Kazakhstan, Chair of LLDCs UN-OHRLLS

Leveraging the Potential of the Private Sector for Integration of Landlocked Developing Countries into Global and Regional Value Chains

Virtual Meeting

17 November 2021, 10:00hrs – 12:00hrs (ET)

Introduction

The COVID-19 pandemic has abruptly halted progress towards LLDCs' key economic objectives and broadly across all priority areas of the Vienna Programme of Action for LLDCs. To stimulate broad based and sustainable recovery in LLDCs, the role of the private sector will be of paramount importance. One particular area where leveraging the role of the private sector will be important for LLDCs is for increasing their participation in global and regional value chains. Integration into GVCs is important for LLDCs as it can provide impetus to structural transformation efforts, increase their trade linkages and facilitate spillovers of technology and innovative capacity.

The meeting on *Leveraging the Potential of the Private Sector for Integration of Landlocked Developing Countries into Global and Regional Value Chains* was held virtually on 17 November (10:00 am- 12:00 pm, ET). This meeting was co-organized by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), and the Permanent Mission of Kazakhstan to the United Nations, in its capacity as the Chair of the Group of Landlocked Developing Countries (LLDCs).

Attendance

The meeting was attended by more than 30 participants including Government Representatives from LLDCs and participants from UN and other international organizations.

Participant countries	
Afghanistan	Nepal
Armenia	Turkmenistan
Botswana	Uganda
Burkina Faso	Zambia
Lao People's Democratic Republic	Zimbabwe
Mongolia	Paraguay
Ethiopia	Uzbekistan
International Organizations	
International Trade Centre (ITC)	World Bank
The International Think Tank for LLDCs (ITT LLDC)	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS)
The United Nations Conference on Trade and Development (UNCTAD)	United Nations Industrial Development Organization (UNIDO)
Food and Agriculture Organization of the United Nations (FAO)	International Civil Aviation Organization (ICAO)

Proceedings

Mr. E. Courtenay Rattray, High Representative and Under-Secretary-General Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) started the opening remarks exclaiming that this meeting was held not only in light of LLDCs' long-term development priorities, but also in the context of a sustainable recovery from the COVID-19 pandemic.

Mr. E. Courtenay Rattray pointed out the vulnerabilities of LLDCs before and after COVID-19 pandemic. Before the pandemic, most LLDCs remained reliant on the exports of commodities with either limited processing or no processing. Export values have remained far below potential. According to the analysis from OHRLLS, 52% of merchandise exports from LLDCs in 2020 comprised of primary products. Medium and high-tech manufacturing exports accounted for only 10% of merchandise exports. The COVID-19 pandemic exacerbated LLDCs' vulnerabilities. Progress towards structural change was significantly impeded. LLDCs' economic growth decreased from 4.3% in 2019 to -2.4% in 2020. Foreign Direct Investment contracted by 31% in 2020. Exports fell at a higher rate than the global average. As world trade recovered towards the end of 2020, LLDCs' still registered an 8% decline in trade for the year according to the estimation of WTO. Their share of global exports remained below 1%.

Mr. E. Courtenay Rattray stated that the speed and scale of the economic recovery in LLDCs would depend to a large extent on successfully engaging the private sector. At the micro-level, the private sector leads to the creation of new economic opportunities in response to local needs and circumstances. At the international level, multinational enterprises (MNEs) can help countries integrate in global and regional value chains. This leads to a host of positive externalities such as knowledge spillovers, human capital development, and structural change. Integrating in Global Value Chains (GVCs) is particularly important for LLDCs. Such a move can alleviate dependence on natural resources and proactively prepare for the rapidly changing global economic landscape. GVCs were already being transformed due to the sustainability imperative, accelerating use of technology in manufacturing, and the reversal of trade liberalism. The COVID-19 pandemic has further accelerated their transformation redrawing the map of international production networks. Two changes are particularly salient. Firstly, a shift towards regional value chains. Second, the acceleration of adopting digital tools, technology and automation in production processes. He emphasized that LLDCs needed to adjust to the new economic realities. This means actively engaging with the private sector to increase their participation in global and regional value chains. LLDCs currently have only a peripheral role in global value chains. Their participation is limited to the provision of unprocessed commodities. These are re-exported at a much higher price by other countries able to add value. Mr. E. Courtenay Rattray quoted from Einstein, *"Strive not to be a success, but rather to be of value."*

Mr. E. Courtenay Rattray highlighted two key strategies that LLDCs can use to increase their participation in GVCs. The first strategy for LLDCs is to prioritize the development of productive capacities. This would allow countries to move beyond the role of passive suppliers of natural resources. Enhanced productive capacities are the key for unlocking crucial gains such as the ability to join global and regional value chains for the LLDCs. Unlocking these opportunities starts with investing in people. This should include improving access to formal education, technical and vocational education as well as opportunities for the lifelong development of skills.

In the next 30 years, an increasing share of global value added is likely to stem from intangible products in digital industries. For LLDCs, this represents a catch-up opportunity, as the significance of geography becomes diluted. However, the ability to participate in these industries is directly correlated with the level of human capital available. Despite the rise in digital technology, it is still incumbent on LLDCs to focus on improving physical infrastructure. According to World Bank research, trade in intermediate goods within GVCs is highly sensitive to logistics performance. Having efficient and cost-effective infrastructure – physical or digital - will be the key for productive capacities in LLDCs. However, this will require large amounts of financing and investment in an increasingly competitive global economic landscape. One option for LLDCs is to capitalize on opportunities of bilateral and multilateral financing. Already many countries have reported major projects being built through financing from bilateral economic partners, such as China, under the Belt and Road Initiative. In addition, multilateral financing agencies are also offering financing for infrastructure projects in LLDCs. The scale of the needs means this is not enough, however. It requires large scale private sector involvement.

Mr. E. Courtenay Rattray's stated that the second priority for LLDCs should be to modernize investment promotion policies and planning. The already acute resource constraints in LLDCs have been intensified by the pandemic. In the coming years, LLDCs will need to harness cross-border private financing and investment. That could be in the form of international project finance; public private partnerships; or infrastructure related greenfield FDI projects. Foreign investors will be looking for streamlined and simplified regulations. They should offer clarity, enable the swift execution of projects and offer investors legal protection. For LLDCs, it is critical to ensure investment policies are conducive to foreign investment. And to incentivize investment in industries that enable higher value addition.

Inadequate physical and digital infrastructure and high distance from ports remain obstacles for investment. One policy that helps circumvent these weaknesses is the development of special economic zones (SEZs). SEZs enable policymakers to provide a combination of institutional, regulatory and infrastructural conditions conducive to FDI. SEZ programmes are already underway in most LLDCs. But for these zones to succeed, they need to be in close proximity to the most vibrant parts of local economies. This ensures adequate supply of skilled labor, development of backward linkages with suppliers and access to support services.

Mr. E. Courtenay Rattray stressed that LLDCs need to ensure that investors are not deterred by transport related disadvantages. That means fully coordinating investment, industrialization, infrastructure, and trade facilitation policies and initiatives. There also needs be greater cooperation and closer coordination with transit countries to ensure seamless and cost-effective connectivity to seaports.

Ms. Anel Bakytbekkyzy, Deputy Permanent Representative of Kazakhstan to the United Nations, Chair of the Group of LLDCs remarked that leveraging the potential of the private sector is important for landlocked developing countries to achieve their long-standing development objectives including Vienna Programme of Action and to kickstart economic recovery from the aftermath of the COVID-19 pandemic. The role of the private sector is essential for structural economic transformation which is one of the priority areas of the VPoA and critical to the long-term development objectives of LLDCs. However, progress towards structural economic transformation has been limited in most LLDCs even before the pandemic. And most LLDCs continue to be reliant on the exports of commodities, which results in LLDCs' lower export revenues than potential. Merchandise exports declined significantly in LLDCs and the rate is much higher than the global average. The agriculture sector continues to be a major sector for providing employment in landlocked developing countries, which is typical for countries at the lower level of structural change. Moreover, landlocked developing countries continue to experience a decline in agricultural productivity.

Ms. Anel Bakytbekkyzy stated that landlocked developing countries are still highly dependent on commodities. This results in a vulnerability to external shocks and limits competitiveness and the ability to produce high-value-added products. The pandemic exposed structural vulnerabilities in commodity producing countries and led to closures of mines and agricultural farms which directly affected the supply of these commodities. It is clear that to achieve the long-standing development objectives LLDCs need to focus on structural economic transformation with a particular focus on manufacturing industries.

Ms. Anel Bakytbekkyzy stressed that the meeting would focus on the key issue of structural economic transformation in landlocked developing countries, their integration in global and regional value chains and what role the private sector can play. She stated that GVCs and RVCs can enable landlocked developing countries to specialize in specific product components or segments of manufacturing processes, which can facilitate their participation in international product networks. In addition, GVCs promote the spillover of knowledge, innovative capacity and efficient productive practices. Rapid economic development in East Asian economies in the last three decades has been driven largely by their participation in GVCs. Some of the most important value chains including electronics and automobiles are structured in East Asia and China. In a few decades it has become the manufacturing hub of the world. Unfortunately, other developing countries including landlocked developing countries have not been able to replicate this.

Ms. Anel Bakytbekkyzy mentioned three key questions for developing countries in general and LLDCs, in particular, with regards to GVCs. First, is the opportunity for economic growth by participating in GVC still available, like it was in the past few decades? Second, what changes have GVCs undergone in recent years, and how have they been impacted by the COVID 19 pandemic? Finally, if opportunities for development are still available through GVCs, what can landlocked developing countries do to capitalize on and how can the private sector pay this?

Ms. Anel Bakytbekkyzy thanked the expert panelists and all the participants for joining this meeting. She moved onto the expert panel.

Mr. Ashish Shah, Director of Country Programmes, International Trade Centre (ITC) stated that trade lies at the heart of the ITC's mandate and was also the theme of today's panel discussion about leveraging the potential of the private sector for integrating LLDCs into regional and global value chains. LLDCs make up for only 0.45% of total GVC trade while developing countries account for 33%. Firms which integrate into value chains are potentially more successful than those that don't. This is because participation in value chains leads to knowledge spill-overs, human capital development, structural change, as well as technology transfer and innovation. The best way to integrate into value chains is to engage the private sector.

Mr. Ashish Shah conveyed five messages by building on the acronym of LLDCs to help to achieve the benefits and integration of LLDCs into value chains. Firstly, the L stands for *Leveraging market-led export potential*. Countries that have been successful in trade are those who have invested time and resources in understanding the size and scope of markets and understanding their own export potential. ITC by its market analysis and export potential assessment tools allow firms and policymakers to analyse trade flows, assess export potential, and be aware of market access requirements. Transit and transport costs are relatively lower, and market access requirements are easier to comply with if LLDCs focus on regional value chains instead of global value chains as a first step. In particular, the African Continental Free Trade Agreement has been a game changer for African LLDCs with regard to regional integration opportunities. He used the work at ITC on cotton as an example where they are working with Benin to produce high quality cotton that is then transformed in Burkina Faso and exported as cloth to Ghana, where fashion designers and clothing manufacturers cater for local and regional consumers.

The second L stands for *Leaner trade and transaction costs for MSMEs*. If LLDCs are to integrate into global value chains, it is crucial to reduce the very high transit and transport costs. It is important to have the private sector lead on these discussions with the government as it knows best where the bottlenecks are located. ITC facilitates public private dialogues on trade facilitation in

LLDCs. He provided an example in Niger. ITC service shows that the country has the potential to increase its exports to $1.8 billion by 2024, but this potential is not fully exploited because of regulatory and procedural trade barriers, many of which occur within their borders. They have facilitated public private dialogues which have proved to be very effective, resulting in 70 concrete actions being agreed upon to tackle obstacles to goods and services trade. The private sector has been key in these discussions.

Thirdly, the D is for *Differentiate the offer*. LLDCs need to be competitive if they are to integrate into value chains. This includes the need to make sure that their product offering is differentiated from the rest to remain competitive. One of the strategies is to focus on products which can sell at premium prices in overseas markets because of their uniqueness. ITC has been supporting LLDCs in differentiating its offer and focus on high value low volume products. For example, ICT ethical fashion initiatives is engaging the private sector in countries like Afghanistan, Burkina Faso and Mali and providing technical assistance to artisans, designers and micro producers to create business linkages with internationally renowned brands in the fashion interior. Their research shows similar potential for a number of LLDCs such as the potential for export of camel or horse milk powder to Europe from Mongolia, or exports of high value medicine plants from Bhutan to the US and EU markets. Another way of differentiating the offer and building comparative advantage is to focus on services exports. He provided a case that ITC is supporting the digital technology sector in Uganda. They build capacities of tech startups linked into business and investment opportunities, and they are strengthening tech hubs to build a stronger institutional ecosystem. This has been a game changer for Uganda's exports and has helped develop a new export sector.

The C is for *Create a conducive business environment for private sector to flourish*. In order to enhance and foster private sector participation. There is a need for a conducive business environment for private sector to flourish. ITC has supported a number of LLDCs to put in place some trade policies and regulations which foster business. for example, one of the biggest bottlenecks for LLDCs is the low levels of FDI. ITC has worked in countries like Bhutan, to put in place regulatory frameworks which are conducive to attracting investors. More specifically, they have carried out a regulatory assessment of FDI laws, developed an investment and investor aftercare strategy and developed a modern investment treaty actively. Creating a conducive business environment is not only about improving the regulatory framework but also about providing investment facilitation support. One example is from Uganda where they have worked closely with an Indian leather sector SME to set up a shoe manufacturing unit in Uganda. The unit today is producing 1 million pairs of shoes and 5 million square feet of finished leather employing mostly women and youth.

Finally, Mr. Ashish Shah indicated that S is for *Seize opportunities to partner with the private sector*. The private sector clearly has huge potential to support the integration of LLDCs into value chains. What is important however, is that LLDCs need to fully understand the opportunities for engaging the private sector and seize those opportunities. They see the private sector engagement potential from three perspectives, the private sector as a provider of technical expertise, the private sector as a funder and the private sector as a buyer. ITC has teamed up with USAID to create a Central Asia hub on the E commerce platform eBay. The eBay Central Asia hub highlights businesses and products from the five Central Asian countries. In all LLDCs including Kazakhstan, selected small businesses benefit from tailored one to one support from ITC and from eBay to create optimized seller accounts for international consumers. In this example, ITC engages the private sector as a partner and a provider of technical expertise. ITC also sources funding from the private sector as a funder. For example, the luxury goods companies, Gucci and Ferragamo are making a contribution to enable ITC support greener and more sustainable production of ethical fashion products in Benin and Burkina Faso. And finally, ITC engages with the private sector, buyers and multinationals to convince them to source products produced by Amazon by working with buyers like Nestle to source coffee from coffee producing cooperatives in Ethiopia, and with fashion brands like Loewe to source textile from Mali.

Mr. Ashish Shah concluded by saying that private sector is going to be the driver for growth but LLDCs' challenge is to engage them significantly, strategically and sustainably to ensure long-term and sustainable benefits.

Mr. Adnan Seric, Research Manager, UNIDO stated that GVC integration is still the model to pursue for developing countries when it comes to stimulating global market participation and economic growth and in particular what changes to that model may have been introduced by the present COVID crisis and the ongoing global mega trends. He mentioned that UNIDO Industrial Development Report 2022 focused on the issue of COVID-19 and asked the question on the future of industrialization in a post pandemic world. The objective of this report is to understand the impact of those two forces on GVCs. Mr. Adnan Seric proposed that whether COVID-19 can be seen as a potential game changer to the GVC driven model of economic development. He thought it was still too early to provide an answer with great confidence because we are still in the middle of the pandemic.

Mr. Adnan Seric mentioned that China recovered its output and trade very quickly which was already last year. It has been seen that Europe and the other developed regions have returned to the pre pandemic levels in that respect. He stated that disruptions from higher force events such as the pandemic and geopolitics are common phenomenon in global value chains. Multinational firms report that they experienced significant disruptions every four years, and those disruptions can last up to one to two months. Multinational firms have developed coping mechanisms in that process, which means that disruptions can be absorbed.

Mr. Adnan Seric highlighted three core drivers of GVCs which are economic power shift, digital transformation and environmental sustainability. Firstly, Mr. Adnan Seric highlighted economic power shift in the context of global value chains. With the rise of Asia, China more specifically, it has become a center of gravity where we see new clusters of economic activity emerge and facilitated by demand and supply shifts. That have been driven by growing middle classes, urbanization and demand policies. Since the financial crisis in 2008, significant drops in shares of intermediate imports and FDI have been seen and in turn growing intra-regional trade has been seen. He emphasized that the growing intra-regional trade is very important to highlight because it has led to a sort of widening of production nodes in global value chains, whereas earlier it used to be very concentrated in only a few countries. Today more developing countries produce finished goods closer to the main consumer markets. He stated that this is the major difference that has been triggered by the economic power shift.

Mr. Adnan Seric secondly highlighted digital transformation. This new wave of digital technology is fundamentally changing production systems. Digital platforms, such as Amazon and Alibaba, are challenging the current understanding of who makes what and where. He provided two underlying drivers of this particular mega trend. On the one hand, digital platforms are resetting the consumer expectations towards wider choices, higher speed and superior services, which ultimately results in a disintermediation of GVCs. On the other hand, digital decoupling where technologies are breaking away through technical standard setting increases the costs of firms operating globally.

Mr. Adnan Seric finally stressed the environmental sustainability component which the UN has categorized as the greatest single threat to sustainable development. It has very direct implications for the future of GVCs. Some of these extreme weather events or natural disasters, which have posed significant disruptions to supply chains, lead firms to change their sourcing strategies towards multi-sourcing oftentimes. They have also increased the pressure to internalize environmental impacts which are largely done through changing regulatory environment. All these impose costs on long distance GVCs.

Mr. Adnan Seric concluded that LLDCs have to rethink the way of participating in GVCs. He believed that labor cost advantage is no longer sufficient for participation. Mr. Adnan Seric highlighted three aspects which are important for the future policy making for LLDCs. Many LLDCs lack the requisite institutional and human capacity to drive this policy formulation and implementation process. The first aspect is to strengthen multilateral cooperation including both North-South and South-South and exchange lessons learned and best practices which can then be applied to domestic policymaking analysis. The second point is making ecosystem thinking or network approaches to development at the center stage of policy making. The third aspect is innovation that is to focus on fostering local industry academia collaborations towards innovative business models, addressing local and regional needs first.

Mr. Emiliano Duch, Lead Private Sector Specialist, World Bank expressed that historically access to sea was not economically advantageous and this only started changing in the 18th century we started to develop the first real global value chain. He stated that the key question was why we have now see being landlocked as a constraint.

Mr. Emiliano Duch noted that GVCs are driven by urban logistics. If onions are kept at room temperature between 30 and 75 degrees, they will last only a few days. But if you just refrigerate those items to a controlled atmosphere and affordability temperatures, the shelf life can be up to 120 days which is long enough to export everywhere. The problem is not being landlocked. The problem is the lack of a proper chain which requires very simple coordination among all the players. He then used the example of cherry tomatoes in Niger. The shelf life of cherry tomatoes is only one or two days at non controlled temperature. But with the Temperature Controlled Logistics, shelf life of cherry tomatoes can be increased up to 10 days.

Mr. Emiliano Duch noted that value chains differ based on the types of products. He used the example of fast fashion company ZARA from Spain. ZARA sources from all over the world. Their big distribution center however is not by the sea but in Zaragoza which is in the center of Spain. They bring products there from all over the world. Their imports are 50% by road, 35% by sea and 15% by air. However, their exports are zero by sea while 64 trucks run out from the Zaragoza every day.

Mr. Emiliano Duch concluded that there is a need to rethink the idea of GVCs from the context of landlocked countries. It would be prudent to be investing in roads, railroads, airports and logistics because that will give much better connectivity for the kind of product and value added. Mr. Emiliano Duch emphasized that landlocked location is not a curse but could be a great advantage.

Ms. Gladys Mutangadura, OHRLLS, began her presentation on “Global and regional value chains to promote development in LLDCs: highlights of key findings.” She emphasized that GVCs are important in a tridimensional way: for investment, structural change, and human capital. In terms of investment, MNEs are important for increased greenfield FDI, which is the key for increasing export capacity, technology, and innovation, and development infrastructure. Next, in terms of structural change, GVCs can facilitate shifting to higher value-added activities, enable vertical specialization, and promote natural resource processing. In the third area, which is human capital development, GVCs are important for the transfer of skills, knowledge, innovative capacity, and for increasing productivity.

Ms. Mutangadura then linked GVCs to the implementation of the VPoA by discussing the 6 priority areas of the VPoA: fundamental transit policy, infrastructure development and maintenance, international trade and trade facilitation, regional integration and cooperation, structural economic transformation, and means of implementation, where the role of the private sector is recognized. If GVCs are pursued, all the mentioned priority areas will be affected positively as they would contribute to the achievement of the goals set for each priority.

Looking at the 2020 export structure of LLDCs, Ms. Mutangadura noted that about 53% of LLDCs' exports consist of primary products, 12% are denominated by resource-based manufacturing, and the more complex value chains like electronics or high-tech activities only account for a small proportion of exports. Over the past 5 years, there has been little progress in increasing the exports of higher value-added goods. LLDCs have been mostly exporting primary products or products with little processing since 2016. On another note, Ms. Mutangadura showed that LLDCs have significantly low GVC participation levels compared to both developed and developing economies, making up only 0.45% of the total GVC trade.

Ms. Mutangadura shared that data from 2018 shows that LLDCs' main GVC trading partners are Germany, Russia, China, Netherlands, France, Japan, USA, Brazil, Belgium, UK, Turkey, India, Republic of Korea, and UAE. She also noted that GVC-related trade of LLDCs with their main trading partner currently largely entails exporting unprocessed goods which these countries re-export after adding value. She identified the following points as the main barriers for LLDCs' higher GVC participation: geographical isolation, high transport costs and limited competitiveness, trade and transit barriers making supply chain planning challenging, low levels of efficiency seeking foreign investment, and insufficient productive capacity. The report also demonstrates that FDI inflows to LLDCs has been decreasing since 2011, with the exception of a small increase in 2017.

Lastly, Ms. Mutangadura discussed policy options for LLDCs to integrate in GVCs. The OHRLLS report underlines investment promotion as a key area where LLDCs need to work on. This includes enacting simple and efficient investment promotion policies and regulations, moving investor licensing and associated services to one-stop online shops, and building efficient and dynamic special economic zones. The second key area highlighted in the report is productive capacity development, which includes investing in human capital with an eye on industries of the future, focusing productive capacity efforts to most relevant industries, and ensuring provision of supportive infrastructure, especially digital infrastructure. The third key area is planning for emerging GVC patterns such as GVCs changing due to COVID-19 and three megatrends (sustainability imperative, trade restrictions, and technology), new opportunities in manufacturing due to pressure for supply chain resilience, and RVCs becoming more important due to regional trade agreements. The last key area is overcoming trade-related disadvantages. LLDCs need to attract higher investment and financing for infrastructure development, use enhanced corridor approach and regional cooperation mechanisms, develop supportive trade policies, and fully implement the Trade Facilitation Agreement.

To conclude, Ms. Mutangadura stated that the international community could make use of the Roadmap for Accelerated Implementation of the VPoA, which includes several projects facilitating GVC integration. There are also resources available that include opportunities for financing, technical capacity building, and technology upgrading. She expressed that UN-OHRLLS will continue supporting member states across all areas to promote structural economic transformation.

The moderator, Ms. Anel Bakytbekkyzy, thanked Ms. Mutangadura and gave the floor to Ms. **Johanna Silvander, Programme Management Officer at UNCTAD.** First, Ms. Silvander repeated Mr. Duch's words which stated that for LLDCs, defect systems are the problem rather than landlockedness, and shared that she would prefer to call the problem "productive capacities" or "lack of productive capacities" instead of defect systems.

Ms. Silvander's began her presentation named "Harnessing the potential of nutraceutical products for export diversification and development in LLDCs: Assessment of Comparative Advantages and Binding Constraints" She informed that the UNCTAD Productive Capacities Index contains eight categories: human capital, natural capital, energy, transport, information and communication technology, institutions, private sector, and structural change. Looking at this index, it is possible to observe that LLDCs in general are characterized by high level of natural capital and low level of other productive capacities.

She emphasized that LLDCs face geographical challenges, which can be overcome, however, this is where the productive capacities need to be enhanced. Ms. Silvander further informed that growth so far has not had the desired effects on employment, income, and human development, however, LLDCs have strong potential to join successful exporters from other developing countries in producing and exporting nutraceutical products. This requires addressing demand and supply constraints, fostering productive capacities, and putting in place regulatory and institutional mechanisms to meet international quality and safety standards. She explained that nutraceutical products are defined as health-enhancing foods and food supplements including fruits, vegetables, and grains that are known to have health benefits. It is important to develop nutraceuticals because there currently is growing demand for this due to increasing consumer awareness of health issues and greater focus on preventing rather than curing illnesses.

Ms. Silvander then discussed nutraceuticals in diverse LLDCs. UNCTAD's report explored the potential nutraceuticals in Azerbaijan from Eastern Europe, including hazelnuts, pomegranate, and persimmon. From Africa, the report examined potential nutraceuticals such as frankincense, teff, and sesame from Ethiopia, and shea, sesame, and cashews from Burkina Faso. From Asia, Bhutan’s potential nutraceutical products were cardamom, red rice, and citrus, and Nepal’s were ginger, cardamom, and sea buckthorn. Lastly, from the Latin American region, the report explored Bolivia and identified quinoa, amaranth, and tropical fruits as potential health-enhancing products.

Ms. Silvander then explained why these countries have not yet exploited the mentioned nutraceuticals. Constraints on the production side consists of high transaction costs, poor physical infrastructure, weak institutional capacities, limited skills and poor implementation of policies. The most critical constraint is the limited development of their productive capacities across several PCI components. She further discussed that there are also market access constraints such as standards and quality control-related challenges, including keeping products at a certain temperature, faced by exporters, and the differences between market access and market entry. Finally, she noted that the functional foods and dietary supplements market was valued at $382.5 billion in 2019 and now it is estimated to be around $412.7 billion, with major markets being the EU, U.S., and Japan, which hold 90% of the global market demand.

Next, Ms. Silvander identified key policy recommendations based on the great potential discussed earlier. She noted that there will be the need to look at the economies of the mentioned countries from the productive capacities lens to see what the gaps and limitations are. LLDCs should also explore the possibility of developing production and export capacities in diverse range of areas, sectors, and economic activities. For diversification, it is important to note that manufacturing is not the only way of achieving higher value-addition, it can also happen through the agricultural sector or specialization of higher-value products like nutraceuticals. Ms. Silvander added that since the COVID-19 pandemic has brought new food security aspects, LLDCs give greater attention to their biodiversity and local production.

The report recommends that LLDCs should establish partnerships with research institutes, academic, domestic, and foreign companies to identify, develop, and promote potential products. The report also suggests that LLDCs should facilitate women’s participation in nutraceutical’s development and make the environment more inclusive. UNCTAD’s study shows that cooperatives and trade associations can be beneficial to promote production and sales/distribution. Other recommendations mentioned are enhancing agricultural extension services and developing stronger certification and marketing services, including through the introduction of geographical indications, to increase the value of the products.

The moderator then gave the floor to **H.E. Mr. Seydou Sinka, Permanent Representative of Burkina Faso,** who followed up to the presentations. He shared that Burkina Faso gives the private sector an important place in its development processes and in the implementation of the VPoA. He informed that Burkina Faso has recently adopted its second National Economic and Social Development Plan with the main objective of ensuring security and peace, national resilience and structural transformation, and more. The expected economic growth for 2025 is 7.1% and in order to achieve this growth rate, Burkina Faso is focusing on three main points: increasing agriculture and efficient production, expansion of mining activities, and development or manufacturing of certain products. Mr. Sinka posed the following questions: given the potential in resources, how can countries like Burkina Faso take more advantage of the global value chain despite the context of the pandemic? How to better integrate global digital value chains for LLDCs?

The floor was then given to **Ambassador Philip Odida, Deputy Permanent Representative of Uganda.** Following up to Mr. Duch's presentation, Mr. Odida agreed that there is a shift towards regional value chains and noted that in the East African community, with further integration, exports have increased. Secondly, he agreed with Mr. Duch's point on the ability to adopting digital tools. He shared that Uganda is currently on its third National Development Plan and has many ongoing projects. Uganda has a Private Sector Development Program to increase competitiveness of the private sector, a Digital Transformation Program to increase ICT penetration and use of ICT services, and many other programs with a main target of including or being "hand-in-hand" with the private sector.

Mr. Dulguun Damdin-Od, International Think Tank for LLDCs expressed his support to LLDCs, and agreed with the points raised by the presenters. Firstly, based on the presentation by Mr. Duch, Mr. Damdin-Od highlighted that LLDCs like Mongolia rely on land transportation, and thus on neighboring countries and border crossing. The transport cost and time are very high due to barriers such as too many customs clearances, corruption, and bureaucracy at the border. Thanks to the WTO Trade Facilitation Agreement, these barriers will be lifted. Secondly, in terms of economic diversification, Mr. Damdin-Od indicated that LLDCs need to invest more. Thirdly, ITTLLDC recommends maintaining the best possible relations with neighboring countries or transit countries as they play a main role in trade for LLDCs. They have to connect through infrastructure and network for regional integration. Mr. Damdin-Od thanked the chair.

Ms. Anel Bakytbekkyzy, the moderator, invited all speakers for final comments.

To answer the questions asked, **Mr. Adnan Seric from UNIDO** stated that over the years, UNIDO has been looking at the role of industrial capacities, particularly in fostering regional trade, global trade participation, and upgrading. The key here is to commit resources and create structures that identify the skills needed in specific industries with growth potentials, and engage in multilateral cooperation. Mr. Seric indicated that UNIDO has a number of programs for this topic and that LLDCs can feel free to contact UNIDO for more information.

Ms. Johanna Silvander then took the floor to answer the following question: How to support RND in LLDCs? She first mentioned that UNCTAD is doing service review assessments of science, technology, and innovation policies, which could be a starting point for countries. She then referred to her presentation and stated that linkages to multinational companies are important.

Following up to comments by the Permanent Representative of Uganda, **Mr. Emiliano Duch** clarified that value added does not mean transforming. In most cases, transforming will destroy value. He noted that scarcity is the key for value and most developing countries do not compete in that area because they depend on markets that are forecasted. He concluded by stating that the important thing is not to be in GVCs, but it is to be in the GVCs that bring value to the whole GVC.

Next, **Ms. Gladys Mutangadura** delivered her final comments. She noted that for LLDCs, FDI was decreasing even before COVID-19, mainly because of the lack of competitiveness. For the FDI to come and stay, the production and marketing of goods must be competitive. This is also due to issues discussed during the meeting, including transport costs and logistics. To increase competitiveness, what is needed is capacity building, technical assistance, and LLDCs to develop bankable projects or find ways of coming up with areas that can attract and retain FDIs.

Mr. Ashish Shah discussed the issues raised and stated that it is important to identify the specific challenges that LLDCs face that need to be addressed.

The moderator, Ms. Bakytbekkyzy concluded the meeting with three key takeaways from the discussion: Firstly, a long-term and inclusive economic recovery in Landlocked developing countries will be dependent on structural economic transformation for which leveraging the role of the private sector will be critical; Second, LLDCs' integration in global and regional value chains is extremely important in order to transition from passive suppliers of commodities to key players in manufacturing industries of the future. For this to come to fruition, proactive planning will be necessary; Third, the development of productive capacities with a special focus on human capital and the alignment of investment, trade and industrial policies are two key strategies that can drive LLDCs' enhanced participation in GVCs and provide impetus to efforts for long-term structural economic transformation.