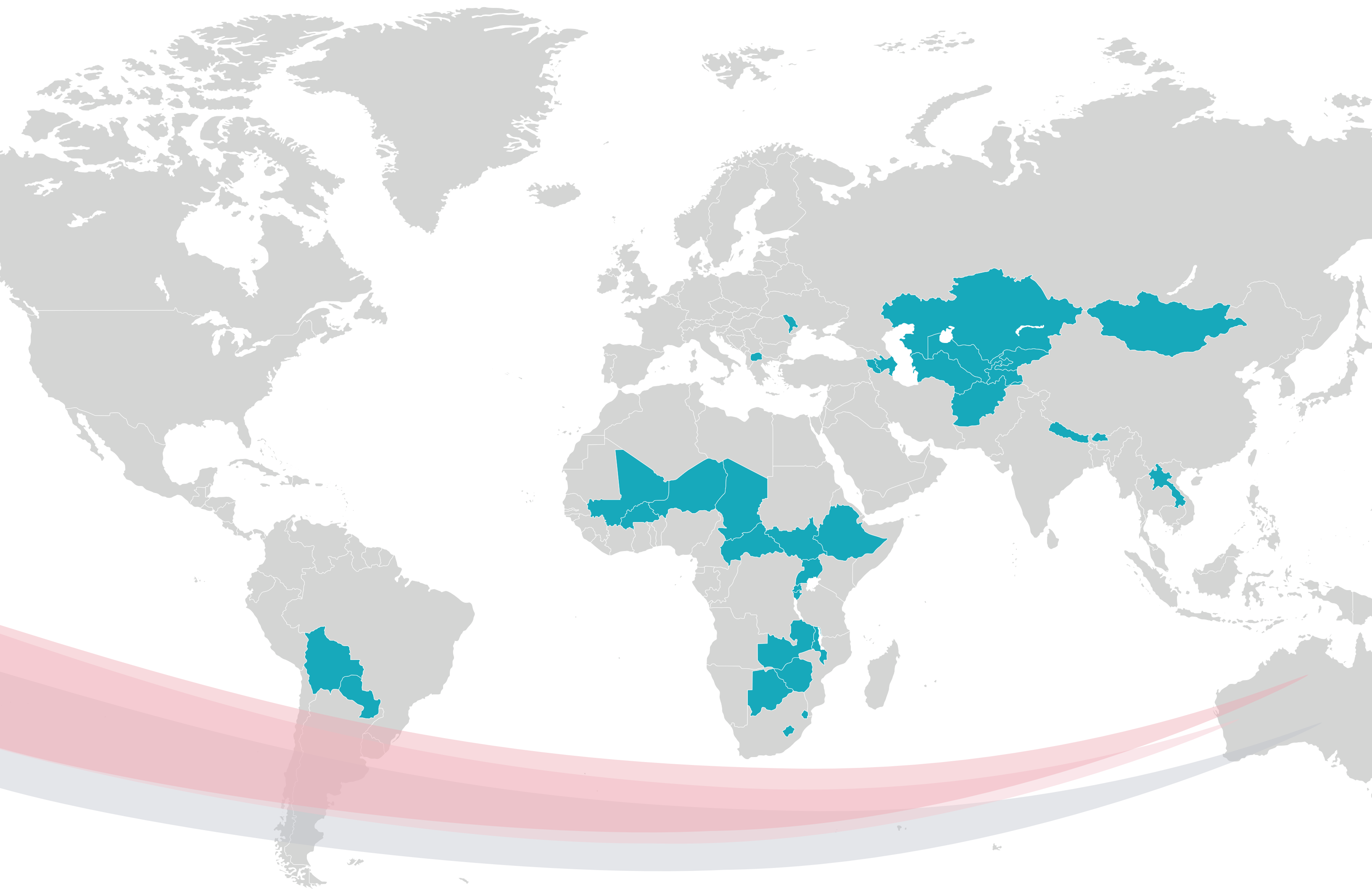
ENHANCING THE ROLE OF THE PRIVATE SECTOR IN THE IMPLEMENTATION OF THE VIENNA PROGRAMME OF ACTION FOR LANDLOCKED DEVELOPING COUNTRIES AND THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT



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NOTE

This publication contains a summary report of the Side Event Enhancing the Role of the Private Sector in the implementation of the Vienna Programme of Action and the 2030 Agenda for Sustainable Development held on 23 May 2017 in the margins of the 2017 ECOSOC Forum on Financing for Development Follow-up held at the UN Headquarters in New York, United States of America and the background report that was prepared for the Meeting.

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ACRONYMS & ABBREVIATIONS

AAAA	Addis Ababa Action Agenda
ADB	Asian Development Bank
ADR	European Agreement concerning the International Carriage of Dangerous Goods by Road
ATP	Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage
CIS	Commonwealth of Independent States
CMR	Convention on the Contract for the International Carriage of Goods by Road
CVR	Convention on the contract for the international carriage of passengers and luggage by road
DBFOT	Design, build, finance, operate, transfer
DHI	Druk Holding Investments (Bhutan)
EAC	East African Community
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
ESCAP	Economic and Social Commission for Asia and the Pacific
EurAsEC	Eurasian Economic Community
FDI	Foreign direct investment
FfD	Financing for Development
GA	United Nations General Assembly
GDP	Gross domestic product
GFS	Greenovative™ Financing Standards
GPST	Global Partnership for Sustainable Transport
ICT	Information, communication and technology
IDA	International Development Assistance
IFC	International Finance Corporation
IRU	International Road Transport Union
IT	Information Technology
ITC	UN International Trade Centre
ITT	International LLDC Think Tank (Ulaanbaatar)
ITU	International Telecommunication Union
LDCs	Least developed countries
LLDCs	Landlocked Developing Countries
LPI	Logistic Performance Index
MDBs	Multilateral development banks
NPPF	National Pension and Provident Fund (Bhutan)
OECD	Organisation for Economic Co-operation and Development
PPP	Public-Private Partnership
PSDRP	Private Sector Development Reform Programme
RGoB	Royal Government of Bhutan
SDGs	Sustainable development goals
SICA	Sistema de la Integración Centroamericana (Central American Integration System)
SOLTRAIN	Southern African Solar Thermal Training and Development Initiative
SMEs	Small and medium enterprises
SPV	Special purpose vehicle
TF	Trade facilitation
TFA	Trade Facilitation Agreement
TFIs	Trade Facilitation Indicators
TIR	Transports Internationaux Routiers (International Road Transports)
TIR Convention	UN Customs Convention on the International Transport of Goods under Cover of TIR Carnets
The (2030) Agenda	2030 Agenda for Sustainable Development
The Goals	Sustainable Development Goals
USG	Under-Secretary-General
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNSD	United Nations Statistical Databases
VPoA	Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024
WAEMU	West African Economic and Monetary Union
WB	World Bank
WTO	World Trade Organization

EXECUTIVE

SUMMARY

This is a report of the side event on "Enhancing the role of the private sector in the implementation of the Vienna Programme of Action (VPoA) for Landlocked Developing Countries for the Decade 2014-2024 and the 2030 Agenda for Sustainable Development" that was held on 23 May 2017 in New York, United States in the margin of the 2017 United Nations Economic and Social Council (ECOSOC) Forum on Financing for Development (FfD) follow-up. The meeting was jointly organized by the United Nations Office of the High-Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) in collaboration with the Government of Zambia, the Chair of the Group of Landlocked Developing Countries (LLDCs), International Road Transport Union (IRU), International Finance Corporation (IFC) and UN International Trade Centre (ITC).

The main objectives of the meeting included: To dialogue on policy options for creating a supportive/conducive business environment for growth and development of the private sector, including investment promotion and innovative financing mechanisms; To share ideas, lessons and good practices on how to foster entrepreneurship development in LLDCs; To share experiences on how to catalyze the private sector resources to foster the implementation of the 2030 Agenda and the VPoA including through Public-Private Partnerships (PPPs); and To identify key recommendations.

The presentations and discussions held in the meeting stressed the need to assist the LLDCs to address the challenges that they face in trying to strengthen the participation of the private sector in national development and the necessity of regional integration, infrastructure, and the institutional development and reforms in the business environment. Presentations by the panelists stressed the importance of transport infrastructure, the role of energy, private sector solutions in emerging markets, green innovative financing, trade facilitation and the nurturing of small and medium enterprises (SMEs).

The interactive discussion underscored the importance of the private sector in the implementation of the Sustainable Development Goals (SDGs) and the VPoA, in particular the importance of public-private partnerships for growth and for diversification. LLDC Member States called for further support and collaboration by national, international and regional actors to reduce costs that they face.

The meeting identified the following measures needed to support the LLDCs to strengthen the participation of the private sector in the implementation of the VPoA and the 2030 Agenda.

- It is imperative for LLDCs to effectively implement tried and tested UN facilitation instruments, such as the TIR Convention for improved trade facilitation.
- LLDCs need to promote effective public-private partnerships, in order to accelerate their development.
- Strong local institutions that support the private sector to meet standards are needed for trade facilitation to work.
- Governments should develop effective and transparent policies and regulation supportive of private sector development. These policies should ensure transparent wealth management, a stable macro-economic

environment and a business environment that supports further development of the private sector.

- The private sector requires predictable regulation and stable policy environment.
- Targeted policies to enhance firms' access to finance, in particular the SMEs, are also needed.
- LLDCs need to have financing from equity markets, capital markets and banks to finance growth, and so as to attract private investment.
- Continued support of development partners such as the Asian Development Bank, World Bank and International Finance Corporation are critical to attract private sector investment and close the financing gap.
- Further streamlining of procedures for new businesses is important in order to reduce the number of procedures and cost.
- LLDCs need comprehensive technical assistance or capacity building for support to develop bankable projects and manage their implementation and to add value to their products and services and to connect to regional and global value chains.
- Enhanced education, training, and entrepreneurship skills development can increase the capacity of the private sector.
- A project should include aspects of environmental sustainability as one of the priorities in order to be bankable. In other words, bankability for LLDCs should not be the sole criteria for funding a project.
- Green financing can be applied to LLDCs to make infrastructure investment more affordable and turn projects that are not bankable into ones that could be bankable.

The meeting was informed of some relevant initiatives that were recently formed or launched or to be launched such as a Multimodal Tursundaze Logistics and Distribution Centre in Tajikistan that will be using green financing. In Mongolia, the Government is planning on establishing a joint investment fund based on the law on investment funds with private sector involvement to create a favorable system for financing innovative projects. In Bhutan, a multilevel car parking facility initiated on a PPP model is expected to be completed in November 2017 and the current PPP unit under the Ministry of Finance will be set up as an autonomous agency in the future. Paraguay enacted Law No. 5.102 "Investment promotion in public infrastructure, expansion and improvement of goods and services provided by the State" which seeks to establish mechanisms to promote public private partnerships to develop infrastructure.

INTRODUCTION

A healthy, vibrant and competitive private sector is widely recognized as a vital component of economic growth and poverty reduction through employment creation and innovation. It is in this regard that there is a new paradigm for sustainable development in which the private sector plays a critical role. The key role of the private sector in stimulating economic development is widely acknowledged and has become central to international, regional and national development agendas. Key international decisions including the 2030 Agenda for Sustainable Development, Addis Ababa Action Agenda (AAAA) and the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024 (VPoA), recognize the vital role of the private sector in their implementation as well as in the overall development of nations.

The 2030 Agenda for Sustainable Development recognises the role of the private sector to support the international community's endeavours to tackle economic, social and environmental challenges. The Agenda encompasses 17 Sustainable Development Goals (SDGs) intended to promote dignity, equality and prosperity for all and the private sector is positioned to deliver or support the delivery of many of them. The Agenda calls for an active engagement of the private sector in its implementation. Under SDG 17 on means of implementation and Global Partnerships, the 2030 Agenda refers directly to the role of the private sector, in line with the AAAA and its multi-stakeholder approach to ending poverty.

The AAAA also emphasizes the important role played by private businesses in the development agenda and the importance of strong regulatory and policy frameworks that encourage private investment and better align private investment with public goals. The Agenda also includes measures aimed at strengthening access to finance for micro, small and medium-sized enterprises, including through the use of development banks and innovative instruments.

The VPoA, which is an integral part of the 2030 Agenda for Sustainable Development, is a holistic and action-oriented development agenda anchored on 6 priorities and importantly, it is underpinned on the notion of renewed and strengthened partnerships amongst all relevant stakeholders including the private sector. The VPoA recognises that the contribution of the private sector is critical for its successful implementation hence the role of the private sector is highlighted in almost all the priority areas of the VPoA and the highlighted aspects include: improving transit facilitation and establishing efficient transit transport regimes; infrastructure development and maintenance; trade facilitation reforms, structural economic transformation and in the overall implementation of the VPoA. The VPoA recognizes the private sector as the service provider and user of services, as well as the main contributor to the development of infrastructure and productive capacity in both LLDCs and in transit countries.

Whilst the private sector is recognized as being vital for achieving the SDGs, many developing countries, including LLDCs have relatively weak domestic private sector. Some of the challenges cited as impediments for the growth of the private sector in developing countries include: restrictive policies, inadequate infrastructure, skills shortages and mismatches, trade restrictions, difficulties in obtaining medium- and long-term finance on affordable terms and a large informal sector. LLDCs are faced with many obstacles to unleash the potential of the private sector and to make it a real engine for more inclusive and sustainable economic growth as well as to create decent jobs and improve countries' ability to benefit from trade.

The entry into force of the WTO Trade Facilitation Agreement (TFA) on 22nd February 2017 marked a very important milestone not only for the global trading system but more importantly for the LLDCs as its implementation will cut customs-related red tape, ease the flow of trade between countries by simplifying customs procedures, speed up the clearance of goods, supporting cooperation among customs officials, and thus making it quicker and more efficient for goods to cross borders. To successfully implement the TFA, the LLDCs will require an increased role of the private sector.

Given the pivotal role of the private sector to contributing to the achievement of the SDGs, the VPoA and the TFA, there is great recognition that there is need to foster a competitive private sector in LLDCs in order to achieve the SDGs and the VPoA objectives. These sentiments have been articulated at different forums organised for the LLDCs on the subject. Some of the areas identified as needing special attention in LLDCs include:

- The need to provide supportive legal and regulatory framework and create macroeconomic conditions and systems that address the concerns of both local and foreign investors and provide an operating environment that is conducive for growth and development of the private sector;
- Developing innovative financing mechanisms, such as the "green financing standards" to expand the ability to obtain financing for projects in LLDCs from multilateral development banks (MDBs) and private financing sources;
- Enhancing entrepreneurship by providing supporting business and institutions;
- Promotion of small and medium enterprises (SMEs), which are important for job creation, women empowerment and contribution to poverty reduction;
- International trade and multimodal transport facilitation through development of hard and soft infrastructure as well as unification and simplification of procedures for cross-border facilitation; and
- Sharing of experiences and capacity building on enhancing the private sector in LLDCs' development.

Since the adoption of the 2030 Agenda for Development, AAAA and the VPoA, it is important for UN-OHRLLS and its partners to accelerate their efforts geared at promoting the participation of the private sector in the implementation of the VPoA and the 2030 Agenda for Sustainable Development. It is in this context that this event was organized to contribute to raising awareness and building of capacities to support the development of competitive private sector in LLDCs.

PART ONE

PROCEEDINGS AND DISCUSSION

REMARKS BY MR. SANDAGDORJ ERDENEBILEG, CHIEF POLICY DEVELOPMENT, COORDINATION, MONITORING AND REPORTING SERVICES, THE UNITED NATIONS OFFICE OF THE HIGH REPRESENTATIVE FOR THE LEAST DEVELOPED COUNTRIES, LANDLOCKED DEVELOPING COUNTRIES AND SMALL ISLAND DEVELOPING STATES (UN-OHRLLS)

I would like to warmly welcome all of you to this Side Event on: Enhancing the role of the private sector in the implementation of the Vienna Programme of Action and the 2030 Agenda for Sustainable Development jointly organized by my Office, UN-OHRLLS, Zambia, the Chair of the LLDCs, the International Road Transport Union (IRU), the International Finance Corporation (IFC) and the International Trade Center.

I am standing here for Mrs. 'Utoikamanu, USG and High Representative, who could not be with us today as she left this morning to participate in the Disaster Risk Reduction Conference in Cancun, Mexico.

The aim of this meeting is to provide an opportunity to different stakeholders to share ideas, lessons, and good practices on how to foster the role of the private sector in the implementation of the 2030 Agenda for Sustainable Development and the Vienna Programme of Action.

Private sector actors are increasingly being recognized as a major force in development. They drive economic growth through investment, employment and business creation, innovation and knowledge transfer and other multiplier effects from their operations and activities.

The 2030 Agenda recognizes that achieving the ambitions goals and targets will not be possible without a revitalized and enhanced Global Partnership. It therefore stresses that the revitalized Global Partnership will facilitate an intensive global engagement in support of implementation of all the Goals and targets by bringing together Governments, civil society, the private sector, the United Nations system and other actors and mobilizing all available resources. The Addis Ababa Action Agenda also recognizes the important role that the private sector plays in financing infrastructure, science, technology and innovation. It underscores that public-private partnerships serve to lower investment-specific risks and incentivize additional private sector finance across key development sectors led by regional, national and subnational government policies and priorities for sustainable development.

The Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024, which also forms an integral part of the 2030 Agenda, also stresses the importance of the private sector in addressing the challenges faced by the LLDCs. The role of the private sector is highlighted in almost all the priority areas of the VPoA including: improving transit facilitation and establishing efficient transit transport regimes; infrastructure development and maintenance; trade facilitation reforms; and structural economic transformation. Its role is further emphasized as a means of implementation in particular by building and strengthening productive capacity, export growth, technology transfer, diffusion of productive know-how, managerial skills and capital, creation of wealth, opening up of new markets for high-value added products and services and employment generation.

At the recently held 2017 Global Infrastructure Forum, the multi-lateral development banks agreed to deepen their collaboration to encourage private sector investment in vital infrastructure needed to support sustainable and inclusive economic growth. The multi-lateral development banks pledged not only to leverage their resources by joining forces to co-finance projects, but also to help generate interest among private sector investors in Public-Private Partnerships and the development of infrastructure as an asset class for institutional investors.

From what I have just highlighted, it is clear that the private sector actors have a pivotal role in socio-economic development of states. Despite the key role of the private sector actors in achieving sustainable development, they face several challenges which impede their growth as well as their meaningful contribution to development. Economies of scale, regional integration and market access are crucial factors for attracting foreign direct investment.

The LLDCs also continue to be reliant on natural resource-based commodities with very little value addition. This is demonstrated by the overall product diversification index of the LLDCs which has remained about 0.3 percent. The value-added of the manufacturing sector, which over the years has been deemed as essential for employment generation, economic growth and transformation has also decreased from 8.9 to 6.9 per cent of GDP from 2000 to 2015. The declining trend of FDI and the value-added in the manufacturing sector as percentage of GDP as well as the decline in diversification of the exports in the LLDCs demonstrates that the LLDCs are at a disadvantage compared to other developing countries in leveraging the private sector for sustainable development. Greater efforts are thus needed to support the LLDCs in harnessing the contribution of the private sector.

In today's globalized world, efficiency is also very important to attracting and retaining investment. The LLDCs are faced with several challenges linked to landlockedness resulting in high costs of doing business and trading which affect their efficiency and competitiveness.

Such state of affairs affects their ability to attract investment compared to their coastal counterparts. The LLDCs account for only 1.4 percent of global FDI flows in 2015. FDI flows to LLDCs depict a declining trend from US$ 36.3 billion in 2011 to about US$ 24 billion in 2015.

Without private sector investment in the LLDCs there will be no meaningful and sustainable growth. This event offers us an opportunity to seek solutions to the persistent challenges of the LLDCs in nurturing their private sector. Effective mobilizing the finance, knowledge, skills and capacities that are needed to support implementation of these will not be possible without dynamic, practical, multi-stakeholder partnerships that draw in the private sector as well as development partners. Any weaker/missing link will hinder the achievement of the SDGs.

KEYNOTE STATEMENT BY H.E. MS. CHRISTINE KALAMWINA, CHARGE D' AFFAIRS AND DEPUTY PERMANENT REPRESENTATIVE OF ZAMBIA TO THE UNITED NATIONS AS GLOBAL CHAIR OF THE GROUP OF LLDCS

I have the honour to deliver this statement on behalf of the Group of the Landlocked Developing Countries (LLDCs).

The key role of the private sector in stimulating economic development and supporting sustainable development is fully acknowledged in the 2030 Agenda for sustainable development, Addis Ababa Action Agenda and the Vienna Programme of Action. Each of the landlocked developing countries desire to have a vibrant private sector that contributes to sustainable development through investment, employment and business creation, as well as facilitating promotion of innovation, economic diversification, capacity building and knowledge management.

However in our endeavour to support and grow the private sector, we face some key challenges that include the business environment, inadequate infrastructure, trade restrictions, difficulties in obtaining finance on affordable terms, limited education and skills and a large informal sector.

An enabling business environment is crucial for our countries' ability to attract private investment and to enhance the structural economic transformation of our economies which is critical for achieving sustainable development. We as government have a role to play to enhance the business environment. Developing effective and transparent policies and regulations supportive of private sector development can help steer our economies towards more profitable activities that can at the same time address our special needs and challenges.

Further streamlining of procedures for new businesses is important in order to reduce the number of procedures and cost. The lack of supportive business regulatory environment has also limited our ability to attract foreign direct investments. FDI is critical for our countries. It amounts to about the same as the amount of ODA received. LLDCs need support to develop the policies that can create an enabling environment to attract foreign private investment and also to attract investment in the key productive areas supportive of implementation of the Vienna Programme of Action and the 2030 Agenda.

Another challenge that many LLDCs face is inadequate infrastructure. The private sector requires reliable electricity, good transportation systems and ICT connectivity. Attaining good standard of infrastructure is a major challenge in all the LLDCs. We face challenges in terms of attracting private investment for critical infrastructure project.

Public-private partnerships for infrastructure development have become more popular and have shown positive outcomes in terms of leveraging various forms of financing and enhancing effectiveness of investments. However, I would like to highlight the need for development of bankable projects – that are commercially viable, implementable and can attract sustainable investments from the private sector or public private partnership. Our countries have challenges with regards to the technical expertise required to prepare such projects. We therefore need comprehensive technical assistance or capacity building to support us to develop bankable projects and manage their implementation.

Access to financing is one of the constraints to private sector growth in the LLDCs. While the value of domestic credit provided to the private sector in LLDCs has increased from an average of 18% of GDP in 2000 to 35% in 2015, our countries still lag greatly behind other developing countries. There is need to develop targeted policies to enhance firms' access to finance in particular the SMEs.

The capacity of the private sector needs to be further enhanced, in particular through enhanced education, training, and entrepreneurship skills development. One of our greatest challenges is to improve the competitiveness of the firms because of the high trade costs that we face. For LLDCs in particular, our SMEs should continue to be provided with the technical and capacity building assistance to overcome their challenges in international trade and in particular to add value to their products and services and to connect to regional and global value chains.

Sharing Experiences from Zambia

In Zambia there is the Private Sector Development Reform Programme (PSDRP) aimed at reducing the cost of doing business in the country and encouraging competitiveness in the private sector. PSDRP targets to fast track and accelerate private sector reforms in a number of key sectors which are expected to lead to an improved competitive business environment.

The initiative was launched in 2005 with the purpose of promoting investment in the private business sector. The cost of doing business in Zambia was too high, affecting foreign and domestic investment.

The Private Sector Development in collaboration with the Zambian government and the private sector have been promoting quality of service and private investment by addressing numerous issues involving finances, infrastructure, and bureaucracy.

Some of the PSD initiatives recent successes include reducing the amount of time it takes to register a company, speeding up the border clearance time, and a large reduction in the number of licenses required to start and operate a business in Zambia. These are just the beginning of the PSD initiative's projects to bolster the private business sector in Zambia, transforming this country's promising resources into a worldwide market for quality goods and services.
In conclusion, the role of the private sector in the implementation of the Vienna Programme of Action and the 2030 Agenda cannot be underestimated. The private sector needs to be further supported and strengthened and further dialogue between public and private sectors should be encouraged, across various areas of sustainable development.

KEYNOTE STATEMENT BY MR. CHRISTIAN LABROT, PRESIDENT, INTERNATIONAL ROAD TRANSPORT UNION (IRU)

IRU is honoured by the opportunity to co-organise this important meeting with the Permanent Mission of Zambia to the United Nations, the IFC, the ITC and UN-OHRLLS, and I am pleased to share IRU's experience in engaging with international stakeholders on the sustainable transport dimension of the 2030 Agenda for Sustainable Development generally, and in promoting the objectives of the Vienna Programme of Action in particular.

The IRU is the world road transport organisation, which upholds the interests of road transport operators worldwide. Our efforts contribute to making the road transport industry sustainable in all respects to drive economic growth and prosperity through the sustainable mobility of people and goods around the globe.

With a truly global vision, the IRU acts effectively at international and national and even local level through its network of national road transport associations that represent truck, bus, coach and taxi operators in more than 100 countries across all five continents.

The strength of the IRU lies in the manner in which we deploy our vision and mission through a true Public Private Partnership with the United Nations, notably in implementing the UN Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), and in other key UN trade facilitation instruments, such as the Harmonization, Convention on the Contract for the International Carriage of Goods by Road, Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (ATP), Convention on the Contract for the international carriage of passengers and luggage by road (CVR), to efficiently and effectively facilitate the movement of persons and goods. The efforts of our Members drive economic growth and prosperity; promote job creation to combat poverty and exclusion; and facilitate access to essential goods and services.

The mission, purpose and actions of the IRU resonate particularly strongly in the context of the six priority areas of the Vienna Programme of Action for Landlocked Developing Countries, which include: 1. Fundamental transit Policy Issues; 2. Structural Economic Transformation; 3. Infrastructure Development, 4. International Trade and Trade Facilitation; 5. Regional Integration; and 6. Means of Implementation.

Since its creation in 1948, IRU has evolved into a global operation that works to achieve many of the objectives outlined in the Vienna Programme of Action. We work with governments, public authorities and businesses, big and small, to promote sound policies, and to promote more sustainable road transport. We equip and inform transport operators with vital information to allow them to circulate safely, and to avert costly delays, which in some regions is reported to account for close to 60% of drivers' times en route. We monitor industry developments closely – whether it's legislation, policies, events or other developments that affect their work and movements. We reflect on challenges facing the industry and events that impact the future of our world and our industry.

We cooperate with decision makers in intergovernmental bodies, international organisations, and all stakeholders – including the general public. We make sure that the voices of road transport stakeholders are heard in policy decisions; and we encourage public-private partnerships – the most notable of which is the UN TIR Convention, which counts 70 signatory countries – including China, which acceded in 2016 and sees TIR as a cornerstone of President Xi's Belt and Road Initiative. We also have other partnerships such as the Smart Move High Level Groups, which are now operational in four regions, including East Africa, Europe, the Commonwealth of Independent States (CIS), and in India, which aims to double the use of bus and coach transport as the safest, most environmentally friendly and most efficient mode to move people.

Indeed, the IRU, through its advocacy, technical and capacity-building efforts contributes significantly to accelerating progress in meeting the objectives of the six priority areas of the Vienna Programme of Action. Our track record in helping countries in the Eurasia region in particular, has demonstrated that IRU Members and the road transport industry at large has served as an effective champion in promoting each of the six aforementioned priority areas. We have effectively helped landlocked countries in Central Asia to integrate into regional and global markets. We have promoted structural economic transformation of countries by facilitating access to markets for goods. We have promoted regional and international cooperation and the exchange of knowledge by connecting societies to one another. And, we work tirelessly to help introduce new, more efficient and innovative technologies to facilitate transit and mobility.

IRU acknowledges that economic growth and development in LLDCs must be driven by greater investments in infrastructure, energy and innovation and by accompanied institutional developments, such as the implementation of the key UN trade facilitation instruments, in order to implement sound trade policies and effectively achieve harmonised global trade standards and procedures. We are persuaded that to overcome existing physical barriers to trade and geographical constraints that LLDCs face, it is imperative for LLDCs to effectively implement tried and tested UN facilitation instruments, such as TIR.

It is therefore IRU's objective to continue our fruitful collaboration with UN-OHRLLS to bring to bear our experiences to help LLDCs to overcome the challenges they face in order that they may become increasingly interlinked with regional and global economies, to diversify their trade and become more competitive. It is only through such improvements that LLDCs can achieve the SDG targets and achieve transformative change in today's increasingly complex global economy.

There is huge potential to increase regional integration, increase economic growth, reduce poverty and enhance current efforts on regional integration in LLDCs, notably Africa and Asia, through such measures as accession to TIR, as well as training and capacity-building through The IRU Academy.

IRU remains committed to its partnership with the UN system to achieve our common economic, social and environmental objectives. I would like to thank UN-OHRLLS once again for inviting IRU to join as a co-organiser of this event, and we look forward to our continued constructive collaboration. I take this opportunity to congratulate Ms. Fekitamoeloa Katoa High Representative and Under Secretary General for the LDCs, LLDCs and SIDs. IRU wishes her success in her new functions and gives our full commitment to assist her and her team.

PRESENTATION BY MR. UMBERTO DE PRETTO, SECRETARY-GENERAL, INTERNATIONAL ROAD TRANSPORT UNION

I am pleased to join the IRU President, Mr Christian Labrot in expressing my gratitude for the opportunity for IRU to co-organise this important meeting with the Permanent Mission of Zambia to the United Nations, the IFC, the ITC and UN-OHRLLS, which addresses the role of the private sector in the implementation of the Vienna Programme of Action (VPoA), to enable Landlocked Developing Countries (LLDCs) to achieve their development objectives.

We are long past the point of consensus on this issue: The private sector is an indispensable partner for LLDC governments in efforts aimed at strengthening their economies. The challenge before us now is to identify solutions and best practices to help stimulate and intensify greater private sector engagement in the implementation of the recommendations of the VPoA to promote rapid and enduring structural economic transformation in LLDCs. We must identify the best models to promote effective public-private cooperation to ensure greater connectivity for LLDCs to regional and global markets. In so doing, LLDCs can access expanded trade opportunities for their goods, and generate much-needed income to finance their sustainable economic and social development.

As you are aware, IRU is a global organisation that comprises a vast global network of national road transport associations that represent truck, bus, coach and taxi operators in more than 100 countries across all five continents. Our strength lies in the strength of our national member associations, who work tirelessly to make the road transport industry strong, resilient and competitive.

Through their efforts, passengers and goods are moved to where they need to be, people access economic opportunities, communities are linked, regions are connected and entire economies and regions thrive. However, our Members do not achieve these successes alone. The success of the transport industry requires intensive cooperation between the private sector and public authorities, policy makers and decision-makers at the highest level of governments. It is an ongoing collaborative effort based on a common understanding of the challenges to be addressed at the national level. Through effective public-private partnerships, LLDCs can duplicate the successes realised by other countries to promote their accelerated development, as envisaged by the VPoA.

Concretely, and viewed in the context of IRU's experience in working with industry actors and governments, what role do we see for the private sector in implementing the objectives of the VPoA? I'd like to refer to a presentation delivered by UN-OHRLLS in 2014 that presented an analysis of the priorities, objectives and specific actions required to implement the VPoA. The presentation suggested that a total of 87 actions were necessary to implement the VPoA priorities. Of the 87, 34 actions were specifically required by "LLDCs and transit developing countries" (together). The remaining 53 actions were attributed to (1) LLDCs transit developing countries separately, (2) to LLDCs, and (3) to development partners.

The prevalence of actions attributed to LLDCs and transit developing countries (together) clearly confirms that a great deal of the potential for LLDCs to achieve structural transformation of their economies lies in the area of trade facilitation – an area where the on the-ground knowledge and expertise of private sector operators can significantly contribute to the design and deployment of effective actions to respond to the VPoA recommendations and to facilitate trade and transit for LLDCs.

In this particular context, the private sector and transport operators, in particular, are well placed to inform policy makers of the impediments they encounter in transit - whether they be physical, legal or procedural, the costs generated by such impediments and the measures required to eliminate such barriers in order to facilitate trade and transit. IRU's experience as the global voice of the road transport industry, and in particular, our long experience in administering the TIR system tells us that among the most effective means to simultaneously facilitate trade and transit, and enhance constructive public private cooperation at the national and regional levels is through LLDCs' accession to the United Nations TIR Convention – a tried and tested instrument that facilitates trade in 70 countries across the globe today.

TIR is one of the longest-standing and most effective public private partnerships in existence. Most recently, China acceded to the TIR Convention, which will dynamise trade and transit in every region of the globe – with a large share of the benefits accruing to Developing Countries, Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDCs).

Allow me to once again cite the UN-OHRLLS presentation from 2014, which concluded that LLDCs' trade was just 61% of the trade volume of coastal countries; transport costs for LLDCs were 45% higher than the representative coastal economy and have continued to increase over time; and, the level of development in LLDCs is about 20% lower than what it would be, had they not been landlocked.

Against this background, it is useful to note that countries that implement TIR have realised increases in trade volumes; they have significantly reduced costly delays and other costs associated with burdensome border-crossing procedures; and they have benefitted from overall increases in revenues from trade. The resulting positive impact on regional integration has conferred additional benefits on countries and regions where TIR is in operation, by allowing them to diversify their export base and to create new markets for their goods and services.

In our discussions with countries in Africa and Asia in particular, we note their determination to implement the priorities of the VPoA to facilitate trade and transit and to achieve sustainable development. Moreover, they recognise that among the most effective means to achieve these objectives is through effective, constructive and enduring public private partnerships. IRU fully supports this approach. We believe without reserve that PPPs provide the best option for LLDC governments to achieve both quantitative and qualitative successes in implementing the VPoA, and to empower the private sector to serve as a trusted partner in contributing to national development efforts over the long term.

I would like to close my intervention by once again echoing the words of IRU President, Mr Christian Labrot that IRU, through its advocacy, technical and capacity-building efforts stands ready to support the efforts of LLDCs to accelerate progress in meeting the objectives of the six priority areas of the Vienna Programme of Action.

We are committed to contribute our vast experience in working with landlocked countries, and our keen understanding of the particular challenges that landlockedness and other geographical constraints impose on countries, as well as our success in implementing TIR – one of the most effective public private partnerships in existence, to help LLDCs to achieve accelerated progress in facilitating trade and transit in order to more fully integrate into regional and global trading systems.

PRESENTATION BY H.E. AMBASSADOR JAN KICKERT, PERMANENT REPRESENTATIVE OF AUSTRIA TO THE UNITED NATIONS

I want to use the example of Austria to highlight that being landlocked and underdeveloped is not an inescapable fate. You can be both; you can be landlocked and be developed. Regional cooperation and integration, as much as trade facilitation, was essential for our economic development to stand where we are now. And one issue is also private business. One thing that is true for Europe and even truer for Austria is the role of SMEs. We cannot underestimate them. They are the backbone of our economy, real job makers. They are flexible and versatile. If you talk about diversification, they are the ones who find the niches where they can go and find some area where they can be working. The same is true for developing countries, be it in the formal or informal sector, where it is the SMEs or micro-businesses who create the bulk of jobs. In a developed continent like ours, we have a trend of one person businesses, self-employed by themselves, but they can be extremely creative and helpful for bringing about economic development.

I want to thank Zambia for highlighting their case of creating a good business environment. For Austria, we have businesses who want to go abroad, but what they really need is a stable framework, be it macroeconomic or political. One of the most important is the rule of law, that you as a company have a guarantee that your investment is safe and you can go to the court system against any issues. So what generally private businesses need is predictability. This is a more general plan. You will hear more about what financial institutions can do. Even we in Europe have the Juncker Plan – Investment Plan for Europe, where we try to leverage private investment by helping with some public money to help with de-risking private investment. I will now talk about what we can do on a bilateral level with the LLDCs in our bilateral development cooperation, and I will focus on the energy sector.

Taking the case of Austria, we take it for granted that everyone has access to electricity in our country, but this is not true for 20%, a fifth, of the population worldwide, whether it is on-grid or off-grid. Even worse, 3 billion people do not have access to clean energy for cooking, which has all the implications on the degradation of the environment and health. We have SDG 7 that says we want access to affordable, reliable, sustainable and modern energy for all. This really necessitates a global energy transition, nothing less than ultimately the decarbonisation of energy generation and the economy as a whole. It is a tough call, but I do not think there is a way around it for us if we want to save our planet for future generations. For this to happen, in the energy sector, we need to mobilize all stakeholders, find new innovative partnerships, and find strength in regional cooperation. Vienna hosts, for the energy sector, the Sustainable Energy for All initiative that tries to combine private businesses with governments and international organizations like the UN and financial institutions to help get sustainable energy projects in the field going and find financing for it.

I would like also to pick out examples of the Austria Development Cooperation because there are some things we have learned with some of our partners and some of our partners also sit on this table. On a regional level we have, through UNIDO, started to build a network of renewable energy and energy efficiency regional centres. Starting with the first one, we built a regional centre for the ECOWAS area in Cabo Verde, then we established another one in Eastern Africa in Uganda and Southern Africa in Namibia. Two years ago, we opened one in the Caribbean on Barbados. Just last month, we opened a centre in the Pacific on Tonga. We are now working on one for the Central American SICA region. The idea behind these regional centres is to mitigate the existing barriers for sustainable energy markets, to overcome the barriers to investment for similar industries, strengthen global capacity and find tailored solutions for regional specificities.

When we think about the private sector or energy projects, we often think about huge projects. We should really go back and think smaller, be it little hydropower stations, which we have experience in Austria and have replicated in Bhutan, a development partner of ours. We have built the first hydropower stations, smaller, medium-sized, so they are ecologically friendly and do not destroy too much. Through this, we have generated a local market where after some input of public Austrian money, it is now a business. They build their own power plants, financed through the export of the energy to neighbouring and energy hungry India.

Another project we are doing with our development cooperation is to build business partnerships. In our case, with the Austrian Development Cooperation, we bring private Austrian businesses together with businesses in developing countries and help them with seed money and little bit of push so that they will build healthy business partnerships. For a couple of examples, in the field of renewable energy, we have a small hydropower plant in Nepal which provides energy for 800 households. With the Maldives, we have an Austrian company, Swimsol, which has floatable photovoltaic solutions, pads, because on the resort islands in the Maldives for example, they do not have enough land for big solar installations. So they have them floating outside. This results in less need for diesel generators, or can reduce their use, to power the resorts, which are also hungry for energy. We help bring together private companies from both sides.

Another example is that we helped to build a solar thermal market in Bolivia because there is also a lot you can do with solar and wind energy that is good for off grid solutions. We also helped with the solar thermal market development and certification program for installers and private business in Egypt to give them a push. Then we have grants and trainings for energy efficiency measures in the building sector in Bhutan. In the energy sector, we should not forget that it is not only energy generation, but it is also about saving energy in buildings, refitting buildings and in the construction of new buildings. These days we also have passive houses, which mean zero energy will be needed to run them. So there is a lot we can do in new construction.

Also, capacity building before trading is important. In the Southern Africa region, we have a project for solar thermal systems called SOLTRAIN (Southern African Solar Thermal Training and Development Initiative) which is important to transfer know-how to also give a kick start for local businesses. This all creates jobs and income in the countries themselves. Like all the SDGs, they are interconnected with our energy for economic development motive. We are very happy that we could also push this field of renewable energy and energy efficiency in the implementation of the VPoA. Last October, we had a high-level meeting in Vienna to implement the part of the VPoA which stipulated the access to affordable, reliable and renewable energy, which is important to enhance the capacity of LLDCs. We will continue to be a passionate supporter of the LLDCs.

PRESENTATION BY MR. NEIL GREGORY, HEAD OF THOUGHT LEADERSHIP, INTERNATIONAL FINANCE CORPORATION (IFC)

We all appreciate the challenges that landlocked developing countries have faced particularly over the past 20 to 30 years. The big global trends were in the direction of globalization with a large boom in manufacturing and integration into global value chains. One could be forgiven for feeling a little left behind if you did not have good access to deep water ocean ports that made it feasible for you to link into this enormous growth and global manufacturing value chains that was a part of all the biggest drivers of the historic poverty reduction that we saw over that period.

We spend a lot of time at IFC looking at how trends of private investment are shifting and where the next investment opportunities are going to come from. From what we see today, I think it is actually an encouraging picture for the landlocked countries in the sense that the growth driver is going to look very different in the next 30 years. I think being landlocked is going to be much less of a disadvantage than it was. We are seeing how global trade has really slowed down in the past few years and we expect this to continue as you see reshoring of production into OECD countries, as you see the growth of new technologies, 3D manufacturing, and the like. In general, we see dematerializing of production, which means that there will be less moving of heavy stuff around and more value of the economy will be in services and intellectual property, things we do not align with physical movement. Hence, the ability to connect to the world via ocean access will be less important. The world will be connected virtually by broadband.

Transportation is obviously going to continue to be important, but in the relative scheme of things, perhaps a little less going forward than in the past. So what this means is good new opportunities for private investment in areas such as services, including traditional services such as tourism, but also newer services that perhaps have not been thought about as much in private investment opportunities such as a call center in the Democratic Republic of Congo. Online services like that are great opportunities that are pretty independent of location. If you have a well-educated workforce with good language skills, then you can participate from any location.

We see an enormous amount of growth. As populations grow richer, parents want to put their kids into schools. As populations grow older, demand for healthcare then increases. We see great business problems emerging for private delivery of education services and healthcare services. There are growth opportunities. If you look at OECD countries, the biggest employer is typically healthcare. These are great sectors which have great opportunities for landlocked countries, just like other countries.

So overall, we are very optimistic about the growth opportunities and the opportunities for private investors. However, in the smaller developing countries, it is not enough to look for these investment opportunities. Often you have to put in the building blocks for that to happen. Zambia spoke very eloquently about the need for government to put in place a good regulatory framework. The TIR is a good example of public-private partnership put in place for good regulation in the transport sector.

On top of that, there are other things that have to come together. You need to have the capacity, the entrepreneurs. To take advantage of these opportunities, you need to have financing from equity markets, capital markets and banks to finance growth, and so as to attract private investment. And so this is where IFC is trying to play a more proactive role, as part of World Bank Group, working across this public-private boundary to actually create the markets and the investment opportunities. And that, we think, is essential if we are going to implement the 2030 Agenda of scaling out financing. We have already heard from the panel of the big challenge of project management and in increasing the flow of investment opportunities.

The other big trend that we see globally is that there is a huge savings glut globally. There is a lot of money sitting, earning virtually zero returns. In OECD countries, we talk to these investors all the time. They all have an appetite to increase their exposure to a wider range of countries, particularly emerging markets. They cannot get into this because there are no investment opportunities for them. Challenges are greatest in low income and fragile/conflict countries, so for the first time IFC is partnering with the International Development Association (IDA) to play a bigger role in generating these investment opportunities and to be the intermediary between the investment opportunities and the institutional investors who want to invest at scale.

As a follow-up to this Financing for Development Agenda, we have been talking intensely about how to increase the mobilization of private capital. We were talking about this at the Global Infrastructure Forum in Washington just last month to crowd in more private finance for infrastructure. We will be continuing to talk about it with the G-20 this summer. We recently published a joint MDB report that estimated that together, the wealth of development banks mobilized about $170 billion in the private sector in 2016. In which $60 billion is for infrastructure, such as IT and power, which is very important. We have ambitions to continue to scale that up. How will we do that? We will do that by a combination of working to create new markets, by working with governments on their agendas, by connecting to institutional investors who can allow us to go from billions to trillions. The IFC will also increase our diagnostic work in individual countries to really see where the bottlenecks are and where are the gaps where some intervention is needed in order to create new markets.

Overall, the message I want to leave with you is that I think we should not just look backward at the difficulties that landlocked countries have had in exploiting the economic opportunities of the last 30 years. We should really look at the opportunities that are coming that new technology could change and new market developments. It is a very exciting time of opportunity and we and the other MDBs stand ready to assist in financing that growth.

PPRESENTATION BY MS. JULIETTE PASSER, SENIOR ADVISOR GLOBAL PARTNERSHIP FOR SUSTAINABLE TRANSPORT (GPST)

Global Partnership for Sustainable Transport (GPST) is a unique organization that combines all interests of stakeholders that are related to the transportation sector in a very broad sense. It focuses on all four modes of transportation and services related to transportation. In the past, each mode of transportation had its own concerns, but there has not been a forum that would allow all modes of services to sit around the table and share their information, concerns and best practices. In the short two years of existence, GPST has achieved quite a big deal. It has placed transportation on the agenda of the United Nations, because as you know, the SDGs do not specifically focus on the transportation sector. However, we have identified at least 11 of the 17 goals that would need transportation as its enablers in order to achieve the Sustainable Development Agenda. And so, GPST was very fortunate to work with the government of Turkmenistan and many of the LLDC countries in putting forward the two first UN resolutions specifically focusing on transportation, transit corridors and the plight of the landlocked countries.

Again, GPST looks at trade facilitation issues in a very broad sense because there is so many interconnecting issues that all modes of transportation share. China's One Belt, One Road Initiative is an amazing opportunity for the private sector, governments and other multi-stakeholders to look at the ways of implementing infrastructure development in a very broad sense. China happened to be very ahead of many countries in terms of green finance. Green finance is a very complicated topic. If we look at it in a broad sense, it would be funding, lending or investments into projects that would have some aspects of environmental sustainability. Again, China has advanced a number of initiatives related to identifying what green finance is and how to implement green financing into the investments.

The potential of green finance for infrastructure for landlocked countries, in particular, are great. However, there are challenges that focus on the fact that everyone seems to know what green finance is, but there is no agreement on what it is. There is no definition that is acceptable, and the concept itself is very difficult to implement in terms of projects. These challenges are faced by the investment and business community, the UN agencies and MDBs because everyone is interested in finding projects. Bankable projects are always at a premium and MDBs and private banks always raise the issue that there are many projects, but few are bankable projects.

The idea of green finance needs to be implemented with a very broad sense of what should be accomplished. GPST has a committee on innovative financing mechanisms called Greenovative Finance. We propose to harmonize and unify various standards that have been developed. China and India are leading the way in terms of actually implementing green financing standards and looking at practical solutions.

GPST would like to highlight three points:

1. Develop a standardized definition of what green finance is;
2. Develop the principles for financing what green financing is; and

3. [Best practices] - the important part of what GPST does and for green finance as well.

Many LLDCs are not mature in terms of investment that could be implemented and green financing requires very mature markets because it has not really been expanded to include developing markets. We are proposing something as follows: in order for every project to be bankable, it should include aspects of environmental sustainability as one of the priorities. In other words, bankability for LLDCs should not be the sole criteria for funding a project. MDBs and private financial institutions need to come to a definition that will allow for a reshuffling of the priorities of what a bankable project would be. In practicable terms, we identified a unique project in Tajikistan for a logistics and distribution centre. Image 1 displays the current state. It is a huge warehouse, but it is so well strategically located that if green financing standards were to be applied, we would transform it to the centre shown in Image 2.

We need green financing because this project is not bankable now due to the location and underdeveloped markets. Regionally, this project would make huge strategic developments that would develop the whole area of Central Asia to be linked and to develop the transit corridors. We can take a project that first seems to be not bankable and turn it into a bankable proposition. This is what green financing should function as we see it. There are many benefits and this particular project just has some, but if you apply green financing to all of the LLDCs, we can really make infrastructure investment more affordable and turn projects that are not bankable into ones that could be bankable.

IMAGE 1 The Existing Terminal "Tursunzade"

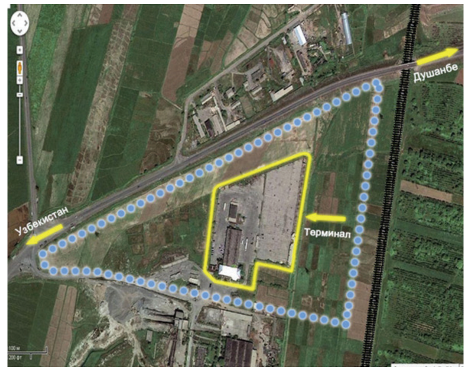
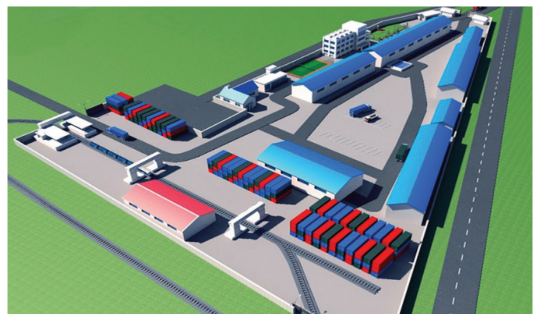


IMAGE 2 Model of the Multimodal Tursundaze Logistics and Distribution Centre



IMPORTANCE OF ENHANCING TRADE FACILITATION FOR PRIVATE SECTOR PARTICIPATION IN TRADE BY MS. RIEFQAH JAPPIE, INTERNATIONAL TRADE CENTRE (ITC) REPRESENTATIVE TO THE UNITED NATIONS

I would like to thank the Permanent Mission of Zambia to the UN and UN-OHRLLS for leading in the organization of this important discussion on enhancing the role of the private sector in implementing the VPoA. We are pleased to co-organize the event with these two important partners, as well as the IRU and IFC.

I have been asked to focus on the importance of trade facilitation. However, I would also like to echo the statements made by the Permanent Representative of Austria and stress the importance of small and medium-sized enterprises for sustainable development.

What is trade facilitation?

Trade facilitation (TF) is about reducing the cost of doing business. It is about optimising cross border management and improving national supply chains.

Why private sector?

The private sector, especially small and medium-sized enterprises are vital for sustainable development. SMEs make up 90% of all companies and 60-70% of all employment worldwide. SMEs tend to employ the most marginalised and vulnerable segments of communities, including women and youth.

We also know that when SMEs connect to international value chains, they tend to pay higher wages and offer better working conditions. Therefore, SMEs that are internationally competitive play a vital role in stimulating growth, creating decent work and helping people escape poverty and improve their livelihoods.

Challenges in LLDCs

SMEs in LLDCs face additional challenges. Often they are far from markets and have weaker connectivity in terms of digital connectivity and transportation infrastructure. So cost of trade is high, which makes trade facilitation and reducing the cost of trade, even more important for the private sector in LLDCs.

Trade Facilitation in LLDCs and the WTO Trade Facilitation Agreement

Trade facilitation is about improving cross border management, but it is also about improving national supply chains. At the end of the day, what we want are requirements for private sector that are transparent, predictable and efficient. So it is not just important for foreign investors, but also important for local companies.

In order for trade facilitation to work, we need predictable regulation and stable policy environment. We also need strong local institutions that support the private sectors in these countries so that they can meet standards. And we need to be able to have companies that meet international standards and we need to support them in linking to markets.

The WTO's Trade Facilitation Agreement was a landmark agreement signed in December 2013, it came to force in February 2017, and it focuses specifically on improving customs procedures to make trading cheaper and easier for the private sector to do business internationally across borders. The WTO estimates that TFA implementation could add 2.7% in export growth and 0.5% in GDP by 2030.

ITC and TFA

ITC supports countries to implement TF reform to reduce cost of doing business, taking into account private sector perspectives. In terms of the categorization and prioritization of TF measures, we have worked with 8 LLDCs including Burkina, Faso, Niger, Mali, Central African Republic, Chad, Lesotho, Tajikistan and Afghanistan to categorize and prioritize their trade facilitation measures. It is also about strengthening local institutions. We have worked with countries in establishing National Trade Facilitation Committees, which are public-private partnerships in the country. We have worked in Tajikistan and Botswana. It is also about implementing these reforms with private sector input.

ITC and cross border management

However, trade facilitation and reducing the cost of business is not just about the customs procedures itself. In the West African Economic and Monetary Union (WAEMU) region, ITC has supported the regional secretariat and its member states in the pursuit of a regionally harmonized and coordinated implementation of the TFA, with a view to achieving economies of scale while establishing a more predictable and transparent trade environment across the region for the private sector to do business, create jobs and do what they do best. This involved working towards region-wide consensus among public and private sector stakeholders from all WAEMU member states on modalities for implementing the TFA.

Not only do we focus on the formal businesses, it is also about informal business. In the East African Community (EAC), ITC implemented a project to facilitate cross-border trading between Burundi, Uganda and the United Republic of Tanzania, and helped women informal traders convert to formal SME status. A network of trade facilitation practitioners on both sides of the border created a simpler, speedier, transparent and more predictable trading environment for women cross-border traders, enabling these entrepreneurs to better exploit export opportunities. As a result of the initiative, 25% of supported women shifted to formal trading, and women declared having reduced the extra non-legal fees paid by 18% while having doubled the duties paid to customs for formal transactions. As we can see, there is real tangible benefits from trade facilitation, from reducing the cost of cross border management in LLDCs and beyond.

Beyond TFA

In line with the VPoA, ITC believes that importance should also be placed on a market-led approach to economic diversification and structural transformation. ITC provides technical assistance, working with public and private sector stakeholders in LLDCs as well as funders, to develop and implement bankable projects that help improve the international competitiveness of SMEs from developing countries, including LLDCs. We are working with Afghanistan, through advancing Afghan trade. In addition, we are helping Nepal develop its own export strategy. In Rwanda, we are using e-commerce solutions to not only sell through a portal, but also through the logistic side of things and the payment systems, which are also challenges associated with e-commerce. Burkina Faso and Mali are part of ITC's Ethical Fashion Initiative, connecting artisans and cooperatives to the international fashion industry.

DISCUSSION

INTERVENTION BY H.E. MR. JULIO ARRIOLA, AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY PERMANENT REPRESENTATIVE, PERMANENT MISSION OF PARAGUAY TO THE UNITED NATIONS

In Paraguay, we are supporting public private partnerships because we consider the private sector one of the main partners in our development. We believe that fostering necessary policies and regulatory frameworks to promote private sector involvement and attract foreign direct investment is a necessary step towards sustainable development.

Paraguay's economy is expected to grow 4.2% this year, up from a previous forecast of 3.5%, and we consider the involvement of private sector as one of the pillars of Paraguay's economic growth.

I would like to share with you some of the progress my country is having with the private sector in this endeavor. In the year 2013 Paraguay enacted Law No. 5.102 "Investment promotion in public infrastructure, expansion and improvement of goods and services provided by the State". This Law seeks to establish mechanisms to promote public private partnership to develop infrastructure.

In addition, Paraguay welcomes the entry into force of the WTO Trade Facilitation Agreement early this year. The TFA provides a unique opportunity to promote inclusive growth by making cross-border trade easier, quicker and less costly for businesses of all sizes.

The agreement affirms the need to better leverage private sector expertise in implementing the TFA; this calls for a new approach to development cooperation and, specially, a new framework for public-private cooperation to help deliver commercially meaningful trade facilitation reforms.

For that reason, we will look to identify the best way to learn from the private sector and work closely with them to effectively implement the TFA.

Furthermore, we have recently established a National Trade Facilitation Committee, in line with the TFA and the VPoA, this major step shows our commitment on the implementation of the agreement, and we look forward to work with the private sector to design the best policies on trade facilitation.

Finally, Paraguay believes that the private sector is a key partner in developing infrastructure, building capacity, technology innovation, diffusion of productive know how and the opening of new markets. For that reason, we encourage the convening of this meeting during the FFD Forum, because we need to enhance the dialogue with the private sector to implement successfully the VPoA and the 2030 Agenda.

INTERVENTION BY MRS. GUAMARAL ALTANGEREL, DEPUTY PERMANENT REPRESENTATIVE OF MONGOLIA TO THE UNITED NATIONS

Mongolia is committed to implementing the goals and targets set forth in the 6 priority areas of the Vienna Programme of Action. They are reflected in our national development strategy, including Mongolia's 2030 Sustainable Development Vision and the Government's Action Program for 2016-2020.

The Mongolian private sector has grown considerably since 1991. From generating virtually 0% of gross domestic product, the private sector now generates more than 80% of the country's GDP. 99% of all enterprises are privately owned. This achievement is the result of the two decade-long program of privatization and creation of an enabling environment generally supportive of new private enterprises.

Mongolia's future is closely linked to the development of the mining sector. Thus, a key task for the Government is to put in place policies that ensure transparent wealth management, a stable macro-economic environment and a business environment that supports further development of the private sector, especially in the mining sector.

Like in many LLDCs, promoting diversification through support for non-resource sectors is a central task for the Government of Mongolia. Mongolia's mining development has resulted in an increased dependence on volatile commodity revenues. The relative weight of the mining sector in the economy needs to be reduced over the medium term through supporting development of a potentially competitive non-extractive sector. The Government of Mongolia aims to deepen and expand its engagement with the Mongolian non-extractive private sector through developing an enabling business climate and the appropriate institutional and legal frameworks. In this regard, the Government is planning to develop Industrial Mapping of Mongolia. It also has a target to formulate and implement a heavy industry development strategy. Furthermore, the Government recently launched the national programmes such as "Healthy Food - Healthy Mongolian", "Industrialization 21:100", "National Production" And "First Campaign Of Meat And Milk Production" in order to ensure sustainable development of the food, agriculture and light industries. In addition to these, the Government has developed a plan to provide policy support through state and private sector partnerships and foreign investments on the establishment of historical and specialized tourism centers and complexes.

Promoting sustainable growth through broadening access to finance is crucial. As the economy receives large and increasing inflows of capital and commodity revenues, it is particularly important to develop a strong financial sector capable of channelling these inflows throughout the economy, allocating resources efficiently contributing to the growth of the private sector. The Government of Mongolia is supporting the financial sector through small and medium sized enterprises oriented financial programmes, special guarantee fund, state-backed insurance policies, equity and specific technical assistance programmes. In this regard, the Government is planning to establish the Joint investment fund based on the Law on investment fund with a private sector involvement, and create a favorable system for financing innovation projects and events.

The Government of Mongolia attaches a great importance in promoting responsible mining and strengthening governance institutions. This requires further strengthening of market and governance institutions and developing a transparent, effectively regulated mining sector and a long term framework for managing commodity revenues. The Government of Mongolia is collaborating with some international investors to offer debt and equity finance to reputable local mining companies which meet its high environmental, health, safety and corporate governance standards. To attract foreign capital, Mongolia will need to provide a stable business environment, including prudent fiscal policies and adherence to the rule of law in support of institutional building.

The role of the private sector is important in modernising infrastructure. Mongolia's domestic and international trade expansion will rely on accelerating development of the country's infrastructure with the private sector participation. The Government of Mongolia supports rehabilitation and development of infrastructure, including through development of renewable energy, adoption of sustainable tariffs, commercialisation and modernisation of state-owned public utilities, and structuring viable PPPs. The Comprehensive National Development Strategy, adopted in 2008, identified PPPs as a potential mechanism to mobilize the private sector's contribution. The law on Concessions provides a strong, flexible basis for PPP project creation at the central and local government level, and across a range of PPP models and sectors. As of 2016, the government of Mongolia has a pipeline of 39 PPP projects including projects in the energy, transport, and education sectors.

In short, the private sector in Mongolia is an important stakeholder in the implementation of both Mongolia's 2030 Sustainable Development Vision and the Vienna Programme of Action, including through transparent, effective and accountable public-private partnerships.

Lastly, I wish to draw your attention to an issue which is important to not only my delegation, but also the entire LLDCs.

To maximize the efficiency of our coordinated efforts Mongolia established an international LLDC Think Tank (ITT) in Ulaanbaatar in 2009. The ITT has been conducting home-grown research, publishing reports and handbooks and organizing various international conferences with a view to enhancing analytical capacity and visibility of LLDCs.

The research agenda of ITT has included so far reports and studies on trade facilitation, a handbook for LLDCs on multilateral trade negotiations, post-Bali institutional environment, transit transport, sea access, case studies and ICT development and disaster resilience, that have been launched at various conferences and networking events. Another important research on "Economic diversification of LLDCs: Case of Mongolia, Nepal, Bhutan and Paraguay" is being commissioned by the Perez-Guerrero Trust Fund as an important South-South cooperation undertaking by the ITT.

Once fully operational, the International Think Tank will undoubtedly become an effective instrument to advance our common agenda to fully and effectively implement both the Vienna Program of Action and the 2030 Agenda for Sustainable Development.

INTERVENTION BY MR. KARMA CHOEDA, COUNSELOR, PERMANENT MISSION OF THE KINGDOM OF BHUTAN TO THE UNITED NATIONS

I wish to thank IRU Secretary General Umberto for giving us this analogy of developed landlocked countries of Switzerland and Austria.

The aspiration of LLDCs is to reach the stage where these countries are and one of the ways to get there is to enhance the role of private sector and invest in areas like infrastructure.

And at the bilateral level we have good cooperation with Austria.

In the SDG era, when we are seeking for transformative change, the private sector has a vital role to play in terms of building productive capacities and creating gainful employment, especially to our youth.

In our view, economic goals in the SDGs and priority areas of VPoA such as on structural transformation and infrastructure development are extremely important, which also calls for governments to enhance the role of the private sector.

At the national level, we have placed tremendous importance to the development of the private sector as the engine of growth and source of employment.

Creating an enabling policy framework for private sector development is important.

Towards this end, we have put in place an Economic Development and FDI policies to encourage development of the private sector on important areas, such as agro industries and also to attract FDI.

For small economies like ours, growth of Small and Medium Enterprise are important. The government continues to place tremendous importance on this sector. We have set up a Rural Development Bank to encourage and promote small and cottage industries in rural areas. The bank also has low lending rates to encourage and support individuals to take up private enterprise.

Ease of doing business is another important area and although much needs to be done, we are making good progress.

The government has also announced fiscal incentives in 2016 to promote the growth of private sector on a sustainable basis, such as tax exemption on import of raw materials and tax holidays to sustain the operations of the private enterprises in the manufacturing and service industry.

We also experienced good success in the PPP mode of financing, which holds tremendous potential and promise. The Government has issued a PPP Framework in 2010, which provided a regulatory framework for private participation in infrastructure through PPPs.

Since 2009 the Government has embarked on PPP as a way to leverage private sector resources for sustainable infrastructure development. Some of the projects that were initiated on a PPP model are:

- Thimphu Tech Park: Bhutan's first IT Park developed by Thimphu Tech Park Limited as a joint venture between Assetz Property Group of Singapore and Druk Holding Investments (DHI), Bhutan (70:30). It was built at a cost of Nu. 260 million on the design, build, finance, operate, and transfer (DBFOT) model. The IT park is functional to its full capacity. The World Bank supported the formulation and implementation.
- Dagachhu Hydropower Power project (126 MW): The Dagachhu project was established as a cross boarder PPP (DBFOT) model with Druk Green Power Corporation, Tata Power Company and the National Pension and Provident Fund (NPPF). The

total cost of the project is Nu 12 billion (US$ 180 m) The Asian Development Bank (ADB) supported the formulation and implementation.

- Multilevel Car Parking Facility: The Royal Government of Bhutan (RGoB) through Thimphu Thromde in partnership with KRC Private Limited, a special purpose vehicle (SPV) set up by the winning consortium of CE Construction Private Limited (Nepal), KNG Private Limited (Bhutan), and Rinson Construction Private Limited (Bhutan) is building multilevel car parking in Thimphu, on 22-years design, build, finance, operate, and transfer (DBFOT) concession. The total cost of the project is Nu. 481.90 million and the project is expected to be complete by November 2017. The IFC was the transaction advisor.

In terms of institutional arrangement for PPP in Bhutan, a PPP unit has been established under the Ministry of Finance, which will be set up as an autonomous agency in the future.

PPP Rules and Regulations has been developed and is currently being reviewed by various stakeholders, which will lay down the criteria for eligibility to receive funding and the procedure for applying, approving, disbursing and monitoring the use of funding.

Under the PPP model, the Government is to provide support for project development funds to finance transaction advisors and viability gap funding for PPP projects that are economically and socially justified but fall short of financial viability. This would be an explicit subsidy that is performance driven (based on private party achieving measurable outputs).

I wanted to also touch on the role of Development partners. For countries like Bhutan, that are small and challenged with resources, development partners play a very important role in the design and financial closure. For instance, the ADB, WB and IFC were involved in the three successful projects implemented under the PPP model.

The role of development partners is double fold: firstly to attract private sector investment and secondly to close the financing gap. Therefore, continued support of the development partners will be critical.

INTERVENTION BY MR. BAKHTIYOR MUHAMEDJANOV, THIRD SECRETARY, PERMANENT MISSION OF THE REPUBLIC OF TAJIKISTAN TO THE UNITED NATIONS

I want to support the presentation made by Ms. Juliette Passer, in particular on GPST's investment project for the logistic center. For Tajikistan, as an LLDC, it is imperative to break the communication gridlock that has been pursued since independence. Therefore, there is a need to construct and rehabilitate roads and bridges that have regional and international importance. Establishing international logistic centers, which would allow cargo consolidation from Europe, Asia, the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EurAsEC), and China, is timely and crucial.

PART TWO

BACKGROUND PAPER

1. BACKGROUND

Private sector actors are increasingly being recognized as a major force in development. They drive economic growth through investment, employment and business creation, poverty reduction, food security innovation and knowledge transfer, and other multiplier effects from their operations and activities. The 2030 Agenda for sustainable development acknowledges the importance of the private sector to support the international community's endeavours to tackle economic, social and environmental challenges. The Agenda encompasses 17 Sustainable Development Goals (SDGs) intended to promote dignity, equality and prosperity for all and the private sector is recognized to have a key role and to deliver or support the delivery of these goals. Among the goals, SDG 17 "Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development" refers directly to the role of the private sector, in line with the Addis Ababa Action Agenda and its multi-stakeholder approach to ending poverty. Given the key role of the private sector to achieving the SDGs, there has also been a call to create the right enabling environment for business and to create the right collaborative framework for business, government and civil society to work productively together.

Private sector is crucial to efforts aimed at accelerating sustainable development in the world's 32 landlocked developing countries (LLDCs). These countries experience distinctive and significant economic, environmental as well as social challenges, and these include the long distance from ocean ports (about 1,370 km on average), and the distance from world markets. This makes it costly for LLDCs to do business compared to their maritime neighbours. In turn, this negatively impacts on these countries' economic growth, tax revenues and their standards of living. The Vienna Programme of Action for LLDCs for the decade 2014-2024 (VPoA) forms an important part of the 2030 Agenda for Sustainable Development. VPoA is a holistic and action-oriented development agenda anchored on six priorities and emphasizes the need for renewed and strong partnerships amongst all relevant stakeholders including the private sector.

The VPoA recognises that the contribution of the private sector is critical for its successful implementation hence the role of the private sector is highlighted in almost all the priority areas of the VPoA and the highlighted aspects include: improving transit facilitation and establishing efficient transit transport regimes; infrastructure development and maintenance; trade facilitation reforms, structural economic transformation and in the overall implementation of the VPoA. The VPoA also recognizes the private sector as the service provider and user of services as well as the main contributor to the development of infrastructure and productive capacity in both LLDCs and in transit countries.

Whilst the private sector is recognized as vital for development, many developing countries, including LLDCs have a relatively weak domestic private sector. Weak private sector in developing countries has been associated with lack of sufficient tools and policies which can encourage private-sector-led growth and support diversification and structural transformation. The LLDCs are characterised by a very narrow production and export base, and low levels of value addition indicating a low level of private sector participation in the economy. According to UNCTAD Statistics, the share of manufacturing as a percentage of GDP for LLDCs was

9.6 in 2014 and the share of manufactured goods to total exports stood at 13 per cent in 2014.

LLDCs are generally reliant on natural resource-based commodities and low-value agricultural products for their exports thereby making them highly vulnerable to commodity price and demand volatility. According to the United Nations, between the year 2000 and 2015, the value-added of the agriculture sector as a percentage of GDP fell by an average of about 7 per cent to 14.6 per cent in LLDCs. On the other hand, the value-added of the manufacturing sector, which over the years has been deemed as essential for employment generation, economic growth and transformation decreased from 8.9 to 6.9 per cent of GDP. The share of manufactured goods in total exports from LLDCs declined from 21 per cent in 2000 to 13 per cent in 2014, while around 70 per cent of their imports were manufactured products. Furthermore, primary commodities from LLDCs, including fuels, made up 80 per cent of merchandise exports in 2014, this being an increase from 67 per cent in 2000. During the 2011-2013 period 27 out of the 32 LLDCs, had primary commodities accounting for more than half of their total exports.

To achieve the desired structural economic transformation and increasing the private sector participation in the overall development of the LLDCs, the LLDCs in partnership with the development partners and the private sector need to establish an enabling business environment as well as enhance cooperation between governments and the private sector. Having sufficient infrastructure, well-structured institutions and technical knowledge will also enable LLDCs to grow their private sector and integrate into the global economy.

This background note assesses some key elements necessary for private sector growth in the LLDCs and makes recommendations for achieving transformative business environment and facilitating private sector development.

2. BUSINESS ENVIRONMENT IN THE LLDCS

The World Bank Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It covers eleven areas of business regulation across 190 economies including: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The Doing Business Report presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking.

Ease of doing business ranks economies from 1 to 190. Economies are ranked on their ease of doing business, from 1–190. The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. A high ease of doing business ranking (low number) means the regulatory environment is more favorable to business operation. As depicted in the 2017 Doing Business rankings, the LLDCs have not performed well as more than half of the LLDCs could not achieve ranking better than 100 (see Table 1). Only three LLDCs achieved a score of 70 or better indicating that the performance of the many LLDCs is far below the best performing economies.

Doing Business data shows that other developing countries are often ahead of LLDCs in terms of the conducive business environment. Among the four regions, LLDCs, especially in Asian and Europe, seem to be having a more favourable environment for business in terms of starting a business, registering property and enforcing contracts. European LLDCs are, to an extent, the best performers among the LLDCs, followed by Asian and South American countries. On the contrary, many LLDCs in Africa find themselves at the bottom of the rankings. Among the evaluated eleven business areas in 2017, the most problematic areas were the getting electricity, starting a business, dealing with construction permits, protecting minority investors, and trading across borders.

Table 1. Distance to the Frontier Score and Doing Business Rankings for 2017

LLDCS	DISTANCE TO THE FRONTIER SCORE				DOING BUSINESS RANKING
	2010	2015	2016	2017	2017
Afghanistan	40.14	40.5	38.42	38.1	183
Armenia	61.37	71.62	72.16	73.63	38
Azerbaijan	62.38	66.65	67.84	67.99	65
Bhutan	56.58	64.78	65.35	65.37	73
Bolivia	49.76	48.42	49.82	49.85	149
Botswana	64.95	64.53	65.39	65.55	71
Burkina Faso	40.19	49.57	51.06	51.33	146
Burundi	34.98	48.11	47.25	47.37	157
Central African Republic	27.50	36.45	36.27	36.25	185
Chad	29.43	38.02	38.25	39.07	180
Ethiopia	45.91	45.73	46.85	47.25	159
Kyrgyzstan	60.89	65.13	65.09	65.17	75
Lao PDR	46.44	50.79	52.44	53.29	139
Lesotho	50.44	57.31	57.56	60.37	100
Macedonia	65.78	78.95	79.19	81.74	10
Malawi	48.32	50.04	51.11	54.39	133
Mali	43.87	50.27	50.71	52.96	141
Moldova	58.59	71.08	71.64	72.75	44
Mongolia	58.73	66.56	67.31	68.15	64
Nepal	60.43	60.07	59.36	58.88	107
Niger	36.64	45.39	47.07	49.57	150
Paraguay	60.79	60.64	59.1	59.03	106
Rwanda	57.88	67.67	68.63	69.81	56
South Sudan		35.96	33.48	33.48	186
Swaziland	53.85	58.3	58.15	58.34	111
Tajikistan	41.07	51.2	53.98	55.34	128
Uganda	48.97	52.25	57.1	57.77	115
Uzbekistan	39.44	59.25	62.68	63.03	87
Zambia	57.32	61.51	60.77	60.54	98
Zimbabwe	41.42	47.17	47.08	47.1	161

Source: World Bank Database

3. INFRASTRUCTURE DEVELOPMENT IN LLDCS

Infrastructure is vital for private sector development as well as for economic growth. Developing infrastructure enhances a country's productivity, consequently making firms more competitive. Not only does infrastructure in itself enhance the efficiency of production, transportation, and communication, but it also helps provide economic incentives to public and private sector participants. The accessibility and the quality of infrastructure help shape investment decisions and determine attractiveness of a country to foreign investors. Most LLDCs are faced with high infrastructure deficits which make them uncompetitive. In many LLDCs, infrastructure development and maintenance is an expensive endeavour. Key infrastructure needs of the LLDCs include, the transit transport infrastructure, information communications technology and energy.

3.1. TRANSPORT INFRASTRUCTURE

Efficient transport systems provide economic and social opportunities and benefits that result in positive multiplier effects such as better accessibility to markets, employment and additional investments. Effective modes of transport including: high-quality roads, railroads, ports, and air transport enable entrepreneurs to get their goods and services to the market in a secure and timely manner and facilitate the movement of workers. Transport systems thus provide an appropriate infrastructure base to facilitate investment and trade. When transport systems are deficient in terms of capacity or reliability, they can have an economic cost such as reduced or missed opportunities. In general, efficient transportation reduces costs in many economic sectors, while inefficient transportation increases these costs.

Most LLDCs are still faced with poor quality and inadequate transport infrastructure. According to the VPoA, the LLDCs are characterized by inadequate physical infrastructure in rail transport, road transport, dry ports, inland waterways, pipelines and air transport. In some LLDCs few harmonized rules and procedures and limited cross-border investment and private-sector participation. Physical links of LLDCs to the regional transport infrastructure network are lacking in most instances.

The World Bank Logistics Performance Survey provides the Logistic Performance Index (LPI) that rates the quality of trade and transport related infrastructure based on surveyed opinions of transport and logistics professionals. Data for the transport-related infrastructure component of the LPI for the LLDCs and transit countries is shown in table 2. Higher values reflect a better quality of trade and transport related infrastructure. As shown, this index has increased steadily since 2007 in both the LLDCs and the transit countries. However the value for the LLDCs has always been lower than that of the transit countries and more than 40% lower than the average for the developed countries which is 3.89. This implies that infrastructure, although it has improved in LLDCs and transit countries, it is still perceived to be a constraint by transport and logistics professionals. The survey also revealed that satisfaction

Table 2. Quality of trade and transport-related infrastructure component of the Logistics Performance Index

	2007	2010	2012	2014	2016
LLDCs - LPI Infrastructure component	1.94	2.10	2.29	2.31	2.26
Transit Developing Countries - LPI Infrastructure component	2.36	2.39	2.56	2.51	2.6

Source: World Bank Development Indicators with rail infrastructure was low in all regions implying that where feasible, railway infrastructure needs to be developed.

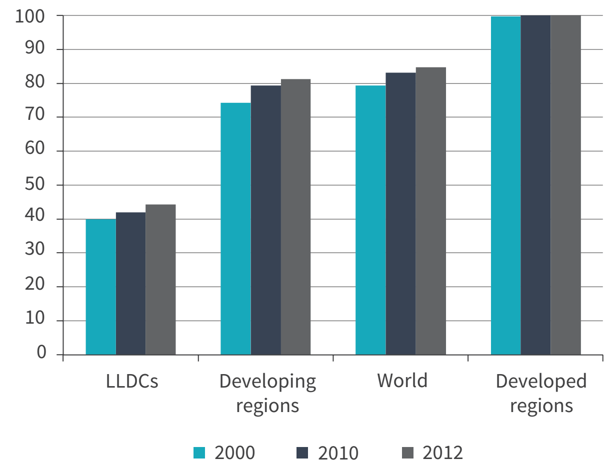
Due to the transport infrastructure challenges faced by the LLDCs, they tend to spend three times as much as developed countries on transport services and twice as much as non-landlocked developing nations. The high transport costs incurred in LLDCs erode their competitive edge and thus make them unattractive to investment.

3.2. ENERGY

Strong, resilient energy infrastructure is critical to economic growth and vitality and is essential to manufacturing's continued success and competitiveness. Countries also need electricity supplies that are free from interruptions and shortages so that businesses and factories can work unimpeded. Access to modern energy remains a challenge to LLDCs. The average proportion of population having access to electricity services in the LLDCs increased by 10% from 40% in 2000 to 44% in 2012. LLDCs have significantly lower average level of access to electricity when compared to both developed and developing countries as depicted in figure 1 below.

There are also disparities between countries; with 9 countries having reached universal access, while 8 countries are trailing behind others with an access rate lower than 20%. There are also wide disparities between urban and rural areas with urban areas having access rates that are much higher than the rural areas. There are also huge challenges in some LLDCs associated with unreliable services affected by frequent disruptive services even in urban areas. The OHRLLS, Government of Austria, UNIDO and SE4All High-Level Seminar on Accelerating Sustainable Energy for All in LLDCs through Innovative Partnerships held in October 2016, stressed the need to develop the energy sector in order to strengthen the private sector and industrial capacities in the LLDCs. The meeting specifically underscored the importance of renewable energy technologies as a means to mitigate emissions and to adapt to the impacts of climate change.

Figure 1. Proportion of population with access to electricity (%)



3.3. INFORMATION COMMUNICATION TECHNOLOGY (ICT)

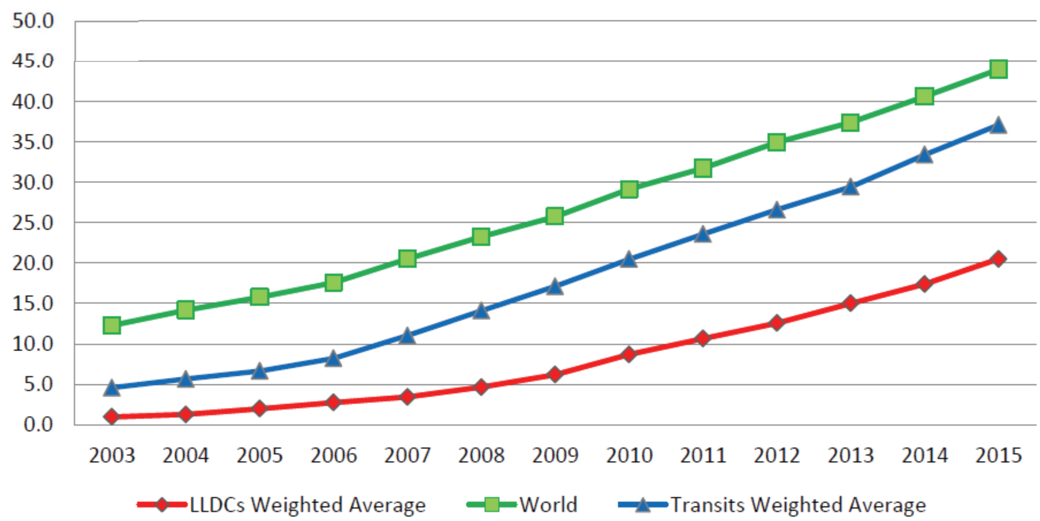
ICT contributes to creating a business environment that is more conducive for private sector development. Its use can lower transaction costs, help obtain information about new market opportunities, improve their communication along the value chain, and broaden the ways in which products and services are provided to the customers. ICT therefore contribute to creating a business environment that is more conducive for private sector development, and opens new ways of communication among and between enterprises and Governments.

ICT can play a major role in addressing some of the challenges of the LLDCs including trade and transport facilitation, facilitate trade in services and integration of the LLDCs into the regional and global value chains. ICT can also enhance e-commerce in LLDCs thereby reducing trade costs and the cost of doing business.

Most LLDCs face severe challenges of inadequate ICT infrastructure and high broadband costs. There also exist a significant digital divide between the LLDCs and other groups of developing countries. In addition, the broadband costs, as a share of gross national income, are much higher in the LLDCs than in coastal countries that are located close to submarine communication cables. These challenges negatively affect the competitiveness of the LLDCs and also restrict their integration into global trade.

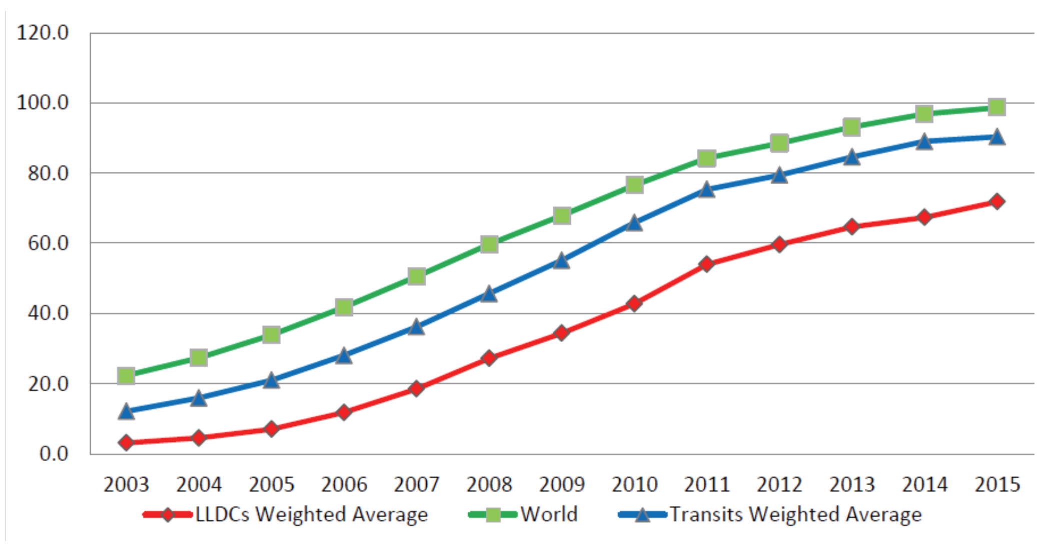
Figures 2 and 3 below demonstrate the low level of ICT usage and access in LLDCs compared to other developing countries.

Figure 2. Average Internet Users per 100 people of the LLDCs, Transit Countries, and the World



Source: ITU Database

Figure 3. Average Mobile Cellular Subscriptions per 100 people in LLDCs, Transit and World



Source: ITU Database

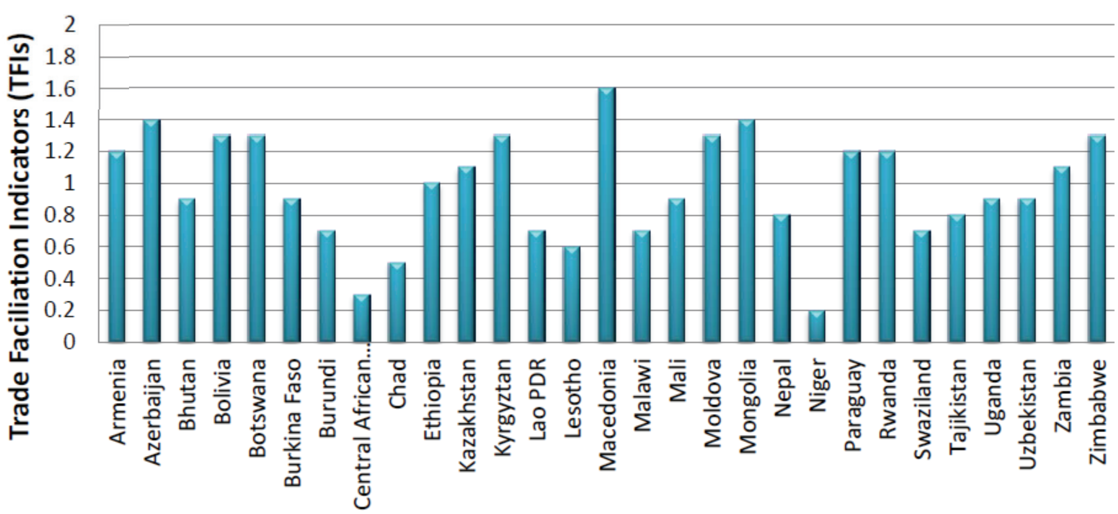
4. TRADE FACILITATION

High trade costs have significant impact on businesses. Countries with enhanced trade efficiency and connectivity are generally expected to attract more FDI and retain it. Using a unique bilateral dataset on FDI flows covering both OECD and developing economies in Asia and the Pacific, UN ESCAP (2015) estimated gravity models of FDI featuring relevant trade costs and trade facilitation indicators. The findings of the ESCAP analysis indicate that the quality of the business regulatory environment is generally the key determining factor in attracting FDI. However, their evidence suggests that high trade costs also have a significant impact on FDI. According to their study, a one percent reduction in comprehensive international trade costs (excluding tariffs) between source and host country leads to an 8 per cent increase in FDI inflows on average. Overall, the analysis fully supports the view that trade facilitation should be a core component of any foreign direct investment development strategy and provides further evidence of the benefits associated with enhancing trade efficiency. Countries that implement trade facilitation reforms and enhance trade efficiency and connectivity are therefore expected to attract more foreign direct investment (FDI) and grow the private sector.

Implementation of the WTO's Trade Facilitation Agreement, agreed in 2014 and that entered into force on 22 February 2017, presents a tremendous opportunity for LLDCs to reduce the cost of doing business, especially for small and medium-sized enterprises.

The OECD Trade Facilitation Indicators (TFIs) were developed to help governments to measure the trade facilitation performance based on the implementation of eleven policy areas and measures included in the WTO Trade Facilitation Agreement that include: information availability; involvement of trade community; advance rulings; appeal procedures; fees and charges; formalities (documents, automation, procedures); border agency cooperation (internal and external); governance; and impartiality. The TFIs reflect not only the regulatory framework in each country, but also, to the extent possible, implementation of trade facilitation measures. They seek to identify the strengths and weaknesses and track progress in the implementation of the trade facilitation measures. The TFIs take the values 0-2 where 2 designate the best performance that can be achieved by a country.

Figure 4. Trade Facilitation Indicators in LLDCs



Source: OECD Trade Facilitation Indicators Simulator

Using the OECD Trade Facilitation Indicators (TFIs) simulator to assess the performance of the LLDCs, it clearly shows that most of the LLDCs' trade facilitation performance is low. Over 55 per cent of the LLDCs' overall trade facilitation performance was below 1 (see Figure 4 below on page 32).

The data demonstrates that most of the LLDCs are still lacking behind in the implementation of the trade facilitation measures, in particular those in the WTO Trade Facilitation Agreement. According to the data, most of the least performing LLDCs are in Africa.

In general, the most problematic areas for the LLDCs are: automation, border agency cooperation (external), simplification and harmonization of documents, involvement of trade community, and advance rulings.

5. ACCESS TO FINANCE AND GREEN FINANCING

Access to financing is identified as one of the key constraints to sustainable private sector growth in many developing countries and this is no exception to the LLDCs. A well-functioning financial sector can facilitate the exchange of goods and services, diversify risk, mobilize savings, and the identification of good business opportunities, all of which encourage investment and entrepreneurship.

Formal financial intermediaries, such as commercial banks, usually refuse to serve micro-enterprises because of the high cost of small transactions, lack of traditional collateral, lack of basic requirements for financing. In many developing countries, including in LLDCs, the private sector mainly comprise of micro-enterprises and these entities play a crucial role in furthering growth, innovation and prosperity. Unfortunately, they are strongly restricted in accessing the capital that they require to grow and expand. According to the World Bank Enterprise surveys, access to finance is a major concern in many developing countries. The result is that this sector, which has the greatest potential to drive inclusive development and create jobs, lacks access to the investment needed to finance this development.

At the national level, investment in the green economy needs to take place on a far greater scale over coming decades if we are to achieve the Sustainable Development Goals. To achieve the objectives of the SDGs, countries will need to seize opportunities to "green" infrastructure lending by multilateral investment banks (MDBs) first. Given the resources and longer records of accomplishment of MDBs in leveraging climate finance and investment, they can provide important lessons for private investment banks and institutions, thus helping to support the rapid scaling-up of green investment and financing flows on a scale commensurate with the challenge presented by the Sustainable Development Agenda.

Some domestic policy environments and local markets, such as those of LLDCs, may be insufficiently developed to be appropriate for commercial interventions. In these cases, market development and capacity building, and therefore grant models and significant subsidization from MDBs, are often required. In these developing markets, the environmental considerations (usually negatively affecting commercial profitability of projects) fall far behind.

Currently, there is no precise and commonly accepted definition of "green finance" primarily for two reasons: (i) many institutions and/or publications do not try to define the term and (ii) the definitions that are proposed vary significantly. Hence, standardization and/or harmonization is needed to develop "Greenovative™ Financing Standards" (GFS).

According to the definition proposed by Global Partnership on Sustainable Transport, green finance comprises all forms of investment or lending that take into account environmental impact and enhance environmental sustainability. A key element of GFS is sustainable investment, where investment and lending decisions are taken not only based on profitability or economic factors, but in conjunction with environmental screening and risk assessment to meet environmental sustainability. In other words, for the banking sector, green finance will be defined as financial products and services, under the consideration of environmental factors throughout the lending decision-making process, ex-post monitoring and risk management processes, in order to promote environmentally responsible investments and stimulate low-carbon technologies, projects, industries and businesses. Other goals pursued by GFS would also include improving capital market efficiency, lowering the cost of capital and meeting other (non-climate-related) economic and environmental objectives.

6. OBSTACLES FACED BY SMALL AND MEDIUM SIZED ENTERPRISES

Small and medium-sized enterprises (SMEs) are indispensable to most economies worldwide. Though definitions vary, formal and informal SMEs together make up over 95 per cent of all firms and account on average for 60-70 per cent of total employment and 50 per cent of GDP (ITC, 2015).

SMEs tend to employ a larger share of the vulnerable sections of the workforce, such as women, youth and people from poorer households. SMEs can even sometimes be the only source of employment in rural areas. As such, SMEs as a group are the main income provider for the income distribution at this 'bottom of the pyramid'. Whilst the SMEs sector constitutes a large fraction of the private sector in developing countries, including the in LLDCs, and has an important role in socio-economic developments of these countries, the sector remains vulnerable due to various reasons. SMEs face a number of problems such as access to finance, skilled manpower, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization and expansions, non-availability of highly skilled labor at affordable cost, lack of effective institutional structures and competition due to trade liberalizations.

According to the 2015 Secretary General's report on the implementation of the VPoA, the value of financial resources provided to the private sector by financial corporations, including loans, purchases of non-equity securities and trade credits, is equivalent to only about 30 per cent of GDP in LLDCs. In contrast, the value of domestic credit to the private sector in transit developing countries is equivalent to more than 80 per cent of GDP. It is imperative to bring financing for private enterprises, especially small and medium-sized enterprises, to the forefront of the development strategy in LLDCs.

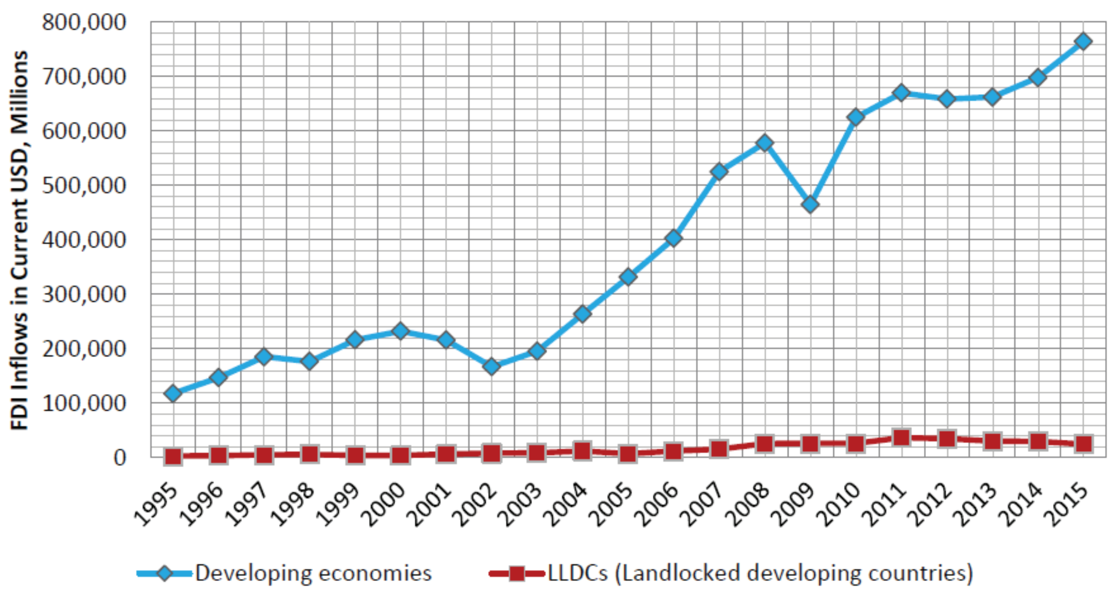
Creating a conducive business environment for the growth of the SMEs is critical given the importance of the SME in employments creation and overall economic development. Policy reforms, investments, technical assistance and other action to help SMEs in LLDCs raise their international competitiveness and become active players in competitive markets are thus likely to drive growth that is both self-sustainable and equitable, as it will benefit those who are at the bottom of the pyramid.

7. FOREIGN DIRECT INVESTMENT

Foreign sources of capital have become an important part of private investment in the developing countries. FDI is an important vehicle of technology transfer from developed countries to developing countries and it also stimulates domestic investment and facilitates improvements in human capital and institutions in the host countries.

The FDI flows to the LLDCs have been on decline since 2011 when they had reached a peak of about US$36 billion and have reduced to about US$24 billion in 2015. Other developing countries have however been experiencing an increase in FDI since 2013. FDI to these countries was also mainly concentrated in about three LLDCs depicting great disparity of FDI flows even among the LLDCs. Given this scenario, the LLDCs are consequently unable to reap the full benefits from FDI due to the very little FDI going to these countries. In addition, it has been observed that most of the FDI to LLDCs are mainly concentrated in extractive

Figure 5. LLDCs and Developing Economies Total FDI Inflows in current US$ Millions



Source: UNCTADSTAT database

industries which also have very little effect on the much needed structural economic transformation.

8. SOME SELECTED BEST PRACTICES

Regional integration can reduce the transport and transit challenges faced by the LLDCs. There is a correlation between proximity to major markets and the impact of trade costs. The landlocked countries of Europe are a good example of how regional integration can benefit countries especially the landlocked countries.

Value addition can also mitigate the high trade cost associated with landlockedness, therefore the industrial; policy of the LLDCs should focus on value addition. When countries export high value-added goods, transport costs account for a much smaller part of the end value, and the effect of being landlocked becomes insignificant. This has been the case for Switzerland and Austria.

Undertaking business regulatory reforms, including trade facilitation reforms, is necessary to improve the business environment in most LLDCs. Some examples of LLDCs that undertook deliberate actions to improve their business environment as shown by the trend from 2010 to 2017 of the World Bank's Doing Business Report include Rwanda, Armenia, Moldova, Macedonia, Kazakhstan, and Uzbekistan.

Establishing industrial parks can offer higher quality infrastructure on site as well as various business support services and can reduce the cost providing amenities to the private sector. In other parts of the world it has been evident that privately owned business parks tend to perform better in attracting FDI than publicly operated ones. Therefore, the participation of the private sector in the provision and management of industrial sites can therefore help ease infrastructure concerns. Moreover, when the private sector is allowed to provide facilities and services in these specialized facilities and industrial parks it brings about better economic results and greater development gains. Therefore, private sector should be encouraged and to take part in the provision and management of industrial parks in LLDCs to attract and maintain higher levels of FDI and private sector participation in economic development.

9. CONCLUSIONS AND RECOMMENDATIONS

There are various actions that may be undertaken to enhance the role of the private sector in the implementation of 2030 Agenda and the VPoA. Having sufficient infrastructure, well-structured institutions and technical knowledge will also enable LLDCs to grow their private sector and integrate into the global economy. Some of the actions include:

- **Improved quality and connectivity of transport and ICT infrastructure**

Improving connectivity through building transport and transit infrastructure as well as the ICT infrastructure is critical for businesses to the markets. To improve the business environment and to cut the costs of doing business in LLDCs it is paramount that the infrastructure is developed and maintained, missing links in physical transport infrastructure need to be completed and there is need to forge regional cooperation on transport and ICT infrastructure projects. This will enhance the competiveness of the LLDCs.

- **Increased investments into reliable energy, energy efficiency and renewable energy**

Financing power generation and transmission requires innovative strategies. LLDCs with the support of their development partners should engage in public and private partnerships in the energy sector in order to increase investments into power generation and in particular promotion of renewable energy. Efforts should be made towards financing of regional energy infrastructure projects.

- **Implementing business regulatory reforms**

Undertaking business regulatory reforms is important to improve the not so conducive business environment in most LLDCs. Considering that the Doing Business Ranking of most LLDCs are quite low, there is a need to undertake business environment reforms. According to a study by Leora et al, countries with very high costs, long delays or a large number of procedures for business registration, the benefits of only addressing a few aspects of business environment, say business registration, are significantly low. According to the study, large changes (40 per cent or more) are required to achieve a significant impact. It is therefore important to take a holistic approach to addressing the business regulatory reforms.

- **Identifying growth sectors**

LLDCs can also identify growth sectors that could be transformative and allow economies to move from low skilled commodity-based industries, to sectors that have opportunities for technological progress and the development of human capital. Higher value added products, manufactured goods and services exports, such as tourism, ICT, finance and banking, present an avenue for LLDCs to reduce the cost of trade and vulnerability to external shocks, including commodity price fluctuations.

- **Implementation of Trade Facilitation Reforms**

Cutting trade costs to reduce the cost of doing business is also paramount to the LLDCs, therefore the ratification and implementation of trade facilitation reforms including the WTO Trade Facilitation Agreement and other international and regional agreements and arrangements aimed at facilitating transit is paramount. Given the high cost associated and the technicality of some of the trade facilitation reforms, there is a need to enhance support to the LLDCs to undertake these reforms. These reforms include automation and improving transit trade.

- **Improving access to finance**

Providing access to financial services can stimulate the independence and self-development of micro-entrepreneurs. There is therefore the need for deliberate efforts by LLDCs, development partners and the private sector to facilitate access to finance especially for the SMEs.

- **Capacity-building and human resources development**

Lack of capacity at both the private sector level and at official level is one of the key challenges facing the growth of the private sector in the LLDCs. The private sector, especially the SMEs, which constitute the large proportion of the private sector in the LLDCs, are faced with lack of skilled manpower and entrepreneurial skills amongst other challenges. On the other hand, some governments may lack the capacity to develop the relevant policies necessary for the creating a business friendly environment. There is therefore the need to provide support to the LLDCs to achieve sustainable development through the private sector.

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ANNEX 1

LIST OF PARTICIPANTS

MEMBER STATES	NAME
Afghanistan	• Marc Bassano, Adviser, Permanent Mission of Afghanistan to the United Nations
Armenia	• Hripsime Chanchuryan, Adviser, Permanent Mission of the Republic of Armenia to the United Nations
Austria	• H.E. Ambassador Jan Kickert, Permanent Representative of Austria to the United Nations • Mr. Hannes Machor, Counsellor, Permanent Mission of Austria to the United Nation
Bhutan	• Mr. Karma Choeda, Counselor, Permanent Mission of the Kingdom of Bhutan to the United Nations
Bolivia	• Mr. Gilbert Zacarias Mamani Paco, First Secretary, Permanent Mission of the Plurinational State of Bolivia to the United Nations
Botswana	• Mr. Tlhalefo Batsile Madisa, First Secretary, Permanent Mission of Botswana to the United Nations
Colombia	• Esteban Sanabria, Intern, Permanent Mission of Colombia to the United Nations
Croatia	• Ms. Vesna Baus, Minister Plenipotentiary, Permanent Mission of the Republic of Croatia to the United Nations
Denmark	• Anders Christian Nygaard, Permanent Mission of Denmark to the United Nations
Germany	• Barbara Lucius, Legal Trainee, Permanent Mission of Germany to the United Nations • David Ambadar, Team Leader, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Financing for Sustainable Development
Kazakhstan	• Mr. Ruslan Bultrikov, Deputy Permanent Representative, Permanent Mission of the Republic of Kazakhstan to the United Nations
Kiribati	• Victoria Chao, Permanent Mission of the Republic of Kiribati to the United Nations
Lao PDR	• Mr. Keopaseuth Chanthaphim, Third Secretary, Permanent Mission of the Lao People’s Democratic Republic to the United Nations
Lesotho	• Mrs. Limpho Masilo-Motsamai, Directorate of Economic and International Organizations, Ministry of Foreign Affairs and International Relationsn
Malawi	• H.E. Mr. Lot Thauzeni Pansipadana Dzonzi, Ambassador and Deputy Permanent Representative, Permanent Mission of the Republic of Malawi to the United Nations
Mongolia	• Mrs. Guamaral Altangerel, Deputy Permanent Representative, Permanent Mission of Mongolia to the United Nations • Mr. Batsengee Dorjsembed, Director General, Department of Development Financing, Ministry of Finance • Mr. Bayarkhuu Tsookhuu, Senior Advisor, Ministry of Finance • Mr. Sanjaa Narantsogt, Director General, Department of Treasury, Ministry of Finance • Mr. Bat-erdene Chinuukhei, Counsellor, Permanent Mission of Mongolia to the United Nations
Nepal	• H.E. Mr. Durga Prasad Bhattarai, Ambassador Extraordinary and Plenipotentiary Permanent Representative, Permanent Mission of the Federal Democratic Republic of Nepal to the United Nations
Paraguay	• H.E. Julio Arriola, Ambassador Extraordinary and Plenipotentiary Permanent Representative, Permanent Mission of Paraguay to the United Nations • Mr. Juan Manuel Peña, Second Secretary, Permanent Mission of Paraguay to the United Nations • David Martinez Sugasiti, Foreign Service Officer, Ministry of Foreign Affairs
Tajikistan	• Mr. Bakhtiyor Muhamedjanov, Third Secretary, Permanent Mission of the Republic of Tajikistan to the United Nations
Turkmenistan	• H.E. Mr. Lot Thauzeni Pansipadana Dzonzi, Ambassador and Deputy Permanent Representative, Permanent Mission of the Republic of Malawi to the United Nations
Zambia	• Ms. Christine Kalamwina, Charge D’ Affairs and Deputy Permanent Representative of Zambia to the United Nations as Global Chair of the Group of LLDC • Mrs. Theresah Chipulu Luswili Chanda, Counsellor (Economic), Permanent Mission of the Republic of Zambia to the United Nations
Zimbabwe	• Mr. Pearson T. Chigiji, Minister Counsellor, Embassy of the Republic of Zimbabwe • Mr. Onismo Chigejo, Counsellor, Permanent Mission of the Republic of Zimbabwe to the United Nations

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Global Partnership for Sustainable Transport (GPST)	• Ms. Juliette Passer, Senior Advisor
Global Policy Forum	• Ms. Barbara Adams
ICV Group	• Mr. Robert Smith, Founder
International Finance Corporation (IFC)	• Mr. Neil Gregory, Head of Thought Leadership
International Institute for Sustainable Development (IISD)	• Ms. Nathalie Risse, Thematic Expert for 2030 Agenda for Sustainable Development
International Road Transport Union (IRU)	• Mr. Christian Labrot, President, International Road Transport Union • Mr. Umberto de Pretto, Secretary-General of International Road Transport Union • Mr. Igor Runov, Under Secretary General • Ms. Marie-Helene Vanderpool, Manager, External Relations
International Trade Centre (ITC)	• Ms. Riefqah Jappie, ITC Representative to the United Nations
MEXFAM	• Ms. Esperanza Delgado, Advocacy Director
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United Nations Economic Commission for Africa (ECA)	• Mr. Adeyinka Adeyemi, Senior Advisor
World Bank Group	• Mr. Nicholas Bian, International Affairs Officer

ANNEX 2

PROGRAMME

ENHANCING THE ROLE OF THE PRIVATE SECTOR IN THE IMPLEMENTATION OF THE VIENNA PROGRAMME OF ACTION AND THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

Side Event: 2017 ECOSOC Forum on Financing for Development follow-up

Tuesday, 23 May 2017, 1:15pm -2:30pm
Conference Room 12

Moderator/Opening Remarks:

- Mr. Sandagdorj Erdenebileg, Chief, Policy Development, Coordination, Monitoring and Reporting Service, UN OHRLLS

Keynote Statements

1. Ms. Christine Kalamwina, Charge d'Affaires a.i., Permanent Mission of Zambia to the United Nations, Global Chair of the Group of LLDCs
2. Mr. Christian Labrot, President, International Road Transport Union

Panelists

1. Mr. Umberto de Pretto, Secretary-General of International Road Transport Union
2. H.E. Ambassador Jan Kickert, Permanent Representative of Austria to the United Nations
3. Mr. Neil Gregory, Head of Thought Leadership, International Finance Corporation (IFC)
4. Ms. Juliette Passer, Senior Advisor Global Partnership for Sustainable Transport (GPST)
5. Ms. Riefqah Jappie, ITC Representative to the United Nations

Experience Sharing by Member States and Interactive Discussion

- Paraguay
- Mongolia
- Bhutan
- Tajikistan