Regional workshop on resource mobilization for sustainable development in the Asia-Pacific countries in special situations

Virtual meeting
14-15 December 2021

Workshop summary

Background
The financing requirements to achieve the Sustainable Development Goals (SDGs) are substantial for the Asia-Pacific countries in special situations (CSS). The CSS comprise the least developed countries (LDCs), landlocked developing countries (LLDCs) and small island developing States (SIDS) of the region. Before the pandemic, estimates of the Asia-Pacific region’s aggregate financing needs to achieve the SDGs by 2030 amounted to an additional 5% of GDP per year, or $1.5 trillion per year. The figures were estimated to be considerably higher for LDCs and SIDS, around 15% to 20% of their respective GDPs. However, it is expected that the COVID-19 pandemic has increased the region’s financing needs, due to drastic declines in government revenues and the urgent need to deploy substantial fiscal and monetary measures to address the health and socio-economic consequences of the pandemic. Indeed, the average fiscal deficit among Asia-Pacific developing countries is projected to increase from 1.5% of GDP in 2019 to 5.6% in 2021. Similarly, the average public-debt to GDP ratio is projected to increase from around 51% in 2019 to 63% in 2021. Such a rapid build-up of debt has raised concerns over debt sustainability in several countries. Furthermore, the intensifying impacts of climate change pose a significant challenge, especially for low-lying coastal LDCs, LLDCs with expanding dry-lands, and SIDS whose literal existence is now being threatened by rising sea levels.

Since 2018, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) has implemented a project entitled Supporting the countries with special needs (i.e., countries in special situations) in Asia-Pacific in meeting the challenge of resource mobilization for achieving the 2030 Agenda for Sustainable Development. With 21 studies produced and 15 workshops held, the project aimed to strengthen the capacity of policy-makers in selected countries to identify gaps and design appropriate policy options to effectively allocate and utilize existing financial resources, as well as to mobilize additional financing, for achieving the SDGs. With the project coming to an end in December 2021, ESCAP organized a virtual regional workshop to bring together experts and policy-makers from countries in special situations to share their knowledge, experience and lessons learned, with a particular focus on the project’s three thematic areas: i) capital market development; ii) digital finance; and iii) climate finance. This workshop also included two special events for LDC policy-makers on: i) enhancing digital G2P (Government-to-Person) transfer capacities in the Asian LDCs; and ii) mobilizing resources to support the smooth graduation from the group of LDCs.

Objectives
This workshop aimed to: i) share lessons learned from the aforementioned project; and ii) identify potential follow-on activities to help further enhance resource mobilization for sustainable development in the Asia-Pacific countries in special situations, especially in the project’s three thematic areas. The outcomes of the workshop are expected to contribute towards filling current knowledge gaps at the regional level, and to inform global processes, such as the Financing for Development in the Era of Covid-19 and Beyond Initiative (FfDI), and particularly in: Cluster III on Finance and Technology; Cluster IV on Liquidity and Debt Vulnerabilities; and Cluster VI on addressing countries in special situations. The workshop also aimed to establish a network of experts for follow-on interventions.

**Organization**

The two-day workshop was organized by ESCAP and held in a virtual format. Oliver Paddison, Chief of Section on Countries in Special Situations of ESCAP, and Hamza Malik, Director, Macroeconomic Policy and Financing for Development Division of ESCAP, made remarks at the opening of the workshop. The opening session also had keynotes addresses from: H.E. Mr. Ly Thuch, Senior Minister and President of the National Committee for ESCAP, Cambodia; H.E. Ms. Dasho Kesang Deki, Finance Secretary, Ministry of Finance, Bhutan; H.E. Mr. Ashurbay Solehzoda, First Deputy Minister, Ministry of Economic Development and Trade, Tajikistan; and Mr. Yvon Basil, Director, Department of Foreign Affairs and International Cooperation, Ministry of Foreign Affairs, International Cooperation & External Trade, Vanuatu.

Presentations were also made across the two days by: i) the Ministry of Foreign Affairs, International Cooperation and External Trade of Vanuatu; ii) the Ministry of Economic Development and Trade of Tajikistan; iii) the Ministry of Finance of Bhutan; iv) the Minister of Finance of Timor-Leste; v) the Royal Monetary Authority of Bhutan; vi) University of Hong Kong; vii) Central Bank of Georgia; viii) Keio University; ix) Dhaka Stock Exchange; x) Damu Entrepreneurship Development Fund; xi) Canadian Tax Foundation; xii) Cambridge Centre for Alternative Finance; xiii) Startup Bangladesh Limited; xiv) UNDP Cambodia; xv) Wing; xvi) Pacific Islands Forum Secretariat; xvii) Climate Bonds Initiative; xviii) The Nature Conservancy; xix) Standard Chartered Bank Bangladesh; xx) the IFC; xxi) Policy Research Institute of Bangladesh; as well as the organizer. Government officials from ministries of finance, planning, economy, aid coordination, and implementation and coordination of SDGs, as well as experts from other governmental agencies, UN agencies, development partners, the private sector, civil society organizations and academia, were among the workshop’s 200+ participants.

**Key take-aways**

The initial motivation of the project was the substantial financing needs that CSS in the Asia-Pacific face to attain the SDGs, and which have been further exacerbated with the COVID-19 pandemic. In this context, the project promoted capacity building to enhance resource mobilization in Bhutan, Cambodia, and Vanuatu, and supported activities in Bangladesh and Tajikistan. In the case of Bhutan, the project supported the issuance of the first sovereign bond in September 2020. ESCAP assisted with preparatory studies and workshops, as well as with the establishment of a bond working committee and development of bond issuance rules and regulations. This inaugural bond transaction was well received, which was over-subscribed by a multiple of three, and Bhutan subsequently issued bonds for a second time in February 2021.

In Cambodia, the project activities coincided with a series of fiscal policy reforms to make taxation more significant and equitable. These reforms resulted in fiscal revenues rising from less than 10% of GDP in 2009 to 18% of GDP in 2019. Now, the country is focusing on: i)
further domestic reforms (e.g., strengthening economic competitiveness and creating conducive environment); ii) promoting trade policy; iii) supporting stronger multilateralism; and iv) facilitating financial diversification and innovation. Also, the National Committee for ESCAP in Cambodia has been working with ESCAP to enhance digital finance services and technologies to accelerate financial inclusion.

In Vanuatu, the project provided technical advisory services and financial support in developing the Vanuatu Smooth Transition Strategy, which became a national strategy in 2020. The national studies produced by the project proposed concrete policy actions, such as improving access to external finance including climate finance, which were essential for a smooth graduation from the LDC category. One of the main lessons learnt during this process was that the strategy and preparation for graduation needs to be done at early stage, providing sufficient time to address direction and impact of the loss of access to international support measures. It is also essential that UN agencies improve monitoring mechanisms for graduation, and provide better incentives for countries to participate in that mechanism.

In Tajikistan, a national workshop was co-organized to discuss innovative financing to improve resource mobilization in the country. The discussion supported the national development council working groups in its roadmap/strategy to improve national development plan and financing for SDGs. The discussion also highlighted that additional resources for Tajikistan’s national economy development can potentially come from the development of a digital economy and green economy, as well as from the financial market and efforts around financial inclusion.

The following key take-ways are divided by the workshop sessions, which in turn draw on experiences, lessons learnt and recommendations from the project’s three areas: i) the capital market; ii) digital finance; and iii) climate finance. It also includes key messages emanating from two special events that were embedded in the workshop.

Challenges and opportunities for capital market development

Capital markets are still under-developed in many Asia-Pacific countries in special situations. Each country is developing its own capital market in different ways, and examining various experiences can be helpful in designing better and more holistic strategies. For example, to develop the Bangladeshi capital market and make it more attractive, the country aims to have: i) more asset classes and services (e.g., exchange traded funds, mutual funds, bonds, etc.); ii) technological up-grades, so that every investor can receive real-time information through mobile devices; iii) broaden the investor base, attracting international institutional investors and intensifying financial education for both domestic investors and financial intermediaries; and iv) various regulatory and market reforms. The country also identified that building investor confidence through improved governance and compliance is essential in developing a robust capital market.

The Georgian capital market is at an early stage of development, and has faced a number of challenges, such: as its small market size, a lack of good cooperate governance practices and transparency, limited awareness regarding green/sustainable bonds, and the lack of a common taxonomy. Georgia has tried to address these challenges by developing a sustainable finance framework that supports capacity- and awareness-building, guiding the financial flows towards sustainable development, ensuring the incorporation of ESG (environment, social and governance) into risk management and decision-making of financial institutions, and supporting improved transparency and market discipline. Georgia is also developing a sustainable finance taxonomy to provide the market with a classification system for identifying activities and/or project categories that deliver on key climate, green, social or sustainable objectives. This taxonomy should support the issuance of green and sustainable bonds in the
country, even though some Georgian companies, such as SC Georgia Global Utilities and JSC Georgian Railway, have already started issuing such bonds on foreign bourses.

Other countries have already successfully started offering green and sustainable bonds. The Hong Kong SAR Government announced in mid-November 2021 a successful offering of USD 3 billion of green bonds, with a significantly low interest rate. In 2020, Kazakhstan also had its first green bond issued, by Damu Entrepreneurship Development Fund, in cooperation with UNDP, intended to reduce the risks of small-scale investment in renewable energy sources within the MSME sector. Astana International Financial Centre provided technical assistance on the verification process to ensure that the green bond framework was aligned with the international standards of International Capital Market Association (ICMA). The main challenges faced during this process were: i) the lack of necessary regulatory mechanism; ii) a lack of diversification within the economy; and iii) a lack of economic incentives for both finance agents and investors. The country is adapting to these challenges, and intends to implement ESG principles into the activities of financial organizations.

Countries in special situations can also focus on other types of bonds, such as floating interest rate infrastructure bonds, to mobilize greater private capital involvement. Normally, infrastructure investments have relatively low rates of return, which is less attractive to private investors. The primary reason for this is the disconnect between end-users of infrastructure projects, who want to pay a low fee for basic services (e.g., electricity and water utility rates, or tolls on roads), and private investors who are seeking a competitive rate of risk-adjusted return. To mitigate this conflict, one solution is to issue floating interest rate infrastructure bonds, whereby during the initial construction and operation period, the rate of return can be as low as the rate of return on other government bonds, but when the project is finished, the rate of return becomes higher, due to the infrastructure project’s spill-over effects, incentivizing greater private sector participation in the process.

Other countries, such as Bhutan, have focused on issuing sovereign bonds, in order to i) broaden financing sources that can then underwrite medium- and long-term financing requirements; and ii) promote the development of the domestic bond market. To issue its first bond, the country identified six strategic steps, including forming a government bond working committee in 2019, with ESCAP support. The key lessons learned during the process were: i) the importance of strengthening the domestic bond market; ii) a requirement for seamless coordination between the Ministry of Finance and Royal Monetary Authority (i.e., central bank); iii) a need to leverage ICT, especially during lockdown when protocols around meetings in person are constrained; iv) the importance of transparency and competition; and v) a need for adequate capacity building. Despite its ultimate success, Bhutan challenges in issuing its inaugural government bond. For example, there was a narrow domestic investor base, relatively low levels of financial literacy in the country, a lack of adequate operation capacity, including the absence of an auction system for government securities. To address those challenges, the country aims to publish a bond auction calendar, up-date its medium-term debt management strategy, develop a domestic bond market master plan, and prepare guidelines on Bhutan green bonds.

Before issuing a government bond, however, one should first consider the relative pros and cons of doing so in relation to loans. At present, both the ADB and AIIB COVID-19 support packages offer loans with even lower interest rates compared to sovereign bonds. It is also important to keep in mind that each rating agency has different evaluation methodologies and criteria for ESG and ‘greenness’ scores. This can lead to distortions in portfolio allocations, depending on which rating agency is consulted.
**Challenges and opportunities for digital finance**

The rapid growth of digital finance is due in large part to the fact that a high proportion of the population in the Asia-Pacific region are still being underserved and excluded from the traditional financial system. Even prior to COVID-19, digital finance already showed tremendous potential from the standpoint of financial inclusion. The pandemic has only accelerated pre-existing trends towards digitization, particularly in areas such as digital payments, anti-money laundering and market integrity, supervisory purposes (e.g., Regtech and SupTech), and strategic approaches to data. Indeed, technology can help in: i) addressing some of costs and inefficiencies of transactions; ii) enhancing anti-money laundering (AML) functions; iii) reducing financial exclusion; iv) steps towards formalizing the informal economy; and v) enhancing development of the MSME sector. With regard to the latter, numerous Fintechs are using technology to help MSMEs access finance and last-mile logistics (i.e., transporting goods to customers' door-steps), such as ShopUp and Sheba.xyz in Bangladesh.

In Bhutan, several digital payment platforms – such as Bhutan Immediate Payment Service (BIPS), Bhutan financial switch (BFS), Bharat interface for money (BHIM) and Remit Bhutan – have expanded payments outreach, thereby improving financial inclusion, on domestic, regional and international fronts. Besides digital payment platforms, Asia-Pacific governments have also used digital finance platforms to reach out to their citizens during the pandemic. In Indonesia, for example, state-owned commercial banks and the government have collaborated with the peer-to-peer lenders to channel funds to small businesses. Similarly, in India, Facebook collaborated with the Indian Fund to provide loans to MSMEs.

In order to include individuals and businesses into the digital economy, a three level strategy is recommended: i) building the infrastructure of finance; ii) designing appropriate regulatory approaches; and iii) supporting the wider ecosystem. Regarding infrastructure, providing universal access to an account/digital wallet and to digital identification is essential for governments to interact with their citizens, but also for enabling access to the digital economy and other aspects of digitization. Regarding regulatory approaches, it is important to focus on data security, privacy and cyber security, since cyber-attacks are a rapidly growing area of crime. Supporting the wider ecosystem by, for example, encouraging innovation hubs where funding opportunities are brought together to individuals and MSMEs, as well as encouraging education and digital/financial literacy, is also important.

However, as digitalization grows, it is important to have in place efficient, fair, and sustainable tax systems that can minimize tax avoidance, especially for enterprises that offer their goods and services remotely and through digital platforms. There have been unilateral solutions, such as withholding taxes on payments for digital goods and services and anti-avoidance rules, as well as multilateral solutions, such as the OECD-G20 Inclusive Framework on Base Erosion and Profit Shifting. Nevertheless, these solutions are not completely efficient yet, and developing countries need to proceed with some caution, and carefully assess which solution is most beneficial.

**Special session 1: Enhancing digital G2P transfer capacities in the Asian LDCs**

There is an increasing number of governments switching to digital G2P (Government-to-Person) payments, largely because it is more secure and reduces transaction costs, compared to cash transactions. For example, the government of India estimates that in 2018 alone, it saved an estimated USD 12.7 billion via the use of digital cash transfers. Furthermore, in response to the COVID-19 pandemic, there has been a rapid increase in G2P transfers via mobile money agents, which is advantageous in situations like the imposition of social distancing and confinement.
There are three building blocks for an efficient and inclusive G2P system: i) a universal ID (a national unique ID for each individual that is digital); ii) an interconnected socio-economic database (i.e., multiple socio-economic databases that are connected to the unique ID); and iii) digital delivery (i.e., delivery of social assistance transfers via digital or cash-less means, mostly via mobile or agent banking). But these tools can have potentially negative aspects too, such as: the universal ID can exclude some segments of the population; the inter-connected socio-economic database can result in inefficient targeting; and digital delivery can impede swift delivery of support, which is especially important during lockdowns and social distancing requirements, and can nullify efforts to stem corruption.

Regulatory frameworks are a critical enabler for any G2P system. Various regulatory mechanisms for digital payments and transfers have been put in place, such as clearing houses, payment switches and real-time transfer mechanisms. Implementation challenges include: i) the issue of inter-operability between financial service providers (FSPs); ii) slow uptake/inclusion issues; iii) the potentially large investment needed by FSPs to create the necessary interface; and iv) demand-side trust for widespread uptake of digital payments and transfers. Digital infrastructure (e.g., digital ID, electronic payments, access to a wallet account or mobile payment device, etc.) is another important enabler for delivering government services, as well as reducing costs for business and empowering individuals. It enables interactions with governments, including potentially saving lives when cash transfers were used to buy food and/or pay for health care during the pandemic, can facilitate the entry of new businesses, and allows individuals to access resources when and where they need it.

Cambodia provides a good example of these G2P services. The country has one of the highest rates of registered population to digitized biometric ID, and has partnered with Wing, a mobile financial services company, to deliver COVID-related cash transfers to the population. Wing was also chosen as the partner in processing other G2P cash transfers, such as the disbursement of funds under the Poor ID Disbursement Programme, the disbursement of funds to deserving pregnant women during and soon after child-birth, and disbursement of social protection funds to displaced workers or workers who lost their jobs because their factories closed down.

*Climate finance and other innovative financing instruments*

Pacific SIDS are categorized as some of the most at risk countries to natural disasters in the world, as well as the impacts of climate change. The annual economic losses from disasters is estimated to be over USD 1 billion, or 5% of combined GDP. These disasters are widening inequalities and undermining progress made towards poverty reduction in the region. While SIDS require substantial financial resources to tackle this situation, they have received only USD 2.2 billion for climate-related investment over the past 10 years, resulting in an annual average financing gap of USD 220 million across the Pacific SIDS.

Clearly, access to finance is a big issue for SIDS. Some of the reasons for that are a relatively weak enabling environment (e.g., regulatory framework, institutional capacity, policy demand and implementation, and public financial management (PFM), among others), limited opportunities for domestic diversification, and relatively under-developed private and financial sectors that inhibit the potential for blended finance opportunities. It can also sometimes be challenging to coordinate external funding (such as funds from development partners) that aligns adequately with SIDS’ own priorities. In this context, innovative finance sources are important, and SIDS have adopted several additional financial mechanisms, such as national trust funds, green taxes, parametric insurance (i.e., an insurance product that offers pre-specified payouts based upon a trigger event), as well as green/blue/social/sustainable and other thematic bonds.
With specific regard to the latter, over the last two years the volume of bond issuance for social and sustainability purposes, and partly in response to COVID-19, has steadily increased. In ASEAN, most green initiatives of this kind have come from Viet Nam, Thailand, Singapore, Indonesia, Malaysia and the Philippines, and have tended to focus on the building and energy sectors. This kind of bond issuance has significant potential to raise capital that can then underwrite development projects aimed at increasing climate adaptation and resilience. The process of issuing these kinds of fixed income instruments typically consists of five stages: (i) prepare the bond, by creating a bond framework that can comprise different types of development projects; (ii) hire a third party consultancy to certify that the bond framework is aligned with international and/or local standards; (iii) get certified, by ensuring that the bonds are in compliance with the Paris Agreement; (iv) confirm the certification of post-issuance, guaranteeing that the proceeds from the bonds are properly allocated to the relevant development projects; and (v) report the use of the proceeds annually. For this issuing process to be successful, green/sustainable taxonomies that harmonize local needs and international standards also need to be in place, so that the financial sector can classify green and sustainable assets in a transparent and consistent fashion.

The Seychelles’ and Belize’s blue bonds are successful examples of such an issuance. In these cases, the government targeted a pre-existing debt obligation that could be refinanced, with a lower yield, and the savings derived were channelled to conservation projects, without any net increase in the fiscal cost. The Belize government, for example, committed USD 4 million per year to fund a 20-year conservation grant fund, as well as pledging to protect 30% of its oceans with the proceeds. This is a powerful model with significant conservation commitments and cash flows combined, and net debt reductions that can be replicated in other Asian countries, especially for irrigation, water and waste management projects, given that the region faces water scarcity issues.

Governments can also negotiate debt-for-climate swaps. Under this mechanism, creditors forgive debt in exchange for a commitment by the debtor to use the outstanding debt service payments for funding green and climate projects. Following the COVID-19 pandemic, when debt obligations have increased virtually everywhere, this can be a practical debt alleviation tool in the post-pandemic period, while mobilizing further resources for SDG implementation, and potentially a win-win scenario for both creditors and debtors. For creditors, this is a way to operationalize commitments made to support developing countries (under the Paris Agreement, developed creditors shall allocate up to USD 100 billion annually, starting from 2020, on climate relevant projects), and for debtors it is a way to redirect outstanding debt service payments to instead fund green and climate projects.

Some countries have also enacted alternative mechanisms to tackle climate change impacts. For example, Bangladesh adopted a climate change strategy and action plan, followed by the creation of the Bangladesh Climate Change Trust Fund. The adoption of this strategy resulted in the transformation of the public finance landscape, leading to more inclusive budgeting, and financing for climate resilience. The country has also issued its first green bond. Nevertheless, Standard Chartered Bank Bangladesh advocates for more incentives to attract investors in green/sustainable initiatives, such as fiscal incentives and tax wavers.

**Special session 2: Policy dialogue on Financing for development of the Asia-Pacific LDCs: the Road to Doha**

The Programme of Action for Least Developed Countries, or the Istanbul Programme of Action (2011-2020), ended with commendable progress made by Asia-Pacific LDCs towards developing country graduation. Three countries (the Maldives, Samoa and Vanuatu) graduated, and five more LDCs are scheduled to graduate by 2026. Ten of the current eleven LDCs in
Asia-Pacific are now at various stages of graduation. However, progress in building production capacities and structural transformation has been limited in most LDCs, which makes these economies vulnerable to external shocks, as exemplified by the COVID-19 pandemic.

The next programme of action, or the Doha Programme of Action, is likely to be adopted at the Fifth United Nations Conference on LDCs, to be held in Doha in January 2022. It covers six focus areas, as follows: i) investing in people in LDCs; ii) leveraging the power of science, technology and innovation; iii) structural transformation; iv) enhancing international trade and regional integration; v) addressing climate change, recover from Covid-19, build resilience against shocks; and vi) mobilizing international solidarity reinvigorate global partnerships.

LDC graduation typically results in the loss of trade preferences that can be quite significant for some countries. Therefore, to ensure sustainable and irreversible graduation, the early preparation of smooth transition strategies, that are holistic in nature and go beyond simply focusing on ways to mitigate the loss of access to international support measures, is important. In this context, financial resource mobilization efforts must be enhanced, particularly after recent pandemic-related disruptions. Improved absorptive capacity, and better utilization of resources, as well as enhanced management of revenues from natural resource extraction and ODA flows, can all reap rewards in this regard. Engaging in PPPs, blended finance, green financing and other innovative financing mechanisms can also be helpful in mobilizing further financial resources. Improving the host country business enabling environment, and offering a stable macro-economic (and political) environment is also considered important for the development of a robust capital market that investors are willing to gain exposure to. Finally, there is always scope for strengthening domestic resource mobilization capacity, particularly through fair and efficient taxation.

**Policy recommendations**

**Capital market development**

- **Incentivize the issuance of bonds to raise additional financial sources** while keeping national debt levels sustainable. These issues could be relatively conventional sovereign bonds, more focused green/blue/social/sustainable bonds, or even infrastructure floating interest rate bonds. Conducting a comparative analysis between bonds and available loans as a source of additional government funding is also important, especially at times when global interest rates are low, like now.

- **Create a conducive enabling environment for capital market development.** Governments need to provide a stable macro-economic and political environment, and offer a robust and transparent legal and regulatory framework, that can serve as the basis for capital market development. Moreover, opportunities for domestic diversification and structural transformation can be fostered, to as to create a conducive enabling environment for the private sector and finance providers. Such efforts can help facilitate further mobilization of funds and the financing of key projects.

**Digital finance**

- **Move towards digital economy.** As digital transactions can be transparent, it minimizes tax avoidance and corruption while enhancing the living standards and the overall progress of society and economy in a long run. This transition can be done through three steps: i) building the infrastructure of finance, ii) designing appropriate regulatory approaches, and iii) supporting the wider ecosystem.
• **Enhance digital G2P transfer capacities.** Digitized G2P payments are relatively secure and reduce transaction costs, compared to traditional cash-based transactions. There are three building blocks for an efficient and inclusive G2P system: a universal digital ID; an inter-connected socio-economic database; and a means of digital delivery.

*Climate finance*

• **Consider the pursuit of debt-for-climate swaps.** This is potentially a win-win approach to both creditors and debtors, especially in times of a global pandemic when the debt burden has increased considerably.

• **Develop a clear taxonomy to support green/sustainable finance.** Taxonomies provide a common understanding of project categories that deliver on key climate, green, social or sustainable objectives. This is extremely important, so that the financial sector can classify assets and projects transparently and consistently.

*Others*

• **Strengthen domestic resource mobilization capacity.** Tax reforms are necessary to amplify the financial space. It is important to aim for efficient, fair, and sustainable tax systems that can minimize tax avoidance, especially for digital goods and services. As digitalization increases, it is important for developing countries to consider potential solutions pertaining to digital taxation, whether through withholding taxes on payments for digital goods and services, anti-avoidance rules, or other kinds of solutions.

• **Utilize financial resources efficiently and effectively through building institutional capacity.** Besides mobilizing extra financial resources from alternative sources, it is important to efficiently manage existing resources, such as improving management of revenues from natural resource extraction and ODA commitments made by development partners.

• **Plan for graduation in advance.** Graduation from LDC to developing country status will result in the loss of potentially significant trade preferences. Therefore, in order to ensure sustainable and irreversible graduation, early preparation of a smooth and holistic transition strategy is important.