Enhancing private participation in the implementation of the Vienna Programme of Action and the 2030 Agenda for Sustainable Development

Draft Background Paper

1. Background

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

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

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

Whilst the private sector is recognized as vital for development, many developing countries, including LLDCs have a relatively weak domestic private sector. Weak private sector in developing countries has been associated with lack of sufficient tools and policies which can encourage private-sector-led growth and support diversification and structural transformation. The LLDCs are characterised by a very narrow production and export base, and low levels of value addition indicating a low level of private sector participation in the economy. According to UNCTAD Statistics, the share of manufacturing as a percentage of GDP for LLDCs was 9.6 in 2014 and the share of manufactured goods to total exports stood at 13% in 2014.

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

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

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

2. Business Environment in the LLDCs

The World Bank Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It covers eleven areas of business regulation across 190 economies including: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The Doing Business
Report presents results for two aggregate measures: the distance to frontier score¹ and the ease of doing business ranking.

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

Doing Business data shows that other developing countries are often ahead of LLDCs in terms of the conducive business environment. Among the four regions, LLDCs, especially in Asian and Europe, seem to be having a more favourable environment for business in terms of starting a business, registering property and enforcing contracts. European LLDCs are, to an extent, the best performers among the LLDCs, followed by Asian and South American countries. On the contrary, many LLDCs in Africa find themselves at the bottom of the rankings.

Among the evaluated eleven business areas in 2017, the most problematic areas were the getting electricity, starting a business, dealing with construction permits, protecting minority investors, and trading across borders.

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

<table>
<thead>
<tr>
<th>LLDCs</th>
<th>Distance to the Frontier Score</th>
<th>Doing Business Ranking</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2015</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>40.14</td>
<td>40.5</td>
</tr>
<tr>
<td>Armenia</td>
<td>61.37</td>
<td>71.62</td>
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<tr>
<td>Azerbaijan</td>
<td>62.38</td>
<td>66.65</td>
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<tr>
<td>Bhutan</td>
<td>56.58</td>
<td>64.78</td>
</tr>
<tr>
<td>Bolivia</td>
<td>49.76</td>
<td>48.42</td>
</tr>
<tr>
<td>Botswana</td>
<td>64.95</td>
<td>64.53</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>40.19</td>
<td>49.57</td>
</tr>
<tr>
<td>Burundi</td>
<td>34.98</td>
<td>48.11</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>27.50</td>
<td>36.45</td>
</tr>
<tr>
<td>Chad</td>
<td>29.43</td>
<td>38.02</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>45.91</td>
<td>45.73</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>56.81</td>
<td>68.88</td>
</tr>
</tbody>
</table>

¹ The distance to frontier score helps assess the absolute level of regulatory performance over time. It measures the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy’s distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents. E.g. A score of 75 in 2016 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time.
<table>
<thead>
<tr>
<th>LLDCs</th>
<th>Distance to the Frontier Score</th>
<th>Doing Business Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrgyzstan</td>
<td>60.89 65.13 65.09 65.17</td>
<td>75</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>46.44 50.79 52.44 53.29</td>
<td>139</td>
</tr>
<tr>
<td>Lesotho</td>
<td>50.44 57.31 57.56 60.37</td>
<td>100</td>
</tr>
<tr>
<td>Macedonia</td>
<td>65.78 78.95 79.19 81.74</td>
<td>10</td>
</tr>
<tr>
<td>Malawi</td>
<td>48.32 50.04 51.11 54.39</td>
<td>133</td>
</tr>
<tr>
<td>Mali</td>
<td>43.87 50.27 50.71 52.96</td>
<td>141</td>
</tr>
<tr>
<td>Moldova</td>
<td>58.59 71.08 71.64 72.75</td>
<td>44</td>
</tr>
<tr>
<td>Mongolia</td>
<td>58.73 66.56 67.31 68.15</td>
<td>64</td>
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<tr>
<td>Nepal</td>
<td>60.43 60.07 59.36 58.88</td>
<td>107</td>
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<tr>
<td>Niger</td>
<td>36.64 45.39 47.07 49.57</td>
<td>150</td>
</tr>
<tr>
<td>Paraguay</td>
<td>60.79 60.64 59.1 59.03</td>
<td>106</td>
</tr>
<tr>
<td>Rwanda</td>
<td>57.88 67.67 68.63 69.81</td>
<td>56</td>
</tr>
<tr>
<td>South Sudan</td>
<td>35.96 33.48 33.48</td>
<td>186</td>
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<td>Swaziland</td>
<td>53.85 58.3 58.15 58.34</td>
<td>111</td>
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<td>Tajikistan</td>
<td>41.07 51.2 53.98 55.34</td>
<td>128</td>
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<td>Uganda</td>
<td>48.97 52.25 57.1 57.77</td>
<td>115</td>
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<tr>
<td>Uzbekistan</td>
<td>39.44 59.25 62.68 63.03</td>
<td>87</td>
</tr>
<tr>
<td>Zambia</td>
<td>57.32 61.51 60.77 60.54</td>
<td>98</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>41.42 47.17 47.08 47.1</td>
<td>161</td>
</tr>
</tbody>
</table>

Source: World Bank Database

3. Infrastructure Development in LLDCs

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

3.1 Transport Infrastructure

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

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

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

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

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<tbody>
<tr>
<td>LLDCs - LPI Infrastructure component</td>
<td>1.94</td>
<td>2.10</td>
<td>2.29</td>
<td>2.31</td>
<td>2.26</td>
</tr>
<tr>
<td>Transit Developing Countries - LPI Infrastructure component</td>
<td>2.36</td>
<td>2.39</td>
<td>2.56</td>
<td>2.51</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: World Bank Development Indicators

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

3.2 Energy

Strong, resilient energy infrastructure is critical to economic growth and vitality and is essential to manufacturing’s continued success and competitiveness. Countries also need electricity supplies that are free from interruptions and shortages so that businesses and factories can work unimpeded. Access to modern energy remains a challenge to LLDCs. The average proportion of population having access to electricity services in the LLDCs increased by 10% from 40% in 2000 to 44% in 2012. LLDCs have significantly lower average level of access to electricity when compared to both developed and developing countries as depicted in figure 1 below.
There are also disparities between countries; with 9 countries having reached universal access, while 8 countries are trailing behind others with an access rate lower than 20%. There are also wide disparities between urban and rural areas with urban areas having access rates that are much higher than the rural areas. There are also huge challenges in some LLDCs associated with unreliable services affected by frequent disruptive services even in urban areas. The OHRLLS, Government of Austria, UNIDO and SE4All High-Level Seminar on Accelerating Sustainable Energy for All in LLDCs through Innovative Partnerships held in October 2016, stressed the need to develop the energy sector in order to strengthen the private sector and industrial capacities in the LLDCs. The meeting specifically underscored the importance of renewable energy technologies as a means to mitigate emissions and to adapt to the impacts of climate change.

**3.3 Information Communication Technology (ICT)**

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

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

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

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

**Figure 2: Average Internet Users per 100 people of the LLDCs, Transit Countries, and the world**

![Graph showing Average Internet Users](source: ITU Database)

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

![Graph showing Average Mobile Subscriptions](source: ITU database)
4. Trade Facilitation

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

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

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

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

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

In general, the most problematic areas for the LLDCs are: automation, border agency cooperation (external), simplification and harmonization of documents, involvement of trade community, and advance rulings.
Access to finance is identified as one of the key constraints to sustainable private sector growth in many developing countries and this is no exception to the LLDCs. A well-functioning financial sector can facilitate the exchange of goods and services, diversify risk, mobilize savings, and the identification of good business opportunities, all of which encourage investment and entrepreneurship.

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

At the national level, investment in the green economy needs to take place on a far greater scale over coming decades if we are to achieve the Sustainable Development Goals. To achieve the objectives of the SDGs, countries will need to seize opportunities to “green” infrastructure lending by multilateral investment banks (MDBs) first. Given the resources and longer records of accomplishment of MDBs in leveraging climate finance and investment, they can provide important lessons for private investment banks and institutions, thus helping to support the rapid scaling-up of green investment and financing flows on a scale commensurate with the challenge presented by the Sustainable Development Agenda.
Some domestic policy environments and local markets, such as those of LLDCs, may be insufficiently developed to be appropriate for commercial interventions. In these cases, market development and capacity building, and therefore grant models and significant subsidization from MDBs, are often required. In these developing markets, the environmental considerations (usually negatively affecting commercial profitability of projects) fall far behind.

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

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

6. Obstacles faced by Small and Medium sized enterprises

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

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

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

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

7. Foreign Direct Investment

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

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

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

![Figure 5: LLDCs and Developing Economies Total FDI Inflows in current US$ Millions](source: UNCTADSTAT database)
8. Some Selected Best Practices

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

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

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

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

9. Conclusions and recommendations

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

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

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

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

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

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

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

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