Introduction

The COVID-19 pandemic has abruptly halted progress towards LLDCs' key economic objectives and broadly across all priority areas of the Vienna Programme of Action for LLDCs. To stimulate broad based and sustainable recovery in LLDCs, the role of the private sector will be of paramount importance. One particular area where leveraging the role of the private sector will be important for LLDCs is for increasing their participation in global and regional value chains. Integration into GVCs is important for LLDCs as it can provide impetus to structural transformation efforts, increase their trade linkages and facilitate spillovers of technology and innovative capacity.

The meeting on *Leveraging the Potential of the Private Sector for Integration of Landlocked Developing Countries into Global and Regional Value Chains* was held virtually on 17 November (10:00 am- 12:00 pm, ET). This meeting was 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), and the Permanent Mission of Kazakhstan to the United Nations, in its capacity as the Chair of the Group of Landlocked Developing Countries (LLDCs).

Attendance

The meeting was attended by more than 30 participants including Government Representatives from LLDCs and participants from UN and other international organizations.

Participant countries	
Afghanistan	Nepal
Armenia	Turkmenistan
Botswana	Uganda
Burkina Faso	Zambia
Lao People's Democratic Republic	Zimbabwe
Mongolia	Paraguay
Ethiopia	Uzbekistan
International Organizations	
International Trade Centre (ITC)	World Bank
The International Think Tank for LLDCs (ITT LLDC)	United Nations Office of the High

Proceedings

Mr. E. Courtenay Rattray, High Representative and Under-Secretary-General Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS) started the opening remarks exclaiming that this meeting was held not only in light of LLDCs' long-term development priorities, but also in the context of a sustainable recovery from the COVID-19 pandemic.

Mr. E. Courtenay Rattray pointed out the vulnerabilities of LLDCs before and after COVID-19 pandemic. Before the pandemic, most LLDCs remained reliant on the exports of commodities with either limited processing or no processing. Export values have remained far below potential. According to the analysis from OHRLLS, 52% of merchandise exports from LLDCs in 2020 comprised of primary products. Medium and high-tech manufacturing exports accounted for only 10% of merchandise exports. The COVID-

Mr. E. Courtenay Rattray stressed that LLDCs need to ensure that investors are not deterred by transport related disadvantages. That means fully coordinating investment, industrialization, infrastructure, and trade facilitation policies and initiatives. There also needs be greater cooperation and closer coordination with transit countries to ensure seamless and cost-effective connectivity to seaports.

Ms. Anel Bakytbekkyzy, Deputy Permanent Representative of Kazakhstan to the United Nations, Chair of the Group of LLDCs remarked that leveraging the potential of the private sector is important for landlocked developing countries to achieve their long-standing development objectives including Vienna Programme of Action and to kickstart economic recovery from the aftermath of the COVID-19 pandemic. The role of the private sector is essential for structural economic transformation which is one of the priority areas of the VPoA and critical to the long-term development objectives of LLDCs. However, progress towards structural economic transformation has been limited in most LLDCs even before the pandemic. And most LLDCs continue to be reliant on the exports of commodities, which results in LLDCs' lower export revenues than potential. Merchandise exports declined significantly in LLDCs and the rate is much higher than the global average. The agriculture sector continues to be a major sector for providing employment in landlocked developing countries, which is typical for countries at the lower level of structural change. Moreover, landlocked developing countries continue to experience a decline in agricultural productivity.

Ms. Anel Bakytbekkyzy stated that landlocked developing countries are still highly dependent on commodities. This results in a vulnerability to external shocks and limits competitiveness and the ability to produce high-value-added products. The pandemic exposed structural vulnerabilities in commodity producing countries and led to closures of mines and agricultural farms which directly affected the supply of these commodities. It is clear that to achieve the long-standing development objectives LLDCs need to focus on structural economic transformation with a particular focus on manufacturing industries.

Ms. Anel Bakytbekkyzy stressed that the meeting would focus on the key issue of structural economic transformation in landlocked developing countries, their integration in global and decades it has become the manufacturing hub of the world. Unfortunately, other developing countries including landlocked developing countries have not been able to replicate this.

Ms. Anel Bakytbekkyzy mentioned three key questions for developing countries in general and LLDCs, in particular, with regards to GVCs. First, is the opportunity for economic growth by participating in GVC still available, like it was in the past few decades? Second, what changes have GVCs undergone in recent years, and how have they been impacted by the COVID 19 pandemic? Finally, if opportunities for development are still available through GVCs, what can landlocked developing countries do to capitalize on and how can the private sector pay this?

Ms. Anel Bakytbekkyzy thanked the expert panelists and all the participants for joining this meeting. She moved onto the expert panel.

Mr. Ashish Shah, Director of Country Programmes, International Trade Centre (ITC) stated that trade lies at the heart of the ITC’s mandate and was also the theme of today's panel discussion about leveraging the potential of the private sector for integrating LLDCs into regional and global value chains. LLDCs make up for only 0.45% of total GVC trade while developing countries account for 33%. Firms which integrate into value chains are potentially more successful than those that don't. This is because participation in value chains leads to knowledge spill-overs,

chains. What is important however, is that LLDCs need to fully understand the opportunities for engaging the private sector and seize those opportunities. They see the private sector engagement potential from three perspectives, the private sector as a provider of technical expertise, the private sector as a funder and the private sector as a buyer. ITC has teamed up with USAID to create a Central Asia hub on the E commerce platform eBay. The eBay Central Asia hub highlights businesses and products from the five Central Asian countries. In all LLDCs including Kazakhstan,

maintenance, international trade and trade facilitation, regional integration and cooperation, structural economic transformation, and means of implementation, where the role of the private sector is recognized. If GVCs are pursued, all the mentioned priority areas will be affected positively as they would contribute to the achievement of the goals set for each priority.

Looking at the 2020 export structure of LLDCs, Ms. Mutangadura noted that about 53% of LLDCs' exports consist of primary products, 12% are denominated by resource-based manufacturing, and the more complex value chains like electronics or high-tech activities only account for a small proportion of exports. Over the past 5 years, there has been little progress in increasing the exports of higher value-added goods. LLDCs have been mostly exporting primary products or products with little processing since 2016. On another note, Ms. Mutangadura showed that LLDCs have significantly low GVC participation levels compared to both developed and developing economies, making up only 0.45% of the total GVC trade.

Ms. Mutangadura shared that data from 2018 shows that LLDCs' main GVC trading partners are Germany, Russia, China, Netherlands, France, Japan, USA, Brazil, Belgium, UK, Turkey, India, Republic of Korea, and UAE. She also noted that GVC-related trade of LLDCs with their main trading partner currently largely entails exporting unprocessed goods which these countries re-export after adding value. She identified the following points as the main barriers for LLDCs' higher GVC participation: geographical isolation, high transport costs and limited competitiveness, trade and transit barriers making supply chain planning challenging, low levels of efficiency seeking foreign investment, and insufficient productive capacity. The report also demonstrates that FDI inflows to LLDCs has been decreasing since 2011, with the exception of a small increase in 2017.

Lastly, Ms. Mutangadura discussed policy options for LLDCs to integrate in GVCs. The OHRLLS report underlines investment promotion as a key area where LLDCs need to work on. This includes enacting simple and efficient investment promotion policies and regulations, moving investor licensing and associated services to one-stop online shops, and building efficient and dynamic special economic zones. The second key area highlighted in the report is productive capacity development, which includes investing in human capital with an eye on industries of the future, focusing productive capacity efforts to most relevant industries, and ensuring provision of supportive infrastructure, especially digital infrastructure. The third key area is planning for emerging GVC patterns such as GVCs changing due to COVID-19 and three megatrends (sustainability imperative, trade restrictions, and technology), new opportunities in manufacturing due to pressure for supply chain resilience, and RVCs becoming more important due to regional trade agreements. The last key area is overcoming trade-related disadvantages. LLDCs need to attract higher investment and financing for infrastructure development, use enhanced corridor approach and regional cooperation mechanisms, develop supportive trade policies, and fully

structural transformation, and more. The expected economic growth for 2025 is 7.1% and in order to achieve this growth rate, Burkina Faso is focusing on three main points: increasing agriculture and efficient production, expansion of mining activities, and development or manufacturing of certain products. Mr. Sinka posed the following questions: given the potential in resources, how can countries like Burkina Faso take more advantage of the global value chain despite the context of the pandemic? How to better integrate global digital value chains for LLDCs?

The floor was then given to **Ambassador Philip Odida, Deputy Permanent Representative of Uganda.** Following up to Mr. Duch's presentation, Mr. Odida agreed that there is a shift towards regional value chains and noted that in the East African community, with further integration, exports have increased. Secondly, he agreed with Mr. Duch's point on the ability to adopting digital tools. He shared that Uganda is currently on its third National Development Plan and has many ongoing projects. Uganda has a Private Sector Development Program to increase competitiveness of the private sector, a Digital Transformation Program to increase ICT penetration and use of ICT services, and many other programs with a main target of including or being "hand-in-hand" with the private sector.

Mr. Dulguun Damdin-Od, International Think Tank for LLDCs expressed his support to LLDCs, and agreed with the points raised by the presenters. Firstly, based on the presentation by Mr. Duch, Mr. Damdin-Od highlighted that LLDCs like Mongolia rely on land transportation, and thus on neighboring countries and border crossing. The transport cost and time are very high due

Ms. Johanna Silvander then took the floor to answer the following question: How to support RND in LLDCs? She first mentioned that UNCTAD is doing service review assessments of science, technology, and innovation policies, which could be a starting point for countries. She then