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Draft Synthesis of the LLDC Private Sector Steering Committee Survey

1. Infrastructure and development maintenance

1.1 Constraints in terms of physical infrastructure

All countries that responded (both transit and LLDC) are affected by the deterioration of their infrastructure and are in need of investment in that area. Specific country constraints include:

- Rail infrastructure;
- Certain roads;
- Road, ancillary infrastructure, transit corridors;
- Roads, rail, air, and pipeline.

1.2 Key areas where investment in new and maintenance of existing infrastructure

Key areas in need of investment are outlined in the table below:

- Bridges
- Border Posts
- Railways
- Roads
- ICT
- Multimodal systems
- Trade corridors
- Pipeline

1.3 Fostering enhanced participation and the role of the private sector in infrastructure development and maintenance

The private sector can be engaged in infrastructure development and maintenance through:

- The establishment of legal and regulatory frameworks which encourage business participation in infrastructure);
- Policies to allow concessions;
- Creating an enabling business environment which allow the development of PPPs;
- an adequate legal and regulatory framework;
- the development of access to technical skills;
- Creating an investment environment that ensures a decent return on investments.

2. International Trade

2.1 Difficulties experienced in accessing international trading markets

- High cost of trade and doing business;

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- The lack of necessary trade negotiating skills and capacity to bargain;
- Tariffs and non-tariff barriers, insufficient domestic capacities to for example comply with international standards as well as lack of market access provided by importing countries;
- Burdensome non-tariff measures including complex procedures, lack of access to information, import/export documentation, strict technical standards;
- Weak institutions and policies;
- Poor technology;
- Strict market requirements in terms of quality and standards.

2.2 How are different trade regimes and agreements affecting business and trade

- Insufficient mechanisms in place to ensure that the local industries are prepared to actively participate in global trade.
- Regional and trade agreements did not insulate exporters from barriers to trade including multiplication of customs documents, rules, conformity and assessment measures, export quotas, variance in domestic taxes.
- Aid for Trade and the Integrated Framework has great potential for generating economies of scale and stimulating regional trade.
- It is hard to compete with goods from developed countries, especially with the current subsidies in place. Goods are produced in developing countries at a huge cost due to inadequate infrastructure and capital.
- Developing countries have trouble meeting quality standards, technical regulations and quantity needs from developed countries.

2.3 Ways of strengthening the capacity of the private sector to confront various tariff and non-tariff barriers to trade, increase access to markets and integrate into regional and global value chains

Ways of strengthening the capacity of the private sector in LLDC and transit countries include:

- The implementation of a comprehensive communication strategy and intervention to provide the private sector with the relevant knowledge and information relating to various trade related issues including availability of markets through training, forums, etc.;
- The implementation of legislation encouraging PPPs;
- Implementing government agencies that are customer-focused and elimination of burdensome non-tariff barriers;
- Helping companies obtain quality and standard certificates for market access;
- Streamlining policy and legislation supporting trade and industry as well as developing partnerships between the private sector and governments to grow, manage and maintain transport infrastructure.

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3. Trade Facilitation

3.1 Challenges in moving goods across borders, including to third markets

Challenges include:
- Slow and cumbersome customs and cross border procedures;
- excessive documentation requirements;
- lack of or insufficient use of electronic (e-transactions) processes and information technology;
- lack of transparency, predictability and consistency in customs activities;
- lack of modernization of, and cooperation among, customs and other governmental agencies;
- corruption;
- exorbitant customs escort fees;
- government bureaucracy/administrative bottlenecks;
- faulty import/export documents; harassment of transporters and shippers by government agencies;
- insecurity along the transit roads and borders;
- Poor state of infrastructure specifically on road blocks, customs points, weigh-bridges.

3.2 Effects of un-standardized trade and transit transport rules and procedures on trade and business

Un-standardized trade and transit transport rules increase the cost of doing business through:
- High cost of trade logistics due to variances in axle-load controls, multiple police road blocks and weighbridges, and corruption by officers manning these facilities;
- Delays associated with multiple checking points and border posts;
- Small traders and business owners turn to the informal trade to avoid the complex regulations and duties levied in formal sector
- Informal trade results in loss of revenue to the government, lower GDP and productivity, smuggling, corruption, lack of transparency and consistency in regulations, and increase import prices for goods.

3.3 Ways to strengthen, harmonize and implement laws that govern international transport and transit to reduce institutional bottlenecks, border procedures, delays and high costs associated with trade

Laws governing transport and trade should:
- be implemented at the regional level and be in line with internationally accepted norms;
- tackle vice corruption in the LLDCs. Wherever possible service charters should be drafted;
- put in place affirmative action provisions that take into consideration the disadvantaged situation of LLDCs;
- focus on lack of access to the sea and remoteness from major markets, inadequate transit facilities; cumbersome customs and border crossing procedures; infrastructure and development, higher transport costs and the effects of climate change (particularly on

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agriculture production, frequent occurrences of natural disasters, land degradation, desertification, and food security, viability of inland fisheries as well as increased deforestation and loss of biodiversity);

- establish a National Single Window (a trade facilitation concept which allows cross-border traders to access apply and submit regulatory documents at a single location);
- establish an agreement on the Facilitation of Cross- Border Transport of Goods and People through Joint Customs Controls at selected border sites and the practice of One-Stop Customs Inspection;
- Adopt bilateral/multilateral agreement and cooperation among trading countries including international trade laws/INCOTERMS and international trade best practices.

3.4 Engaging the private sector, as the primary beneficiary of trade facilitation efforts, more effectively

The private sector can be engaged through:

- More effective mechanisms for private sector involvement in negotiation preparation at the country, regional and international level at early stages and support from development partners in providing resources;
- The creation of recognized representative organizations for the various sectors of the economy traded in;
- the implementation of bilateral agreements;
- participation in all important trade facilitation programs;
- capacity-building to improve competitiveness and compliance with the law.
- Establishing PPPs that don't assume that one-size-fits-all;
- introducing paper-free electronic data interchange systems and pre-arrival submission of customs declarations;
- making use of a risk management inspection system where less than 10 per cent of containers are physically inspected;
- having systems allowing authorized persons who meet prescribed criteria to benefit from simplified procedures;
- having excellent port infrastructure;
- Entrepreneurship and investment should be encouraged by lowering the risks and costs of doing business;
- market-based approaches should be used as a way to address obstacles to market development;
- private sector development and governance programs should be linked or merged under a comprehensive strategy.

4. Business environment

4.1 Conduciveness of national regulations and procedures to conducting business

Challenges of national regulations and procedures to conducting business include:

- lack of capacity and sometimes lack of adequate information about the relevant policies;

- Processes for starting a business and acquiring assets (property, land) are lengthy;
- lack of reliable technology;
- Costly and time consuming dispute resolution mechanisms;
- Lack of consistency and coordination between different laws and regulations;
- regulations are sometimes used as an avenue to extort money from intending entrepreneurs;
- in some cases the regulations are obsolete.

Platforms conducive to conducting business:

- In Ethiopia, the regular Public-Private Consultative Forums are helpful for business (Ethiopia).

4.2 Reforms and/or policies that would make the regulatory environment more conducive to conducting business

The reforms would include:

- The simplification and coordination of trade procedures and relevant legislation;
- Addressing the constraints of high tax rates, high costs of access to finance, high labour costs, corruption, insecurity, poor infrastructure and business licensing; improving security through reducing costs and revenue losses to businesses due to insecurity and addressing corruption;
- improving governance particularly in terms of delays and high costs at the courts;
- developing infrastructure;
- promotion and development of micro and small-medium enterprises;
- improving productivity and competitiveness of the agricultural sector; improving natural resources management; improving trade and investment;
- re-investing in human capital development;
- promoting a culture of high performance through policy and planning;
- Ensuring easier access to funding, making legislation clearer, developing an entrepreneurial culture and support networks for businesses;
- creating an institutional framework to encourage growth.

4.3 Ease or difficulty of attracting foreign investment

Challenges:

- policy inconsistencies;
- SMEs need simpler and more access to opportunities existing abroad, and access to finance can be improved, and their capacity enhanced through training and networking;
- governments should look to improve their country's ease-of-doing-business index;
- strenuous registration requirements and fiscal procedures for various business start-ups;
- lack of efficiency in contract enforcements and tax payments;
- inefficient legal and judicial systems;
- lack of access to finance, innovative financial operators, strong regional banks;
- lack of investor protection;

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- lack of knowledgeable personnel;
- inefficient technology;
- Infrastructural challenges related to access to energy, poor roads, lack of a functional railway system among others;
- the high cost of credit;
- corruption in some government institutions;
- the lack of certain critical skills required in production;
- the challenge of access to land for production.

5. Technological Innovation

5.1 Main bottlenecks for LLDCs in attracting FDI

- Unclear policies on the enforcement of commercial contracts;
- External perception of the country and need for potential investors to put more effort in investigating and understanding the situation on the ground;
- Poor road and rail network;
- unskilled labor;
- underdeveloped IT and communication; prices and foreign exchange controls;
- untapped natural resources;
- non-tariff barriers;
- lack of investment protection;
- Poor infrastructure;
- perpetuation of state control over important aspects of international business operations;
- shortage of modern management skills and culture in the local private and public sectors;
- absence of an experienced business development framework that can assist local SMEs to improve competitiveness as suppliers to incoming TNCs;
- political instability;
- poor institutional and legal framework;
- Unpredictable and unstable macro-economic dynamics existing in most developing economies.

5.2 Areas and/or sector where technology transfer and innovations are needed for building domestic productive capacity and for achieving effective sustainable development

Areas needing support include:

- ICT infrastructure;
- Institutions involved in trade facilitation and customs;
- micro-finance institutions;
- organizations and professional bodies from the private sector representing different sectors of the economy;
- vocational training and research institutions;

- the engineering industry;
- Construction (to carry out the necessary construction that would meet the LLDCs particular needs);
- machinery (the LLCDs need to also produce their machines themselves rather waiting to import from other countries);
- The agriculture and agribusiness sectors.

5.3 Alternative routes by which LLDCs can integrate their economies into global technological knowledge networks

Integration can be done through:

- more structured collaboration between the LLDCs and their citizens in the Diaspora;
- Regional integration (between LLDCs);
- forging strong industry-university linkages for technology transfer and strengthening South-South cooperation with emerging economies;
- improving the quality of products;
- cutting the cost of production;
- producing innovative products;
- enhancing capacity development and sharing technological advancement;
- imitation and adaptation of foreign technologies to their particular environment.

6.International Support and Financial Flows

6.1 Constraints in accessing and/or receiving international assistance

- the high sovereign debt overhang has meant that multilateral organizations have suspended any meaningful financial assistance to the country;
- poor governance;
- lack of political will;
- official corruption;
- lack of transparency and accountability;
- inadequate policy framework and legislation;
- restrictive policies for investment and access to financial tools (lack of sufficient bilateral, multilateral and regional agreements on trade collaboration);

6.2 Ways to improve access official development assistance ODA, including Aid for Trade to leverage domestic capital and foreign direct investments (FDI)

- Aid-for-Trade can be an effective tool for mobilizing FDIs provided that the agenda is determined by the recipient countries rather than the donor;
- Create mechanisms for accessing ODA through a Public-Private sector platforms;
- Policy makers should maximize the 'crowding-in' effect and minimize the 'crowding-out' effect that high public investment can have on the private sector. Policy options include increasing

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credit and foreign exchange to the private sector, a faster pace of nominal currency depreciation, and a gradual rise in the nominal interest rate.

- Creating a comprehensive project plan; sound legal and institutional framework;
- direct disbursement of funds to account of project in phases;
- project evaluation and monitoring; stringent penalties;
- Foreign inflows in the economies of LLDCs should be directed to particular sectors of the economy that have higher multiplier effects and those that are labor intensive;

6.3 Top policy areas where LLDC or transit countries might benefit from international financial and technical assistance and know-how

Top policy areas include:

- policies enabling the participation of the SME's and the informal sector in the mainstream economy;
- policies to encourage and leverage the country's considerable mineral and agricultural resources so that greater value is realized from exports;
- reforms in the public sectors to improve the productivity of human capital;
- policies around the privatization of state corporations and services;
- policies in research and promotion of value addition in export agro-products;
- regulations and policy framework for the petroleum and mining sectors;
- Public Private Partnership programs as part of a Private Sector Development Strategy by the government;
- Capacity development;
- power generation (most factories generate most of the power they use for production and this makes cost of production to be high);
- infrastructural development with emphasis on energy generation; construction and rehabilitation of the road network; revamping the railway system and expansion of ICTs; adding value in agro-processing and deepening the East African Community integration.

7. Resource Mobilization

7.1 Constraints of private sector, especially small and medium-sized enterprises, in accessing capital

Constraints include:

- lack of necessary collateral;
- high interest rates for loans are high (businesses end up acquiring cheap second-hand equipment and inputs);
- access to (loan) finance constitutes problems revolve around the limited availability or size of loans, the restrained accessibility mainly due to stringent conditions, and difficulties in accessing foreign currency;
- most LLDCs lack Development Banks that are able to lend money at reasonable interest rates.

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7.2 Alternatives to mobilizing greater volumes of domestic resources

- Finding ways of mobilizing the considerable resources held by citizens in the Diaspora;
- Introducing secondary capital markets;
- expanding social security coverage and establishing pension funds for the purpose of reinvesting them in viable economic activities;
- resource mobilization should address both human and financial resources (human resources should cover education, R & D, trainings, facilities);
- bailout funds provided by the government to boost SMEs with a directive for a very low interest rate and given to a specific sector such as agricultural processing;
- formation and strengthening of cooperative societies as well developing a functional securities and stock exchange systems.

7.3 Ways in which domestic entrepreneurs and businesses can work with the government to provide assistance in identifying key policy and legislative areas that would usher a more robust national economy and increased international trade integration

- need for entrepreneurs and businesses to organize themselves into strong and effective associations to speak with "one voice" with the policy makers and legislators;
- there still exists a huge information and communication gap between the public sector and the private sector. To remedy to this the private sector should ensure it vigorously and continually engages with government and all relevant state agencies. The private sector should also, where necessary, consider financing such meetings;
- the government and the private sector can and should arrange regular roundtable meetings to discuss and solve business obstacles that affect private sector development and that is fondly referred to as public private dialogue forums;
- Private Public Partnership (PPP) is one of the easiest way for domestic entrepreneurs to work with governments to develop the national economy;
- domestic entrepreneurs can form different pressure groups to clearly state their requirements and benefits;
- 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.

8. Experiences/examples of the private sector in the areas of trade, trade facilitation, infrastructure development, resource mobilization, sharing of experiences etc. that show the impact of successful reforms, projects or initiatives

These experiences include:

- Export credit guarantee schemes (vehicles to facilitate exporters' access to bank credit and enable local exporters not to lose an export market due to inability to get bank credit, this scheme has significantly supported the private sector in the exporting business); Incentive

schemes (Duty exemption, Duty Draw back scheme, Voucher scheme, Bonded Manufacturing warehouse scheme); Diaspora Engagement (Ethiopia).
- The Single Customs Territory and the One-Stop Border Posts (which operate twenty four hours a day) have been great initiatives in terms of trade facilitation for Uganda and the EAC region as a whole. In terms of infrastructure development, the private sector has been focal in the construction industry in the country which is growing at about 8.8% pa. (Uganda).
- The association of freight forwarders in Kenya (Kenya International Freight & Warehousing Association – KIFWA) signed a Memorandum of Understanding with Customs authorities (KRA) in 2008 for mutual cooperation; including a comprehensive training program for customs agents. The joint training program has helped the practicing agents to become more efficient, reliable and compliant and at the same time improved revenue collection by government through increased volume of trade as the cost of doing business has decreased due to increased efficiencies (Kenya).
- The government concession for the construction of another domestic terminal of the Lagos airport to a private company led to the terminal being considered the best domestic airport terminal in Nigeria (Nigeria).

9. Any further comments

- In Kenya with the recent discoveries of rare minerals, crude oil and gas deposits in the region, many of which are in the most remote areas, there is an urgent need for policy formulation in research, and management of these resources. There is also need to develop laws to regulate investment, human resource mobilization and development to ensure the local communities also benefit from the surge in economic activities in their areas (Kenya).
- E-Government particularly addresses the problems that government is too costly, too inefficient and too ineffective (e-administration), too self-serving, too inconvenient (e-citizens and e-services), and too insular (e-society) (Ethiopia).

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