Keynote statement highlighting challenges faced in enhancing the role of the private sector in LLDCs and Zambia’s experience by H.E. Ms. Christine Kalamwina, Charge D’ Affairs and Deputy Permanent Representative of Zambia to the United Nations as Global Chair of the Group of LLDCs

Delivered at the 2017 ECOSOC Forum on Financing for Development Side Event: Enhancing the role of the private sector in the implementation of the Vienna Programme of Action and the 2030 Agenda for Sustainable Development

Moderator,
Excellences,
Distinguished participants,

I have the honour to deliver this statement on behalf of the Group of the Landlocked Developing Countries (LLDCs).

The key role of the private sector in stimulating economic development and supporting sustainable development is fully acknowledged in the 2030 Agenda for sustainable development, Addis Ababa Action Agenda and the Vienna Programme of Action. Each of the landlocked developing countries desire to have a vibrant private sector that contributes to sustainable development through investment, employment and business creation, as well as facilitating promotion of innovation, economic diversification, capacity building and knowledge management.

However in our endeavour to support and grow the private sector, we face some key challenges that include the business environment, inadequate infrastructure, trade restrictions, difficulties in obtaining finance on affordable terms, limited education and skills and a large informal sector.

An enabling business environment is crucial for our countries’ ability to attract private investment and to enhance the structural economic transformation of our economies which is critical for achieving sustainable development. We as government have a role to play to enhance the business environment. Developing effective and transparent policies and regulations supportive of private sector development can help steer our economies towards more profitable activities that can at the same time address our special needs and challenges.

Further streamlining of procedures for new businesses is important in order to reduce the number of procedures and cost. The lack of supportive business regulatory environment has also limited our ability to attract foreign direct investments. FDI is critical for our countries. It amounts to about the same as the amount of ODA received. LLDCs need support to develop the policies that can create an enabling environment to attract foreign private
investment and also to attract investment in the key productive areas supportive of implementation of the Vienna Programme of Action and the 2030 Agenda.

Another challenge that many LLDCs face is inadequate infrastructure. The private sector requires reliable electricity, good transportation systems and ICT connectivity. Attaining good standard of infrastructure is a major challenge in all the LLDCs. We face challenges in terms of attracting private investment for critical infrastructure project.

Public-private partnerships for infrastructure development have become more popular and have shown positive outcomes in terms of leveraging various forms of financing and enhancing effectiveness of investments. However, I would like to highlight the need for development of bankable projects – that are commercially viable, implementable and can attract sustainable investments from the private sector or public private partnership. Our countries have challenges with regards to the technical expertise required to prepare such projects. We therefore need comprehensive technical assistance or capacity building to support us to develop bankable projects and manage their implementation.

Access to financing is one of the constraints to private sector growth in the LLDCs. While the value of domestic credit provided to the private sector in LLDCs has increased from an average of 18% of GDP in 2000 to 35% in 2015, our countries still lag greatly behind other developing countries. There is need to develop targeted policies to enhance firms’ access to finance in particular the SMEs.

The capacity of the private sector needs to be further enhanced, in particular through enhanced education, training, and entrepreneurship skills development. One of our greatest challenges is to improve the competitiveness of the firms because of the high trade costs that we face. For LLDCs in particular, our SMEs should continue to be provided with the technical and capacity building assistance to overcome their challenges in international trade and in particular to add value to their products and services and to connect to regional and global value chains.

Sharing Experiences from Zambia

In Zambia there is the Private Sector Development Reform Programme (PSDRP) aimed at reducing the cost of doing business in the country and encouraging competitiveness in the private sector. PSDRP targets to fast track and accelerate private sector reforms in a number of key sectors which are expected to lead to an improved competitive business environment.

The initiative was launched in 2005 with the purpose of promoting investment in the private business sector. The cost of doing business in Zambia was too high, affecting foreign and domestic investment.

The Private Sector Development in collaboration with the Zambian government and the private sector have been promoting quality of service and private investment by addressing numerous issues involving finances, infrastructure, and bureaucracy.

Some of the PSD initiatives recent successes include reducing the amount of time it takes to register a company, speeding up the border clearance time, and a large reduction in the number of licenses required to start and operate a business in Zambia. These are just the beginning of the PSD initiative's projects to bolster the private business sector in Zambia,
transforming this country's promising resources into a worldwide market for quality goods and services.

In conclusion, the role of the private sector in the implementation of the Vienna Programme of Action and the 2030 Agenda cannot be underestimated. The private sector needs to be further supported and strengthened and further dialogue between public and private sectors should be encouraged, across various areas of sustainable development.

I thank you for your attention.