

High-Level Private Sector Side Event

on the occasion of the First Preparatory Committee Meeting of Comprehensive 10 Year Review Conference
on the implementation of the Almaty Programme of Action

Thursday, 12 June 2014 | 1:15 pm – 2:45 pm
UN Headquarters - Conference Room 3 (CB)

“Creating Enabling Environments for Sustainable Investments in Landlocked Developing Countries”

Remarks by Dr. Louise Kantrow

Permanent Representative of the International Chamber of Commerce to the United Nations

Excellencies, ladies and gentlemen, good afternoon.

My name is Louise Kantrow, I am the Permanent Representative to the United Nations for the International Chamber of Commerce (ICC) and also serve as Chair of the Private Sector Steering Committee for the Second United Nations Conference on Landlocked Developing Countries.

Intro to ICC & the Committee

Established in 1919 by private sector representatives in five countries, ICC is the largest, most representative business organization, encompassing 6.5 million businesses in our global network, with national committees and direct members in 130 countries, as well as, active presence in over 230 countries through ICC's World Chambers Federation. The core of ICC's mission is to promote economic growth and development via trade and investment while dealing with the challenges and opportunities of globalization in economic, environmental and social areas.

Activities of the Committee (2-3 Paragraphs, LLDC Retreat)

The Private Sector Steering Committee for the Second LLDC Conference was formed in July 2013 consisting of over 15 members from landlocked and transit countries as well as UN agencies and other international organizations including the ICC and the International Road Transport Union (IRU). The Committee was given the mandate to:

- Act as a platform for building consensus and common position of the private sector
- Act as a vehicle for private sector participation and representation throughout the preparatory process, including in regional review meetings and intergovernmental preparatory committee meetings.

I am pleased to share with you that the Committee has been active in the pre-Conference events and we are looking forward to further engagement as member states negotiate on the outcome for the Conference. Furthermore, I am pleased to share with you that Pirelli Tyre S.p.A, has agreed to take on the role as Corporate Champion for the Private Sector Steering Committee. Mr. Alberto Pirelli, Deputy Chairman will

act as the ambassador for the broader business community at High-Level events organized around the Review Conference. In addition, the Committee also developed a survey with the assistance of the UN Conference on Trade and Development (UNCTAD) and the OHRLLS Secretariat, which aimed to collect their perspectives on pertinent issues faced by LLDCs as well as transit countries. Using the survey results, we drafted key business messages that resonate strongly with LLDCs and transit countries. The following are some of the relevant issues that were shared by those who participated in the survey:

- Growth, poverty reduction, and improving people's lives require a vibrant private sector. The current policy mix makes it difficult for private investment, private consumption, and exports to flourish.
- For LLDCs lack of adequate infrastructure is an impediment to economic growth and poverty alleviation. Remoteness from major markets and difficult topography, poor infrastructure, inefficient logistics systems and weak institutions compound the adverse effects of geography, leading to high trade transaction costs.
- Many LLDCs have difficulty taking full advantage of the opportunities of the global market. Supply response has been weak for a variety of structural reasons, including weak institutional capacity, but also because of incompatible policies. The challenge in accessing international trading markets is the high cost of doing business that makes products uncompetitive in the international market as well as the strict market requirements in terms of quality and standards.
- The greatest reform needed is simplification of the trade procedures and relevant legislation. Improving the linkages between policy and planning, increasing consultation with the private sector during policy development and expediting key projects that have a huge effect on economic growth are important factors to consider, which would hopefully reduce the cost of compliance and thus facilitate greater trade and policy consistency is also a necessary requisite for attracting investment.
- To encourage greater private sector participation in delivering public services and attract private capital to fund the country's infrastructure and related services, efforts should be put in place to ensure that the private sector is represented in international negotiations relating to trade facilitation to ensure that their perspectives are heard and considered throughout the process. There should be more effective mechanisms for private sector involvement in negotiation preparation at country, regional and international level. In most cases, private sector lacks the necessary resources for such involvement and support from development partners would go a long way to bridge this gap.
- The major discussion over the proper role of the governments in economic activities centers on its regulatory role. That is, despite the efficiency of the market, unregulated markets may lead to frequent failures, ranging from monopoly power to negative externalities. Therefore, a government that pursues social efficiency needs to counter these failures and protects the

public through regulations. In most cases the policies are in place, however implementation remains a challenge. This is linked to lack of capacity and sometimes lack of adequate information about the relevant policies.

- Companies need to have the capacity to comply with the market access requirements. The major issue appears to be lack of knowledge about the various barriers and mechanisms to address the barriers. What is therefore needed is a comprehensive communication strategy and intervention which equips the various players in the private sector with the requisite knowledge and thus enable them to more effectively utilize whatever mechanisms are in place. As such, there should be a forum that brings together government and the private sector to brainstorm and agree in a identifying key policy and legislative issues that require attention in order to promote a better business environment.

Another challenge that is shared by LLDCs is the size of informality. While the informal sector constitutes a major source of job creation and livelihoods of most households in Africa, it results in loss of revenue for government, low productivity, increased corruption, lack of transparency and consistency in regulations. Widespread informality leads to weak rule of law and corruption; in the absence of legal protection, that comes with property rights and the livelihood of informal entrepreneurs depends on the whim of local officials. When legal protection is out of reach for the majority of the population and when rules are enforced arbitrarily, abuse thrives and democracy cannot flourish.

The business case for development is based on the understanding that business and social values are inextricably linked and business efforts to improve lives and strengthen local communities can also have long-term bottom line benefits.

The very first step to set up an economy for growth and job creation is to get the basic enabling conditions right. The enabling environment for sustainable enterprise development comprises a large array of factors, the relative importance of which may vary at different stages of development and in different cultural and socio-economic contexts. However, there are some basic conditions that are generally considered to be essential.¹ Macroeconomic stability, clear and transparent regulations, and the rule of law, together form the fundamental operating environment within which the private sector makes its decisions to invest and create jobs.²

A functional legal system is not only key in building economic foundations, it is also crucial in safeguarding democratic values. Without an integrated system of institutions that create order and facilitate daily transactions of all types – from traffic flow to business contracts – true rule of law and true democratic governance are lacking.

¹ Para 11, *Conclusions concerning the promotion of sustainable enterprises*, International Labor Conference, June 2007

² IFC Jobs Study, *Assessing Private Sector Contributions to Job Creation and Poverty Reduction*, January 2013, Chapter 5, p.43

The promotion of consensus-building through stakeholder dialogue – notably between governments, business and civil society – is vital for designing effective solutions and for implementing them in practice. They create a shared sense of accountability and responsibility. Such multi-stakeholder co-operation may take place for example in the context of creating an enabling business environment.

On behalf of the Private Sector Steering Committee, we would like to thank you for giving us the opportunity to engage in this important process. I can assure you of the Committee's active and respectful participation at every stage of the process.

Thank you