Background

The 2nd United Nations Conference on Landlocked Developing Countries (LLDCs), held from 3 to 5 November 2014 in Vienna, Austria, brought together over 1000 high-level participants including Heads of State and Government and ministers from 129 countries, senior officials from UN system and other organisations as well as representatives from private sector and civil society. The Vienna Conference was held as the 10 year review of the Almaty Programme of Action that was adopted in 2003 as the United Nations’ response to the growing recognition by the international community of the special needs and challenges faced by LLDCs in achieving their development goals.

Landlocked Developing Countries are identified as one of the most vulnerable groups of countries due to their geographical challenges. Lack of direct access to the sea, remoteness from international markets, additional border crossings, compounded by infrastructure deficiencies, logistical bottlenecks and weak institutions put them at a disadvantage in comparison to coastal countries. Furthermore, the lack of structural change, the continued dependence on a narrow range of commodity exports and the slow rate of productivity growth are all factors that have kept LLDC economies from fully harnessing their potential to attain sustainable growth.

The review of the Almaty Programme was undertaken on the intergovernmental, interagency and private sector tracks. The private sector track was set up to involve and engage private sector representatives during all stages of the preparatory process, as well as the Conference itself. Private sector representatives attended several pre-conference events and regional reviews of the Almaty Programme and have presented the views of the private sector to the member states on pertinent issues for LLDCs and transit countries.

Priorities of the Vienna Programme of Action

1. Fundamental Transit Policy Issues
2. Infrastructure Development and Maintenance
3. International Trade and Trade Facilitation
4. Regional Integration and Cooperation
5. Structural Economic transformation
6. Means of Implementation
The Vienna Conference adopted the new Vienna Programme of Action which takes a holistic, action-oriented approach to the development challenges of LLDCs while also emphasising the need to ensure coherence with other global processes on development issues. The Programme of Action identifies fundamental transit policy issues, infrastructure development and maintenance, international trade and trade facilitation, regional integration and cooperation, structural economic transformation and means of implementation as the six key priorities for the next development decade and stresses the need for renewed and strengthened partnerships amongst LLDCs, their transit and development partners.

There is also reoccurring acknowledgement of the need for new stakeholders such as the private sector to participate in the implementation of the programme, reflecting the growing recognition of the international community that the private sector can be a crucial driver of development and wealth creation by providing employment, income, products and services. The private sector could play a role in the implementation of the Vienna programme in areas such as infrastructure development in transit facilities, ICT and energy and the structural transformation of LLDC economies. An ongoing dialogue between public and private sectors, during the implementation process of the Vienna Programme of Action, is crucial to ensure clear communication for prospective partnerships and investments.
UN Secretary-General Ban Ki-Moon, President of Georgia Giorgi Margvelashvili (left of UN SG), President of Austrian Federal Economic Chamber Christoph Leitl (right of UN SG) and European Commissioner for International Cooperation and Development Neven Mimica (far left) at the High-Level Luncheon of the Business and Investment Forum.
Executive Summary

The Business and Investment Forum was organized as an integral part of the 2nd United Nations Conference on Landlocked Developing Countries (LLDCs). The event brought together business leaders, government officials from LLDCs and transit countries, as well as development partners and senior officials from major international organizations, to exchange views on the challenges and opportunities faced by LLDCs and to discuss possible partnerships and strategies in regards to the role of the private sector in the overall sustainable development of LLDCs.

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), the UN Global Compact and the International Chamber of Commerce, the full-day event addressed the special needs of LLDCs at four thematic sessions on infrastructure, good governance, sustainable growth and access to capital, as well as a high-level luncheon hosted by the Austrian Federal Economic Chamber.

In the opening session, Under-Secretary-General and High Representative for UN-OHRLLS, Mr. Gyan Chandra Acharya, welcomed the attendees and reiterated the importance of the Business and Investment Forum for bringing together business and Government leaders as well as development partners to exchange views and strategies to ensure the proper role of the private sector in the overall sustainable development of LLDCs.

Mr. Ole Hansen, Head of Global Compact LEAD, stated that the cost of failing to advance sustainable development in LLDCs is steep, but also emphasized the potential for both companies and societies to turn these challenges into new business opportunities.

Permanent Representative to the UN, International Chamber of Commerce, Dr. Louise Kantrow, underscored the importance of engaging the private sector at an early stage for policy development as they play a critical role in transforming societies and driving the economic growth of LLDCs.

At the luncheon, UN Secretary-General Ban Ki-moon provided opening remarks to a room of over 170 business leaders, Government heads, and UN agencies, stressing the importance of the private sector as a crucial partner in driving progress in LLDCs. He encouraged the private sector to work more closely with the UN to achieve a sustainable future.
In the closing session, the importance of the role of the private sector in the development agenda of LLDCs was reiterated and private sector was encouraged by the UN and ICC to collaborate further and move this agenda forward. They stressed private sector investments as key in enabling LLDCs to diversify and grow their economies.

Business was invited to engage with the UN Global Compact, its partners and the ICC to support the implementation of the anticipated sustainable development goals.

The Forum was the result of a ten-year review of the Almaty Programme of Action on addressing the needs of LLDCs, which reinforced business as a key partner in implementing the newly adopted Vienna Programme of Action over the next decade.
Thematic Session 1

Enabling Environments for Businesses through Good Governance and Rule of Law

In this session participants explored how good governance, sound policies and strong institutions are vital for creating an enabling business environment. Governments that are receptive to the needs of entrepreneurs and SMEs, as well as the right policies for regional trade integration stimulate private sector growth. Moreover, dialogue between Government and the private sector was identified as key for effective policy formation.

Key Discussion Points

- Building the capacity of SMEs and entrepreneurs will help create a business-enabling environment allowing for increased productivity of value chains. Additionally, promoting the inclusion of the informal sector in the formal sector can help trigger business growth.

- Government and the private sector working together can more effectively address regulatory issues, tackle corruption and build infrastructure.

Challenges

Participants highlighted that the informal sector represents one-third of the population in developing countries. This widespread informality leads to weak rule of law and corruption and hinders economic development and growth. Participants found that legal systems of LLDCs at times prioritize multinational corporations which can negatively impact the ability of local industries to conduct business.

Participants spoke of the disconnect between what Governments and the UN are discussing with what is applied on the ground. They emphasized the need for the private sector to collectively speak to Government to ensure that policy formation is aligned with the needs and priorities of the business community. It was also noted that Government and the private sector should work together to address regulatory uncertainty, corruption and infrastructure development.

Other notable challenges highlighted by speakers were insufficient trade integration within regions, weak governance amongst public institutions, and the absence of governance frameworks in key sectors such as health and energy.
Opportunities

Participants underscored the importance of building the capacity of SMEs and the informal sector where the bulk of employment takes place in LLDCs in order to raise awareness around trade facilitation and integration. Participants also emphasized the importance of promoting entrepreneurship and providing entrepreneurs with the necessary training and skills-building to create a business-enabling environment. Additionally, connecting the local economy with the global market will allow local businesses to flourish and accelerate economic development in LLDCs.

Speakers identified the development of strong institutions as vital for effecting change. There was also agreement that governance frameworks are needed to ensure outcomes in an accountable and efficient fashion.

Building regional associations as a platform for public-private dialogue was noted as a way to address transit and regulatory barriers and facilitate trade integration. Participants also highlighted technological innovation as an effective way to reduce trade costs.

Speakers

- Mr. Aidan Davy, Deputy President and Senior Program Director, International Council on Mining & Minerals
- Mr. Bernhard Hulla, CEO, Hulla & Co Human Dynamics
- Dr. Louise Kantrow, Permanent Representative to the UN, International Chamber of Commerce
- Mr. Boaz Makomere, National Chairman, Kenya International Freight and Warehousing Association
- Mr. Andrew Matiza, CEO, Association of SADC Chambers of Commerce and Industry
- Mr. John Sullivan, Executive Director, Center for International Private Enterprise (CIPE)
Thematic Session 2

The Role of the Private Sector in Transit Transport Infrastructure and ICT

This session covered issue areas including the high cost of transport and trade transactions in LLDCs due to inadequate transit and ICT infrastructure. ICT and transport infrastructure are vitally important aspects of the sustainable development agenda. The two are closely interlinked as each provides a type of connectivity for landlocked regions, allowing them to benefit from globalization and the global economic processes. The long routes to access LLDCs and their remoteness from world markets are among the reasons for the high costs of developing transit and ICT infrastructure in LLDCs. Greater private sector participation in funding and delivering infrastructure, energy and related services in LLDCs will speed up local connectivity and business growth.

Key Discussion Points

- Inefficient processes at international borders are often at the root of high transport costs. Investments targeting these inefficiencies can help reduce costs and increase the overall productivity of LLDC economies.

- ICT infrastructure is not only integral to a country’s economic activities but is particularly important for LLDCs as ICT can help address inefficiencies at border crossings.

Challenges

Speakers underscored the importance of transport and ICT infrastructure which provides invaluable connectivity for landlocked regions, while also highlighting the higher transport costs facing LLDCs. The latest World Bank figures show that LLDCs incur over twice the cost for both exports and imports compared to that of transit countries.

Participants identified that costs are often incurred at international borders where delays and convoluted processes cause the cost of transport to rise steeply. The lack of logistics capacity results in the import of service providers which limits economic development, while slow border crossings allow for a degree of criminal activity, and fuel is wasted while trucks idle for hours at these border crossings. Traffic growth in LLDCs will cause more congestion, traffic bans and road taxes resulting in a loss of productivity and higher prices.
In many LLDCs, where there is a lack of hard infrastructure, there is also an absence of ICT infrastructure. One reason given for this was the difficulty of transporting ICT equipment without suitable transport infrastructure. Conversely, ICT is vital for creating efficient transport networks highlighting the interconnectedness of transport and ICT infrastructure. Given the importance of connectivity in attracting foreign investments, speakers determined that ICT should be an integral part of the post-2015 development agenda.

Opportunities
Given the challenges above, participants emphasized the importance of various stakeholders working as partners to not only build more highways and roads but also to invest in better, targeted infrastructure. The International Road Transport Union shared its three-part strategy for achieving sustainable development focusing on innovation, incentives and infrastructure. Additionally with the help of ICT, transport could be more sustainable, more secure, and could overall be more efficient.

ICT makes businesses more accessible and competitive, stimulates markets, improves productivity for SMEs and larger enterprises, brings access to education and health care, and brings about geographical and social inclusion. Ms. Brigitte DuMont, Chief CSR Officer, Orange, shared the three target areas they focus on in order to boost social and business innovation: 1) infrastructure and connectivity; 2) value-added services; and 3) ecosystems and enablers. Investing in infrastructure and connectivity improves network coverage and connects those in remote regions to address the digital divide. Providing value-added services targeting the specific needs of those in the fields of health, education, agriculture, finance and government can help accelerate development. Finally, focusing on ecosystems and enablers will allow these investments to scale.

Participants reiterated the value of partnering with the private sector, Governments, development agencies, civil society organizations and foundations to ensure successful transport and ICT development.
Speakers

- Mr. Umberto de Pretto, Secretary General of International Road Transport Union
- Mrs. Gisa Fuatai Purcell, Head, LSE Division of the Development Sector, International Telecommunication Union
- Mr. Peter Tropper, Secretary General, Austrian Association AISÖ
- Ms. Brigitte Dumont, Chief CSR Officer, Orange
- Mr. Alexander Klacska, Chief Executive Officer, Klacska Group
- Mr. Johny Smith, Chief Executive Officer, Walvis Bay Corridor Group
The United Nations wants to work more closely with the private and public sectors to spread understanding about responsible investment based on universal principles, the Secretary-General said, urging more business leaders to engage with the UN on its many initiatives in the areas of women’s empowerment, education, energy and nutrition to support LLDCs to achieve a more sustainable future.

Following the opening keynote, participants, which included those from the Business and Investment Forum as well as key government and UN officials engaged in roundtable discussions over lunch on possible strategies and partnerships, as well as explored which drivers could accelerate growth in LLDCs and maximize private sector contributions to sustainable development in LLDCs.

H.E. Sam Kutesa, the President of the 69th General Assembly of the United Nations, provided a brief intermission in which he positively acknowledged the importance of events such as the luncheon that bring the public and private sector together and the need for private sector involvement and collaboration for the development of LLDCs, especially with regard to developing infrastructure.

At the conclusions of the roundtable discussions, two rapporteurs from the participants reported back to the plenary session on some key outcomes of the discussion. The first rapporteur, Ms. Helen Hai, CEO of the Made in Africa Initiative and recently appointed UNIDO Goodwill Ambassador, linked the discussions with her own experiences working as a former vice president of Huajian Overseas Investment Group in landlocked Africa. Strong leadership is key to growth in landlocked countries. However, in order to achieve these objectives, growth must be sustainable, countries must focus on the global business perspective and leadership must be able to identify their comparative advantages and then create policies that support and promote these advantages to be able to link to the global supply chains. Hai also stressed the importance of triangular cooperation (North-South-South), particularly in landlocked Asia and Africa. These criteria are essential for LLDCs to achieve sustainable and inclusive growth.

The second rapporteur, Ms. Gizeshwork Tessema, the CEO of Gize Plc, a shipping and logistics firm based in Ethiopia, discussed the many needs for landlocked countries such as more sustainable and accessible forms of transportation and technology transfer through trade and cooperation with other countries. Ethiopia, for example, has set 2025 as a goal for the country to reach middle income economic status and the private sector will play a crucial role in achieving that goal. The UN can contribute greatly in this respect through support for good governance, for women’s empowerment and improving the capacities of human development.
The event closed with keynote remarks from H.R.H. Princess Abze Djigma, CEO of AbzeSolar S.A. and UNISDR Private Sector Advisory Group and Energy Focal Point from Burkina Faso, who continued with the theme of the conference and pressed on the importance of linking LLDCs to the global market. Djagma expressed the need to focus on growing a sustainable environment through the implementation of gender equality and the creation of decent jobs for youth while urging the private sector to allocate appropriate budgets that will allow LLDCs to be included in the global value chain.

Like other speakers, Djigma emphasized the importance of Governments to invest in infrastructure, energy, industrialization and technology transfer as key factors in diversifying production and adding value. There is much growth and opportunity in LLDCs but what is needed now is “business, not charity,” said Djigma. On the private sector side, she invited large companies to engage more with local companies to create a local ecosystem, saying that economic growth is the best way ever to win the fight against poverty and stabilize economic growth. This is one of the key ways that business can contribute to the post-2015 development agenda and meeting the unique development challenges facing landlocked countries.
Thematic Session 3

Turning Commodity Dependence into Sustainable and Inclusive Growth

This session focused on potential policies and strategies that could turn commodity dependence into sustainable, inclusive and equitable growth and development for LLDCs. Participants recognized that the private sector can help LLDCs diversify beyond primary commodities to manufacturing secondary commodities with added value. Speakers also underscored the need for strong leadership, capacity-building, good governance and partnerships to attract investors and improve trade agreements between LLDCs and neighbouring countries to increase the domestic value-addition of exports and create decent jobs.

Key Discussion Points

- The economies of LLDCs continue to depend heavily on a handful of primary commodities. Investments should focus on diversifying beyond primary commodities and increasing the productivity of the commodity value chain.

- Fair trade agreements and policies can help facilitate regional integration and the development of regional commodity value chains. This would allow for a more coordinated development approach inclusive of LLDCs.

Challenges

For the majority of LLDCs primary commodities account for roughly 70 per cent of all exports, and the primary sector is the major employer for LLDCs. For the last 10 to 15 years LLDCs have reinforced their dependence on commodities. LLDCs continue to depend on a handful of commodities and have not been able to diversify their economies. Lack of diversification makes LLDCs highly vulnerable to external economic shocks.

Furthermore, economic growth has not been associated with employment creation. Participants agreed that this is a concern as it disrupts structural transformation from low to high productivity that is expected of developing countries as they move up the development ladder.

Presenters also highlighted the lack of smart technologies and an environment favourable to entrepreneurship. There was agreement that financial returns generated from primary commodities have thus far not been effectively used to promote advances in domestic technological and entrepreneurial capacities in LLDCs.

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Trading at the highland market of Dorze in Ethiopia
Opportunities

Speakers recognized the opportunity for investments to be made in both hard and soft infrastructure, developing institutions, enhancing partnerships, human resources and skill development, and acquiring technology and technological knowhow. This would allow commodity-dependent LLDCs to shift from low technology and low productivity to high technology and more productive manufacturing activities, and ultimately high value products. Private sector investments can help link LLDCs with neighbouring transit countries and facilitate a coordinated development approach.

Presenters determined a need to explore further ways to enhance regional integration by pulling resources and capabilities towards the development of regional commodity value chains for LLDCs to join global value chains and diversify their economies. To facilitate this, positive trade and financing agreements need to be adopted, and policies and strategies need to be articulated at the national, regional and global levels,

Participants also emphasized the importance of combining public and private investment directed toward increasing the diversification and productivity of the commodity value chain.

Speakers

- Mr. Ratnakar Adhikari, Executive Director, Enhanced Integrated Framework
- Mr. Petko Draganov, Deputy Secretary-General of UNCTAD
- Mr. Dennis Matangira, AAF SME Fund
- H.E. Yamfwa Mukanga, Minister of Transport, Works, Supply and Communications of Zambia
- Mr. Philipp Prinz, Director, Joseph Initiative Ltd, Uganda
- Mr. Parvindar Singh, Managing Director a.i., Common Fund for Commodities
- Mr. Taffere Tesfachew, Director, Division for Africa, LDCs and Special Programmes (UNCTAD)
- Mr. Bruce Tozer, Director, De Novo Agricultura
Thematic Session 4

Sustainable and Responsible Investments

This session explored challenges and opportunities for enabling further investments in LLDCs. Speakers emphasized the need to create an environment conducive to attracting investments that would facilitate the sustainable development of LLDCs. Participants exchanged ideas on the different roles various stakeholders can play to achieve this and elevate private sector investment in LLDCs. Also highlighted was the growing awareness of socially responsible investing and the contribution it can have on inclusive growth.

Key Discussion Points

- To encourage co-investments and the diversification of funding sources, Governments can help facilitate the flow of private capital flows into LLDCs by ensuring that sound regulatory frameworks and investment guidelines are in place. Governments and multilateral development banks can also help lower potential investment risks through guarantees and co-investments.

- Participants spoke of the importance of building the capacity of local businesses and better integration of the informal sector into the formal sector to achieve sustainable development in LLDCs. Local SMEs and microenterprises, often overlooked, can help diversify the source of financing for LLDCs to complement Overseas Development Assistance and other public sources of funding.

Challenges

Despite recent progress, LLDCs still face unique development challenges due to their lack of direct access to the sea and as a consequence a higher cost of doing business.

Poor governance, high levels of corruption and insufficient infrastructure were identified as major barriers to investments in LLDCs. Participants recognized the growing concern of investors over inadequate infrastructure such as access to quality education as well as issues surrounding energy.

Additionally speakers emphasized the need for better rule of law and sound investment policies that both create an enabling environment conducive to private business and foreign investment, and optimize the contribution of these investments to inclusive and sustainable development.

Higher transaction costs and political as well as currency risks associated with investing in LLDCs were also mentioned as deterrents for investors.
Opportunities

The session highlighted the opportunity for Governments of LLDCs to put in place the necessary investment policies to create an enabling environment for attracting private capital. The OECD’s Policy Framework for Investment (PFI) was shared as an example of non-prescriptive recommendations that encompass policy areas affecting foreign investments including trade, fiscal and competition policies, corporate governance, anti-corruption and responsible business conduct.

Speakers also underscored the growing interest in social investments and the willingness of donors to take on more risk. It was noted that investments in LLDCs and socially responsible investments in general have shown a track record of positive returns, and there is an increasing interest from investors to learn more about these investment opportunities. Innovative financing mechanisms such as blended capital structures and exploring ways to invite new types of donors to make investments more attractive for the long term were recognized as key to increasing private capital flows to LLDCs.

The business community is also increasingly seeing the value of investing in the communities of their operations through rural development, facilitating access to global markets. Where lacking, Governments also need to set up registration systems to be able to provide appropriate resources and training to SMEs and microenterprises in order for them to be integrated into the formal sector. Participants also noted that ICT has made it possible for LLDCs to move away from commodities-based economies thus opening up new business and investment opportunities.

Speakers

- Dr. Yilmaz Argüden, Director of the Board & Chair, Global Compact Local Networks Advisory Group
- Mr. Sébastien Duquet, Regional Director Eastern Europe, Caucasus, Central Asia & MENA, responsAbility France SAS
- Ms. Bineta Mbacké, Public Affairs Manager, Nestlé S.A.
- Dr. Manfred Schekulin, Deputy Director General, Trade Policy and European Integration, Federal Ministry of Science, Research and Economy of Austria
- Mr. Henrik Skovby, Chairman, Dalberg Group
- Mr. Oudet Souvannavong, Vice President, Lao National Chamber of Commerce and Industry