Asia-Pacific Least Developed Countries:
A Review of Implementation of the Istanbul Programme of Action and Way Forward

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Abstract

This paper provides an assessment of the progress made and challenges encountered by least developed countries (LDCs) in Asia and the Pacific in implementing the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action). While noting that 10 of the region’s 11 LDCs have already met the criteria for graduation from the LDC category, this paper finds the Programme not being fully implemented. The progress in building productive capacities and achieving structural transformation is limited in most Asia-Pacific LDCs. This makes these economies vulnerable to external shocks as exemplified by the COVID-19 pandemic. Inadequate provision of social protection and public services to poor and marginalized groups as well as limited financial resources have further compromised their abilities to achieve economic and social resilience.

The paper takes the view that there is no need to develop a completely new set of action plans for the next decade (2021-2030). The attention should rather concentrate on making these actions more practical and effective. For example, productive capacity development and structural transformation would require a more strategic focus on producing more complex and differentiated products. To reduce vulnerability of people and communities, investment needs to be scaled up urgently in social sectors, especially in public healthcare and social protection systems. To gear up the process of graduation, LDCs will need to mainstream graduation issues into their national development plans and prepare strategies in a timely manner.

The paper also suggests the next decadal LDC programme to (a) develop quantifiable indicators for meaningful progress assessment exercises; (b) align actions with the Sustainable Development Goals as the next programme of action coincides with the last 10 years of the implementation of the 2030 Agenda for Sustainable Development; and finally (c) highlight the importance of continued support from development partners to ensure sustainable and smooth graduation given the potentially large number of graduating LDCs, particularly from the Asia-Pacific region.

Keywords: least developed countries, Istanbul Programme of Action, COVID-19.
1. Introduction

The Programme of Action of the Least Developed Countries for the Decade 2011-2020 is a decade-long development agenda adopted at the fourth United Nations Conference on the Least Developed Countries, held in Istanbul, Turkey, in 2011, and known as the Istanbul Programme of Action (IPoA). It set an overarching goal of overcoming the structural challenges faced by the least developed countries (LDCs) in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category. It articulated a vision and strategy for LDCs’ sustainable development with a strong focus on developing their productive capacities and targeted enabling half of the LDCs to meet the graduation criteria by 2020. The IPoA ambition was to be fulfilled through favourable international support measures for these countries in various areas, including international trade, development finance, and technical assistance and productive capacity support.

Most of the Asia-Pacific LDCs, which are regarded as some of the most vulnerable and structurally disadvantaged countries in the region, have made some good socio-economic progress despite many of them facing unfavourable conditions. Four Asia-Pacific LDCs (Afghanistan, Bhutan, Lao PDR and Nepal) are landlocked, while five (Kiribati, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu) are remote small island States. Both these geographical characteristics are known to exert adverse implications for development as reflected in high trading cost of these countries. Furthermore, susceptibility to natural disasters such as earthquakes, typhoons and tropical cyclones and climate change related consequences remains major a challenge for sustainable development. Nevertheless, during the Programme’s implementation period of 2011-2020, Asia-Pacific LDCs, overall, demonstrated a development pattern in which their long-term economic growth had been accompanied by rapid poverty reduction. Many of them also met most of the Millennium Development Goals (MDG) during the first half of the implementation period and made solid progress towards graduation from the group of LDCs during the second half of the implementation period.

The Asia-Pacific region witnessed LDC graduation of three of its members during the IPoA period (Maldives in 2011, Samoa in 2014, and Vanuatu in 2020). Globally, of the seven LDCs scheduled to graduate by 2026, five are from the Asia-Pacific region – Bhutan in 2023, Solomon Islands in 2024, Bangladesh, Lao People’s Democratic Republic and Nepal in 2026. The 2021 triennial review by the United Nations Committee for Development Policy (CDP) showed 16 LDCs (including the aforementioned ones) at various stages of LDC graduation with 10 being from this region alone.

Despite some concrete progress achieved by Asia-Pacific LDCs in terms of GDP growth, access to energy and telecommunication, poverty reduction, educational enrolment and other socio-economic indicators, several goals

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1 Asia-Pacific LDCs are Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, the Lao People’s Democratic Republic, Myanmar, Nepal, Solomon Islands, Timor-Leste, and Tuvalu. Vanuatu graduated from the group in December 2020.
2 While Vanuatu graduated from the LDC group in December 2020, the report covers Vanuatu as an LDC for the purpose of the implementation review.
3 Timor-Leste does share a common border with Indonesia’s West Timor and they together form one island.
4 Since the initiation of the least developed country (LDC) category in 1971, just seven countries, including Maldives, Samoa and Vanuatu, have graduated from the category. The other four are Botswana in 1994, Cape Verde in 2007, Equatorial Guinea in 2017 and Angola in 2021.
5 The graduation of Bangladesh, Lao People’s Democratic Republic and Nepal is conditional on the endorsement of the United Nations Economic and Social Council (ECOSOC) in mid-2021.
6 The Asia-Pacific LDCs that met graduation criteria and were at different stages of graduation at the 2021 review are Bangladesh, Bhutan, Cambodia, Kiribati, Lao People’s Democratic Republic, Myanmar, Nepal, Solomon Islands, Timor-Leste, and Tuvalu.
and targets of the IPoA are unlikely to be met by the end of 2020. These countries face multifaceted challenges, including, among others, limited productive capacities, lack of progress on structural transformation and diversification of their economies, inadequate capacity for human and institutional development, high transportation costs, investment stagnation, and acute vulnerability due to climate change and natural disasters. These challenges are more acute for landlocked developing countries (LLDCs) and small island developing States (SIDS). Furthermore, many of these factors will continue to confront LDCs beyond their graduation. That is why several graduating Asia-Pacific LDCs aim to build on their progress to achieve the Goals set under the 2030 Agenda for Sustainable Development. Due to the high degree of proximity between the Programme’s actions and the goals and targets of the 2030 Agenda for Sustainable Development, these challenges are also reflected in the slow progress made by Asia-Pacific LDCs towards achieving the Sustainable Development Goals. Furthermore, the COVID-19 pandemic appeared as an unprecedented external shock to the LDCs, imposing significant economic and social costs on them. The pandemic also revealed the acute vulnerability of these countries to external shocks and exposed the developmental deficits that these countries suffer from. In particular, these countries have limited fiscal space along with technological and human resource constraints to execute a prompt and effective response to such an unprecedented health crisis. It is in this context that Asia-Pacific LDCs’ progress made during the IPoA period and future graduation prospects will require further evaluations.

In the above backdrop, the objective of this paper is to provide a review of the progress made by Asia-Pacific LDCs in implementing the IPoA. After this introductory section, progress made in the eight priorities of the IPoA are discussed in Section 2. Section 3 summarises the major challenges faced by Asia-Pacific LDCs with a special focus on graduating LDCs. Section 4 offers some ideas about priority areas and actions for the LDCs and for development partners for the next decade. Finally, Section 5 concludes.

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7 ESCAP (2016) finds that, by mapping each of the actions of the Istanbul Programme of Action with the SDG targets, the Programme and the SDGs are highly complementary. Thus, the Programme provides guidance on how to achieve the Goals, urging simultaneous implementation of both agendas, with a particular focus on their common aspects, to enhance the effectiveness and lower the costs of administrative and logistical nature. The study reveals that the Programmes covers all 17 Goals, with particular emphasis on Goal 2 (zero hunger), Goal 8 (decent work and economic growth), Goal 9 (industry, innovation and infrastructure), Goal 16 (peace, justice and strong institutions) and Goal 17 (partnerships for the Goals).

8 According to ESCAP’s Asia-Pacific SDG Gateway (data.unescap.org/, accessed on 26 February 2021), as of 209, Asia-Pacific LDCs were either not on track to meeting any of the 17 Goals by 2030 or no sufficient data had been made available to assess the progress.
2. IPoA implementation progress in Asia-Pacific LDCs

2.1 Overview

During the first nine years of IPoA implementation (2011–2019), Asia-Pacific LDCs have shown widely varying growth performances. Aggregate GDP growth (i.e. the growth rate weighted by GDP size) for the 12 country-group is estimated at 6.5 per cent per year during 2011–2019, while the simple average annual growth was less than 5 per cent. At the country level, only only Cambodia (7.2%) and Lao PDR (7.1%) were able to meet the annual growth target of 7 per cent per annum set under the IPoA, with Bangladesh (6.9%) and Myanmar (6.9%) coming close to it (Figure 1). In contrast, the five small island LDCs (Kiribati, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu) achieved a simple average growth rate of only 2.7 per cent for the period 2011-2019. In per-capita term, these five countries could only register a growth of just above 1.5 per cent per annum over the same period, compared with the 4.5 per cent for other LDCs in the region and 2.8 per cent for other developing countries in the region. Limited economic diversification, dependence on natural resources, small size of the domestic economy, and high cost of trade were among the major obstacles to economic growth in these countries. In Afghanistan, long-lasting civil conflicts and war-devasted socio-economic infrastructures have contributed to a slow expansion of economic activities.

Economic growth in the final year of Programme’s implementation period is likely to be much lower in most countries, with the estimated weighted average of 3.0 per cent (simple average of –1.4 per cent) in 2020 (ESCAP, 2021), because of the severe COVID-19-related disruptions. High and steady economic growth will therefore remain critical for these countries to meet their development objectives as they enter the next decade, particularly to reduce rates of income poverty.

Figure 1. Average annual GDP growth rates of Asia-Pacific LDCs, 2011-2019

Source: Authors’ calculation based on data ESCAP (2021c) and data from ESCAP Asia-Pacific SDG Gateway.unescap.org (accessed 20 March 2021).
Note: The solid lines represent GDP-weighted and simple averages.

Bangladesh, however, achieved more than 7 per cent growth rates during past 4 consecutive years since Fiscal year (FY) 2016.
Although data on poverty incidence are not available for every year, the World Bank estimates seem to suggest that the Asia-Pacific LDCs were successful in reducing the headcount poverty. Average poverty rates of the 10 Asia-Pacific LDCs, for which estimates are available, declined from 16.6% in 2010 to 6.4% in 2018 using the $1.90-a-day international poverty line and from 52.6% in 2010 to 34.5% in 2018 at the $3.20-a-day international poverty line. Among them, poverty incidence was highest in Timor-Leste (26.7% in 2018 at the $1.90 line), followed by Solomon Islands (24.3%). In Afghanistan, the incidence of poverty measured as the population living below the national poverty line remained high (54.5% in 2016). Although not comparable with the rest of the group, Tuvalu, Bhutan and Myanmar had the least portion of the population below the $1.90 poverty line in 2018: respectively, 0.6%, 0.8% and 1.5%.

### 2.2 Graduation from the least developed country status

After graduation of Maldives, Samoa and Vanuatu, ten of the remaining 11 Asia-Pacific LDCs are in the process of graduation. This is a remarkable achievement as, outside the Asia-Pacific region, only 6 of 34 LDCs are in the graduation pipeline. Tourism-led growth and development, modernized fishing industry, and prudent management of macroeconomic policies, amongst others, were critical factors behind the Maldives’ success (UNCTAD, 2016). On the other hand, agricultural upgradation and diversification strategies, growth in tourism, development of the private sector, and governments efforts to promote education and health services, disaster preparedness and environmental sustainability are considered as important drivers of Samoa’s development and graduation (UNCTAD, 2016).

Cambodia fulfilled the eligibility criteria for graduation for the first time in 2021. Bangladesh and Lao People’s Democratic Republic and Nepal met the thresholds for two consecutive reviews, and consequently the CDP recommended them for graduation, with an extended five-year preparatory period (i.e., graduating in 2026 if the ECOSOC endorses their recommendations). However, the CDP deferred its decisions for Myanmar and Timor-Leste to the next review in 2024, due to concerns about the sustainability of Timor-Leste’s development progress and to concerns on impacts of the state of emergency declared in Myanmar. For Kiribati and Tuvalu that had already been recommended for graduation, the CDP reiterated its recommendation, with an extended five-year preparatory period, while noting the need for special international measures to address their extreme vulnerability to climate change. Bhutan and Solomon Islands have already been scheduled to graduate in 2023 and 2024, respectively. This leaves Afghanistan to be the only LDC in the region that is yet to the graduation criteria. Table 1 presents several economic indicators and summarises the latest graduation status of the Asia-Pacific LDCs.

Therefore, the development dynamics in Asia-Pacific LDCs seem to portray a paradoxical trend in which the countries tend to satisfy the predetermined graduation thresholds, yet the overall economic conditions of these countries do not adequately reflect the sustainability of development progress, resulting in deferment graduation schedule. While the Pacific LDCs are generally considered amongst the most vulnerable and structurally disadvantaged, all these countries are considered for graduation. This apparently perplexing situation could be due to the use of quantitative indicators in graduation assessments that cannot meaningfully capture countries’ vulnerability, sustainability of development progress, and productive capacity development. Particularly, assessing the development prospects of LLDCs and remote SIDS could be much more challenging.

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</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>19.3</td>
<td>4.4</td>
<td>38.0</td>
<td>507</td>
<td>1.5</td>
<td>7.4</td>
<td>46.1</td>
<td>Did not meet any graduation criteria</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>302.6</td>
<td>6.9</td>
<td>163.0</td>
<td>1,856</td>
<td>44.9</td>
<td>64.4</td>
<td>36.1</td>
<td>Found eligible for graduation for the second time at the 2021 triennial review and recommended for graduation in 2026.</td>
</tr>
<tr>
<td>Bhutan</td>
<td>2.5</td>
<td>5.7</td>
<td>0.8</td>
<td>3,316</td>
<td>0.8</td>
<td>1.2</td>
<td>80.0</td>
<td>Scheduled to graduate in December 2023</td>
</tr>
<tr>
<td>Cambodia</td>
<td>27.1</td>
<td>7.2</td>
<td>16.5</td>
<td>1,643</td>
<td>21.1</td>
<td>25.5</td>
<td>172.0</td>
<td>Found eligible for graduation for the first time at the 2021 triennial review</td>
</tr>
<tr>
<td>Kiribati</td>
<td>0.2</td>
<td>3.4</td>
<td>0.1</td>
<td>1,655</td>
<td>0.0</td>
<td>0.2</td>
<td>97.4</td>
<td>Recommended for graduation and pending on the endorsement by ECOSOC</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>18.2</td>
<td>7.1</td>
<td>7.2</td>
<td>2,535</td>
<td>6.2</td>
<td>7.3</td>
<td>74.5</td>
<td>Found eligible for graduation for the second time at the 2021 triennial review and recommended for graduation in 2026.</td>
</tr>
<tr>
<td>Myanmar</td>
<td>76.1</td>
<td>6.9</td>
<td>54.0</td>
<td>1,408</td>
<td>17.5</td>
<td>17.4</td>
<td>45.8</td>
<td>Found eligible for graduation for the second time at the 2021 triennial review, but not recommended for graduation</td>
</tr>
<tr>
<td>Nepal</td>
<td>30.6</td>
<td>4.9</td>
<td>28.6</td>
<td>1,071</td>
<td>2.7</td>
<td>13.8</td>
<td>54.1</td>
<td>Found eligible for the third consecutive time and recommended for graduation in 2026.</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>1.6</td>
<td>3.2</td>
<td>0.7</td>
<td>2,374</td>
<td>0.6</td>
<td>0.8</td>
<td>84.5</td>
<td>Scheduled to graduate in December 2024</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>2.0</td>
<td>-0.3</td>
<td>1.3</td>
<td>1,561</td>
<td>0.1</td>
<td>1.0</td>
<td>57.3</td>
<td>Found eligible for the third consecutive time, but not recommended for graduation.</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>0.0</td>
<td>4.9</td>
<td>0.0</td>
<td>4,059</td>
<td>0.0</td>
<td>0.0</td>
<td>127.1</td>
<td>Recommended for graduation and pending on the endorsement by ECOSOC</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>0.9</td>
<td>2.4</td>
<td>0.3</td>
<td>3,115</td>
<td>0.5</td>
<td>0.5</td>
<td>104.6</td>
<td>Graduated in December 2020</td>
</tr>
<tr>
<td>Asia-Pacific LDCs</td>
<td>481.2</td>
<td>6.4</td>
<td>310.6</td>
<td>1,549</td>
<td>96.0</td>
<td>139.5</td>
<td>48.9</td>
<td></td>
</tr>
<tr>
<td>All LDCs</td>
<td>1,115.2</td>
<td>4.7</td>
<td>1,033.4</td>
<td>1,079</td>
<td>252.7</td>
<td>341.1</td>
<td>53.2</td>
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<tr>
<td>World</td>
<td>87,798.5</td>
<td>2.8</td>
<td>7,673.5</td>
<td>11,442</td>
<td>24,977.8</td>
<td>24,276.7</td>
<td>56.1</td>
<td></td>
</tr>
</tbody>
</table>

Sources: World Bank World Development Indicators database (accessed on 20 March 2021), ESCAP (2021c), ESCAP Asia-Pacific SDG Gateway data.unescap.org (accessed 20 March 2021), and various reports of the CDP.

Notes: Indicators are for 2019 unless stated otherwise. Aggregate values are reported for country groups.
2.3 Implementation Progress by Priority Areas

The IPoA had set up eight priority areas of interventions with 41 goals complemented by various indicators. Ideally, these indicators should be used to measure the progress against the targets set. Many indicators are not very concretely defined or qualitative in nature. The following assessments on the progress are therefore made mainly using the quantitative indicators. In some cases, however, qualitative assessments have also been made using information from other sources.

Among the priority areas, the region’s LDC made encouraging progress in following areas: human and social development (priority E); mobilizing financial resources for development and capacity-building (priority G); and governance at all levels (priority H), while closer attention is required in the following areas to accelerate progress towards achieving the Sustainable Development Goals: productive capacity (priority A); rural development, trade and commodities (priorities B, C and D); and multiple crises and other emerging challenges (priority F). As many Goals and indicators were qualitative in nature and could not be clearly defined, for the assessments of the progress in this section, mainly quantitative indicators were used.

A. Productive capacity

The Istanbul Programme of Action recognised LDCs’ limited productive capacities, which constrain their ability to produce efficiently and effectively and to diversify their economies in achieving structural transformation. Under the four pillars of productive capacity - infrastructure; energy; science, technology and innovation (STI); and private sector development - the IPoA specified seven goals and targets to be achieved by 2020.

According to UNCTAD productive capacities index (UNCTAD, 2020), while productive capacities of Asia-Pacific LDCs improved during the Programme’s implementation period, the gap did not narrow between LDCs and other developing countries in the region notwithstanding the rapid economic growth of LDCs (Figure 2). Similarly, another measure of productive capacities, the economic complexity index, indicates that, in relative terms, Asia-Pacific LDCs are less capable of producing sophisticated and complex products now than two decades ago. This suggests that there has been limited upgrading of production structures in LDCs, whereas other developing countries have moved on to more complex products (ESCAP, 2019a).

Figure 2. Productive capacities index, 2000-2018, LDCs versus non-LDCs

Source: Author’s presentation based on data from UNCATD (2020).
Note: A median value of each country group is reported.

13 The gaps between Asia-Pacific LDCs and other Asia-Pacific developing countries in almost all of the components of the productive capacities index: Structural change; energy; human capital; institutions; natural capital; ICT; and private sector. Transport is the only component in which these two groups of countries had on average similar levels of achievement.

14 Based on data from The Observatory of Economic Complexity, the Massachusetts Institute of Technology Media Lab https://oec.world/ (accessed on 3 March 2021).
The AP LDCs achieved small changes in their GDP composition by major sectors, reflecting limited progress on structural transformation. The average share of manufacturing value-added in GDP, which is often regarded as one of the most important indicators of structural transformation, remains almost unchanged during the IPoA implementation period (Figure 3). Apart from Myanmar, Bangladesh and Cambodia – countries that are known for their apparel exporting capacity – no other AP LDCs could register any discernible rise in manufacturing activities between 2010 and 2019.\textsuperscript{15} In as many as seven countries, the share of manufacturing in GDP continues to be less than 10 per cent. For Pacific SIDS and Nepal, the corresponding figure is less than or equal 5 per cent. Most countries remain highly dependent on agriculture and natural resource extraction.

**Figure 3.** Value-added shares of output by sector of Asia-Pacific LDCs, 2008-2010 versus 2017-2019

![Value-added shares of output by sector of Asia-Pacific LDCs, 2008-2010 versus 2017-2019](image)

Source: Author’s presentation based on data from World Development Indicators database, World Bank (accessed 1 February 2021).

Notes: Lao PDR stands for Lao People’s Democratic Republic. Three-year averages unless stated otherwise are reported.

**Figure 4.** Country economic complexity index

![Country economic complexity index](image)

Source: [https://atlas.cid.harvard.edu/rankings](https://atlas.cid.harvard.edu/rankings)

\textsuperscript{15} During the IPoA implementation period, the share of manufacture in GDP declined in Afghanistan, Bhutan, Kiribati, Lao PDR, Nepal, Tuvalu and Vanuatu.
Myanmar, Cambodia, Tuvalu, Nepal, Lao PDR and Afghanistan have demonstrated relatively large declines in the share of agriculture in GDP. Amongst these countries, only Myanmar and Cambodia have seen rising manufacturing activities accompanied by declining significance of agriculture. On the other hand, the dominance of this traditional sector has increased in Bhutan, Kiribati, Timor-Leste, and Vanuatu. Moreover, most LDCs are highly dependent on the services sector. Since 2010 their average share of services value-added in GDP rose by 3 percentage points to reach around 45 per cent of GDP in 2019. Worryingly, this increase has mostly been in low productivity informal services (ESCAP, 2019a). As a result, labour productivity in services has remained stagnant or increased only marginally at best.

The productive capabilities of a country can be measured by what is known as the economic complexity index. It measures the strength of an economy by considering the knowledge intensity of the products it exports. The measures of complexity are correlated with a country’s level of income, and the deviations from this relationship are predictive of future growth (Hidalgo and Hausmann 2009). This implies that countries tend to converge to the level of income dictated by the complexity of their productive structures, indicating that development efforts should focus on generating the conditions that would allow complexity to emerge to generate sustained growth and prosperity (Hidalgo and Hausmann 2009). The Atlas of Economic Complexity, developed by Harvard University, computes and provides information on the country’s economic complexity. Given the availability of data, the Economic Complexity Index (ECI) can be computed for four AP LDCs (Figure 4). It can be inferred that, compared to 2010, the ECI score has improved for Cambodia, Lao PDR and Myanmar, but it declined slightly for Bangladesh. A decline in the ECI score suggests that, countries, in relative terms, become less capable of producing sophisticated and complex products. Country rankings in ECI improved for Cambodia, Lao PDR and Myanmar.

Low private investment, infrastructure gaps, lack of skilled labour, poor capacity of public sector institutions and difficulty in diversifying export markets are some of the most important impediments holding back manufacturing growth and productive capacity development. Further efforts will therefore be required to diversify the manufacturing base, seek out new markets, adopt new and innovative forms of manufacturing technologies, invest in new skills, and improve investment climate to increase their productive capacity.

**Infrastructure**

Infrastructure is a key component of productive capacity development. According to the access to physical infrastructure index developed by ESCAP (2017a), Asia-Pacific LDCs lack improved and quality infrastructure. The average index value of nine LDCs, for which the information is available, is 0.19 which is far below the region’s developing country average of 0.43. Notwithstanding, physical infrastructure has improved across most AP LDCs during the IPoA period with most of these countries increasing investment in infrastructural development including transport and communications network.

Recognizing the importance of physical infrastructure for improving productive capacity and promoting growth, Asia-Pacific LDCs have set infrastructure development as a key priority of their long-term development strategy. For example, NSDP 2014-2018 and NSDP 2019-2023 of Cambodia and Perspective Plan 2010-2021 and the 7th Five Year Plan (2016-2020) of Bangladesh specified objectives for massive infrastructural development. Various medium to long term projects are being implemented for the development of transport, ICT, and energy sector development involving LDCs in Asia and the Pacific. The Asian Highway project, the Trans-Asian Railway Network, the Bangladesh, China, India and Myanmar (BCIM) Economic Corridor, and China’s Belt and Road Initiative are the major large-scale infrastructure projects being implemented at the regional and sub-regional level. Bangladesh is currently investing in 14 fast-track mega development projects including, Padma Bridge, Padma rail link project, Chattogram-Cox’s Bazar rail line, Rooppur Nuclear Power Plant, Rampal Power Plant, Payra Sea Port, Matarbari Power Plant, Dhaka Metro Rail, Karnaphuli river tunnel, Dhaka Elevated Expressway. Bhutan undertook the Road Sector Master Plan 2007–2027 with a view to expanding road transport connectivity. The Transit and Transport

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16 Regional implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020.
17 The index comprises indicators that measure access to transport, energy, information and communications technology, and water and sanitation infrastructure (ESCAP, 2017b).
18 See, for example, Government of Cambodia (2019).
Agreement between Nepal and China would provide the landlocked country with access to Chinese land and seaports for foreign trade. Apart from this, the development of the Trans-Himalayan Multi-dimensional Connectivity Network, under the Belt and Road Initiative, will help Nepal transform itself from a landlocked country to land-linked country. Cambodia implemented several development initiatives under its National Strategic Development Plan 2014-2018. Several projects and programmes are currently being implemented under the Programme for Country Partnerships 2018-2023. Myanmar, with the investment from other countries, is undertaking numerous large-scale infrastructural development projects. Amongst others, mega-infrastructure projects under the China-Myanmar Economic Corridor (CMEC), Hanthawaddy International Airport, Dawei deep-sea port, the India-Myanmar-Thailand trilateral highway project and the Shwe gas project will help reduce connectivity cost and contribute to productive capacity. Infrastructural development has also been a key driver of Afghanistan’s growth in recent years (ADB, 2019). Its development efforts are centred on rebuilding and constructing roads and energy infrastructure. The Pacific Region Infrastructure Facility (PRIF) has been the key for infrastructure development in the Pacific island states with a focus on urban development, the energy sector, transport, and water and sanitation. The PRIF provides technical assistance, research and knowledge products on key infrastructure issues to Pacific island countries and works as a coordination facility for the principal development partners in the region. All Pacific LDCs have benefitted from this facility.

To attract investment flows from local as well as foreign sources, several AP LDCs are setting up special economic zones (SEZs) with improved infrastructural facilities including uninterrupted utilities supplies. Amongst others, Bangladesh plans to establish 100 SEZs of which some 88 are at different stages of development. As of 2019, Cambodia has 54 SEZs, while three are being developed in Myanmar. Lao PDR established National Committee for Special Economic Zone and Specific Economic Zone Management to oversees the development of some 41 SEZs (ESCAP, 2017a), of which 14 are operational.

Besides developing road and rail infrastructure, LDCs need to improve air transportation. Air transport freight in Asia-Pacific LDCs declined from 284.3 million ton-km in 2010 to 101.2 million ton-km in 2018, although it reached a peak of 326.6 ton-km in 2013. This decline could partly be attributed to rising coastal transportation. On the contrary, air passengers in AP LDCs increased by 162 per cent between 2010 and 2018, with Cambodia leading the growth followed by Myanmar, Nepal and Bangladesh. The liner shipping connectivity index, which captures how well countries are connected to global shipping networks, for the AP LDCs rose from 545 in 2010 to 6.9 in 2019, although declining from a peak of 7.9 reached in 2016. The low index value reflects the poor quality of road and port infrastructures and longer lead times contributing to higher transportation cost.

Remarkable progress was made in information and communication technology (ICT), offering significant opportunities for Asia-Pacific LDCs to overcome structural impediments. Between 2010 and 2019, mobile cellular subscriptions in 12 AP LDCs surged remarkably from 38 per 100 people to 91. Five countries, Bangladesh, Cambodia, Myanmar, Nepal and Timor-Leste report subscription of 100 per cent and even higher. Despite these achievements, only 17 per cent of the inhabitants of Asia-Pacific LDCs used the Internet in 2019 as against the Programme’s target of providing 100 per cent access to the Internet by 2020. Moreover, high cost and poor quality of Internet services remain major issues, revealing a large digital divide between the LDCs and other developing countries in the region (Figure 5).

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19 https://www.irrawaddy.com/opinion/analysis/megaprojects-a-double-edged-sword-for-myanmar.html
20 Regional implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020, February 2017.
21 See Bangladesh Economic Zones Authority (BEZA), https://www.beza.gov.bd/economic-zones-site/
22 Information obtained from the Council for the Development of Cambodia and the Directorate of Investment and Company Administration (DICA Myanmar)
23 Air passenger transportation declined for Afghanistan during the same time period.
24 International Telecommunication Union, World Telecommunication/ICT Indicators Database (www.itu.int/pub/D-IND-WTID.OL-2020 (accessed 18 March 2021)).
25 Subscription rates above 100 per cent indicate that the number of SIM cards in circulation is higher than the population due to multiple SIM ownership. For a more detailed definition, see www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx.
Energy

Availability of affordable and uninterrupted energy supplies is critical for productive capacity development. Access to electricity in AP LDCs rose sharply from 55.4 per cent in 2010 to 87.3 per cent in 2018 as against the current global LDC average of just 51.6 per cent. 26 There are access disparities between urban and rural areas in AP LDCs except for Bhutan, where a universal coverage has been achieved. More than 90 per cent of the population in Afghanistan, Lao PDR, and Nepal now have access to electricity while Bhutan, Kiribati and Tuvalu have 100 per cent population under electricity. 27 However, ensuring uninterrupted, affordable and reliable energy supply will continue to require attention. There are also inefficiencies in production, and transmission and distribution systems as a significant proportion of energy is being wasted at different stages of the supply system. Electricity generation capacities will have to be strengthened further given the rising demand for energy while sustaining economic growth.

The IPoA calls for raising the total primary energy supply (TPES) per capita in the LDCs to the same level as other developing countries. The TPES per capita in Bangladesh rose from 0.2 tonne of oil equivalent (toe) in 2010 to 0.25 toe in 2017; far below the developing countries average of 2.1 toe. 28 For Cambodia the corresponding rise has been from 0.38 to 0.52 and from 0.28 to 0.43 for Myanmar. Overall, the per capita electricity consumption increased in all AP LDCs. 29

Bhutan is considered as a successful case for generating and exporting hydropower electricity. Hydropower had a significant impact in boosting the country’s economy as it constitutes 16 per cent of GDP and 30 per cent of government revenue (Government of Bhutan, 2020). Bangladesh has expanded its access to electricity for its population from 55 per cent in 2010 to more than 90 per cent in 2019 through increasing generation capacity and imports from India. Installed generation capacity for the country more than tripled from 5823 megawatt (MW) in 2010 to around 19,000 MW in 2019 (Government of Bangladesh, 2020).

Notably, however, ensuring an uninterrupted, affordable, reliable and clean energy supply...
remains a significant challenge. For instance, improving the quality of the electricity supply is essential for households, as home appliances are sensitive to changes in the flow of electricity. Moreover, inefficiencies in production, and transmission and distribution systems mean a significant proportion of energy is being wasted at different stages of the generation and transmission system.

Electricity generation through renewable sources also needs to be further strengthened give the rising demand for energy to sustain economic growth, while addressing climate impacts. Despite the strong emphasis of the Istanbul Programme of Action, progress has been mixed and uneven. For example, the renewable share in final energy consumption (excluding the traditional use of biomass) remained at 0.3 per cent in Bangladesh and around 6 per cent for Myanmar between 2011 and 2017. Cambodia and Nepal, however, made some progress as their shares increased, respectively, from 14.4 per cent in 2011 to 18.9 per cent in 2017 and from 4.6 per cent to 6.7 per cent. The global average of all developing countries for which data are available was 10.1 per cent in 2017.

Science, technology and innovation

Asia-Pacific LDCs generally lag in their development in science, technology, and innovation (STI). The number of scientific and technical journals published per 1 million – one measure of the capacity in STI, improved in Asia-Pacific LDCs to 15 journals in 2018 from 7.5 in 2010 with Bangladesh leading the group with 19.4 journals (WDI, 2020). This is higher than the overall LDC average of 10.8 but is extremely small compared to the world average of 336.4. In another measure of STI capacity – the number of patents filed – Asia-Pacific LDCs are also clearly far behind. Data from the World Intellectual Property Organisation (WIPO) show that the number of patent applications in 2018 from 12 Asia-Pacific LDCs combined was 586, of which 368 patents were due to Bangladesh only. On the other hand, in the same year, Singapore alone registered 11,845 and Vietnam recorded 6,071 patents with the worldwide registered patents being 3,326,300. In the same year, Asia-Pacific LDC’s combined share in the number of worldwide trademark applications was just 0.76 per cent.

The lack of a clear and consistent STI policy has held back progress in many countries in this area. Future progress will therefore rely on fostering a culture of learning and innovation that rewards scientific and technical achievement. Greater private sector participation in promoting science and technology research and education can also be encouraged. To boost LDC capacity in closing the gap with world advances in STI, the IPoA called for the establishment of a Technology Bank for the LDCs. This bank would help improve LDCs’ scientific research and innovation base, promote networking among researchers and research institutions, access and utilize critical technologies, and draw together bilateral initiatives. Based on a United Nations General Assembly resolution (A/RES/71/251) in 2016 the Technology Bank came into operation in 2018. Its operationalization marks the achievement of one of the first SDG targets (target 17.8). This bank serves the LDCs and graduated LDCs for up to five years after their graduation from the category.

Private sector development

The IPoA acknowledges a dynamic, broad-based, well-functioning and socially responsible private sector as a key to sustained, inclusive and equitable economic growth and sustainable development. There are no concrete indicators specified in the programme of action to measure the development of private sector. Nevertheless, Asia-Pacific LDCs are widely perceived to have made some progress in private sector development, including raising their contribution to GDP and employment generation. Most Asia-Pacific LDCs do have implemented policy support measures to facilitate private sector development. This is also somewhat reflected in, the falling time and cost required to start a business. For instance, while it took on average 56 days and 52 per cent of annual income per capita to complete business start-up procedures in 2010, the corresponding averages 38 days and 20 per cent of income in 2019. Several Asia-Pacific LDCs are implementing different programmes and policies to facilitate the development of private sector. For example, Cambodia has

31 Based on data from World Bank, World Development Indicators database (databank.worldbank.org/source/world-development-indicators (accessed 4 February 2021)).
32 World Intellectual Property Organization, intellectual property statistics (www3.wipo.int/ipstats/ (accessed 30 December 2020)).
33 Based on WDI data. https://infrastructuregovern.imf.org/content/PIMA/Home/PimaTool.html (accessed 4 March 2021).
launched a deep reform agenda to improve the business and investment environment to accelerate the provision of business services and further open market negotiations for domestic goods (Government of Cambodia, 2019). In terms of the logistic performance index, the average score for the nine Asia-Pacific LDCs, for which data are available, is slightly higher than the combined average of all LDCs. However, it remains sufficiently below the world average (Figure 6).

Notwithstanding, Asia-Pacific LDCs continue to confront with several challenges for the further development of the private sector. Policy uncertainty, infrastructure deficits, regulatory deficiencies, access to finance, shortages of skilled labour, high cost of trading, and corruption are some of the challenges faced by private sector enterprises. According to the World Bank’s Ease of Doing Business Index 2020, only two Asia-Pacific LDCs ranked among the top 100 business friendly countries: Bhutan ranked 89th and Nepal 94th. On average, a new business in the LDCs in this region spent 137.4 days in getting an electricity connection to start a business and 102.5 days to set up a credit line. While performances of individual LDCs vary widely, improving doing business and investment climates remain critical challenges.

**Figure 6. Logistic performance index score, 2018**

![Logistic performance index score, 2018](source)

*Source: World Development Indicator, World Bank.*  
*Note: An index value of 1 implies poor performance while a value of 5 indicates best. Black coloured line represents AP-LDC average while yellow line indicates LDC average score.*

**Figure 7. Inequality in bank account ownership**

![Inequality in bank account ownership](source)

*Source: ESCAP (2019c).*
Nevertheless, limited access to finance, particularly for women and small- and medium-sized enterprises, policy uncertainty, regulatory deficiencies, shortages of skilled labour and high cost of trading continues to hamper private sector enterprises in most LDCs. For instance, access to financial services, measured by the proportion of adults with a bank account or with a mobile money service provider, stood at only 39 per cent in Asia-Pacific LDCs in 2017, with 18 percentage points difference between males and females.\textsuperscript{34} Such inequality is also reflected in Figure 7 which shows that three LDCs (Cambodia, Afghanistan and Myanmar) have the highest inequality in bank account ownership.

### B. Agriculture, food security and rural development

The importance of agriculture in the promotion of food security, eradication of poverty and hunger, employment generation, rural development, and gender empowerment was highlighted in the Istanbul Programme of Action. It called for actions to be undertaken by the LDCs and development partners, primarily, to meet three targets: make ‘substantial progress’ towards eradicating hunger by 2020; ‘significantly increase’ rural infrastructure investment; and ensure safe food and emergency food assistance in the LDCs.

According to the World Bank data, the average annual growth of agriculture in Asia-Pacific LDCs was around 2.2 per cent during the IPoA implementation period (from 2011 to 2019), while the corresponding figure for all LDCs was 3 per cent. During this time, the same sector in two Asia-Pacific LDCs, namely Tuvalu, and Timor-Leste, had declined at an average annual rate of 3.66, and 1.32 per cent, respectively. Apart from these countries and the Solomon Islands for which data are not available, the average annual growth in the rest of Asia-Pacific LDCs was 2.9 per cent. Kiribati experienced the highest expansion rate of 4.6 per cent, followed by Vanuatu and Bangladesh. The contribution of agriculture to the GDP, on average, was about 20 per cent in 2019 for the Asia-Pacific LDCs. This is however a 5.6 percentage-points decrease from 2010, reflecting the natural course of diminishing significance of the sector as countries develop. Among Asia-Pacific LDCs, Kiribati currently has the largest share of domestic value added due to agriculture (28.6%), followed by Vanuatu (25.8%), Nepal (24.3%) and Myanmar (21.4%). Despite agriculture’s relatively small share in the Asia-Pacific LDCs, the sector, on average, continues to employ more than half of the total labour force in these countries. The countries with largest shares of employment in agriculture are Nepal (65%), Lao People’s Democratic Republic (62%), Vanuatu (55%), and Bhutan (55%).\textsuperscript{35} In the largest Asia-Pacific LDCs, Bangladesh, agriculture occupies just 13 per cent of domestic output but employs almost 40 per cent of total labour force. Therefore, growth in Asia-Pacific LDCs seems to have subdued impact on pulling workers away from the farm sector to non-farm activities.

During the IPoA period, some Asia-Pacific LDCs have shown impressive success in the production of food grain, vegetables, livestock, poultry, and freshwater fish. Despite shrinking arable land, Bangladesh over the past decades has increased its crop production several times and is now the third largest producer of freshwater fish after China and India (FAO, 2018). Similarly, Cambodia, Lao PDR and Myanmar have exhibited strong performance in grain production. Indeed, food production measured by Food and Agriculture Organization of the United Nations (FAO) food production index, increased from 92.6 to 101.7 (a 9.8% increase) between 2011 and 2018 in Asia-Pacific LDCs for which data are available, with Cambodia and Lao PDR making the most contribution to this increment. This increased agricultural production, despite low productivity, has contributed to these LDCs’ progress in tackling poverty and hunger. Productivity remains an issue for Asia-Pacific LDCs as reflected in the average agricultural productivity, measured by gross per capita production index developed by FAO. Only five of 12 Asia-Pacific LDCs experienced a rise in productivity between 2011 and 2016, for which comparable information is available. Lao PDR recorded the most impressive productivity gains of about 42 per cent. Exclusion of it alone would reduce the average agricultural productivity index for Asia-Pacific LDCs to fall from 108 in 2011 to 103 in 2016. Indeed, boosting agricultural productivity remains a key priority for Asia-Pacific LDCs, especially given the large impact that agricultural transformation could have on reducing poverty in LDCs (ESCAP, 2019a).

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\textsuperscript{34} Based on data from the United Nations SDG Global Indicators Database. \url{https://unstats.un.org/sdgs/indicators/database/} (accessed on 27 February 2021).

\textsuperscript{35} Based on WDI data.
In 2017, about 518 million people in Asia and the Pacific suffered from hunger which was 1 million higher than the previous year (ADB and IFPRI, 2019). While dealing with food security and production, farmers are being confronted with such issues as dwindling natural resources, deteriorating environment, decreasing labour supplies, lack of adequate access to finance and limited technological improvements. Although the Asia-Pacific LDCs have made progress in reducing undernourishment, the average prevalence of undernourishment in 9 countries, for which data are available, was still 14.9 per cent of the population in 2018, while remaining almost stagnant since 2009, as per World Bank data. To meet the SDG 2: zero hunger goal, three million undernourished people in the Asia-Pacific need to be lifted out of hunger every month until the end of 2030 (FAO, UNICEF, WFP and WHO, 2019). Stunting, which is a permanent condition that affects physical and cognitive growth of children, has been a serious issue for LDCs in Asia and the Pacific with Lao PDR and Timor-Leste having stunting rates above 40 per cent.

According to FAO data, the total government expenditure on agriculture as per cent of total spending for seven Asia-Pacific LDCs, for which data are available, was around 6.5 per cent, on average, during 2011-17 against the IPoA target of at least 10 per cent. The highest allocation was observed for Bhutan and Nepal - almost 13 per cent and 10.5 per cent, respectively, and these two countries had historically maintained the expenditure shares around 10 per cent since 2011. Bangladesh, in contrast, experienced a fall in the share from 8.7 to 5.7 per cent during this time. The Solomon Islands and Myanmar also saw falling public expenditure share in agriculture. Timor-Leste and Myanmar show the lowest allocations of 2.2 and 2.5 per cent, respectively, although the former did manage to raise expenditure from 1.4 per cent in 2011.

The development of the agricultural sector is an imperative for all LDCs, not only poverty curbing and food security, but also to guarantee rural development and economic stability of famers, given the size of rural areas. In 2020, 67% of the people in Asia-Pacific lived in rural areas. However, one of the most important threats to agriculture, and rural development remain natural disasters. According to ESCAP (2015b), Asia-Pacific LDCs are losing on average US$592 million per year (i.e. 0.97 per cent of their GDP) due to natural disasters.

Different pragmatic policies and effective measures contributed to their progress. For example, Cambodia recently introduced the Policy on Agricultural Extension to ensure that farmers and their communities are able to acquire a better agricultural knowledge, skills and technology (Government of Cambodia, 2019). On the other hand, Nepal has been implementing the Agriculture Development Strategy (ADS) 2015-2035 where sectoral strategies have been devised to improve agricultural productivity (Government of Nepal, 2019).

Low productivity and low value-added occupations generate low per capita incomes, which in turn adversely affect nutritional status. Therefore, poverty, hunger, and malnutrition cannot be effectively tackled in the absence of vibrant rural and agricultural activities. Given the critical dependence on agriculture for food security, health outcomes and livelihoods, a broad-based approach to transforming food and agricultural systems will be required for Asia-Pacific LDCs.

C. Trade

International Trade is vital for a country’s economic growth and development. It helps bring structural transformation, provides access to international markets and global value chains, help acquire technologies, and removes the impediments imposed by the limited size of the domestic market. The IPoA aims to (a) significantly increase the share of LDC in global trade with the target of doubling the share of LDC exports in global exports by 2020, and (b) make substantial efforts for an early and successful conclusion of the Doha Round of trade negotiations.

The IPoA implementation period was marked by a generally uncertain global trade trend. While the major global economies (G20 countries) failed to dismantle the trade-restrictive measures imposed by them in the aftermath of the global financial crisis, further unfavourable developments were added through trade policy reversals, mainly by the United States, resulting in a tariff war between the United States and China and the United Kingdom’s leaving the EU through a prolonged period of uncertainty. The decade of 2011-20
also witnessed a dismal state of trade multilateralism as the benefits of globalization and free trade were called into question, causing political upheavals in Europe and the United States. Consequently, there has been an unprecedented slowdown in global trade. While between 2000 and 2010 world exports of goods and services – as data from UNCTADstat show – grew by more than $13 trillion, the corresponding rise since 2011 has been just about $1.4 trillion. After a steady rise since 1990 from around 19 per cent to 30 per cent, the world export-GDP ratio stagnated during 2011-19. Trade multilateralism stalled as the Doha Round of trade negotiations remain unfinished after more than 18 years now.

In the above unfavourable global trading environment, Asia-Pacific LDCs demonstrate mixed performance: several of them put up rather a robust and resilient performance while others faltered. The combined share of 12 Asia-Pacific LDCs in world merchandise exports rising from 0.25 in 2011 to 0.43 per cent in 2019 is likely to miss the target of doubling the share by 2020. During the IPoA implementation period, the overall LDC share (of all 47 LDCs put together) actually declined from 1.03 per cent in 2011 to 1 per cent in 2019. Contrasting this overall trend, merchandise exports from Asia-Pacific LDCs during 2011-19 grew at an average annual rate of 15 per cent, substantially higher than the LDC average growth of 3.3 per cent. Among individual Asia-Pacific LDCs, Afghanistan saw average yearly merchandise exports rise by 11.1 per cent, Bangladesh 8.6 per cent, Cambodia 13.1 per cent, Lao PDR 14.7 per cent, and Myanmar 9 per cent. On the other hand, Bhutan and Tuvalu saw absolute declines in their exports compared to 2011. Each island LDC in this region performed well in terms of average export growth, but they suffer from export instability (or volatility), which can be a major problem for macroeconomic management. It is worth mentioning that these countries have very small export bases. Apart from Solomon Islands, each of the other four island LDCs have less than 100 million exports, while the combined export volume of all five island countries was less than $700 million in 2019.

The share of services exports in Asia-Pacific LDCs in global services exports – as can be estimated using UNCTADstat data – increased from 0.22 per cent in 2011 to 0.39 per cent in 2019. The corresponding rise in overall LDC services exports grew from 0.66 per cent to 0.8 per cent. Myanmar expanded its services exports at average rate of 45 per cent per annum increasing its share in world services exports by almost 10 times, while Bangladesh, Cambodia and Nepal grew more than 10 per cent annually. Travel comprises more than one-third of total services exports in Myanmar. On the contrary, Afghanistan and Tuvalu experienced negative growth in services. Cambodia, Lao PDR, Myanmar, Nepal, and several Pacific LDCs have experienced robust growth in their tourism services sector. The share of Asia-Pacific LDCs in world goods and services exports increased from 0.23 per cent in 2011 to 0.39 per cent in 2019 (Figure 8).

**Figure 8. Evolution of market share in world goods and services exports**

Source: UNCTADStat.
Note: Country’s share in world merchandise exports is normalised for 2010.
LDCs tend to suffer from lack of export market and market diversification. Around two-thirds of total exports from Bhutan and Nepal, two landlocked economies, are destined to a single market – India, while the other landlocked country, Lao PDR, sends 60 per cent of its exports to China. For other LDCs in this region, China, the EU, and the United States comprise the major markets.

Excessive dependence on a single or a few products are quite common for many Asia-Pacific LDCs. While frozen fish and fish products account for more than three-quarters of exports of Kiribati, the same level of export dependence is due to wood and wood products for the Solomon Islands. Unlike primary products, manufacturing does allow production of a wide variety of items within a broad export category. Nevertheless, Bangladesh’s excessive dependence on clothing exports (more than 80% of its exports) makes it vulnerable to any potential shock related to this single sector. More than 60 per cent of Cambodia’s merchandise exports and a quarter of Myanmar’s are also due to apparel. Overall, compared to the other developing countries as a group, the export concentration of Asia-Pacific LDCs is much larger (Figure 9). Myanmar, Lao PDR and Vanuatu have been able to reduce their export concentration during the IPoA implementation period, while for Afghanistan, Bhutan, Kiribati, Timor-Leste, Tuvalu, and the Solomon Islands such concentration has risen during the same period.

Asia-Pacific LDCs show varying prospects of export diversification as reflected in the location of their merchandise export items in the product space. Five Asia-Pacific LDCs, namely Bangladesh, Cambodia, Lao PDR, Myanmar and Nepal, have presence in the textile and apparel clusters (green dots to the right of product space in figure 10), providing scope of significant linkages among many potential export items. Among Asia-Pacific LDCs, Bangladesh is the largest exporter. However, apart from apparels, it does not have any significant presence in the other parts of the product space. In contrast, with a 50 times smaller export basket than Bangladesh, Nepal’s presence in the product space appears to be much diversified. Myanmar and Lao PDR also depict some diversified export activities. Export products of Pacific island states such as Solomon Islands, Timor-Leste and Vanuatu, are mostly at the periphery of the product space, but Tuvalu shows a more diversified export basket. Given the current product space mapping, Afghanistan, Lao PDR and Myanmar and Solomon Island show the potential of diversifying agricultural and primary products.

Figure 9. Export concentration index

Source: Author’s analysis using data from UNCTADstat.

Notes: The concentration index, also known as the Herfindahl-Hirschmann Index, is provided by UNCTAD and is estimated using the SITC 3-digit level export products. An index value closer to 1 indicates a country’s exports or imports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports or imports are more homogeneously distributed among a series of products. For countries to the left of the 45-degree line, export concentration rose between 2010 and 2019.

38 In simple terms, the product space depicts a map of all merchandise export items to indicate how individual products are linked to one another. Towards the centre of the space, product linkages are dense. This implies that if a country’s products lie at or close to the centre, it is easier to expand exports through the related products. When products are at peripheries of product space, counties exporting these items find it very difficult to move into other sectors.

39 The location products in the periphery is usually associated with a lack of nearby products that require similar capabilities implying a limited scope and inherent difficulties for diversification.
The WTO Ministerial Council meeting in 1995 decided on grant of duty-free quota-free market access to the LDCs by developed countries and also by the developing countries that were willing to do so. The IPoA calls for implementing duty-free, quota-free market access for all products originating in the LDCs. With some exceptions, most developed country members provide such market access to LDCs with less stringent preferential rules of origin. Several developing countries – with China and India being prominent examples – have also instituted preferential schemes for LDC exports. The Asia-Pacific LDCs are important beneficiaries of the duty-free, quota-free market access schemes of Australia, Canada, the EU, China, and India. However, constrained supply-side capacities mean many Asia-Pacific LDCs have only been able to utilize these preferences on an extremely limited scale. Bangladesh is regarded as the most successful LDC in making use of the preferences, taking advantage of
which the country’s apparel exports to the EU grew from 11.1 billion in 2011 to 19.6 billion in 2018 (Razzaque and Rahman, 2019). Amongst others, Australia, Canada, Japan and very recently India have also become important apparel exporting markets for Bangladesh. Cambodia and Myanmar also expanded their apparel exports to the EU. The United States offers some duty-free access for the LDCs, however, major export items from the Asia-Pacific region, such as textiles, apparels and footwear, are not included in the United States Generalized System of Preferences (GSP) for LDCs. It is worth mentioning that the United States suspended its GSP scheme for Bangladesh in 2013 due to its concern regarding workers’ rights and safety. Recently, the EU has partially suspended Cambodia’s preferential trade access on the ground of human rights concerns in early 2020.40

There was some concern that preferences could not be utilized because of stringent rules of origin (RoO) provisions. During the IPoA implementation period, significant progress has been made in considering simpler and less stringent RoO for LDCs. The EU allowed single transformation of apparel products, allowing LDC exporters to import fabrics to make apparel products, and still qualify for preferences. A WTO Ministerial Decision on Preferential Rules of Origin for LDCs was adopted in 2015 to enhance transparency in preferential mechanisms. This, amongst others, facilitated implementation of the self-certification of origin. Australia, Canada, Japan, New Zealand, China and India also offer less stringent RoO for LDCs.

In services trade, some progress has been made in offering improved market access, but no benefits have actually been materialised by LDCs. Initially, the General Agreement on Trade in Services (GATS) of the WTO provided a framework for liberalisation, it did not spell out the scope for preferential treatment for LDCs and other developing countries like in the case of trade in goods. In 2011, WTO members reached an agreement to allow LDC-specific preferential treatment for services and service suppliers. Despite not having a clear-cut guidelines about how the so-called LDC services waiver can be implemented, more than 25 developed and developing countries in 2015 indicated sectors and modes of supply where they intended to provide preferential treatment to LDC services and service suppliers until 2030. However, given the nature of the preferences granted, there is little information on how LDC service suppliers have benefitted. Operationalization of the services waiver thus remains a major challenge.

In one major development during the IPoA implementation period, WTO members agreed on a landmark trade deal, Trade Facilitation Agreement (TFA), which entered into force in 2017 following its ratification by two-thirds of WTO members. The TFA aims to expedite the movement, release and clearance of goods, and improve cooperation between customs and other authorities related to trade. It will help improve transparency, increase possibilities to participate in global value chains, and reduce the scope for corruption. Implementation of the TFA can reduce trade cost by 14.3 percent on average whereas developing countries and LDCs can expect to have even higher reductions (WTO, 2015). The agreement allows LDCs flexibilities in terms of implementation timelines and offers support for assistance in implementing the commitments.

D. Commodities

Relying primarily on commodities for export and domestic production has adverse implications for development as commodity-dependent developing countries are susceptible to price volatility and external shocks.41 The IPoA called for actions to broaden the economic base of LDCs to reduce commodity dependence.

Seven of the 12 Asia-Pacific LDCs are commodity dependent. In 2018, the average share of commodity exports in total merchandise exports of the Asia-Pacific LDCs is 60.2 per cent, which has increased from 54.9 per cent immediately prior to the adoption of the IPoA. Myanmar has shown an impressive reduction in commodity dependence from more than 90 per cent in 2009-10 to 60 per cent in 2017 (Figure 11), but for Afghanistan and the Solomon Islands, a strong opposite trend is exhibited. The Solomon Islands, Kiribati, and Afghanistan had commodity exports share of 90

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40 The partial suspension of Cambodia’s trade preferences will affect selected garment and footwear products and all travel goods and sugar. After a six-month interim period (from February 2020), sectors affected by the suspension will be subject to import tariffs when entering the EU market. If the human rights and labour rights requirements are fulfilled, the preferences could be reinstated, as per the EU decision.

41 When more than 60 per cent of a country’s merchandise exports are from commodities, it is usually considered as commodity dependent (UNCTAD, 2019).
per cent or above. Bangladesh and Cambodia had the least share of commodity exports (less than 10 per cent for both the countries). Afghanistan, Kiribati, Myanmar, the Solomon Islands, and Vanuatu are dependent on the exports of agricultural commodities, the prices of which have been volatile for the past two decades, often inflicting severe terms of trade shocks for these countries. The FAO food price index shows that food prices declined by more than 35 per cent between 2011 and 2019 to reach index value of 95. The high volatility in prices persists and the index increased to 100.9 in October 2020.

Timor-Leste is dependent on crude petroleum oil, with close to half of its GDP coming from oil alone. Oil prices have been highly volatile for decades and during the recent coronavirus pandemic (in April 2020) oil prices plummeted at a historically low level. Amongst others, Lao PDR, having a commodity-dependence of 75 per cent of merchandise export earnings, rely on exports of minerals, ores, and metals. These products as well are subject to price volatility and terms of trade shocks.

Diversification away from commodities has proven to be a formidable task for most commodity-dependent Asia-Pacific LDCs. As shown above, manufacturing capacities in countries remain quite weak and agriculture and services sectors are plagued with low productivity. In Bangladesh and Cambodia in particular, apparel exports have contributed to significant rise in manufacturing activities leading to the initiation of structural transformation. However, most other Asia-Pacific LDCs mainly trapped in low value-added commodity exports. These countries with the help of development partners will need to pursue diversification strategies to broaden their economic base and at the same should try to enhance value-addition in primary activities.

E. Human and social development

Human and social development is vital for sustainable and inclusive development. While the Asia-Pacific LDCs have made substantial progress in this area, such issues as prevalence of poverty, vulnerability, lack of essential services and weak governance have been major factors inhibiting further development. The IPoA actions on human and social development are closely aligned with those of the 2030 Agenda, especially the first five SDGs, addressing women and girls through targets on gender equality and the empowerment of women, children’s access to primary and secondary education, infant and maternal health, water and sanitation, and youth development. The targets on access to housing and social protection for marginalized and vulnerable people are also included.

Figure 11. Share of commodities in merchandise exports of commodity-dependent Asia-Pacific LDCs (%)
**Education and training**

The average net primary education enrolment rate in Asia-Pacific LDCs remains almost unchanged during the IPoA implementation period with Bangladesh, Myanmar, and Nepal each achieving more than 95 per cent net enrolment rates. The primary school enrolment for Asia-Pacific LDCs are quite gender equal except for Afghanistan. Gender parity in primary school enrolment has deteriorated in three of the Asia-Pacific LDCs, namely Afghanistan, Kiribati, and Tuvalu, and improved for the rest. The average net secondary education enrolment rate for both sexes increased substantially from around 45 per cent to around 60 per cent during the implementation period with Bangladesh, Bhutan and Tuvalu recording impressive enrolment rates. It is to be noted that, in general, the enrolment rates in secondary education for girls were higher than the boys in these countries. However, the quality of education and low completion rates remain substantial challenges. According to World Bank World Development Indicators, the average government expenditure on education as proportion to GDP for the eight Asia-Pacific LDCs, for which data are available, has slightly increased (from 3.5 per cent in 2011 to 4.1 per cent in 2018) which is higher the average of all LDCs (3.7 per cent) but slightly lower than the global average (4.5%). Bhutan, Timor-Leste, Nepal, and Vanuatu had the highest education expenditure of, respectively, 6.85, 6.8, 5.1, and 4.5 per cent of their respective GDP, while Cambodia, Bangladesh, and Myanmar each allocating only around 2 per cent of GDP.

**Population and primary health**

During the IPoA period, the total population of the Asia-Pacific LDCs has grown – as reported in World Development Indicators – at an average annual rate of 1.62 per cent as against of a comparable rate of 2.37 per cent for all LDCs. The total population living in Asia-Pacific LDCs stood at 310 million in 2019 (i.e. 4.04% of the world population) with Bangladesh alone accounting for more than half of it (163 million).

The proportion of cause of death, by communicable diseases and maternal, prenatal, and nutrition conditions in total deaths for these countries declined by 6.3 percentage points to 27.6 per cent in 2016 as against the global average of 20 per cent. The average maternal mortality rate of the Asia-Pacific LDCs decreased from 270 deaths per 100,000 live births in 2011 to 198.6 per 100,000 in 2017 (in comparison with the corresponding world average of 211 per 100,000). Afghanistan had the highest maternal mortality rate—638 per 100,000 in 2017. The lowest rates were observed for Vanuatu and Kiribati—72 and 92 per 100,000, respectively.

The average under-5 mortality rate for the Asia-Pacific LDCs decreased by an impressive rate from 49 per 1,000 live births in 2011 to 36 in 2019 (against the global corresponding average of 37.7 per 1,000 live births). Afghanistan and Kiribati had the highest under-5 mortality rates of 60.3 and 50.9, respectively, while the Solomon Islands had the lowest rate of about 19.7 per 1,000 live births.

The average government health expenditure as proportion to GDP for the Asia-Pacific LDCs slightly increased from 2.87 per cent of GDP in 2011 to 3 per cent in 2017. Tuvalu and Kiribati had a big impact on the average as they maintained high average spending of 12.5 per cent and 8.2 per cent, respectively. The corresponding proportion for all the LDCs remained around 1 per cent of GDP since 2011. Out-of-pocket payments (OOPs) or household’s share of direct healthcare expenditure as percent of total health expenditure for the Asia-Pacific LDCs remained almost unchanged at 35.5 per cent in 2017, which is less than the all LDC average of 52.4 per cent. Kiribati and Tuvalu maintained extremely low OOPs of less than one per cent. Afghanistan and Bangladesh have the highest OOPs of 75.5 per cent and 73.9 per cent.

**Youth development, Gender equality and empowerment of women**

Economic growth in LDCs has not been associated with adequate employment opportunities disproportionately affecting the youth. Economic expansion driven by capital-intensive sectors, factor market imperfections leading to insecure and vulnerable employment, skill mismatch, lack of appropriate training, and inadequate provision of financial services for promoting self-employed enterprises have exacerbated youth challenges.

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42 Cause of death refers to the share of all deaths for all ages by underlying causes. Communicable diseases and maternal, prenatal, and nutrition conditions include infectious and parasitic diseases, respiratory infections, and nutritional deficiencies such as underweight and stunting.
modelled estimate show that the average unemployment rate among the youth (aged 15–24) was around 7.1 per cent in 2019 – largely unchanged from the prevailing situation in 2011.43

Gender equality and the empowerment of women are fundamental objectives of sustainable development and this is an area for further improvement. Out of the 10 Asia-Pacific LDCs for which the information is available, female youth unemployment rate was more than that of their male counterparts in 7 countries. The highest gender disparities were found for Bangladesh, and Timor-Leste. According to modelled ILO estimates, the female labour force participation rate for 10 Asia-Pacific LDCs (48.8%) has been higher than that of other LDCs (32.6%) and the global average (46.3%) in 2020. During the IPOA implementation period the female participation rate for AP-LDCs has declined by 2 percentage points. Amongst the Asia-Pacific LDCs, Nepal recorded the highest rate of 77.9 per cent for women labour force participation, followed by Solomon Islands (71%) and Cambodia (67.6%).

In general, women and girl children in Asia-Pacific LDCs continue to face significant gender-based barriers in their human development. Deep-rooted gender inequality and socio-cultural customs and practices manifested in various patriarchal norms put women and girls into a disadvantaged situation. Violence against women and girls are quite widespread and the lack of reliable and internationally comparable national data is a critical obstacle in conducing evidence-based research on violence against women and developing gender-based violence policies and programmes.44 On the political front, the average proportion of seats held by women in national parliaments of Asia-Pacific LDCs was 16 per cent in 2019 — just 1.75 percentage points increase from 2011 – and 6 percentage points lower than the global average. Timor-Leste and Nepal had the highest proportions of women legislatures — 38 per cent and 33 per cent, respectively, while Vanuatu had the lowest (less than 0.5 per cent).

Shelter; Water and sanitation

Access to shelter, water and sanitation remains a major challenge in the LDCs. As shown above, most of the population of Asia-Pacific LDCs live in rural areas, but urban population density has been rising fast with the ever-growing phenomenon of rural–urban migration. Sprouting of slums and other residential areas with poor infrastructure and conditions now feature urban settlements in many Asia-Pacific LDCs. The rates of provision of access to basic service and building of infrastructure generally lag the rate of inward urban migration. This also leads to poor and unacceptable living standards and inequalities as the recently migrated urban population are more vulnerable to various shocks such as disease outbreaks and natural disasters.

The average proportion of people with access to drinking water services in the Asia-Pacific LDCs increased from 77.1 per cent in 2011 to almost 83.4 per cent in 2017. In Bangladesh, Bhutan and Tuvalu, the access is almost 100 per cent while the lowest coverage is reported for Afghanistan (67%). However, the average percentage of people using safely managed drinking water services is far less than the corresponding indicator for basic drinking water services as mentioned above.45 Bangladesh is the leading country among the Asia-Pacific LDCs in using safely managed water services, albeit having a much lower coverage of 55 per cent of the population.

In the area of sanitation, the average share of Asia-Pacific LDC population using at least basic sanitation services in 2017 was quite low—around 56 per cent—which increased 6.6 percentage points from 2011.45 Tuvalu, Lao PDR and Bhutan had the highest shares of 84, 74 and 69 per cent, and the Solomon Islands, Vanuatu and Afghanistan had the lowest shares of 34, 34 and 43 per cent, respectively. Rural populations have much lower access to sanitation services in comparison with their

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43 Data based on ILO modelled estimates reported in WDI.
45 Safely managed drinking water services is defined as using drinking water from an improved source that is accessible on premises, available when needed and free from fecal and priority chemical contamination. Data for this indicator is also present for a fewer number of countries compared to the corresponding basic drinking water services indicator.
46 Basic sanitation services: improved sanitation facilities that are not shared with other households. This indicator encompasses both people using basic sanitation services as well as those using safely managed sanitation services. Improved sanitation facilities include flush/pour flush to piped sewer systems, septic tanks or pit latrines, ventilated improved pit latrines, composting toilets or pit latrines with slabs.
urban counterparts.

**Social Protection**

The COVID-19 pandemic has highlighted the importance of providing social protection as many countries have seen their economies collapse and millions have lost their livelihoods. It has also shown that existing health and social protection systems in most of the region’s LDCs proved to be inadequate. Indeed, only 19 per cent of the population in the Asia-Pacific LDCs is covered by at least one social protection benefit in 2019, compared to 58 per cent for other developing countries in the region. As a result, this has left many workers, particularly those in the informal sector, vulnerable to external shocks.

Coverage is hampered primarily by underinvestment in social protection due to in adequate domestic resources and narrow fiscal space of the Asia-Pacific LDCs. On average, LDCs in the region as a group invest only 0.9 per cent of their aggregate GDP on social protection, compared to the average of 6.3 per cent for other developing countries. Weak institutional capacity also limited the expansion of social protection as it presents challenges in reaching the most marginalized groups.

Nevertheless, several countries have made commendable progress on bolstering social protection through various programmes which include old-age allowances, subsidised healthcare facilities, stipend programmes for primary and secondary school students, free education, maternity allowances, school feeding programmes, facilities for the ultra-poor and the homeless, etc. Bangladesh with a wide variety of schemes, including old-age allowances, stipends for primary and secondary school students, child benefits and maternity allowances, has initiated a reform programme to streamline and strengthen the system while improving efficiency. Bhutan has, amongst others, free education and health care as part of its social protection system while Kiribati and Nepal have also introduced universal old-age pension schemes.

**F. Multiple crises and other emerging challenges**

The LDCs are widely recognised as some of the most vulnerable countries and are confronted with multiple crises and emerging challenges. Given the experiences of global food-fuel crisis of 2005-06 and global financial crisis of 2008, when LDCs were severely affected, the IPoA explicitly considered the importance of building resilience to withstand such crises and challenges. Asia-Pacific LDCs remain exposed to a variety of shocks, including food, fuel, financial and economic crises in the global economy, natural disasters, climate change-related risks and disease outbreaks.

**Economic shocks**

To cope with regional and global economic and financial shocks, the Istanbul Programme of Action calls on LDCs to develop and implement national risk mitigation strategies and set up national crisis resilience and mitigation facilities to reduce their vulnerabilities. Private sector development and economic diversification have been two of the most important mitigation strategies pursued by the region’s LDCs in coping with economic shocks.

The most recent instance of the COVID-19 pandemic shows the extremely limited capacity of LDCs in dealing with such emerging developments. Along with the health risk in individual countries, exports – including both goods and services (e.g. travel and tourism) – and remittances have already plunged with bleak near-term prospects. This will have serious implications for short-to-medium term economic growth and poverty alleviation objectives. Due to collapse in global trade flows, supply chains are immensely affected, hampering domestic production activities. Furthermore, as social protection and healthcare systems are generally weak in the Asia-Pacific LDCs, there is some apprehension that the pandemic might have long-lasting implications.

There are also other unfavourable developments that trigger economic shocks. For example, terrorist and insurgent threats have emerged as two issues hindering stability across and outside the border of few LDCs. Amongst the Asia-Pacific LDCs, Afghanistan remains vulnerable to insurgent campaigns and political instability which put severe strain on their economies. Bangladesh now hosts roughly one million refugees from Myanmar – another LDC. Hosting this massive refugee population has colossal consequences for both economic and environmental resources. The COVID-19 outbreak threatens to further worsen the already appalling living conditions of the refugee community.
Climate change and environmental sustainability

One of the biggest challenges faced Asia-Pacific LDCs is climate change and impending environmental threats. Extreme weather events such as high temperatures, floods, cyclones, and sea level rise are imposing high economic and social costs on the LDCs (ESCAP, 2017b). The past five years (2015–2019) registered the warmest temperature on record, accentuating the continued global warming resulting from greenhouse gas emissions. Most of the Asia-Pacific LDCs remain vulnerable to adverse consequences of extreme weather events. Impacts of climate change have claimed lives, forced people out of their habitats and triggered numerous fatalities. The IPoA underscored the importance of ensuring that development plans and programmes integrate adaptation considerations with the aim to minimize the impact of climate change on livelihoods.

To combat the adverse impacts of climate change, all Asia-Pacific LDCs have ratified the Paris Agreement and submitted Nationally Determined Contributions (NDCs), with the greenhouse gas reduction target of 10 to 30 per cent by 2030. Bangladesh, Cambodia and Nepal were amongst the 17 countries in the Asia-Pacific region that have submitted revised NDCs, ahead of COP26 to be held in 2021. In addition, Bhutan has already reached carbon neutrality, while Tuvalu has a goal to be on a zero-carbon pathway by 2050 and Vanuatu committed to 100 per cent renewable energy by 2030 (Figure 12).

By the end of 2020, these countries introduced specific policy measures to cut emissions and increase resilience of their economies. For example, Bangladesh prepared the Nationally Determined Contribution Implementation Roadmap in 2018 to commit to and to spell out climate change actions under the Paris Agreement. Cambodia prepared the National Strategic Plan for the Management of the Protected Areas 2017-2031 and the National REDD+ Strategy 2017-2026. Tuvalu enacted the Tuvalu Climate Change and Survival Fund Act 2015 to address extreme vulnerability and enhance the country’s resilience.

Figure 12. Comparing greenhouse gas reduction target by 2030, GDP per capita, and emission levels, Asia-Pacific least developed countries

![Diagram showing greenhouse gas reduction target by 2030, GDP per capita, and emission levels, Asia-Pacific least developed countries.](image)

Source: ESCAP, UNEP and the green werk (2020).
Notes: The size of bubbles represents the level of greenhouse gas emissions in 2017 in metric tons of carbon dioxide equivalent. Lao PDR stands for Lao People’s Democratic Republic.
Despite these national efforts, delivering on carbon mitigation and adaptation for these countries depends on further capacity development support and financial assistance. Overall, for the six LDCs that have estimated financing needs to address climate change in their NDCs, total adaptation and mitigation costs are estimated at $54 billion and $35 billion, respectively.\(^{47}\) To address the adverse consequences of climate change, there has been some progress in the flow of financial resources to the LDCs. As of September 2019, total cumulative pledges to the Least Developed Countries Fund (LDCF) stood at about $1.6 billion (Global Environment Facility, 2019). Of the resources pledged, $1.4 billion (about 87\%) had been delivered. At the end of October 2019, a total of 47 projects and programmes (excluding national adaptation programmes of action) were approved for Asia-Pacific LDCs, with a total value of $366 million (just 26 per cent of the available finance). At present, each LDC can access up to $50 million cumulatively from the LDCF. To ensure timely and equitable access to resources by as many LDCs as possible, an initial resource access cap was introduced, under which each LDC can draw up to $10 million in LDCF resources toward the $50 million cumulative ceiling.

As of February 2020, project proposals from a number of seven Asia-Pacific LDCs had been submitted to the Green Climate Fund (GCF) under its Readiness and Preparatory Support Programme (Green Climate Fund, 2020). GCF provides up to $1 million per country per year for support related to institutional capacity building, coordination, policy and planning, and programming for investment. This fund also offers up to $3 million per country for the formulation of National Adaptation Plans (NAPs) and/or other adaptation planning processes.

The IPoA emphasised the need for biodiversity conservation and sustainable use and management of forests through afforestation and preventing deforestation. During 2006-2016, forest areas in seven Asia-Pacific LDCs remained largely unchanged. However, Afghanistan has the lowest forest area with respectively 2 per cent and 1 per cent of the total land area. Despite experiencing a decline of 12–14 per cent of forest area, Cambodia, Myanmar and Timor-Leste have more than 40 per cent of forest coverage of their land areas. With a forest area of less than 15 per cent of land mass, Bangladesh and Kiribati remain extremely vulnerable to climate-induced disasters, indicating the critical need to increase afforestation.

Furthermore, the COVID-19 pandemic is posing additional challenges to the ongoing adaptation and mitigations efforts in many countries as the Governments have to focus temporarily on public health and divert their human and financial capacities to contain the spread of the virus and support the people and the businesses affected in their countries. In Cambodia, for instance, the economic impact of the pandemic on local communities has affected local-level consultations on climate change adaptation and mitigation, a key to successful implementation of the National Adaptation Plans.\(^{48}\)

**Disaster risk reduction**

To avert the climate and disaster induced vulnerabilities and retain the development gains, building resilience was outlined as a key priority for Asia-Pacific LDCs. In this context, reinvigorated efforts through early warming, preparation and response are essential for LDCs as the geophysical nature of disasters and extreme weather events have been longstanding factors constraining the economic growth. The Istanbul Programme of Action emphasizes that given their structural constraints and multiple vulnerabilities, LDCs tend to bear a disproportionately heavy impact of hazards and face daunting reconstruction challenges. The Asia-Pacific regional ‘riskscape’ highlights that economic losses due to disasters are larger than previously estimated, with most of this additional loss linked to the impact of slow onset disasters in the agricultural sector. Moreover, most LDCs, such as Bangladesh, Bhutan, Cambodia, Nepal, and others, have relatively large numbers of at-risk population and at-risk economies. For instance, the average annual loss as a percentage of GDP is highest in the Lao People’s Democratic Republic, at 8.7 per cent, and in Cambodia, at 8 per cent. Overall, Cambodia, the Lao People’s Democratic Republic and Myanmar have an average annual loss of 7.1 per cent compared to 2.8 per cent for the other countries in South-East Asia. Similarly, the average annual losses amount to 7.7 per cent, 6.9 per cent, and 6.4 per cent of

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47 These six LDCs are: Afghanistan, Bangladesh, Kiribati, Laos, Solomon Islands and Vanuatu. Total costs are estimated based on the NDCs of Asia-Pacific LDCs, available from the NDC Registry https://www4.unfccc.int/sites/NDCStaging/Pages/All.aspx (accessed 28 February 2021).

GDP for Nepal, Bhutan, and Bangladesh, respectively (ESCAP, 2019b).

The Asia-Pacific LDCs have adopted numerous measures and entered into regional cooperation arrangements and mechanisms to adapt with and mitigate the impacts of climate change. Asia-Pacific LDCs have now ratified the Paris Agreement. As part of the Global Climate Change Alliance Plus (GCCA+) initiative, all but three Asia-Pacific LDCs (Afghanistan, Kiribati and Tuvalu) have established collaboration with their development partners to strengthen country capacity in climate change adaptation and resilience (Global Climate Change Alliance Plus, 2018). In 2019, Kiribati, Tuvalu and Vanuatu received seed funding from the United Nations Trust Fund for Human Security (UNTFHS) to support activities that address enhance protection and empowerment of migrants and communities afflicted by climate change and disasters in the Pacific Region (UNTFHS, n.d.).

The Asia-Pacific LDCs, however, remain exposed to high risk of natural disasters as the frequency and intensity of natural disasters have substantially increased, resulting in significant economic and human costs. Severe floods affected Afghanistan, Bangladesh, Myanmar and Nepal in 2019. Heavy monsoon rain leading to landslides and floods continue to claim lives every year in many LDCs. Cyclones and hurricanes pose serious threat to SIDS. Amongst others, Cyclone Pam in Tuvalu and Vanuatu in March 2015, the earthquake in Nepal in April 2015 and unprecedented floods in Solomon Islands in 2014 are just a few of the recent instances of natural disasters that hit the Asia-Pacific LDCs, resulting in loss of lives and damaging their agricultural production, infrastructure, housing, and water and sanitation facilities.

### G. Mobilizing financial resources for development and capacity-building

The Istanbul Programme of Action acknowledges lack of financial resources as one of the biggest constraints facing the LDCs to achieve sustained, inclusive and equitable growth and sustainable development and progress towards graduation. It thus underscored the need to enhance the mobilisation of domestic resources by raising domestic savings, increasing tax revenue, and strengthening institutional capacity. There exists a large gap between investment needs and available finance in the LDCs. In 2018, both ODA and remittances were larger than FDI inflows into Asia-Pacific LDCs. The challenges faced with regards to achieving the goals and targets of the IPoA include incentivizing greater investment and ensuring that such investments are aligned with SDGs and are effectively implemented.

#### Domestic resource mobilization

Domestic resource mobilization poses a challenge for most LDCs that struggle to raise adequate revenue to provide basic services, such as healthcare, physical and social infrastructure, and public safety. Government revenues of Asia-Pacific LDCs (excluding grants) increased from 19.1 per cent of GDP in 2011 to 22.8 per cent in 2019, driven primarily by the rise in tax revenue; the median tax-to-GDP ratio increased from 13.5 per cent to 18.8 per cent over the same period. While this is an encouraging trend, government revenue of these countries was significantly more volatile than that of other developing countries in the region, thereby limiting a further increase in public spending on health, education and social protection. In the three most populous LDCs in the region, Afghanistan, Bangladesh and Myanmar, government revenue remained below the desired level of 15 per cent of GDP to invest in basic infrastructure services and achieve sustainable development. In Timor-Leste, the tax-to-GDP ratio fell sharply from over 100 per cent in 2011 to 25 per cent in 2018 due to a combination of low oil prices and declining production from major oil fields.

The current tax-to-GDP ratios in the AP LDCs ranged from 6 per cent in Myanmar to about 28 per cent in the Solomon Islands. Nearly half of the economies have experienced an increase in their tax-to-GDP ratios during the IPoA implementation period. However, in most AP LDCs there is further room for improvements in enhancing domestic resource mobilisation.

Gross domestic savings in Asia-Pacific LDCs remained around 20 per cent of GDP between 2011 and 2019, which is the level significantly below the median of 29.2 per cent in other

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49 Government revenue of LDCs was on average twice as volatile as that of other developing countries in the region. Volatility is measured in terms of the coefficient of variation of annual government revenue series over 2010-2019.

50 World Bank (2018) argues that a minimum of 15 per cent of GDP in revenue is needed to provide basic services, such as road infrastructure, health care and public safety.
developing countries in the region. Kiribati and Timor-Leste had negative gross domestic saving rates during this period. A decline in gross domestic savings as a percentage of GDP is observed for Bhutan and Myanmar, while it improved for Bangladesh, Cambodia, and Nepal. Low per capita income, underdeveloped domestic financial sector, non-inclusive financial systems, and weak banking oversight are some of the factors that adversely affected domestic savings mobilization efforts of the LDCs.

**Official development assistance**

Official development assistance (ODA) constitutes a major component of development finance that has aided the growth and development of LDCs. The net official development assistance to Asia-Pacific LDCs is estimated to have increased by almost 13 per cent, surging from $10.7 billion in 2011 to $12 billion in 2018, measured in 2018 prices. The ODA/GNI ratio sharply fell from 4.3 per cent to 2.7 per cent during this time. During IPoA period, Afghanistan received the highest net ODA which amounted to nearly $40 billion in eight years at constant 2018 prices. It is followed by Bangladesh ($20.4 billion), Myanmar ($1.7 billion) and Nepal ($1.5 billion) were other top recipients of ODA in 2018. In 2018, the number of countries in the Development Assistance Committee of the Organization for Economic Cooperation and Development that provided 0.15 per cent of or more of their gross national income (GNI) as ODA to LDCs —in line with the targets of the IPoA and SDG 17— stood at six (Denmark, Luxembourg, the Netherlands, Norway, Sweden, and the United Kingdom) with five of them exceeding 0.20 per cent of GNI. The overall share of ODA to the LDCs in donor’s GNI remained stagnant at 0.09 percent during 2008–2018.

While sustained economic growth somewhat reduced the significance of ODA in some countries, given the socio-economic challenges, ODA remains an important source of development finance, particularly for Pacific LDCs. Moreover, as LDCs suffer from absorptive capacities in utilising resources, committed aid is often utilised at a much slower pace.

**External debt**

Most Asia-Pacific LDCs have fared relatively well in keeping their debt and debt service obligations at a low level. Total reserves as a percentage of external debt exceeds 100 per cent in Afghanistan, Cambodia, Nepal, the Solomon Islands, Timor-Leste, and Vanuatu. Debt-service requirements as a percentage of exports of goods, services and primary income are generally low for most Asia-Pacific LDCs, ranging from 12.8 per cent in Bangladesh to 0.5 per cent in Timor-Leste.51 However, at least four LDCs (Afghanistan, Kiribati, Lao PDR and Tuvalu) are listed as countries with high risk of external debt distress according to the latest Debt Sustainability Analysis of the International Monetary Fund and the World Bank.52 With rising spending needs and economic contraction due to the COVID-19 pandemic, public debt in most of these countries is estimated to have increased in 2020 by around 5.9 per cent of GDP53 with higher debt-service burden in the future.

**Foreign direct investment**

Net foreign direct investment (FDI) inflows to the Asia-Pacific LDCs have increased from around $5.7 billion in 2011 to $8.4 billion in 2018.54 Bangladesh, Cambodia, Lao PDR and Myanmar are the largest recipients of FDI in the region. However, net flows declined for Bhutan, the Solomon Islands, Timor-Leste and Vanuatu during 2011-2018. When measured as per cent of GDP, net FDI inflows in Asia-Pacific LDCs shrunk significantly from 4.1 per cent in 2007-2010 to 3.0 per cent in 2015-2018 (Figure 13). For all LDCs globally, it has decreased from 3.6 per cent to 2.6 per cent during the same period. FDI inflows are expected to fall sharply in 2020 because the pandemic has adversely impacted sectors that receive a large share of FDI inflows in Asia-Pacific LDCs, such as textile and apparel sector, tourism and oil and gas.55

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51 Exports of goods, services and primary income is the sum of goods exports, exports of non-factor services and factor income receipts.
52 This is according to the debt sustainability analysis of the International Monetary Fund (IMF) and the World Bank. The results of the latest analysis are summarised at https://www.worldbank.org/en/programs/debt-toolkit/dsa.
53 Based on estimates of ESCAP (2021).
54 In current prices. Based on data from WDI. (accessed 30 November 2020).
55 According to ESCAP (2020b), the COVID-19 pandemic has accelerated the downward trend in greenfield FDI already recorded in the region in recent years, with oil and gas, tourism, and financial services being acutely affected.
Trends in announced greenfield FDI projects suggest that there is a growing interest in investment in services particularly in business services, trade, transport, storage and communications. Amongst the manufacturing industries, textile, clothing and leather sector had the highest number of announced greenfield FDI projects. Attracting FDI will be critical to scale up and accelerate the development efforts of these LDCs as well as support the achievement of many SDGs.

Remittances

Personal remittances received by the Asia-Pacific LDCs have steadily grown from $17.5 billion in 2011 to $31.9 billion in 2018. Bangladesh and Nepal are the largest recipients of personal remittances, with more than $18 billion and $8 billion, respectively, in 2019. Such flows accounted for 6.1 per cent of GDP in Bangladesh and 26.9 per cent in Nepal. Remittances contribute to GDP growth, employment creation, small and micro-business development and increased investments in health and education. In rural areas, remittances are known to have an important role in reducing poverty. The average cost of sending remittances to Asia-Pacific LDCs however remains high: in 2017, it varied from 4.4 per cent to 16.6 percent of the amount transferred – much higher than the Addis Ababa Action Agenda target of reducing such transaction costs to 3 per cent by 2030. The COVID-19 pandemic is likely to have adverse implications for remittances to LDCs, although several countries have seen quite an uptick in the remittance inflows during the second half of 2020.

H. Governance at all levels

The IPoA stressed that good governance and the rule of law at the local, national, and international levels were vital for sustained, inclusive, and equitable economic growth, sustainable development, and the eradication of poverty and hunger. It called for actions to strengthen good governance, rule of law, human rights, gender equality and empowerment of women, and democratic participation; prevent corruption; and enhance institutional capacity in the LDCs. All the Asia-Pacific LDCs have either ratified or acceded to the United Nations Convention against Corruption.

As of the end of 2019, three Asia-Pacific LDCs (Afghanistan, Myanmar and Timor-Leste) are implementing the Extractive Industry Transparency Initiative (EITI) to increase transparency over payments and revenues in the extractive sector. Timor-Leste and Myanmar have made, respectively, “satisfactory” and “meaningful” progress in

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56 The Extractive Industries Transparency Initiative (EITI) is the global standard to promote the open and accountable management of oil, gas, and mineral resources. Compliance refers to the publication of satisfactory EITI reports and to a functioning EITI process to oversee and improve levels of transparency and accountability. Yemen was suspended in 2015. Solomon Islands withdraw from the EITI in 2018. More information is available at eiti.org/countries.
implementing the standard in their extractive sector.\textsuperscript{57} Afghanistan’s EITI membership has been suspended because of inadequate progress in 2017. Since then, the country has made “meaningful” progress in implementing the EITI standards. Information on licenses, production, revenues, and spending of State-owned enterprises has been made available to the public by the country.

As per the 2019 Corruption Perceptions Index prepared by Transparency International – that assigns higher scores for lower levels of corruption – the average score of Asia-Pacific LDCs was 30.6 as against of the world score of 43.2. During the IPOA implementation period, most Asia-Pacific LDCs did improve, albeit only marginally. The average of the rank of the Asia-Pacific LDCs is found to be 117 out of a total of 180. Bhutan (with a score of 68), ranked 25\textsuperscript{58}, is the country among Asia-Pacific LDCs with the lowest level of corruption perception. Although Myanmar and Afghanistan have substantially increased their scores, they still have low rankings of 130 and 173, respectively.

Bhutan and Nepal have been performing better than other Asia-Pacific LDCs in the World Bank’s Country Policy and Institutional Assessment (CPIA) indicators, and Afghanistan has been lagging behind their counterparts.\textsuperscript{58} Asia-Pacific LDCs have seen slight improvements in the Democracy Index, prepared by the Economist Intelligence Unit (EIU), during the period 2011–2019. Of these countries, Myanmar progressed the most—its rank improved from 161 to 122 (out of 167 countries). On the other hand, country rankings deteriorated the most for the Lao PDR — from 101 to 124.\textsuperscript{59}

E-governance aims at improving relationship with the people and the government through advanced electronic and mobile services and aims to make the delivery of public services more effective, accessible, and responsive to people’s needs. The average scores of the UN E-government Development Index for the Asia-Pacific LDCs increased from 0.22 in 2010 to 0.44 in 2020.\textsuperscript{60}

However, challenges pertaining to governance remain, particularly regarding proper use of development resources and ensuring the rights of workers and marginalized groups. Cultural and other barriers have prevented full recognition of universally accepted human rights. More efforts must also be placed on strengthening the rule of law, improve the effectiveness of legal and regulatory frameworks and enhancing human and institutional capacity. In particular, the availability of official statistics and statistical capacity constitute an essential element of good governance as recognized in the Istanbul Programme of Action and as Principle 1 of the UN Fundamental Principles of Official Statistics (United Nations, 2015). This is also the area in which the Asia-Pacific LDCs clearly lag other developing countries in the region. For example, their World Bank’s statistical capacity index scores\textsuperscript{61}, which capture the availability, collection and practice of official statistics, are generally low: the index scores of all of the Asia-Pacific LDCs except Nepal were lower than the median of all developing countries in the region. Increased efforts in these areas would increase the level of resilience in these countries.

\textsuperscript{57} Based on data from Extractive Industries Transparency Initiative Data Portal (eiti.org/explore-data-portal (accessed 15 February 2021)).

\textsuperscript{58} The World Bank’s Country Policy and Institutional Assessment is done annually for all its borrowing countries. It has evolved into a set of criteria, which are grouped into four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions.

\textsuperscript{59} Based on data from Economist Intelligence Unit, Country Reports. country.eiu.com/AllCountries.aspx.


\textsuperscript{61} Based on data from the Statistical Capacity Monitor. (statisticalcapacitymonitor.org/indicator/113/ (accessed 10 March 2021)).
3. Challenges for Asia-Pacific LDCs

Despite mixed performance by individual countries across various priority areas, Asia-Pacific LDCs, on the whole, have made significant progress as reflected in such a high number of countries already meeting graduating criteria. After graduating of the Maldives, Samoa and Vanuatu, another ten of 11 Asia-Pacific LDCs are at different stages of graduation.62 This reflects their commitment towards making firm socio-economic progress even at times under unfavourable circumstances such as uncertain trading environment, climate change related disruptions, and natural calamities. However, the high level of economic vulnerability continues to be of serious concern for many, especially for the small island developing States. Such vulnerability has already delayed recommendation for graduation in the past depicting the fact that the graduation criteria set up through quantitative indicators cannot often adequately capture the profound challenges faced by these countries. Satisfying graduation criteria does not imply that a country is resilient to natural disasters or other climate change-related consequences (such as earthquakes, tsunamis, typhoons and tropical cyclones) and global pandemics.

The COVID-19 pandemic threatening to derail the socio-economic progress made in LDCs

The unfolding COVID-19 pandemic now poses a serious threat to the global economy with far reaching implications for development prospects of the Asia-Pacific LDCs. As the world economies aim to contain spread of the coronavirus and loss of human lives, the devastating social and economic crisis over the months and perhaps years to come could hit poor countries and particularly LDCs disproportionately. Under-resourced hospitals and fragile health systems in LDCs can hardly cope with the demand for health services. Even accessing hand-washing facilities could be a challenge for millions of poor living in remote rural areas and urban shanties. In addition, social distancing and lockdown measures will affect millions of poor and low-income people who rely on daily wages to stave off hunger. As the global economy contracts, jobs in the export industries have already been affected. Falling remittances will further squeeze the incomes of the recipient households. Tackling the resultant consequences will be more challenging for LDCs as they are already vulnerable, have limited resources, and weak institutional capacities. Given the inadequacies of public healthcare and social protection systems and resource bases to mitigate economic losses, the ongoing crisis could exacerbate pre-existing vulnerabilities of Asia-Pacific LDCs (ESCAP, 2020). In the absence of an effective social protection system, many households in LDCs will have to struggle to fulfil their basic requirements.

While the extent of actual impact is not yet clear, tackling consequences will be more challenging for LDCs as they are already vulnerable, have limited resources, and weak institutional capacities. These countries will now need extensive international support measures to fight against the crisis. How the progress made by individual LDCs is affected needs careful assessments and coordinated policy response. They should not be left alone as other developed and developing countries are also trying rescue their own economies. Given the nature of the crisis and associated costs and challenges, the graduation timeline for the LDCs should now be reconsidered or re-evaluated. In fact, considering the ongoing health and socio-economic crises, the United Nations Committee for Development Policy (UN CDP) in 2021 triennial views three elements as essential for a smooth transition of countries recommended for graduation in these circumstances: i) an extended preparatory

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62 This includes the countries that were found eligible for graduation for the first time at the 2021 triennial review.
period of five years to address the impacts of the ongoing global health and economic crises in planning processes; ii) a careful review of impacts of the pandemic during the annual monitoring and the 2024 triennial review, including whether further extension of the transition period by three years would be necessary; and iii) additional international support, including through extension of relevant existing support measures, provision of specific support to address impacts of the pandemic, and capacity-building. The United Nations Committee for Development Policy (UN CDP) extended the transition period by two more years for Bangladesh, Lao PDR and Nepal. Indeed, the United Nations in collaboration with other development partners should undertake a comprehensive review of socio-economic situations in the LDCs (including in Asia-Pacific LDCs) to develop the next programme of actions for the decade of 2021–2030.

Productive capacity development is critical for sustainable graduation for LDCs

Despite the emphasis on productive capacity development in the IPOA, it remains a major area where further policy attention and support measures will be needed. For Asia-Pacific LDCs, low and/or stagnant investment, infrastructure gaps, lack of skilled labour, weak public sector institutions, etc. affect productive capacities. Although several LDCs, including those in various stages of graduation, have made progress in energy and infrastructural development, the capacities remain grossly inadequate in comparison with the need. As against the IPOA’s call for generating electricity from renewable sources, it remains an ambitious target for reliable, affordable, and modern energy for sustainable development. Access to health and water and sanitation services is limited in most LDCs. While educational enrolment has been an encouraging success, ensuring the quality of education is a challenge for human resource development.

The limited productive capacity development is also reflected in the fact that an overwhelming majority of Asia-Pacific LDCs have failed to register the IPOA targeted average yearly growth of 7 per cent. Along with it, there is hardly any discernible impact of structural transformation in LDC economies. Productive job creation in manufacturing and modern services sectors has been far from encouraging.

As capacity development is of critical importance for structural transformation and achieving sustainable and smooth graduation, graduating LDCs will need continued support and special attention in the next round of programme of action. Significant investment is required for skill development training, supply side and trade capacity building, infrastructure development and technological adaption, amongst others. In this respect, accessing the support from the newly established Technology Bank should be extended further beyond a country’s graduation for at least a decade from the current level of five years. Donors should meet their longstanding commitments by enhancing the level of ODA to LDCs and ensuring aid effectiveness while making the aid flows stable and aligned with the national development priorities for supporting productive capacity development (UNCTAD, 2016).

Loss of preference access can have significant implications for graduating LDCs

The most prominent implications of LDC graduation is the loss of preferential market access under LDC-specific schemes such as the EU’s Everything But Arms (EBA) initiative and various other similar schemes offered by many other developed and developing countries. The impact on a graduating country’s exports of losing preferential market access will depend on several factors including current export structure, export destinations, existing tariff preferences and the degree of preference utilisation. Indeed, the 10 graduating Asia-Pacific LDCs differ significantly in these factors: Bhutan, Lao PDR, Myanmar and Timor-Leste have their exports concentrated in primary commodities (including fuels and minerals); Kiribati, Solomon Islands, Tuvalu and Vanuatu rely on agricultural and fishing products; Bangladesh is overwhelmingly dependent on clothing while Nepal’s reliance on certain textile items such as carpets is very high. Post-graduation tariffs on these items differ a lot and differ by destination markets. For instance, amongst developed countries, the most important market for LDCs is the EU due both to its large market size and to generous duty free tariff free access granted to LDCs, while Canada, Japan and Australia are also major markets for Asia-Pacific LDCs.

According to one estimate in WTO (2020), graduating LDCs are expected to face a trade-weighted average tariff increase of 4.2 percentage points in preference-granting
markets (difference between LDC duty rate and the next best alternative rate). However, higher tariff increases are expected for several Asia-Pacific LDCs: for Bangladesh and Nepal, the average tariff increases would be 8.9 and 8.1 percentage points, respectively; 7 percentage points each for Bhutan and Tuvalu; and between 2.5 and about 4 percentage points for Vanuatu, Lao PDR and Myanmar (Figure 14). It has been estimated that LDC graduation will have the greatest impact on the exports of Bangladesh (as much as 14% decline), while for other graduating Asia-Pacific LDCs with expected sizeable reductions in exports are Bhutan (1.44%), Lao PDR (1.45%), Myanmar (3.83%), Nepal (2.48%) and Solomon Islands (4.16%) (Table 2). For Kiribati, Timor-Leste, Tuvalu and Vanuatu the impact is likely to be negligible.63 It needs to be pointed out that if the graduating LDCs manage to raise their exports further prior to their eventual graduation, the resultant export impacts are likely to be bigger.

Figure 14. Average tariff increase faced by graduating Asia-Pacific least developed countries

![Average tariff increase](chart.png)

Source: WTO (2020).

Table 2. Potential export shocks arising from LDC graduation

<table>
<thead>
<tr>
<th>Exporter</th>
<th>Initial exports (US$ '000)</th>
<th>estimated changes in exports after LDC graduation (US$ '000)</th>
<th>Loss of exports as % of initial exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>37,633,733</td>
<td>-5,372,278</td>
<td>-14.28%</td>
</tr>
<tr>
<td>Bhutan</td>
<td>295,867</td>
<td>-4,251</td>
<td>-1.44%</td>
</tr>
<tr>
<td>East Timor</td>
<td>123,038</td>
<td>-42</td>
<td>-0.03%</td>
</tr>
<tr>
<td>Kiribati</td>
<td>153,730</td>
<td>-299</td>
<td>-0.19%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>4,581,917</td>
<td>-66,313</td>
<td>-1.45%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>13,028,355</td>
<td>-499,133</td>
<td>-3.83%</td>
</tr>
<tr>
<td>Nepal</td>
<td>812,796</td>
<td>-20,139</td>
<td>-2.48%</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>826,170</td>
<td>-34,399</td>
<td>-4.16%</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>58,623</td>
<td>-5</td>
<td>-0.01%</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>293,961</td>
<td>-864</td>
<td>-0.29%</td>
</tr>
<tr>
<td>Total</td>
<td>57,808,190</td>
<td>-5,997,723</td>
<td>-10.38%</td>
</tr>
</tbody>
</table>

Source: WTO (2020).

63 Apart from the nature of export products and the differing tariffs by import destinations, the other factor that is important for likely impact of exports is LDCs’ participation in other free trade arrangements that are currently major markets. For example, both Nepal and Bhutan have bilateral FTAs with India, which is a major market for both the countries. LDC graduation will not have any impact on Bhutan’s and Nepal’s accessing the Indian market. On the other hand, although Bangladesh is a member of South Asian Free Trade Area (SAFTA), the current terms of the agreement will not allow it to continue to enjoy post-LDC graduation duty-free market access in India.
Addressing the consequences arising from loss of exports due to LDC graduation can be difficult for LDCs. In some cases, there could be opportunities to access the next best available preferential schemes for graduating LDCs. For example, in the EU, GSP+ would be most preferred option after graduating from the EBA. However, access conditions could be quite demanding. For instance, given the current EU provisions, Bangladesh may not be eligible for GSP+ (Razzaque and Rahman, 2019). Preference donor countries do review the access conditions from time to time and graduating LDCs will require assistance, both technical as well negotiation capacity-related, to secure the best possible arrangements to facilitate a smooth transition.

Any increase in tariffs and more stringent RoO requirements resulting from LDC graduation would put the concerned LDCs under serious competitiveness pressure. These countries will require support to improve their firm-level competitiveness and to lower their cost of doing business (including cost of trading) for improving external competitiveness. As graduation could lead to various adjustment support, graduating LDCs must be provided with increased allocations of trade-related adjustment support as part of the WTO’s Aid for Trade budget.

A major thrust in the IPoA and SDG agenda was given on countries’ taking advantage of international trade for promoting growth and development. However, as mentioned above, the decade of 2011-20 has witnessed heightened trade policy uncertainty, trade conflicts and a severe slowdown of global trade. While the target of doubling LDC share in global trade by 2020 is going to be missed, under a weakened multilateral global trading environment, LDCs, including the graduating ones, with their limited trading capacities might be more vulnerable.

**Climate change-related vulnerabilities can hamper sustainable graduation**

Asia-Pacific LDCs are amongst the most vulnerable countries to climate change. According to the Global Climate Index 2020, which analyses the extent to which countries have been affected by the impacts of weather-related loss events (e.g. storms, floods, heat waves etc.), Myanmar was the 2nd most climate risk affected countries in the world over the past two decades 1999-2018, while Bangladesh ranked 6th and Nepal 9th. On the other hand, climate change poses existential threats to Pacific SIDS. It is widely recognized that climate change is taking place faster than anticipated and as such the risk affected countries might see sudden changes in their economic prospects. LDCs/graduating LDCs therefore need to build their resilience for which they need international support measures on a long-term basis.

The natural shock sub-index of the EVI captures vulnerability to natural shocks, in particular the impact of natural disasters associated with these shocks. However, there has been some concern that the EVI cannot fully capture the vulnerability due to natural disasters. It is also inadequate in reflecting the risk of emerging climate change-related issues triggered by global warming. It is widely recognized that climate change is taking place faster than anticipated and as such the risk affected countries might see sudden changes in their economic prospects. LDCs therefore need to build their resilience of climate change related shocks for which they need international support measures on a long-term basis.

LDCs’ access to climate finance remains limited. While numerous funds have been established for adaptation and mitigation of climate related vulnerabilities, some of them remain underfunded. Accessing these funds are complex and time consuming. LDCs can access the LDCF which supports programme under the UN Framework Convention on Climate Change (UNFCCC), including the preparation and implementation of national adaptation programmes of action (NAPAs). Each LDC is eligible to access up to $50 million cumulative funds from the LDCF. Given the huge reequipment to build resilience to the shocks and to undertake adaptation measures, the $50 million ceiling is inadequate. Again, graduated LDCs will lose access to this fund

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64 One of the sub-indicators of EVI is victims of natural disasters which is used to capture vulnerability to natural disasters. It is defined as people killed or affected (i.e., people requiring immediate food, water, shelter, sanitation or medical assistance). It includes those affected by weather and climate-related disasters (such as floods, landslides, storms, droughts and extreme temperatures) as well as geophysical disasters (such as earthquakes or volcanoes).

65 UNCTAD (2016). The Least Developed Countries Report 2016: The path to graduation and beyond: Making the most of the process.

66 Information obtained from [https://www.un.org/ldcportal/least-developed-countries-fund-lDCF/](https://www.un.org/ldcportal/least-developed-countries-fund-lDCF/)
after its graduation. The Green Climate Fund (GCF) is dedicated to help developing countries reduce their greenhouse gas emissions and enhance their ability to respond to climate change. LDCs and SIDS are given special priority in funds allocation from GCF. As of March 2020, 26 per cent of GCF funding are allocated to LDCs. While graduated LDCs will continue to have access to GCF, graduating Asian LDCs that are not SIDS would no longer benefit from the priority given to LDCs and SIDS. Besides, graduated LDCs will get access to the Special Climate Change Fund (SCCF) to formulate and implement national adaptation plans (NAPs). However, financing from all funds for LDCs and graduated LDCs are inadequate.

The climate change adaptation and mitigation should be a key concern in LDCs' development and graduation strategies. Development partners should come forward to deepen climate change related assistance. The LDCF should be extended to graduating LDCs at least for a decade from the current level of five years. This will facilitate undertaking long-term projects to build resilience.

**Inadequate financial resources mean investments in critical areas are lacking**

Inadequate resource mobilization both from domestic and external sources seriously limits LDCs' capacity in investing in wide-ranging areas to meet IPoA and SDGs. With the current low level of tax-to-GDP ratio, most LDC governments do not have the necessary fiscal space to finance large-scale physical infrastructure projects and at the same time improve health care facilities and raise social protection spending, amongst others. Many LDCs prioritized physical infrastructural development to boost economic growth. However, the in wake of COVID-19 crisis, the critical deficit in health and social sectors, accumulated over many years, has become obvious.

During the IPoA implementation period, external financial flows, in Asia-Pacific LDCs overall increased in absolute terms. However, ODA inflows into Afghanistan, Timor-Leste, Tuvalu and Vanuatu declined. The impending graduation Asia-Pacific LDCs are unlikely to be a major concern for their ODA prospects as development partners do not consider LDC status as a key determinant of their providing aid. The patterns and trends in aid allocation suggest that recipient countries' historical and bilateral relationships with donors, and country-specific situations such as civil wars and unrests, natural disasters, refugee crisis, etc. are important determinants of aid inflows. Indeed, between 2011-2019, of the top ten ODA recipient countries globally, only five belonged to the group of LDCs, with less than one-third of total ODA going to LDCs. On the other hand, the transition from low-income to lower-middle-income country as per the World Bank classification of global economies have some implications for borrowing costs both from bilateral and multilateral sources.

LDCs, particularly the graduating ones, need to seriously consider improving their domestic resource mobilization capacities. This may require tax and fiscal sector reforms along with modernization of tax collection system and tackling corruption. On the external front, development partners are urged to fulfill their commitment of providing at least 0.15 per cent of their GNI as ODA to LDCs. Graduating LDCs’ access to financial flows dedicated for LDCs such as the Enhanced Integrated Framework (EIF) of the WTO, United Nations Capital Development Fund (UNCDF), the Investment Support Programme for LDCs, the LDCF Fund under the UN Framework Convention on Climate Change, etc. should be extended beyond their current period of eligibility after graduation. It would also be helpful to develop a support scheme for graduating LDCs to support their smooth and sustainable graduation.

**Mainstreaming LDC graduation issues into national development strategies**

To gear up the process of graduation, LDCs should mainstream graduation issues into their national development plans and therefore prepare planning and strategies in a timely manner. This can make a country focused on exploiting the existing LDC-specific

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67 Graduating or newly graduated countries are eligible to access the fund: (a) if a country is classified as an LDC at the time of the approval of the Project Identification Form (PIF) by the LDCF/SCCF Council following technical clearance by the GEF Secretariat, the project is eligible to receive LDCF support; (b) projects already approved by the LDCF/SCCF Council prior to a country’s graduation continue to be supported with agreed LDCF resources until completion.


70 At present only six of the 30 members of the OECD Development Assistance Committee (DAC) fulfilled the commitment.
international support measures, prepare for any adjustments arising from the impending graduation, negotiate better with major trading partners in looking for alternative support measures after graduation, and prepare medium to long-term strategies (UNCDP, 2019). Several LDCs in this region has already incorporated graduation in their respective development plans. For instance, Bhutan’s 12th Five-Year Plan (2018-23) combines its graduation strategy with SDGs and other national objectives as reflected in its Gross National Happiness (GNH) indicators. Bangladesh, in its 7th five-year plan 2016-2020 and 8th five-year plan 2021-2025, 2nd Perspective Plan 2021-2041, and other national policy documents, articulated policy stance for LDC graduation in 2024. It has also set up a National Task Force to assess the likely impact of graduation and formulate policy options to mitigate any consequences while achieving SDGs. For Lao PDR, the 8th National Socio-Economic Development Plan 2016-2020, sets the path for successful graduation from LDC category, and economic development objectives closely aligned with the SDGs. Vanuatu has also developed national strategies to align the objectives of SDGs with a set of priorities such as enhancing productivity, expanding exports, reducing heavy reliance on imports, generating employment opportunities, etc. It also established a National Coordination Committee for monitoring the graduation process.

Preparing strategies and work programmes to ensure smooth graduation and their effective implementation should be a key priority for graduating LDCs. Many LDCs require technical and financial assistance in assessing various implications arising from LDC graduation and how those can be addressed effectively using policy and practical actions. They also need support in mainstreaming LDC graduation preparation as means to make progress towards the achievement of SDGs and leverage them as opportunities building resilience of their economies.

**Good governance at all levels will be vital for materialising inclusive development gains**

While the LDCs recognize that good governance is a key precondition for materialising inclusive development gains for the wider society, these countries face severe challenges in making improvements in this respect. Inadequate and weak institutional capacity, lack of accountability and transparency, weak legal and regulatory systems and market imperfections contribute to inefficiencies and create opportunities for corruption (ESCAP, 2017b). This leads to embezzlement of public resources and wasteful expenditures with detrimental effects on economic growth widening income inequality. Corrupt practices in combination with weak institutional capacity seriously compromise the delivery of public services, such as health, education, water and sanitation, etc. depriving the poor and disadvantaged population groups.

Despite making some progress, governance will continue to be a major challenging area for Asia-Pacific LDCs. Without making improvements in this area, smooth LDC graduation and achieving many of the SDGs will not be possible. LDCs, including graduating countries, will need technical and financial assistance in strengthening institutions and human resource capacities at all levels, from parliaments and electoral bodies to security and justice sectors to public services, while promoting coherence across institutions. Progress towards making public institutions effective, responsive, and accountable should be achieved through carefully identified indicators and working on them. Encouraging and ensuring the participation civil society organizations and media can help promote accountability.
4. Priority Areas and Actions for the Next Decade 2021–2030

The next decade (2021–30) of work programme for the least developed countries should be developed based on the lessons learned from the unfinished agenda of the IPoA and emerging developments that are impacting the global development landscape. The next programme of action period will coincide with the last 10 years of the implementation of the 2030 Agenda for Sustainable Development. In a way, the IPoA assessments will provide some early results to reflect on where progress has been made on SDGs as well as to identify areas where making progress is proving to be more difficult. Achieving SDGs by the LDCs including the graduating ones in the coming decade should be the core focus of the next programme of action. Therefore, it should build synergies between the current state of development in LDCs and challenges in materializing SDGs.

It is generally recognized that the broad development objectives are well-captured in the IPoA and the 2030 Agenda for Sustainable Development. Going beyond these already identified broad areas to add new dimensions is difficult and perhaps not needed. What is however most important is to recognize and act accordingly on the fact that LDCs will require deepened international support and reinvigorated local initiatives to achieve SDGs. One important lesson while preparing for the next programme of action is that that many objectives and goals are stated in qualitative and ambiguous way without being backed by effective quantitative indicators. It is also often not possible to gather meaningful and comparable data on quantitative indicators to assess any progress being made. In the following, a few areas are proposed that may be considered as part of the action programme for the next decade.

4.1 Priority areas for the next decade

Focusing on poverty issues, including through economic recovery, in the aftermath of the COVID-19 pandemic: The COVID-19 pandemic has devasted world economies, and its true extent of impact on development is still largely unknown. The crisis is persisting in most LDCs and it is feared that it is going to be a protracted one. Proactive measures to contain the spread of the virus and to save lives in many LDCs have brought severe livelihood challenges for millions. As most of the global economies contracted in 2020, unemployment, poverty and deprivation situations also deteriorated. Over the past decades, Asia-Pacific LDCs made remarkable progress in reducing poverty incidence, but the pandemic now poses a threat of reversing the trend. Therefore, one key priority objective of the next action programme should be to prioritize poverty related issues, including through economic recovery and growth. In addition to poverty alleviation and eradication of hunger that are already part of SDG agenda, addressing impoverishment and food insecurity in LDCs in the aftermath of COVID-19 should be given utmost attention.

Health, water and sanitation and social protection: The COVID-19 crisis has laid bare the very fragile nature of health care facilities in most LDCs. This weakness should be translated into an opportunity for renewing attention to the sector by LDC governments and development partners. Expanding access to clean water and sanitation can complement the achievement of health goals. Therefore, the much-needed investment boosts for Goal 3 (good health and wellbeing) and Goal 6 (clean water and sanitation) and effective utilization of
resources will have to be secured. Along with these, an overwhelming majority of Asia-Pacific LDCs should consider reviewing their current attention and extremely inadequate allocation to social protection schemes. A strengthened social protection is needed to make sure no one is left behind even when a sudden crisis emerges, to combat poverty and levelling out inequalities.

**Productive capacity and structural transformation:** Productive capacity development and achieving structural transformation of LDC economies should continue to be a broad priority area for the next decade action programme. These are fundamental requirements for economic development. One important concern from the experiences of IPoA implementation is that so many countries are meeting graduation threshold with so little progress on productive capacity development and structural transformation of their economies despite so much emphasis given on these two issues. In the next decade, it is also important to better appreciate the notion of structural transformation and what LDCs can achieve. Raising share of manufacturing in the economy has proven to be difficult for many LDCs. Despite the long-established notion of and emphasis on industrialisation as the main driver for structural change in the economy, there are suggestions of services sectors’ ever-increasing role in economic transformation and development. However, most services activities remain in the informal sector with low productive jobs. Therefore, how to expand modern services sector activities should be a major consideration. Special challenges of SIDS and LLDCs in achieving structural transformation should also be given due attention to.

**Trade, globalization and effective participation of LDCs:** International trade, multilateral trading system and effective participation of LDCs have been quite disappointing during the implementation of the IPoA. LDCs on the whole and also most individual Asia-Pacific LDCs will be unable to achieve the IPoA and SDG target of doubling export share by 2020. Trade slowdown is likely to have affected some LDCs’ growth performance. Furthermore, the economic perils inflicted by COVID-19 can keep the trade flows subdued in the future. Thus, in the absence of a revitalized global trade regime, one important drivers of economic development in LDCs will be less effective. Many international support measures are related to trade preferences and thus the sustained trade slowdown did not help LDCs much. In the immediate aftermath of the COVID-19 pandemic, international trade – including tourism – is forecast to decline by 13 – 32 per cent and there are some suggestions that trade flows may not be back to its normal level in several years. Declining trade flows have resulted in weakness in commodity prices, affecting several Asia-Pacific LDCs.

There are suggestions that trade tensions and protectionists’ pressures can get accentuated in the future as many countries faced with supply shortages in the wake of COVID-19 crisis might consider proactive policy actions to expand domestic supplies. Protectionism and weakened rules-based trade multilateralism will make the poorest and smallest countries most vulnerable. LDCs will therefore have to work with global economies to resist the protectionist agenda in promoting international trade. At the same time, support measures for LDCs should continue so these countries can address supply-side constraints and strengthen their export response.

**Human capital development:** Least developed countries face a huge shortage of healthy and skilled workforce, which leads to low productivity. Although Asia-Pacific LDCs made substantial progress in ensuring primary education, enrolment rates are quite low for secondary and higher secondary education. Besides, the quality of education and skill development training programmes have not improved sufficiently. Lack of economic opportunities, along with poor quality of education and lack of appropriate training facilities are principal causes of youth unemployment. The programme of action 2021-30 should provide a special improving quality of education and training programmes and generating economic opportunities for the youth with an added emphasis on women within the youth population. Without making progress on human capital development, institutions and enterprises will continue to suffer from lack of qualified professionals, good managers, and appropriately trained workforce, affecting governance and development prospects.

**Resource mobilisation and its effective utilization:** In developing the next programme of action, due attention should be provided on resource mobilization to support development objectives in LDCs. Numerous analyses showed the resource gap in achieving SDGs and most LDCs did not have the required fiscal
space to provide for the shortfall. Low levels of per capita income and limited investments constrain LDCs to mobilise resources from domestic sources. Furthermore, due to lack of appropriate tax infrastructure and weak administrative capacities, most LDCs continue to demonstrate lacklustre performance in domestic resource mobilization. The COVID-19 crisis will deal a further blow to the scope of mobilizing additional resources from the domestic sources because of disrupted domestic production including those relying on international trade and tourism activities. While many developed countries have rolled out large stimulus packages, LDCs cannot afford comparable support measures. However, the objective of achieving SDGs should not get hampered due to the COVID-19 crisis and thus external financial flows to LDCs should be strengthened.

Managing climate change and multiple crises: The ongoing global pandemic of Coronavirus cannot overemphasise the need for preparing and building capacities in LDCs for multiple crisis management. Along with regular vulnerabilities (associated with such shocks as global food, fuel, financial and economic crises), natural disasters and adversaries of climate change are regular threats to any progress socio-economic progress being made in many LDCs. Building resilience and developing adaptive capacities to climate change-related challenges should continue to be strongly pursued. Climate emergency should not lose sight because of Covid-19 pandemic and/or other emerging issues (Figueroes and Rivett-Carnac, 2020).

Building institutional capacities for good governance: Good governance, transparency, accountability and rule of law are areas that will need improvements at the local, national and international levels for inclusive and sustainable development. LDCs are particularly in need of building institutional capacities to promote good governance, ensuring effective utilization of resources while tackling corruption and improving public service delivery. Institutional development takes time and this continued attention is needed.

Strengthening cooperation and revitalising partnerships: Strengthening cooperation and forging partnerships for developments are already built into the work programme for the international support measures. It has long recognised that without an effective global partnership, it would be much more difficult for the LDCs to overcome their development challenges. Along with the developed countries and regional and multilateral agencies, the IPoA duly recognised the developing countries as critical development partners in advancing socio-economic progress in LDCs. Going beyond the commitment for supporting the LDCs, global development partnerships featured prominently in the Millennium Development Goals framework (2000-15) and are an important component of the SDG initiative.

Indeed, Goal 17 calls for strengthening the means of implementation and revitalising the global partnership for sustainable development. The 19 targets under this goal include, amongst others, to implement all development assistance commitments, mobilise financial resources for developing countries, assist developing countries in attaining debt sustainability, invest in LDCs, strengthen the science, technology and innovation capacity for LDCs, promote a universal trading system under the WTO and remove trade barriers for LDCs, and many others. These are well-identified priority areas for strengthening development partnerships.

Covid-19 induced economic disruptions in the backdrop of already mammoth investment challenges to achieve the SDGs and unsettling global trading environment during the IPoA implementation period will urgently call for reinvigorated and more proactive partnerships for the LDCs. Without immediate and enhanced financial and technical support, development gains in many LDCs over the past several decades could get seriously jeopardised due to the global pandemic. Along with investment in productive capacities, recovery from the pandemic will necessitate mass vaccination in LDCs for which global partnership and support will be critical in mobilising resources in procuring the vaccines and in developing technical capacities to administer the inoculation process.

It is also important to revitalise the partnerships to promote multilateralism, which faced severe setbacks in such areas as protecting environment and dealing with climate change; and promoting rules-based multilateral trading system. Covid-19 represents a tremendous opportunity to better appreciate the challenges of major crises and the need for the global community to work together. Along with advancing multilateralism, LDCs will also need effective partnerships in strengthening regional
integration through improved connectivity have to foster trade and investment linkages.

4.2 Proposed actions for the next decade

Following the examples of the previous decades, the LDCs and development partners should work closely in setting the goals and targets in the priority areas and materializing those. The actions should closely align with the SDG objectives and initiatives that are currently underway. However, lessons learned and/or best practices from IPoA implementation and in the first five years of SDG implementation can be utilized to make the actions practical and more effective. The next programme of action should aim to develop quantifiable indicators and consolidate local and international initiatives for gathering data and evidence on a regular basis to undertake meaningful progress assessment exercises. Some of the actions as outlined in the IPoA can be considered further, if required with some modifications, to ensure sustainability of the efforts made by LDCs and development partners. It is also true that developing a completely new set of actions may not feasible either given the nature of development challenges confronted by the LDCs.

Actions for LDCs

1. LDCs should strengthen measures to contain the spread of Coronavirus and any other communicable diseases, while striving to provide livelihood support to the poor and most vulnerable households. They should consider policy options to support an economic recovery process that will be inclusive in nature prioritizing the need for micro, small, and medium-sized enterprises, employing millions of people; to support enterprises and employees in the informal sector; to ensure gender equality in providing support to households and enterprises; to undertake holistic assessments of any deteriorating impact of the global pandemic on economic growth, poverty incidence, hunger and other socio-economic indicators; and to devise and implement measures to overcome challenges to get back to the pre-crisis level situations within a shortest possible time.

2. LDCs must revamp their health, water and sanitation and social protection systems through enhanced investment and improved governance. As the efforts are currently underway to develop vaccines for COVID-19, LDCs must work with development partners to ensure accessing of internationally accredited safe and effective drug. This will require significantly raising the budgetary allocations in these sectors; planning for and undertaking any reforms to augment efficiencies in service delivery in the sector including the recruitment, development, training and retention of the health workforce; promoting coverage of social security; formulating and promoting health insurance for all; ensuring safe water for all; achieving access to adequate and equitable sanitation and hygiene; improving water-use efficiency, developing urban water resource management for sustainable development; and undertaking awareness building programmes for good health, sanitation and hygiene; and making the support system inclusive in nature ensuring access of poor and disadvantaged population groups.

3. To enhance productive capacity, LDCs should identify specific priority areas for productive capacity development; undertake measures and policies consistent with the national development agenda; substantially increase investment in infrastructure, and energy; exert elaborated effort to diversify towards manufacturing and modern services activities; create productive employment opportunities; enhance productivity through technological adaption; and promote science, technology and innovation through research and development.

4. LDCs should continue to prioritise international trade as a means of fostering economic growth and development; resist the temptation of pursuing protectionist approaches; tackle supply-side capacity constraints; promote productivity and competitiveness of their potential export sectors; make use of any available LDC-specific market access preferences; sufficiently explore any opportunities for export diversification;
reduce commodity dependency in exports; diversify towards services exports; make best use of Aid for Trade and other capacity development support measures (e.g. ODA) available for them; participate proactively in multilateral and regional forums to voice concerns about unheightened policy uncertainty in international trade; and work with other WTO members to strengthen the multilateral trading system.

5. To make advance on human capital development, LDCs should strengthen its education systems while revitalizing various vocational and professional training programmes. This will require developing and improving education infrastructure; undertaking initiative to improve quality of education; expanding skill development training programmes while ensuring quality of these training; increasing budgetary allocation for education and skill development; developing ICT infrastructure and promoting ICT-based educational and training facilities; ensuring training facilities linked to employment opportunities for youth; and undertaking programmes to sufficiently reduce the share of people not in education employment and training (NEET).

6. LDCs should aim to expand tax base and the tax infrastructure, utilizing technological innovations to modernize tax payers’ database and streamline revenue collection processes; undertake necessary fiscal reforms to build effective, transparent, fair and accountable national tax and financial management systems; to stamp out any corrupt practices in tax collection; attract external finance including FDI and ODA, and look for concessional financing sources from both traditional as well as emerging donors; take advantage of global initiatives on moratorium on debt servicing obligations in the aftermath of COVID-19 pandemic; ensure effective use of domestic and foreign resources; and strengthen banking and financial systems to mobilise investment from private sectors.

7. LDCs should strengthen national crisis resilience and mitigation facilities to reduce vulnerabilities to the impact of economic shocks; build resilience to climate change; develop and implement national adaptation and mitigation strategies for preservation and protection of the national environmental resources; formulate medium to long term policies to tackle climate induced vulnerability; integrate climate change measures into national policies, strategies and planning; take appropriate and effective measures to reduce disaster risk for the protection of people and national resources from the impact of disasters; and ensure proper use of LDC climate fund and Green Climate Fund.

8. LDCs can continue to take steps to bolster the institutional capacity of the public sector to ensure good governance; implement measures to improve fair and stable institutional, legal and regulatory frameworks in order to strengthen the rule of law and prevent corruption; implement greater transparency in public financial management; promote and respect all internationally recognized human rights, especially for children and women, including the right to development; promote freedom of expression and free media to improve accountability; enhance the participation in relevant international forums and initiatives; and promote e-governance to strengthen institutional capacity, accountability, transparency and rules of law.

9. LDCs must undertake proactive initiatives to revitalise regional and global partnerships, advocating for multilateralism to deal with the on-going global pandemic and future such crises, to find solutions to the challenges associated with the rules-based multilateral trading system under the WTO, and to advance action plans to contain and tackle climate change related consequences. LDCs can facilitate cooperation and collaboration among themselves through sharing of experiences and best practices, particularly when preparing strategies and work programmes to ensure smooth graduation and their effective implementation. Such cooperation can also be useful to form a collective voice for LDCs to advocate for new international support measures for
LDCs, including graduating (and graduated) countries.

**Action for development partners**

1. Development partners must take into cognizance of the fact that LDCs need extensive support measures to overcome the devastating consequences of COVID-19 and that the socio-economic progress made in the LDCs over the past few decades must be revived within a shortest possible time. Development partners should consider providing budgetary support measures to enable LDC governments to support its poor and vulnerable households by: making immediate support available to ensure food security of poor and marginalized groups; offering moratorium on debt servicing until the pandemic has been controlled; cancelling certain debt repayments, the savings from which can be reinvested in socio-economic recovery in the LDCs; and supporting deferment of LDC graduation in light of the current global crisis.

2. Development partners should renew their commitments to supporting LDC efforts in the areas of health, water and sanitation and social protection. They should develop a global facility to ensure immediate access of any internationally accredited vaccines by the citizens in LDCs. Development partners can establish a global fund, in addition to their ODA commitments, to help LDCs fight the COVID-19 crisis and achieve improved health outcomes. They must continue to support LDCs in developing proper healthcare infrastructure.

3. Development partners should facilitate LDCs efforts to develop productive capacity by supporting investment projects in line with development strategies in LDCs; provide enhanced financial and technical support; help strengthen the Technology Bank for LDCs to enhance the contribution of science, technology and innovation for sustainable development in LDCs; help develop trade-related infrastructure including support for participation in the global value chain; assist technological adaption and expansion; and provide support in development planning.

4. Development partners should work with LDCs in strengthening a rules-based multilateral trading system that will ensure effective participation of LDCs; commit to measures that will help international trade to recover and resist the temptation of undertaking protectionist measures; commit to measures that will help LDCs double their share in global trade within a shortest possible time; strengthen duty-free, quota-free market for LDCs by offering new preferences whenever possible and by making rules of origin less stringent; access for all products and to all developed and developing member states; allow graduating LDCs to enjoy the LDC-specific trade preferences for an extended period beyond their graduation; work with WTO members to extend TRIPS waiver for all graduating and graduated LDCs up to 2033; and provide enhance financial support trade-related technical assistance and capacity building; provide technical assistance to graduated LDCs in negotiating/undertaking bilateral and regional free trade agreements.

5. Support LDCs to achieve SDG targets of ensuring equitable and quality primary and secondary education for all; provide technical and financial support for developing and implementing education policies and for designing and implementing training programmes with the objective creating employment particularly for the youth.

6. Development partners should assist LDCs to develop tax infrastructure and improve capacity for domestic revenue generation; extend timeline for accessing LDC-specific funds for graduating and graduated LDCs; Development Assistance Committee (DAC) members to enforce their commitment of providing 0.7 per cent of GNI as aid and sufficiently increase ODA flows to LDCs.

7. Development partners should provide technical and financial support to help LDCs tackle multiple risks related to economic and financial shocks, climate change and natural disasters; provide...
technical assistance to build LDC resilience to shocks; strengthen LDCF and should support extending the current deadline of LDCF support for graduating LDCs beyond their graduation; support LDCs to develop appropriate early warning mechanisms to minimise economic loss due to natural disasters; undertake capacity development programme for LDCs to reduce vulnerability; strengthen special support programmes for small island and landlocked LDCs, considering the inherent geographical challenges that they face, including the graduating ones.

8. Provide support to LDCs’ efforts to develop their human and institutional capacities to ensure good governance; provide LDCs with timely information on annual commitments and disbursements of funds to enable accurate budgeting, accounting, and auditing; provide support to ensure effective voice and participation of LDCs in international dialogue and initiatives; support the efforts to strengthen institutional capacity and regulatory frameworks for preventing corruption; promote dialogue among the various political entities to establish peace and provide support to end violence of all forms; and harmonise and align assistance with national priorities; undertaking special programmes for countries with violent conflicts and civil unrests.
5. Conclusion

Most of the Asia-Pacific LDCs made good socio-economic progress while implementing the Istanbul Programme of Action (IPoA). These countries overwhelmingly dominate the group of LDCs that are now at different stages of LDC graduation. Nevertheless, performance of individual countries across IPoA priority sectors widely vary. While four LDCs in the region either met or came close to the IPoA yearly average target growth rate of 7 per cent, the corresponding average Asia-Pacific LDC growth less than 5 per cent with the average for AP island states being even lower than 3 per cent. In terms of some large-scale infrastructure development, poverty alleviation, access to energy and telecommunication, educational enrolment, and certain other socio-economic indicators, there have been some progress in a majority of these economies. Nevertheless, among others, inadequate productive capacity development, lack of progress on structural transformation, low productivity, inadequate capacity for human and institutional development, limited job creation, high transportation costs, investment stagnation, and acute vulnerability due to climate change and natural disasters are some of the key challenges faced by the LDCs in the region.

Overall, the development dynamics in Asia-Pacific LDCs appear to provide a paradoxical trend. While countries manage to satisfy the graduation thresholds, the general economic situations of many of these countries do not adequately reflect the robustness and sustainability of development progress. This is also reflected in frequent deferments of graduation schedules for qualifying countries.

As the COVID-19 pandemic has now devastated the global economies with severe economic costs are set to unfold in the coming months, progress made by the LDCs over the past decade and their sustainability will require further assessments. Given the unprecedented nature of the crisis, pushing LDCs for graduation amid such a global health and economic crisis should be avoided.

Given the potentially large number of graduating LDCs from the region, it is important to duly appreciate the challenges these countries face. In the absence of significant productive capacity development and lack of structural transformation sustainable and smooth graduation will require continued support from development partners. The limited productive capacity remains a critical challenge especially for the small island states and landlocked countries. Significant investment is required for skill development training, supply-side and trade capacity building, infrastructure development and technological adaption in the LDCs. Donors should meet their long-standing commitments both on the level of ODA to LDCs and on aid effectiveness. Amongst others, for graduating LDCs accessing the support from the newly established Technology Bank should be extended further beyond a country’s graduation for at least a decade from the current level of five years.

Although there are issues of supply-side constraints, several Asia-Pacific LDCs expanded their export base taking advantage of the duty-free preferential market access devised for LDCs. Preference erosion (resulting from rising tariffs and more stringent rules of origin requirements) could lead to significant competitiveness pressure for beneficiary LDCs. This can unleash multidimensional implications for their domestic economies, including job loss, rising incidence of poverty, and reduce economic growth, making it difficult for these countries to achieve the targets of sustainable development goals. These countries should be supported to secure best alternative preferential trade schemes to facilitate a smooth transition and provided with increased allocations of trade-related adjustment support as part of the WTO’s Aid for Trade budget. Graduating LDCs should be provided with technical capacity building assistance on trade negotiations. LDCs will also need assistance to improve their firm-level competitiveness and to lower their cost of doing business for improving external competitiveness.
Economic vulnerability remains a major challenge for the Asia-Pacific LDCs. As the EVI is also inadequate in reflecting the risk of emerging climate change-related issues (e.g. global warming), the true extent of the potential risk especially for SIDS is not known. Access to finance is limited to build resilience and undertake adaptation and mitigation measures to climate change. It is therefore important to deepen the support to build LDC resilience.

LDCs need sufficient investment for human and social development and support to establish good governance, transparency, accountability and rule of law. However, most LDCs lack in financial resources due to limited capacity for domestic resource mobilization and inadequate external financial flows. LDCs more specifically graduating LDCs need to improve domestic resource mobilization capacity.

The above-mentioned issues will continue to confront LDCs beyond their graduation point. Several graduating Asia-Pacific LDCs thus aim to build on their progress to achieve the goals set under the 2030 Agenda for Sustainable Development. The next decade (2021–30) of work programme for the LDCs should build synergies between the current state of development in LDCs and challenges in materialising SDGs.

The priority areas for the next programme of action should focus on economic recovery and addressing development challenges in the aftermath of COVID-19 pandemic; health, water and sanitation and social protection; productive capacity and structural transformation; trade, globalization and effective participation of LDCs; human capital development; resource mobilisation and effective utilization; multiple crisis management; and building institutional capacities for good governance. While various actions for LDCs and development partners can be identified, one important task will be to develop quantifiable indicators and consolidate local and international initiatives for gathering data and evidence on a regular basis to undertake effective progress assessment exercises for the next decade 2021-30.
References


