



Analysis of the business environment in Least Developed Countries

Key findings

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Key findings

The private sector is the engine for growth, innovation, and job creation in all economies across the globe, contributing to greater economic and social equity, integration, and political stability.

Agenda 2030 and the Secretary General's report *Our Common Agenda* highlight the importance of the private sector, understanding that employment and prosperity would only be possible with the engagement of businesses of all sizes and in all sectors. However, businesses in Least Developed Countries (LDCs) often work in difficult environments where infrastructure and services are poor, the rule of law needs to be fully enforced, and corruption is a recurring factor. If LDC economies are to be fully transformed to achieve the Sustainable Development Goals (SDGs), government efforts to establish stable and supportive environments are critical, as is the inclusion of business leaders, institutions, and other stakeholders in determining the roadmap on the way forward. At the country level this means including employer federations in UN processes such as the Cooperative Frameworks, Common Country Analysis, and the National Voluntary Reviews. Their inclusion will bring their innovative ideas, expertise in science and technology and data driven information to the UN table to advance the 2030 agenda at country level.

The International Organisation of Employers (IOE) is the largest global network of the private sector. It represents over 151 employer and business membership organisations across 142 countries, representing over 50 million companies. IOE members are independent employer and business organisations, representing the country-level voice of business and supporting an enabling environment for businesses of all sizes to thrive. Employer and business membership organisations (EBMOs)¹ represent sustainable enterprises at the heart of any strategy to create employment and improve living standards. EBMOs play a vital role in fostering an environment conducive to creating jobs and wealth for the benefit of society. Their advocacy efforts with government and other stakeholders, as well as their services to members, are key factors in the growth, resilience, and sustainability of companies, large and small.

In its 2021 LDC Report, the United Nations Conference on Trade and Development (UNCTAD) revealed that the current national and international policy frameworks have yet to help the majority of LDCs address their major development challenges. Additionally, the economic crisis caused by Covid-19 has further affected the economic growth efforts of those LDCs that had focused their development objective on exports or are dependent on commodities. More than 80% of the 25 LDCs analysed in this report are heavily reliant on commodities (more than 60% of their GDP)². All 25 LDC countries reviewed in this report struggled with soaring inflation, well above the global average of 3.8%.

¹ The designation employer and business membership organisations (EBMOs): includes associations, organisations, unions, confederations, federations, chambers of commerce, councils etc. that have employers and businesses in their membership.

² UNCTAD – the state of commodity dependence <https://unctad.org/topic/commodities/state-of-commodity-dependence>

Therefore, the structural transformation of LDC economies remains a significant challenge to achieving the economic and social resilience set out in the SDGs. This structural transformation must involve strengthening institutional capacities, strengthening productive capacities, a growth in diversification and productivity, and increased formalisation of production units and workers. Priority should be given to leverage domestic and foreign investments and transfers of technical expertise in a paradigm shift beyond debt relief and official development assistance. The focus must be on building a vibrant and productive private sector.

The business environment in the majority of LDCs remain hampered by the lack of a skilled workforce to boost economic growth, develop human capital, and compete globally; unclear tax regulations; excessive and competing administrative procedures; unreliable social and physical infrastructures, difficulty accessing finance and foreign currency; and poorly designed and inadequate legal frameworks and labour systems. If LDC economies are to be transformed in ways to achieve sustainable development goals, governments and international institutions must include business leaders in these countries in determining the roadmap on the way forward. Governments in LDC countries need to prioritise activities that generate sustainable economic growth and decent jobs by supporting entrepreneurship, reducing poverty, and promoting social inclusion.

This report aims to review existing challenges and obstacles in the business landscape in LDCs and to provide detailed country recommendations to overcome these challenges. The report examines the main issues stopping economic development, the obstacles for employers in setting up, maintaining, and expanding businesses, the needs of employers on the ground, and the recommended policy and legislative framework changes needed. The report combines research with in-depth interviews and questionnaires with business leaders and senior managers from representative private sector associations in 25 countries. The information contained within is as close as possible to the reality of doing business in these 25 LDCs.

This report:

- Analyses trends and obstacles to enterprise creation, formalisation, and development in LDCs.
- Provides an assessment of the labour system in each LDC, identifying weaknesses.
- Evaluates the needs and expectations of the private sector in LDCs to improve the business climate.
- Formulates specific recommendations to improve the business climate in LDCs.
- Showcases business opportunities for private sector contributions



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There are no one-size-fits-all recommendations for the 25 countries reviewed in this report because each country is different and has particularities. However, some essential overarching recommendations clearly articulate the following urgent needs:

- Develop human capital further to prevent skills mismatches in labour systems and enhance entrepreneurship.
- Improve the local financial sector for resource mobilisation, improve accounting services, bank lending, and access to finance.
- Address relatively large informal sectors through registration methods and digital tools.
- Promote the growth, diversification and competitiveness of local industries through domestic and international investments.
- Strengthen and expand infrastructure developments to improve digital connectivity.
- Improve transparency and communication between government agencies and ministries to prevent differing or opposing policies and regulations.
- Practice good governance and social dialogue among stakeholders to work together to improve the business climate.

These recommendations can be seen in more detail in each country review.

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