and beset by similar scarcities of resources. Due to long term isolation from international markets and lack of resources, LLDCs are equipped with inadequate infrastructure that further intensifies their development hindrances.

There is evidence that landlocked countries trade less, are less attractive to foreign investors, and only receive a negligible portion of foreign private and public capital, technology and business know-how. In addition, geographical isolation hinders the North-South diffusion of technological advancements. Hence, landlockedness prevents a country from being competitive in the global market, thereby stunting its economic prospects. The abovementioned impediments inflict serious constraints on the overall socio-economic development of LLDCs.

The population of LLDCs in 2012 reached 429 million, representing 16 per cent of UN membership. Landlocked developing countries are generally among the poorest of the developing countries, with the weakest growth rates and are typically heavily dependent on a very limited number of commodities for their export earnings. 19 of the 31 countries have a GDP per capita of less than $1,000 (in constant 2005 USD) and their members occupy half of the bottom 20 slots on the latest Human Development Index (HDI) of the United Nations.

To illustrate their continued marginalisation, it was only in 2010 that the LLDCs’ share of world merchandise trade reached 1 per cent for the first time. Their FDI receipts grew strongly in 2011 to a record $34.6 billion, yet this accounted for only 4.9 per cent of total FDI flows to the developing world. While these figures are certainly low and suffer from serious inter-group disparities, it is important to emphasise the fact that LLDCs lag behind other groups in terms of international support that they receive which includes official development assistance (ODA), Aid for Trade, debt relief, foreign investment and remittances.

The foregoing notwithstanding, economic and social indicators of the LLDCs continue to steadily improve. Until the onset of the current global financial and economic crisis, landlocked developing countries were among the world’s fastest growing economies. Between 2001 and 2007, the annual average GDP growth rate for the group was around 8 per cent. When the great recession bottomed out in 2009, it left the GDP growth rate for LLDCs at 3.6 per cent, substantially below the decade-long average of 6.1 per cent. In 2010, output rebounded strongly to 6.7 per cent, only to decelerate once again to 6 per cent in 2011. Slowdown in economic output was expected to persist, with the rate of growth for 2012 projected at 4.9 per cent. On a positive note, seven countries registered double-digit annual GDP growth rate between 2010 and 2011. On the social development front, many of the countries in this group have made advances towards the attainment of some of the Millennium Development Goals (MDGs), in
particular primary school enrolment, under-5 mortality rates, women’s empowerment and HIV prevalence rates.

In recognition of the special development challenges of the LLDCs, the United Nations adopted the Almaty Programme of Action (APoA) in 2003 with the overarching goal of forging effective partnerships to overcome the specific problems of the landlocked developing countries that result from their lack of territorial access to the sea, remoteness and isolation from world markets. The objective of the APoA was to establish a new global framework for developing efficient transit transport systems in landlocked and transit developing countries, taking into account the interests of both landlocked and transit developing countries. As part of the APoA, five priorities were identified: 1) Fundamental Transit Policy 2) Infrastructure Development and Maintenance 3) International Trade and Trade Facilitation 4) International Support Measures 5) Implementation and Review.

Priority 4 - international support measures - focuses on concrete actions for provision of technical and financial international assistance to assist LLDCs including assistance in the form of ODI, FDI, technical support, transfer of technologies, assistance for institutional capacity-building, innovative modalities and sources of financing and facilitating supportive external environment. South-South and triangular Cooperation is identified as one of the methods of implementing international support measures for the development of LLDCs.

A Comprehensive Ten-Year Review of the Implementation of the APoA has been mandated by the UN General Assembly to take place in 2014. The preparatory process for this Second UN Conference on LLDCs is currently underway at the national, regional and global levels. In the substantive preparations for the Conference, South-South cooperation has emerged in the discussions as one of the ways through which LLDCs could meet their development objectives, including sustainable growth, economic diversification and capacity development.

III. South-South and Triangular Cooperation

South-South Cooperation (SSC) refers to developing countries’ engagement in mutually beneficial activities on the basis of solidarity, self-help and self-reliance. SSC promotes a demand-driven development process in a number of areas, including trade and investment, financial, technical and technological cooperation and the sharing of knowledge, experiences, policies and best practices. Essential guiding principles of SSC are respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference, and mutual benefit. Though there is no official definition of South-South Cooperation, it generally refers to cooperation among developing countries, namely non-OECD countries and emerging market economies.

The history of SSC dates back to the post-war decolonization period, particularly to the Asian-African Conference (Bandung Conference) held in Indonesia in 1955, followed by the formation of the Non-Aligned Movement (NAM) in 1961 and the Group of 77 (G77) in 1964. The Buenos Aires Plan of Action (BAPA) for Promoting and Implementing Technical Cooperation among Developing Countries was the first major blueprint for technical cooperation among developing countries providing new orientations in approaches to development cooperation with an emphasis on national and collective self-reliance among developing countries as the foundations for a new international order. Since then, and especially in the last decade, South-South Cooperation has become much more prominent as many southern countries have emerged as important actors in the global economy, becoming both drivers of growth and catalysts for change in other developing countries. While their exact contribution to development is hard to quantify,
they continue to provide ample and increasing support in terms of financial assistance, market opportunities, capacity building, skill and personnel exchange and technology transfer.

The rise of the global South is spurring innovation in bilateral partnerships, regional integration and international cooperation, resulting in greater options and choices of advice and solutions from within the south. New development partnerships fashioned on “win-win” or “triple-win” for all parties have supported development efforts and opened opportunities for expanding South-South trade, investment, science and technology exchanges, industrial collaboration, humanitarian assistance and development cooperation.

It is imperative that South-South cooperation is seen as an expression of solidarity and cooperation between developing countries, based on their shared experiences and objectives. South-South cooperation should be a complement, rather than substitute for North-South cooperation, noting the role played by both traditional donors and new development partners, including middle-income developing countries that are both providers and recipients of development cooperation.

A number of factors, including economic recessions and demonstrated resilience of the developing countries has increased recognition for South-South and triangular cooperation. For instance, when OECD experienced a 3.3 per cent decline in growth levels in 2009, there were substantial declines in the donations of earmarked funding for emergency assistance of the United Nations, global remittance levels and net capital flows to developing countries. Yet the emerging economies including the BRICS (Brazil, Russia, India, China and South Africa) have shown remarkable resilience in the face of the recent economic crisis and economists note that they have improved the economic fortunes of poorer countries owing in part to the rising demand from those countries for goods and services, which accounts for the current surge in South-South trade and investment. These developments provided impetus to the debate on international cooperation for development beyond traditional foreign aid programmes towards complementary methods of delivering assistance, including South-South and triangular cooperation.

As a result, the Group of Eight (G8), OECD, the European Union (EU), UN entities and the World Bank have all undertaken concrete steps to join developing countries in South-South and triangular partnerships and to promote in-depth policy dialogue and collaboration for the more efficient and cost-effective allocation of assistance. In particular the UN Report of the Secretary General on The State of South-South Cooperation (A/68/212) emphasises the growing importance of South-South and triangular cooperation in the UN system. The Group of 77 within the UN proposed that the High-level Committee on South-South Cooperation be strengthened and transformed into a fully functioning Commission on South-South Cooperation, while the United Nations Development Programme (UNDP), Food and Agriculture Organization of the United Nations (FAO) and the United Nations Population Fund have all included South-South cooperation in their strategic plans for the near future.

In recognition of the increased relevance of South-South cooperation, developed countries have also marshalled greater support for South-South and triangular cooperation. For instance, in 2010 the Group of Twenty (G20) issued its multi-year action plan on development, highlighting South-South and triangular cooperation and innovative tools for information sharing and domestic resource mobilization for sustainable development. Traditional donor agencies are increasingly adopting the triangular cooperation modality to increase the impact of development projects through innovative joint-funding programmes.

A study conducted with the support of Japan International Cooperation Agency and the Special Unit for South-South Cooperation of the United Nations Development Programme revealed a greater degree of accountability and transparency within triangular interactions. Indeed, areas that receive the most support through triangular cooperation activities include capacity development for the effective management of
South-South cooperation; knowledge and information sharing; and the implementation of South-South programmes.

There are compelling reasons why South-South issues and the South-South and triangular development agenda needs to be positioned strategically in helping LLDCs meet their challenges. South-South and triangular cooperation can address broad thematic and structural development issues that confront LLDCs, such as building resilience, economic diversification, infrastructural development, institutional and productive capacity building, increasing trade and access to markets. This can be realized through the transfer of technology, skills development, increasing of investment, sharing of best practices and exchange of successful experiences and knowledge. Indeed, transfer of technology in particular, goes beyond transit issues and should be re-oriented towards building up of the productive capacities in LLDCs.

IV. LLDCs and South-South Cooperation

A recent study commissioned by UN-OHRLLS revealed that the level of development in LLDCs is on average 20 per cent lower than what it would be were the countries not landlocked. Furthermore, the geographical problems facing the LLDCs have been further exacerbated by emerging challenges, including external shocks.

Though not completely insulated from the economic and financial crisis at the end of the previous decade, South-South relations were characterised by an increase in economic growth and in levels of trade and investment. Further, South-South interactions have been leading to deep changes in the fabric of international relations and have begun to yield a proven development impact, with countries of the South now constituting a powerful force in the global economy.

As part of the global South, landlocked developing countries have increasingly become interconnected with other developing countries and have been taking cooperative measures to overcome their obstacles and meet their developmental objectives. For instance, transport and transit development issues are now addressed on national, regional and continental levels while regional economic agreements continue to deepen intra-regional trade and ties, promote coherent policy and development vision.

The partnership between LLDCs and other countries of the global South has been progressive and encompasses many areas, ranging from trade and foreign resource transfers including ODA, FDI, and technology and as well as capacity development. Further LLDC development is expected with their growing participation in South-South and triangular cooperation.

- Trade | LLDCs and the Global South

The rise of South-South Cooperation is prevalent in the area of trade for both the global South in general as well as trade between the global south and LLDC. South-South trade as a share of world merchandise trade rose from 8.1 per cent in 1980 to 13 per cent in 2001 and to 26.7 per cent in 2011, while the share of North-North trade declined from about 46 per cent to less than 30 per cent over the same period. South-South trade growth was highest in the period between 2001 and 2011, when South-South exports grew by 16 per cent on average per year. Overall, during the period of the 2000s, merchandise exports between developing economies grew by more than 650 per cent in current prices, while their merchandise exports to high-income economies grew by less than half that amount. By 2011, South-South exports reached $4 trillion and since 2008-09 the South exports more to other developing countries than to the North.
Furthermore, South-South trade has shown resilience as South-South exports recovered faster than other exports after the initial plunge following the 2008-09 economic crises and by 2010 already exceeded the pre-crisis level. Going forward, South-South trade is expected to accelerate following the successful conclusion of the São Paulo Round of Negotiations on the Global System of Trade Preferences and the agreement reached to facilitate South-South trade.

Historically, LLDCs have been marginalised from world trade and their share of global exports has been less than 1 per cent. Yet since the early 2000s, LLDCs have continued a trend in which their share of world exports has improved year by year reaching an estimated 1.24 per cent in 2012 - more than double the 0.6 per cent reached in 2003. Looking closer into the past few years, after a sharp decline in 2009, export performance of LLDCs rebounded more strongly in 2010 and 2011 than that of transit countries and any other developing country regions.

**Figure 1. LLDC Exports to Global South Countries (% of Total Exports)**

![LLDC Exports to Global South Countries](image_url)


The value of LLDCs merchandise exports grew solidly by 31 and 36 per cent in 2010 and 2011 respectively to reach a record-high of $224 billion. Fuel and mineral LLDC exporters experienced the largest gains during 2010 and 2011. Despite the growth in numbers, it is important to note that over half...
of the group’s exports originated in just two countries, Kazakhstan and Azerbaijan, highlighting the continued marginalisation of LLDCs from world trade. Furthermore, LLDCs continue to rely on a limited number of export products, in particular raw agricultural and mining commodities. For instance, primary commodities constitute over 80 per cent of exports from ten African LLDCs. In 2011, just three export products represented more than 70 per cent of exports from 11 landlocked developing countries. In terms of imports, LLDCs recorded an increase of 23 per cent in 2011.

LLDCs trade with the global South has deepened. While LLDCs once traded mostly with developed countries, this inclination has gradually shifted as they begin to take up their fellow developing countries as their major trading partners. 23 out of the 31 LLDCs increased their share of total exports to fellow developing countries vis-à-vis developed countries between 1995 and 2012 (See figure 1). An even higher number, 26 countries out of 31 LLDCs saw an increase in their share of total imports from the Southern partners. From 2003 merchandise trade from LLDCs to other South economies rose from an average of 39.2 per cent to 50.4 per cent in 2011. Sub-Saharan Africa, where 15 LLDCs are located, has become a major new source and destination for South-South trade. For instance, between 1992 and 2011, China’s trade with Sub-Saharan Africa rose from $1 billion to more than $140 billion.

- **ODA | LLDCs and the Global South**

Defined as flows of financing at concessional terms by the official sector with the objective of economic development and welfare, Official Development Assistance (ODA) is an important source of external finance and foreign exchange to many developing countries including LLDCs, as many of them are resource-scarce and unable to access international capital markets. Thirteen LLDCs relied on ODA for at least 20 per cent of the central government expenditure between 2003 and 2010 (See figure 1). Preceding a slight fall of 3.3 per cent in 2011, aid flows to LLDCs rose by 60 per cent in real terms between 2003 and 2010. Latest data shows ODA to LLDCs totalled $25.7 billion in 2011.

Historically, ODA donors have been developed countries with the USA providing 30 per cent of total bilateral aid to LLDCs between 2003 and 2010. Other major donors to LLDCs include EU institutions, United Kingdom, Japan and Germany (See figure 2 for 2011 data).

While data is scarce, there have been recent efforts to consolidate records of development financing from the global south. Although lower than the traditional donors, available records show that China, Saudi Arabia, Korea, Turkey and UAE are the main emerging donor countries, providing more than $10 billion in ODA-like flows to developing countries in 2011. While data on ODA or ODA-like flows from many emerging donors to LLDCs is limited, available data for 22 non-traditional donors shows that Turkey, Korea and UAE are the top three donors to LLDCs, providing $340 million, $198 million and $124 million in 2011 respectively (see figure 3). Disaggregated data for the large emerging economies is however not available.
Figure 2. 2011 Top ODA Flows to all recipients and LLDCs (excluding USA) in USD Millions

Source: Query Wizard for International Development Studies (QWIDS), OECD

Figure 3. 2011 Top Donor Flows to LLDCs in USD Millions

<table>
<thead>
<tr>
<th>Traditional Donors</th>
<th>Multilateral Agencies</th>
<th>ODA from South</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>6,175.41</td>
<td>2,669.89</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,694.26</td>
<td>2,475.13</td>
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<tr>
<td>Japan</td>
<td>1,654.88</td>
<td>903.22</td>
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<tr>
<td>Germany</td>
<td>1,370.21</td>
<td>751.67</td>
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<tr>
<td>Canada</td>
<td>617.65</td>
<td>553.22</td>
</tr>
</tbody>
</table>

Source: Query Wizard for International Development Studies (QWIDS), OECD

• FDI | LLDCs and the Global South

As a major source of external finance, FDI has a catalytic role to play in spurring economic growth and development in LLDCs through financing, building and strengthening of productive capacity, export growth, technology transfer, infrastructure development, employment generation and eradication of poverty. FDI, along with small business growth, is a critical element in developing the private sector and in reducing poverty.
Investment is another area of South-South Cooperation that exhibits considerable dynamism. Developing countries now provide 33 per cent of global investments and the World Bank projects developing countries to account for more than half of total capital stock by 2030. While overall global FDI declined by 9 per cent in 2008 in response to the onset of the global financial crisis, FDI inflows to LLDCs remained resilient rising by 64 per cent that year. Furthermore, in 2012 when global FDI declined by 18 per cent, flows to LLDCs remained stable.

The global share of FDI inflows to LLDCs has always been small, reaching just 2.6 per cent in 2012. However, a combination of favourable factors, among them improved business environment, attractive investment prospects and low interest rates in the advanced economies, has accelerated net capital inflow to a number of LLDCs in particular in the Eastern Europe and Central Asia regions. In 2011, FDI receipts grew by 24 per cent - to a record $35 billion up from just $8.9 billion in 2003. But there are still vast disparities, with natural resource-rich LLDCs such as Kazakhstan, Mongolia, Turkmenistan and Azerbaijan accounting for 68 per cent of the total FDI inflows to LLDCs. Overall, FDI flows to the LLDCs rose 0.6 per cent in 2012 from $34.4 billion to $34.6 billion.

FDI that originates from countries in the global South has grown from an estimated 20 per cent in 1980, to around 50 per cent in 2010. An important factor to note is that, for the first time in 2012, countries in the global South became the largest regional investors in LLDCs as a share of total flows with particular interest from West Asian economies and Korea, the largest investor in LLDCs in 2012. Moreover, more than half of mergers and acquisitions (M&As) in LLDCs, and more than half of the top FDI M&A deals for which data on the transaction value exist, were made by other developing countries. Among these, the purchase by Xinjiang Guanghui (China) of AlgaCapiyGas (Kazakhstan) was by far the largest transaction, at $200 million, followed by the $69 million acquisition of Cimerwa (Rwanda) by Pretoria Portland Cement (South Africa).

The value of Greenfield investment projects declined by almost 55 per cent in 2012 although the total number of projects dipped by only 26 per cent. Yet, amidst this decline it is noteworthy that the majority (66 per cent) of Greenfield FDI flows in 2012 came from developing countries – up from 41 per cent in 2011, reflecting the role of the global south in Greenfield FDI. In particular, at the sub regional level investment from West Asia went up by 172 per cent to $2 billion. Investment from India, the largest developing-country Greenfield investor in 2011, declined in 2012 as the Republic of Korea became the largest investor in LLDCs globally, with flows of $4.3 billion – an increase of 220 per cent on the previous year.

Although the vast majority of FDI inflows continue to be in Greenfield investments in the extractive industries, some diversification has been observed in manufacturing and services, such as infrastructure development and communications, electricity, gas and water services and business services. It is important that LLDCs and their development partners, including Southern partners, use regional integration and cooperation to strengthen the investment climate and support investment attraction. Key recommendations include the harmonisation of policies and greater coordination with neighbouring countries, better regulation and cooperation on macroeconomic policy problems.

- Diaspora Remittances | LLDCs and the Global South

Remittances from migrant workers to their countries of origin present a significant and reliable financial resource for households in many landlocked developing countries. Moreover, they also have the potential to positively impact poverty eradication, growth and sustainable development in LLDCs.

Remittances continue to grow in prominence as an important source of foreign exchange. They constitute a particularly valuable component of the balance of payments in economic downturns, when markets in
locally produced commodities are depressed, or when other international capital flows are sluggish. There are more than 215 million international migrants in the world today. In 2012, remittances to developing countries totalled $401 billion, a rise of 5.3 per cent from 2011. For comparison, global total remittances amounted to $529 billion. Remittance flows are projected to grow at an average annual rate of 8.8 per cent during the period of 2013 to 2015. These flows are now larger than any other form of foreign financing for developing countries.

In current terms, total remittances to the LLDCs have grown rapidly, from $2.1 billion in 2001 to $18.9 billion in 2011 and an estimated $22.2 billion in 2012. The figure for remittance flows to LLDCs is becoming comparable to ODA inflows that LLDCs receive ($25.7 billion in 2011), reflecting the overall trend of the growing significance of these funds. Highlighting their vulnerability to economic shocks, remittances to the LLDCs fell by $2 billion in 2009 but recovered the following year. In 2011, the remittances of LLDCs recorded on average 8 per cent of their GDP.

Remittances are particularly crucial to five landlocked developing countries, where they represent an equivalent of more than 20 per cent of the GDP. A three-year average, beginning in 2008, reveals that the annual receipts of remittances represented at least 41 per cent of Tajikistan’s GDP, 35 per cent for Lesotho, 25 per cent for Moldova and Kyrgyzstan, and 23 per cent for Nepal.

Figure 5. Top Remittance Corridors as percentage of Recipient’s GDP, 2010

Remittance trends are also indicative of the growing South-South integration. Migrants move to and send remittances from nearby developing countries and hence an increasing number of remittance corridors, remittance flows from sending countries to receiving countries, also reflect South-South cooperation. In 2010, the top three highest remittance corridors as a percentage of recipient’s GDP were Russia to Tajikistan (21.6 per cent), South Africa to Lesotho (21 per cent) and Russia to Kyrgyzstan (17.1 per cent) (see figure 4).

In view of significant role played by remittances, global action is needed to address bottlenecks that undermine their potential, including exposure to external shocks, exchange rate volatilities and the high transaction cost of sending remittances. In addition, structural weaknesses in LLDCs make it more difficult to successfully mobilize remittances for productive purposes. It is thus important that increased efforts are made to harness remittances for development-oriented use, such as investment, private sector
development and building of productive capacities. Southern partners should aim to remove any unnecessary restrictions on outward remittances and on labour migration from the LLDCs.

Transit and Transport | LLDCs and the Global South

Cooperation between landlocked developing countries and transit countries in terms of transit and transport is necessary in order to facilitate trade and assist with overall integration into the world economy. In particular, since most LLDCs neighbour other developing countries, cooperation between LLDCs and global South countries is both evident and necessary for the development of the transit transport sectors of LLDCs and transit transport corridors. Such cooperation is necessary in the areas of infrastructure development, joint efforts to construct transport corridors, as well as harmonisation of documentation and legal regulations.

Of the 50+ UN conventions on international transport and trade facilitation, 7 are especially relevant to transit and cross-border trade for LLDCs. However, accession to these key conventions has been slow. Ratification and effective implementation of relevant international conventions and agreements on transit transport and border crossing by LLDCs and transit countries is necessary for simplifying, harmonising and standardising transit operations and hence play a significant role in reducing transit delays and costs.

A number of sub-regional transport facilitation agreements between LLDCs and global south transit countries have recently been developed to support trade and integration. In Asia, there have been two major intergovernmental agreements on transport infrastructure: the Asian Highway and the Trans-Asian Railway. The Intergovernmental Agreement on the Trans-Asian Railway has been adopted, yet challenges still exist such as missing links which prevent the network from functioning as a continuous system. The Shanghai Cooperation Organization (SCO), an intergovernmental organisation made up of LLDCs (Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan) and major emerging actors (China and Russia), has been taking the lead in developing an agreement for creating favourable conditions for international road transport in the SCO region. In addition, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) adopted the Intergovernmental Agreement on Dry Ports in 2013.

In Africa, both the Northern and Southern Corridors function as multi-modal corridors encompassing road, rail, pipeline and inland waterways transport. The Northern corridor is known as the busiest and most important transport route in East and Central Africa, providing a gateway linking Kenya’s Maritime Port of Mombasa to the landlocked economies of Uganda, Rwanda, and Burundi while also serving the Eastern Part of Ethiopia. African countries are also making progress in developing road infrastructure in the major transit corridors of the Trans-African Highway. They are elaborating an intergovernmental agreement to underpin the Trans-African Highway, with an agreement on the text expected later in 2013. However, major infrastructure gaps remain that require substantial resources: the development and maintenance of supportive infrastructure, including distribution centres, dry ports, border structures and secure rest areas.

In addition to the regional and multilateral efforts, bilateral agreements are necessary to implement local provisions such as common procedures and opening hours of border posts and remain the predominant tool for road transit transport facilitation. LLDCs and developing transit countries have increasingly been implementing measures to harmonise customs procedures, rules and documentation. Some of the measures implemented include the introduction of modern electronic applications into the TIR system (an international harmonised system of Customs control that facilitates trade and transport whilst effectively protecting the revenue of each country through which goods are carried), the use of the Automated System for Customs Data, one-stop border posts, third-party motor insurance schemes and removal of roadblocks.
• **Capacity Development | LLDCs and the Global South**

In addition to trade, ODA, FDI and worker remittances, South-South cooperation has also been apparent between LLDCs and other developing countries in terms of transfer of knowledge, assets and technology and capacity development. In particular, the partnership with the BRICS economies is notable. For instance, Brazil has transplanted its successful school grant programme and literacy programmes to its African partners while also establishing 53 bilateral health agreements with 22 African countries by 2011. China continues to offer scholarships to African students with an estimated 12,000 African students pursuing various degrees supported by the Chinese government. Scholarships are also offered by the Indian government, with 675 of the 2325 scholarships under 21 scholarship schemes offered exclusively for Afghanistan and 500 for African countries.

The Election Commission of India shared its electoral experiences with other developing countries of the south with a view of strengthening local electoral processes, especially in Africa and Asia. South Africa’s development cooperation is almost exclusively African by nature and the country has established many bilateral commissions with other African countries. Russia is also implementing joint projects, for example in Mongolia in the areas of extraction of mineral deposits and the development of transport, infrastructure and agriculture.

In terms of capacity development, LLDCs are also benefiting from the support of countries in the global south. For instance, Brazil is working with both Bolivia and Paraguay on channelling its expertise in cotton production, such as training in best practices of cotton cultivation and marketing. African LLDCs such as Burkina Faso, Chad and Mali receive assistance from Brazil in cooperative rural development efforts for their cotton industry. Other African LLDCs, such as Ethiopia, Lesotho, Malawi and Zambia, were recently indentified by India as its focus partners for training and other assistance. India intends to proceed with needs assessment and project formulation in coordination with governments of these countries.

Mongolia is also an active participant in South-South Cooperation and is the only non-pivotal country to include South-South Cooperation outcome as part of their UN Development Assistance Framework (UNDAF) country document. Mongolia and China signed an agreement to promote further bilateral cooperation in the agricultural sector with China providing Mongolia with technical assistance to help enhance Mongolia’s agricultural production and training to set up its organic product standards and certification systems. Mongolia has also been working with Turkey in the fields of education, health, culture and technical cooperation and currently more than 1,000 Mongolian students are enrolled in different Turkish universities.

**Triangular Cooperation in Trade and Infrastructure development**

Triangular cooperation which involves two or more developing countries in collaboration with a third party, typically an emerging/developed country government or organization, that contributes to the exchanges with its own knowledge and resources is increasingly becoming important and a significant part of the global development cooperation architecture. Further, South-South Cooperation and triangular cooperation has become the key theme both in the UN fora and the global process on development effectiveness agenda especially since the 2011 Fourth High Level Forum on Aid Effectiveness (HLF4) in Busan, which strongly highlighted South-South Cooperation as well as triangular cooperation. This rise in triangular cooperation is seen as enhancement of country ownership, use of comparative advantages, and scaling-up of the impacts of past assistance.
Traditional and emerging donors including DAC bilateral donors as well as multilateral development institutions can complement such endeavours through the provision of additional financing and knowledge. Some examples include:

- The ongoing collaboration between Germany and Brazil to strengthen the National Institute of Standardization and Quality (INNOQ) in Mozambique to improve the quality standards of products in Mozambique building on the capacity developed in the National Institute of Metrology, Standardization and Industrial Quality (INMETRO) in Brazil with past GIZ assistance (TT-SSC n.d.a).

Triangular cooperation can be an effective means of creating solutions to address regionally-shared issues such as transit transport among countries. One such example is the initiative of promoting One Stop Border Post (OSBP) - a trade facilitation approach through the promotion of cross-border harmonization and alignment of legal, institutional and procedural aspects of trade at borders.

- With complementary financial and technical support from international donors including World Bank, UK DFID and JICA, an OSBP for road transport was first introduced at the Chirundu border between Zimbabwe and Zambia in 2009 with tangible impacts on smoother and more efficient border management. Even though the OSBP’s inauguration has been relatively recent, it has already produced significant improvements including the reduction of waiting times for border formalities. The OSBP at Chirundu itself was the South-South partnership between Zimbabwe and Zambia assisted by both multilateral and bilateral donors. Following the success at Chirundu, the OSBP practice is now being replicated on other borders in Sub-Saharan Africa as an integral part of the regional infrastructure initiative.

In the Central Asia region, as Russia, Kazakhstan, Kyrgyzstan and other countries already have a regional free trade zone, Russia could for example be a champion for Kyrgyzstani development by implementing triangular cooperation as exemplified above through partnering with Kazakhstan. The South-South Facility for LLDCs will provide just that opportunity in the areas of technology transfer.

- **The Future | LLDCs and the Global South**

Cooperation between LLDCs and other South countries in the fields of trade, foreign resource transfer, capacity development, the transfer of technology and sharing of knowledge and best practices has been encouraging and this has assisted the development of LLDCs. Yet in order to further enhance the development of LLDCs, cooperation needs to better facilitate LLDC needs. Investments into LLDCs need to also help create jobs, and capacity development initiatives should strive to address the trade and transit issues of LLDCs. South-South cooperation should be supported by the international community as a complement to North-South cooperation.

While member states are working towards achieving the UN Millennium Development Goals (MDGs) by 2015, landlocked developing countries are one of the main groups of countries that are lagging behind. South-South Cooperation can effectively complement the national efforts of development. In this regard, further strengthening of South-South cooperation and triangular cooperation as a means for diversified opportunities, additional foreign direct investment flows that contribute to sustainable development of LLDCs, as well as cooperation in the transfer of appropriate technologies is crucial. Some recommendations for future South-South cooperation are outlined below.

- South-South and triangular cooperation for LLDCs in areas such as transfer of technology, development finance, foreign direct investment, capacity building, provision of market access, increased sharing of knowledge and best practices particularly on issues relating to transit
transport systems and trade facilitation should be encouraged by the international community and facilitated by the UN System.

- Southern partners should promote and support transfer of technologies, innovations and technological know-how to LLDCs at affordable conditions.

- Increase South-South and intra-regional trade as a means of connecting LLDCs to the global markets. Southern partners should consciously increase market access for exports originating in LLDCs.

- Strive for integrated infrastructure development between LLDCs and transit countries that greatly benefits bilateral and international trade and transfer for LLDCs.

- Financial resources and investment in infrastructure and transit systems, trade facilitation, and transfer of technology should be enhanced and directed for long term benefits. Public-private partnerships should be encouraged. Landlocked developing countries should ensure a conducive national regulatory environment to attract increased and diversified FDI flows, supported by their Southern neighbours.

- Emerging donors in the South should enhance their ODA-like flows to LLDCs, enhancing its effectiveness and making sure these flows are transparent and complementary to and aligned with other sources of development finance.

- Southern partners, including the private sector, should make efforts to provide safe working environment for migrant workers from LLDCs, adopt policies to reduce the cost of sending remittance, encourage development of diaspora networks and transfer of know-how from migrants to their home countries, and remove unnecessary restrictions on outward remittances.

- Develop stronger arrangements for region- and country-specific evaluations of South-South Cooperation, with the formalisation of institutions and organisations for further concrete cooperation. In addition, there is a need to develop domestic policies on South-South Cooperation.

- Improve accurate data collection about South-South cooperation with LLDCs to fully understand its impacts and recognise areas of need.

- Aim for strengthening of partnerships and reductions in bargaining power asymmetries that lower benefits for the weaker parties in South-South relations. To this end, ensure South-South Cooperation is guided by respect for national sovereignty and non-conditionality.

V. South-South Technology Transfer Facility

UNOSSC in partnership with UN-OHRLLS, will develop and launch a South-South technology transfer and resource mobilization facility dedicated to LLDCs. The proposed South-South Facility for LLDCs will be a platform for the South-South and triangular transfer of viable, sector-specific technologies aimed at developing and/or strengthening capacities and production in LLDCs.

UNOSSC, as mandated by the UN General Assembly to promote and facilitate South-South cooperation on a system-wide basis, will support the South-South Facility by enabling the sharing of knowledge and best practices between and among LLDCs and transit countries on the one hand and facilitating the
acquisition of appropriate technologies from the global south aimed at boosting the productive capacities in LLDCs through the professional and regulated services of its South-South Global Assets and Technology Exchange (SS-GATE).

The SS-GATE, which was launched by UNOSSC in 2008, is a global transactions and services platform that facilitates end-to-end market-driven exchanges of technology, assets, services and financing among public/private sectors and civil society. It matches demand and supply for technology transfer and finance in core areas such as infrastructure, food security, global health and climate change. In the 2009 Nairobi outcome document (A/Res/64/222), the United Nations General Assembly endorsed the SS-GATE and encouraged developing countries to utilize the platform in order “to establish closer links among themselves.”

Currently the SS-GATE has 40 country centres in 32 countries, including in a number of LLDCs, namely, Kazakhstan, Mongolia, Uganda, Rwanda, Zambia, and Zimbabwe. The South-South facility will progressively establish, where possible, national presence in at least 10 countries within the first 3 years of its launch. The aim is to eventually have active country centres in all the 31 Member States.

The roll-out plans for the South-South facility for the LLDCs involve the piloting of programmes and projects at the sub-regional centres. The initial experiences will inform decisions to adapt, scale-up and replicate successful activities in all participating countries in the sub-region in a more systematic and sustainable manner. A South-South and Triangular cooperation technology transfer plan will be developed for each of the 6 pilot LLDCs based on their respective medium-term (3-5 years) national investment plans and sector-specific strategies. UNOSSC and UN-OHRLLS will provide oversight and coordination for the Joint Facility while SS-GATE will be designated as the implementing entity.

A number of the national centres will also function as sub-regional centres overseeing work in the other landlocked developing countries in the geographical neighbourhoods. The national focal persons at these offices will ideally be an existing sub-regional coordinator of the projects in their respective sub-region. Such sub-regional centres would help identify actors in the neighbouring LLDCs and transit developing countries on the demand and supply side, and identify and source available technologies through the SS-GATE. The sub-regional focal points will also coordinate mutual activities, and lend support to the smooth functioning of country centres under their purview. To do so, sub-regional focal persons will establish and maintain a strong regional network of national focal persons through regular physical and/or virtual interactions with the aim of deepening the role of the South-South facility. An added advantage of this arrangement is that it will make it possible to replicate and/or scale up successful initiatives.

It is preferable that sub-regional centres be equipped with capabilities to successfully undertake unencumbered multi-country operations. The programming at the sub-regional level will take into account country and sub-regional comparative advantage, and the technology needs for an overarching LLDC concerns in the areas such as, sustainable agriculture, dairy and agro-food processing, water management, global health, climate change adaptation/renewable energy etc. It would also promote the use of effective hardware and software infrastructural solutions for the LLDCs.

**The Objectives of the Facility**

The objectives of a joint UNOSSC-OHRLLS South-South Facility for the LLDCs will be the following:

- Source and disseminate information regarding available technologies in the areas of sustainable agriculture, infrastructure, global health, dairy and agro-food processing, water management, climate change adaptation, renewable energy.
• Match technology providers and financial investors from the South and from traditional Northern donors with the business communities in the LLDCs;

• Transfer technologies from providers to recipient LLDCs with support from SS-GATE services platform;

• Actively promote the use of the technologies above across LLDCs through organizing national and sub-regional networking meetings and workshops to inform partners and representatives from LLDCs about the initiative, available technologies, successes stories etc;

• Identify and nurture innovative business ideas in the LLDCs through training and partnerships;

• Identify and publish “models of Transit Transfer (TT) agreements, models of TT schemes of regional or sub-regional “development corridors” specially aimed to help the LLDCs, and models of LLDC-focused partnership arrangements focused on technology transfer.

• Launch a resource mobilization campaign for the Joint Facility and for end-users in the LLDCs;

The Proposed Pilot Countries

Taking into account geographical location and distribution, the following six countries have been proposed to act as both the national and sub-regional centers\(^2\): Kazakhstan, Mongolia, Nepal, Paraguay, Uganda, and Zambia. For the purposes of the LLDCs Technology Transfer facility, these countries are designated as “pilot countries”. The six pilot countries - primary beneficiaries of the technology transfer - were selected to maximize regional representation. In addition, their selection was based on SS-GATE’s prior exploratory work to develop closer links with them. The facility is expected to play a critical role in helping LLDCs acquire technologies necessary for climate change adaptation and mitigation, value addition, economic diversification and reverse deindustrialization among others.

Main responsibilities of the Pilot countries will include but not limited to the following:

1. Nominate a suitable sub-regional centre that will source viable entities and/or projects in the selected focus area;

2. Provide input into the technology transfer plans стрategies based on local needs;

3. Support and promote the establishment of countries centres in neighbouring LLDCs;

4. Facilitate negotiations among matched entities;

5. Liaise with the LLDC facility and other stakeholders for project promotion, replication and scaling up as well as resource mobilization.

The Role of Development Partners

A fully functioning Technology Transfer facility for the LLDCs will demonstrate a deepening of relations among various stakeholders in the areas pertinent to South-South and triangular cooperation. It will provide a platform through which all stakeholders (i.e. State, non-State actors, the private sector, the academia, regional and international organizations etc) could undertake and discharge their commitments to the LLDCs as called for in the Almaty Programme of Action and several United Nations General Assembly resolutions.

\(^2\) One additional national and sub-regional centre will be identified for the French-speaking LLDCs of Central and West Africa.
In the context of South-South and triangular cooperation, the facility will strive to be innovative as it seeks and matches solution providers, including technology and markets in the global south with those that have expressed a demand for such. It will count on the invaluable assistance from development partners in the global north and multilateral institutions as well. Like other development partners, transit developing countries play a defining role in shaping the development outcomes of the LLDCs. Against this backdrop, this initiative puts transit countries in the midst of those that champion the sharing of knowledge, best practices as well as the successful transfer of suitable and affordable technologies to the LLDCs. UN-OHRLLS and UNOSSC will approach a number of transit countries with a request for their political and financial support.

Development partners, both traditional and emerging, north and south, bilateral and multilateral have a stake in the operationalisation of the facility. They could assist in identifying potential technology providers (such as private sector entities) to meet demonstrated demand in pilot countries. They could also provide substantive input into the technology transfer plans and strategies as well as legal and regulatory processes to facilitate cross-border transactions. Such partners could also liaise with the LLDC facility, pilot countries, OHRLLS and UNOSSC for project promotion and resource mobilization. A critical starting point is the voluntary support to a start-up fund in support of the LLDC facility.

The facility holds the potential to deliver triple benefits to all participants in the context of South-South and triangular cooperation. Countries with private sector providers of technology stand to gain the most from an established SS-GATE transactions platform capable of matching them with potential consumers, i.e. technology seekers in the target LLDCs. It is important, however, to recall that the South-South facility will make it possible for LLDCs to address some of their development challenges through the adoption of new technologies. The facility, the first of its kind for the LLDCs, will benefit from the synergies that arise from collaborative efforts of all stakeholders.

3 Some of the transit countries are key regional players with significant political and economic clout. They have also gained considerable experience from SS-GATE. Championing the implementation of the facility in a neighboring LLDCs fits well within their ongoing transit development and regional cooperation work. In nearly all the cases, these transit countries are also some of the largest trading partners of the pilot countries. In this context, it is worthwhile for Kenya to consider championing for Uganda, South Africa for Zambia, Brazil for Paraguay, India for Nepal, China for Mongolia while Russia for Kyrgyzstan. It may be possible, however, that a transit country partners with an LLDC to support a third country. An example here could be Russia partnering with Kazakhstan to support Kyrgyzstan.

A champion transit partner could take the lead in meeting the technology demand and cost-sharing requirements (if necessary) for each sub-region. It could also work closely with the LLDC facility to package viable project proposals for consideration by donors through triangular partnership. It should also be understood that participation in such an arrangement is voluntary and should not be deemed a limiting condition for countries that wish to offer alternative forms of support, including making a contribution to the initiative in general.
VI. Contacts

For additional information, including ways on how to support the South-South Technology Transfer facility for the LLDCs and comments on this document, please contact the following:

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