

Side Event

A Rule of Law Based Approach to Sustainable Recovery for Least Developed Countries: The Contribution of ISP/LDCs as a Dedicated Public-Private Partnership for Investment Capacity Development in the Least Developed Countries

14 April 2021

Finance for Development Forum 2021

Co-Sponsored by IDLO, UN-OHRRS, Permanent Mission of Malawi to the United Nations, Permanent Mission of Italy to the United Nations

In the past decade, Least Developed Countries (LDCs) have made significant progress in the achievement of Agenda 2030 and the Sustainable Development Goals, with four LDCs graduating from their LDCs status in the past 10 years. The COVID-19 pandemic risks jeopardizing these hard-won gains. The pandemic has not only caused incalculable human suffering but has also triggered a global economic crisis whose impact is being felt most severely by LDCs and their vulnerable populations.

According to the latest estimates, global foreign direct investment (FDI) flows in 2020 dropped by almost 50% and are expected to remain weak throughout 2021, prejudicing sustainable recovery. This is a grave cause of concern for LDCs. With scarce public resources in LDCs under unprecedented strain due to the fight against COVID-19, private sources of capital – and FDI in particular – are becoming an indispensable, critical source of development financing. In the short term, they can provide LDCs with essential resources to address and minimize the adverse socio-economic impact of the pandemic. In the longer term, they are key to support LDCs' sustainable development and help them respond to the significant public health and economic effects resulting from COVID-19, thus underpinning economic recovery.

Faced with an unprecedented global development current crisis, developing new and innovative solutions to unlock LDCs' capacity to attract and sustain FDI and access the resource flows for recovery is crucial. Public-private partnerships are an invaluable tool to enhance and support LDCs' capacity to finance their development efforts by attracting, retaining and sustainably managing FDI, leveraging skills and knowledge of the private sector to achieve progress towards the SDG.

The Side Event focuses on IDLO's Investment Support Programme for Least Developed Countries (ISP/LDCs) as a public-private partnership that seeks to make a distinctive contribution to the international efforts to help accelerate LDCs' recovery from COVID-19 and to advance their sustainable development goals.

ISP/LDCs provides, at no cost to beneficiaries, legal and technical advice and assistance, as well as complementary capacity-building, to both governments and eligible private sector entities in LDCs on investment-related matters, including investment negotiations and dispute settlements. Such assistance is provided by harnessing the services of lawyers and experts who provide support to the beneficiaries on a "pro bono" or reduced fee basis.

ISP/LDCs was jointly designed by the UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and IDLO, with support from the Government of Italy. It became fully operational in 2019, thanks to funding from the European Union and a contribution from the Kuwait Fund for Arab Economic Development. Since then, the Programme has delivered investment-related technical support to a wide range of countries. This included the provision of strategic assistance to the Government of The Gambia in an investor-state arbitration with a foreign investor, which facilitated the achievement of an out-of-court settlement. The Programme moreover provides support in Malawi, Liberia and Ethiopia, with new entry-points for assistance being discussed in Uganda, Mozambique and LDCs in the Pacific Region.

By combining the ability to extend support in relation to a wide range of investment-related matters, including not only negotiations but also dispute settlements, and to respond to requests for related capacity-building, the Programme facilitates an integrated approach to LDCs capacity development, adjusted to the situation and demand of each country. This helps build the capacity of beneficiary countries to advance their investment goals in line with their national strategies, guided by the vision of sustainable development embodied in Agenda 2030, as well as the Addis Ababa Action Agenda and the Program of Action for the LDCs. Moreover, the Programme can also provide support to under-resourced small and medium enterprises in LDCs, assisting private sector development based on the principles of social inclusion and economic sustainability set forth in the 2030 Agenda.

Contributing to the wider debate on financing for development and set in the context of the preparations for the Fifth UN Conference on the Least Developed Countries to be held in Doha in 2022, the Side Event aims to:

- Showcase the broader role that public-private partnerships can play in supporting the achievement of Agenda 2030 in LDCs and the COVID-19 recovery; and
- Discuss the innovative features of ISP/LDCs, their contribution to levelling the playing field in the relationship between the LDCs and foreign investors, and their potential as a blueprint for enhancing the impact of the international support extended to LDCs in leveraging FDI to strengthen their resilience and advance their sustainable development.