



Challenges and opportunities for financing development in Cambodia as a least developed country

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Least Developed Countries

- Category created in 1971
- Defined as “*low-income countries confronting severe structural impediments to sustainable development*”
- Have exclusive access to certain international support measures, in particular in the areas of development assistance and trade.
- Istanbul Programme of Action aims to enable half of LDCs to become eligible for graduation by 2020.
- 12 LDCs in the Asia-Pacific region; 47 LDCs globally





LDC graduation

- The Committee for Development Policy (CPD) reviews the list of LDCs every three years
- The graduation thresholds must to be met for any two of the three criteria in two consecutive triennial reviews (or income-only)

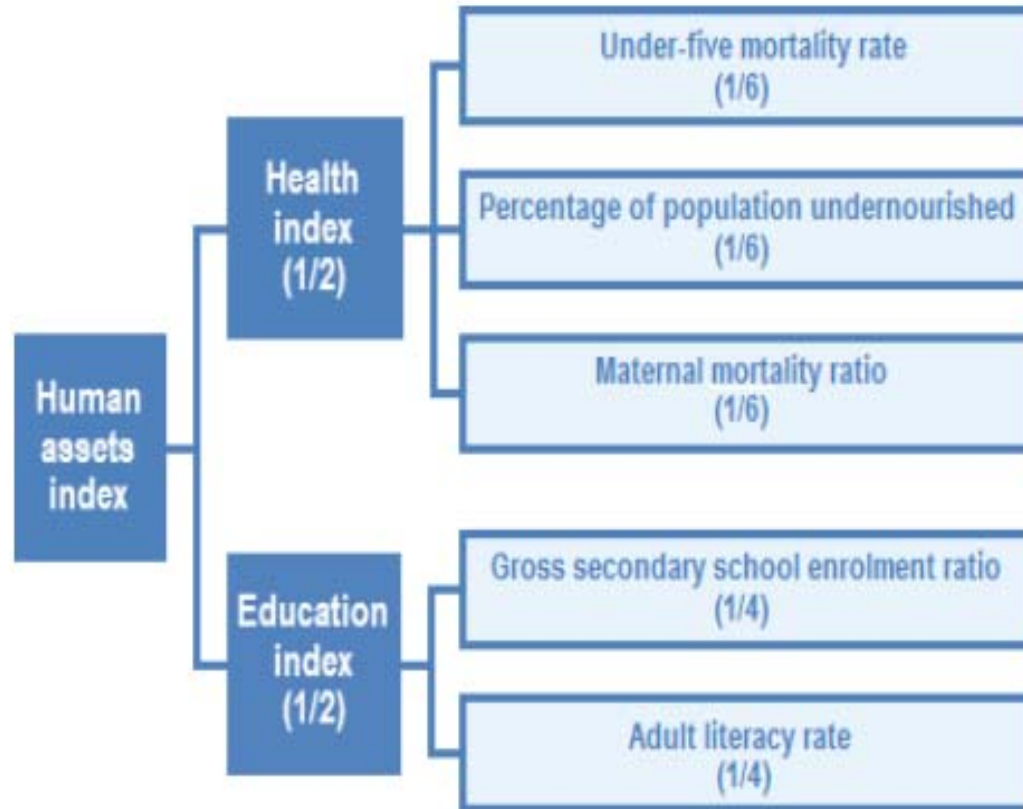
| Gross National Income per capita | Human Assets Index | Economic Vulnerability Index |
|----------------------------------|--------------------|------------------------------|
| \$1,230 or above | 66 or above | 32 or below |
| Income-only: \$2,460 or above | | |

- Only 5 countries have graduated from the LDC category: Botswana (1994), Cabo Verde (2007), Maldives (2011), Samoa (2014) and Equatorial Guinea (2017)
- Vanuatu (2020) and Angola (2021) are due to graduate.





Structural impediments to sustainable development: Low Human Assets





Structural impediments to sustainable development: Low Human Assets

HAI indicators

Under-five mortality rate



Value: 30.6
Index: 87.5
Source: UN IAG for Child Mortality Estimation

Gross secondary school enrolment ratio



Value: 45.1
Index: 38.9
Source: UNESCO

Percentage of population undernourished



Value: 15.3
Index: 82.8
Source: FAO

Adult literacy rate



Value: 73.9
Index: 65.2
Source: UNESCO

Maternal Mortality Rate

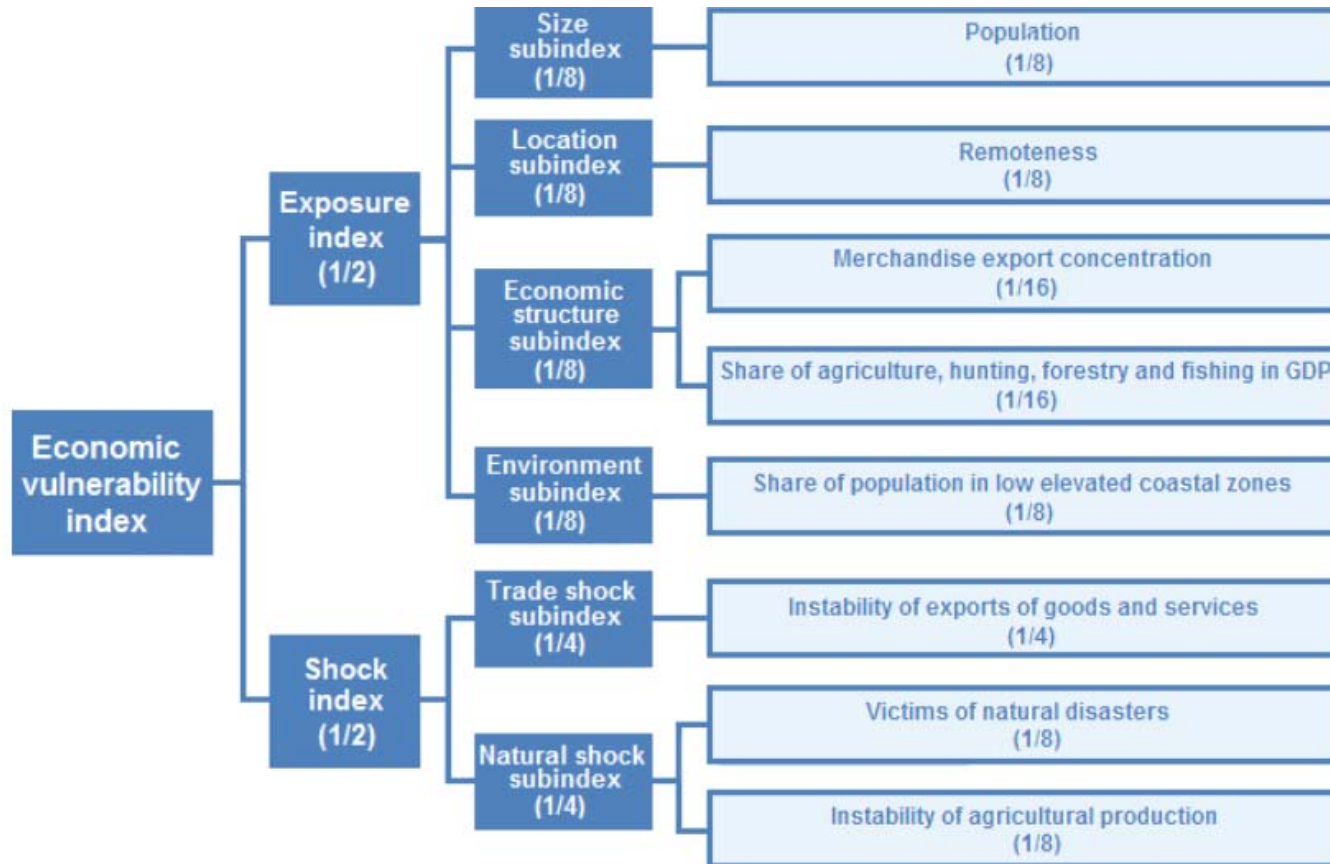


Value: 161
Index: 87.0
Source: UN IAG for Maternal Mortality





Structural impediments to sustainable development: Economic Vulnerability





Structural impediments to sustainable development: Economic Vulnerability

EVI indicators

Population



Value: 15,762,370

Index: 28.4

Source: UN/DESA, Population Division

Share of population in low elevated coastal zones



Value: 7.2

Index: 20.5

Source: CIESIN

Remoteness



Value: 45.6

Index: 44.5

Source: CDP

Instability of exports of goods and services



Value: 9.1

Index: 13.5

Source: UN/DESA, Statistics Division

Merchandise export concentration



Value: 0.31

Index: 24.4

Source: UNCTAD

Victims of natural disasters



Value: 5.694

Index: 92.6

Source: EM-DAT

Share of agriculture, forestry and fishing in GDP



Value: 28.4

Index: 46.4

Source: UN/DESA, Statistics Division

Instability of agricultural production

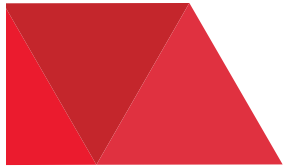


Value: 7.0

Index: 29.6

Source: FAO





Of the region's 12 LDCs, 10 met the thresholds for graduation as of 2018

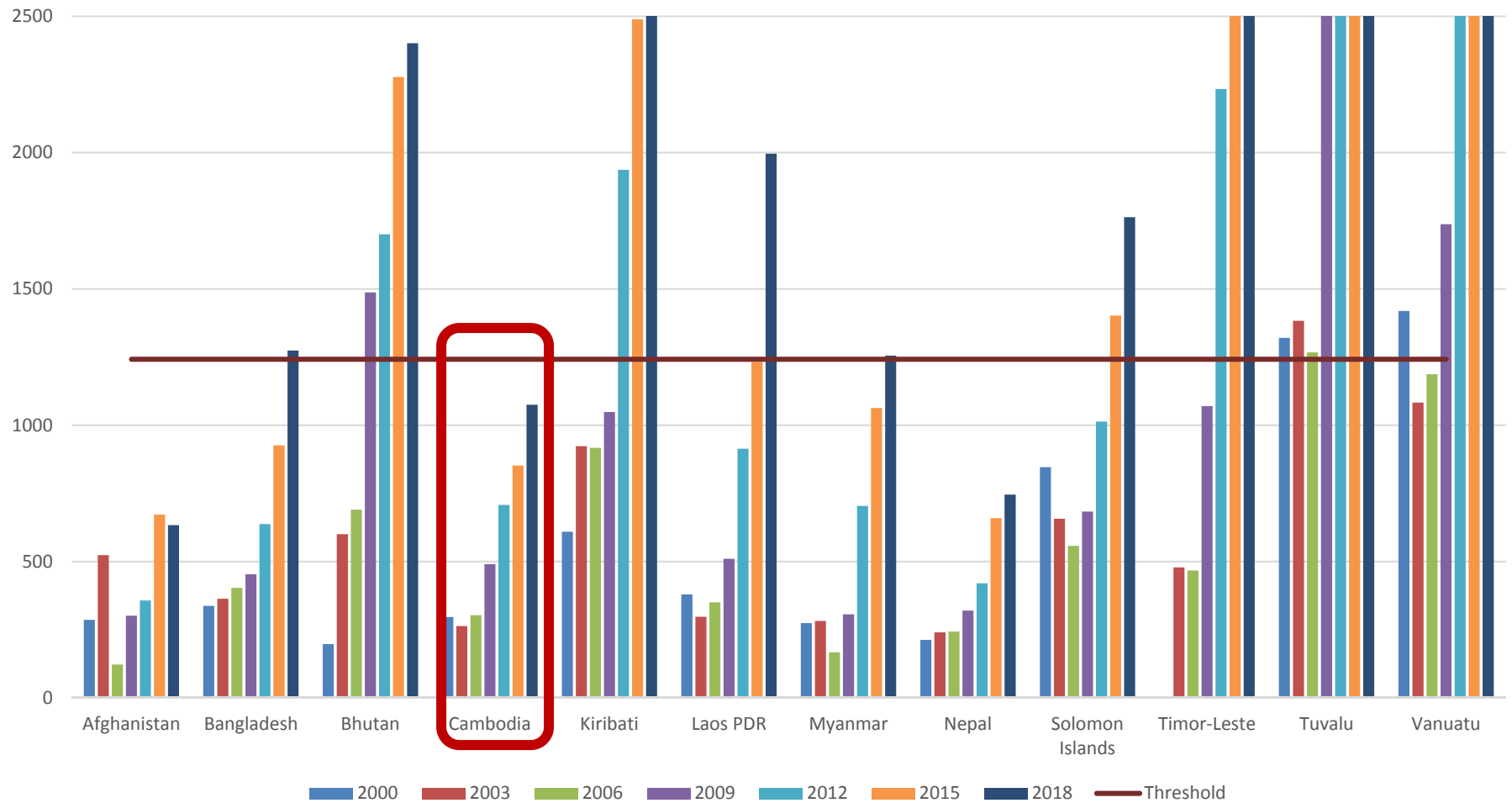
| Country | GNI per capita (average: 2014-16) | Human assets index | Economic vulnerability index | Have the criteria been met? | Year in which the Committee recommended country for graduation |
|----------------------------------|--------------------------------------|--------------------------|------------------------------------|-----------------------------------|--|
| Afghanistan | \$ 633 | 48.4 | 39.3 | | |
| Bangladesh | \$ 1 274 | 73.2 | 25.2 | ✓ | |
| Bhutan | \$ 2 401 | 72.9 | 36.3 | ✓ | 2018 |
| Cambodia | \$ 1 075 | 68.9 | 34.8 | | |
| Kiribati | \$ 2 986 | 84 | 73.7 | ✓ | 2018 |
| Lao PDR | \$ 1 996 | 72.8 | 33.7 | ✓ | |
| Myanmar | \$ 1 255 | 68.5 | 31.7 | ✓ | |
| Nepal | \$ 745 | 71.2 | 25.1 | ✓ | |
| Solomon Islands | \$ 1 763 | 74.8 | 51.9 | ✓ | 2018 |
| Timor-Leste | \$ 2 656 | 66.6 | 56.8 | ✓ | |
| Tuvalu | \$ 5 388 | 90.1 | 56 | ✓ | 2012 |
| Vanuatu | \$ 2 997 | 78.5 | 47 | ✓ | 2015 |
| Graduation thresholds | ≥ \$ 1 242 | ≥ 66 | ≤ 32 | | |



Source: UN DESA

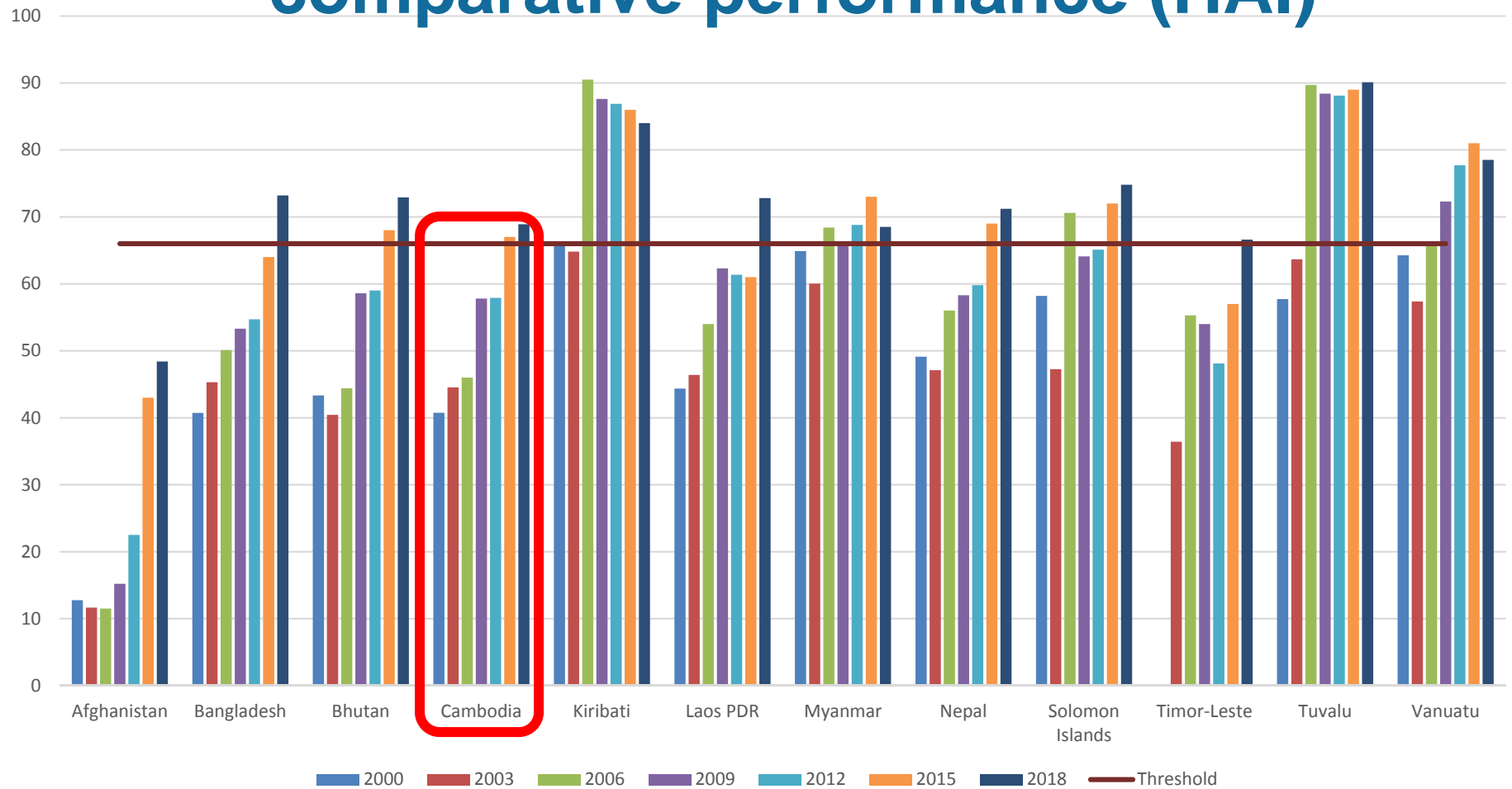


Indicator trends: Cambodia's comparative performance (GNI/Capita)



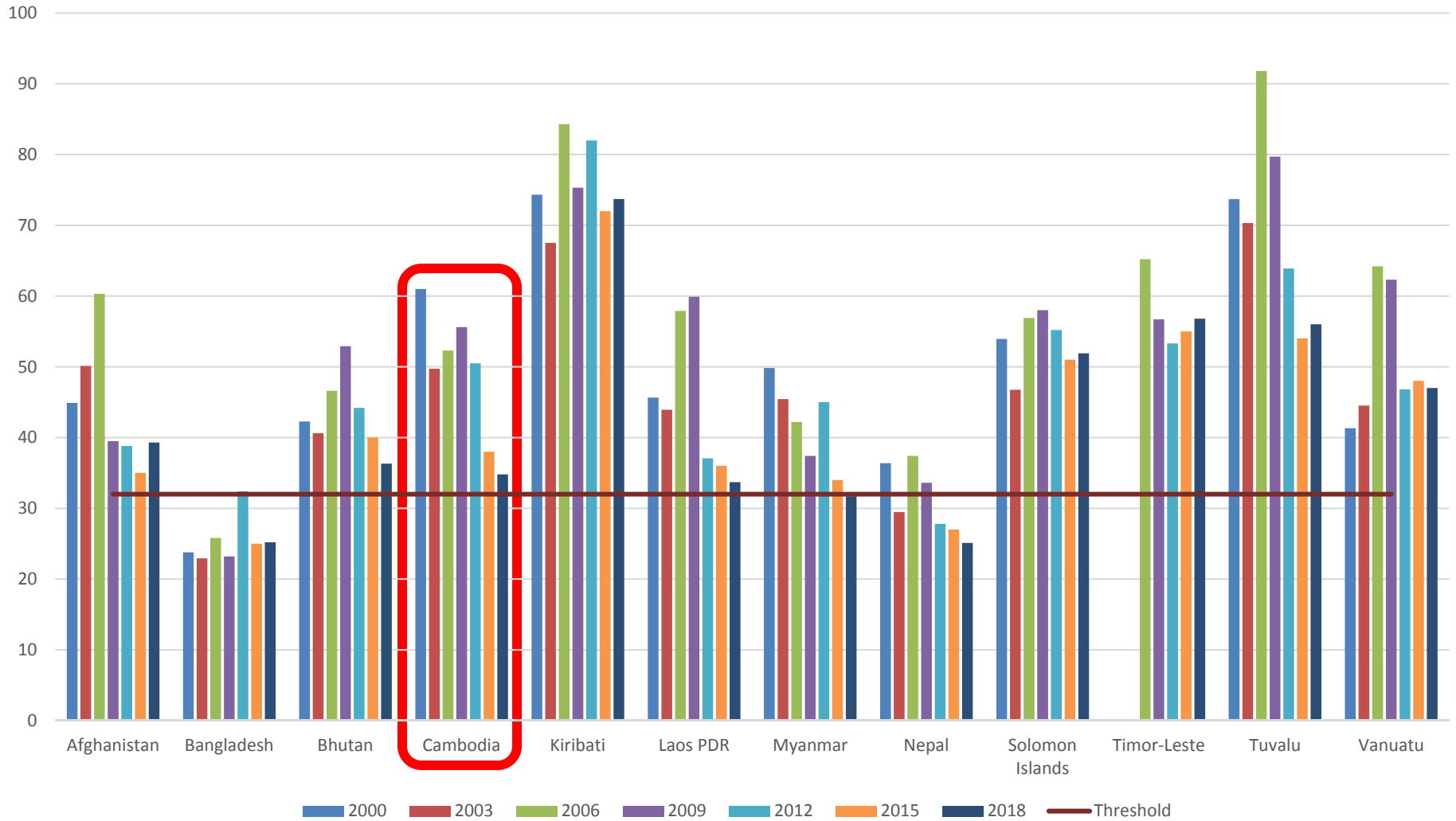


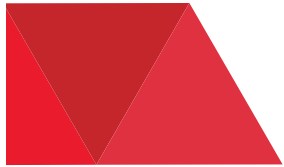
Indicator trends: Cambodia's comparative performance (HAI)





Indicator trends: Cambodia's comparative performance (EVI)

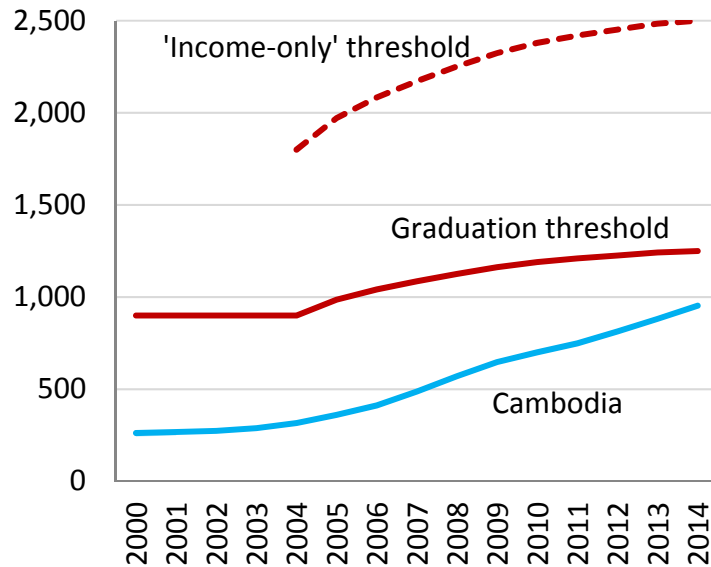




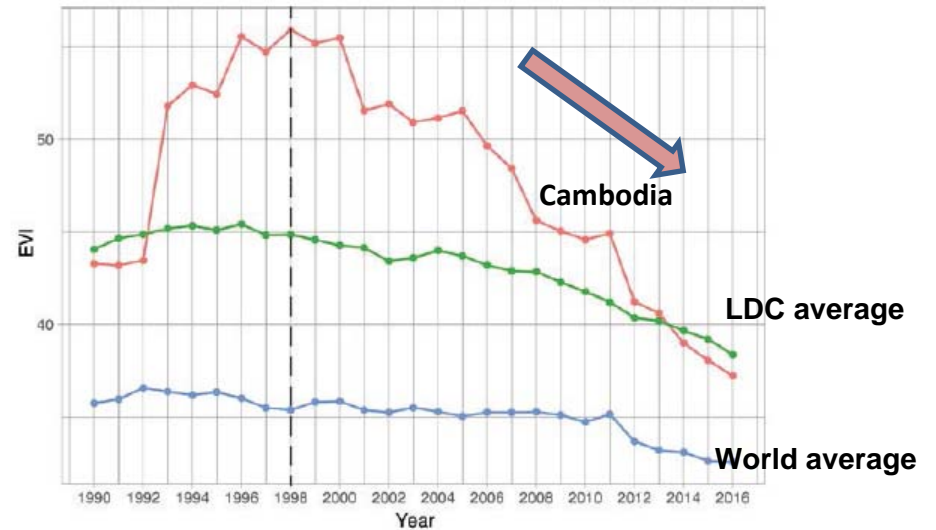
Cambodia

- LDC since 1991
- If Cambodia meets pre-eligibility criteria by the next triannual review in 2021, the country may graduate from the LDC category as early as 2027.

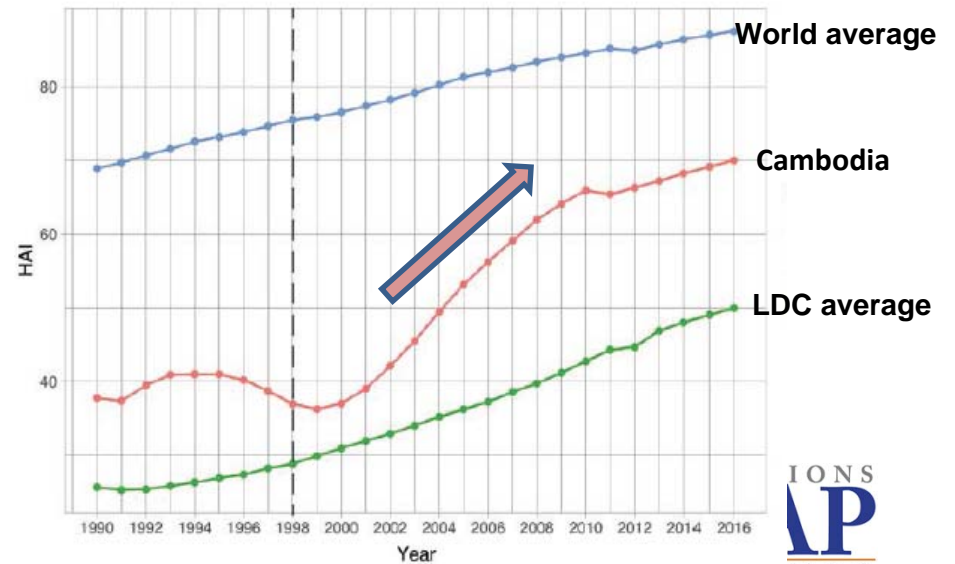
GNI per capita



Economic vulnerability index



Human assets index





International support measures (ISMs)

- **Trade-related ISM:** preferential market access; special and differential treatment (SDT) provisions; trade-related technical assistance; accession to WTO
- **Finance-related ISM:** ODA volume and modalities; climate finance
- **Technology-related ISM:** Aid for science, technology and innovation; agreement on Trade-related aspects of intellectual property rights (TRIPS); climate change-related technology transfer; Technology Bank
- **Technical assistance;** Enhanced Integrated Framework (EIF); Aid for Trade
- **Other general ISM:** contribution to international organizations; travel and research

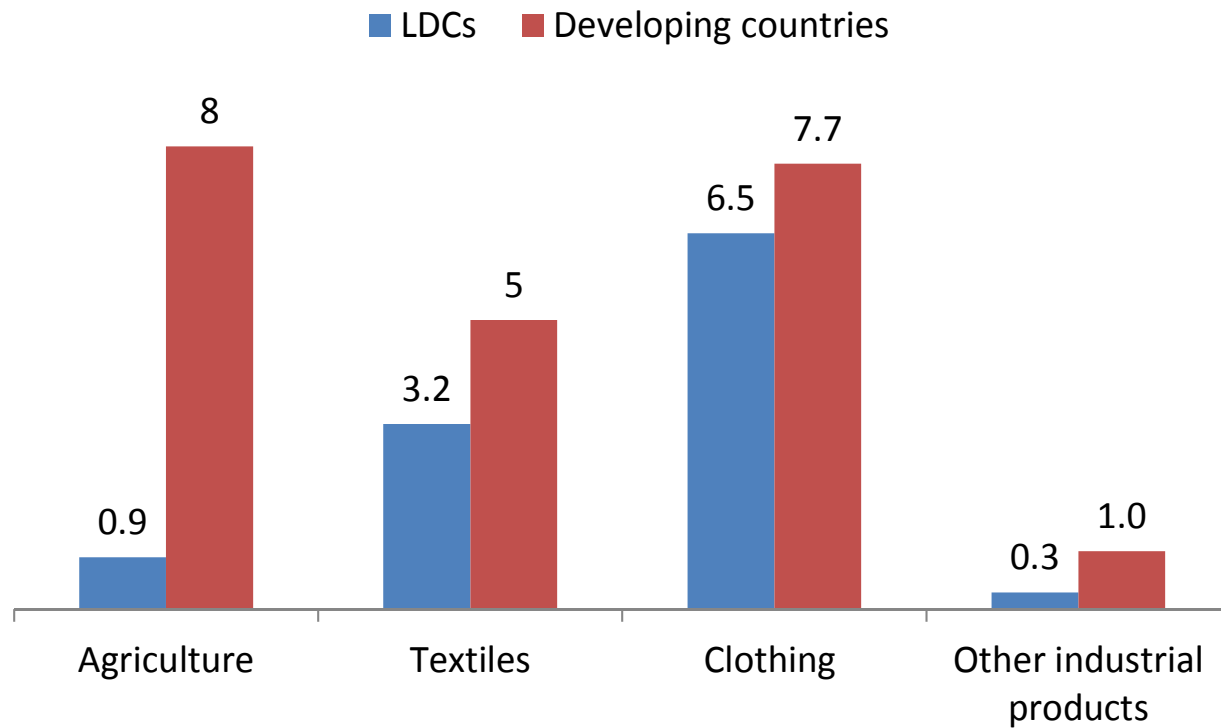
<https://www.un.org/ldcportal/>





Trade-related ISM

Average tariffs levied by developed countries in 2015 on products exported by LDCs and developing countries (%)



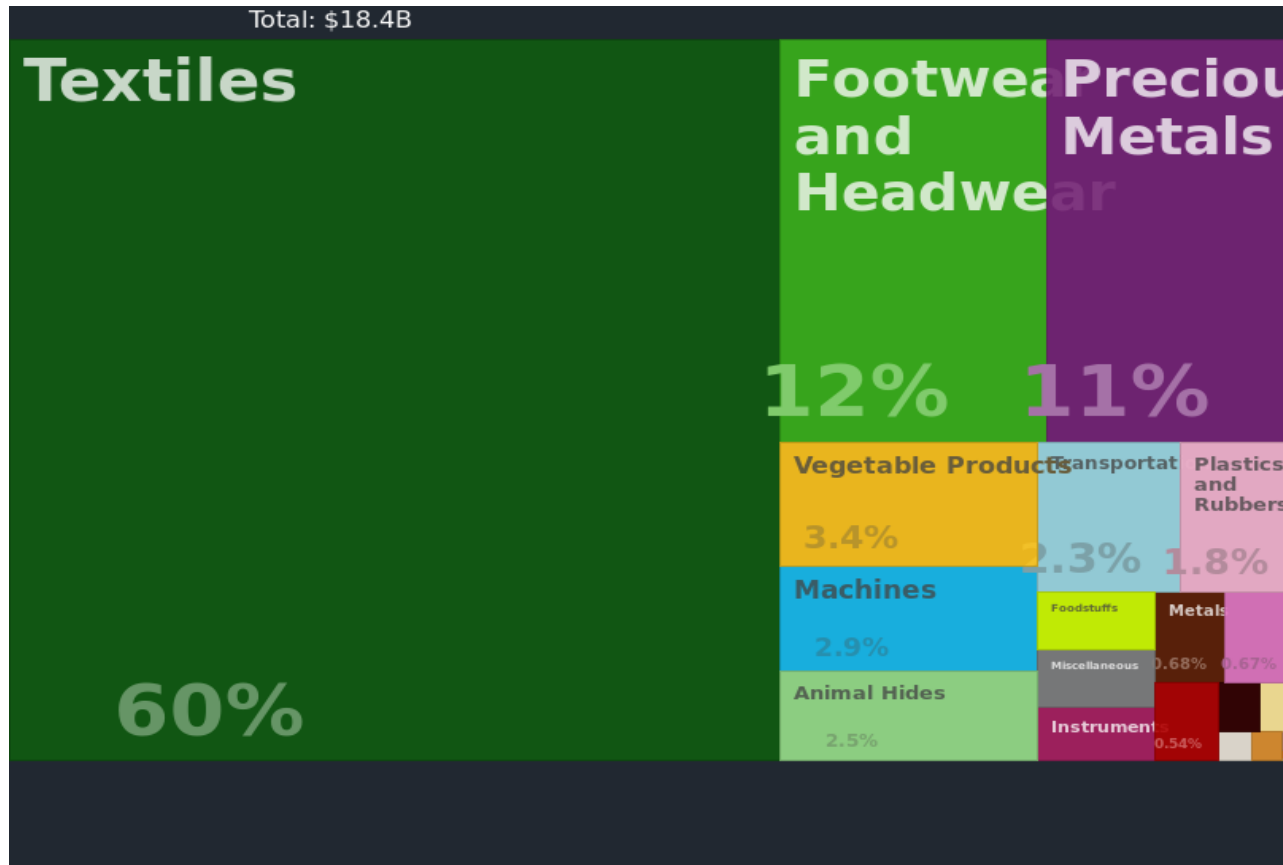
Source: WTO Secretariat





Trade-related ISM

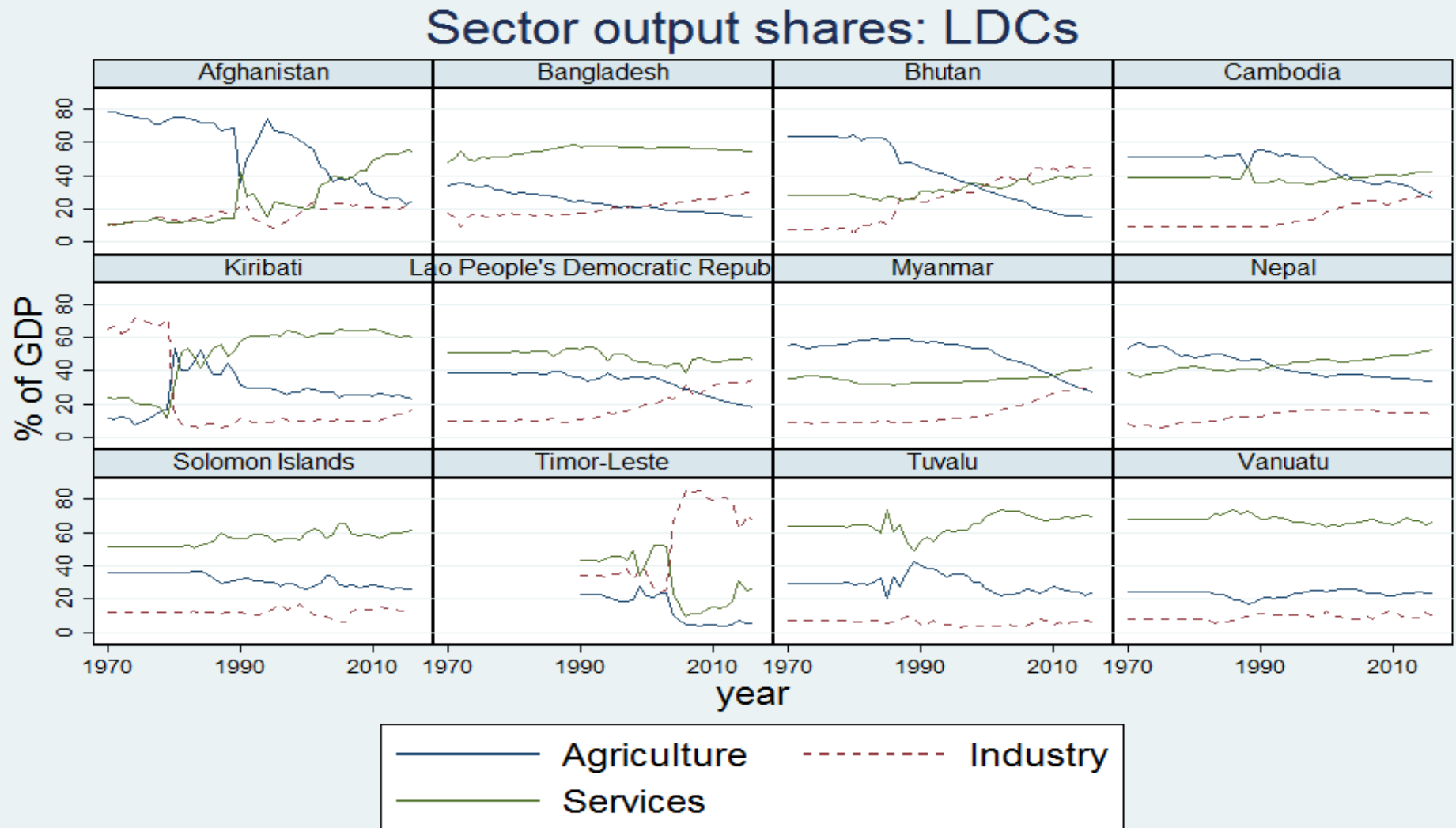
Cambodia's export (2016)



Source: The Observatory of Economic Complexity, MIT



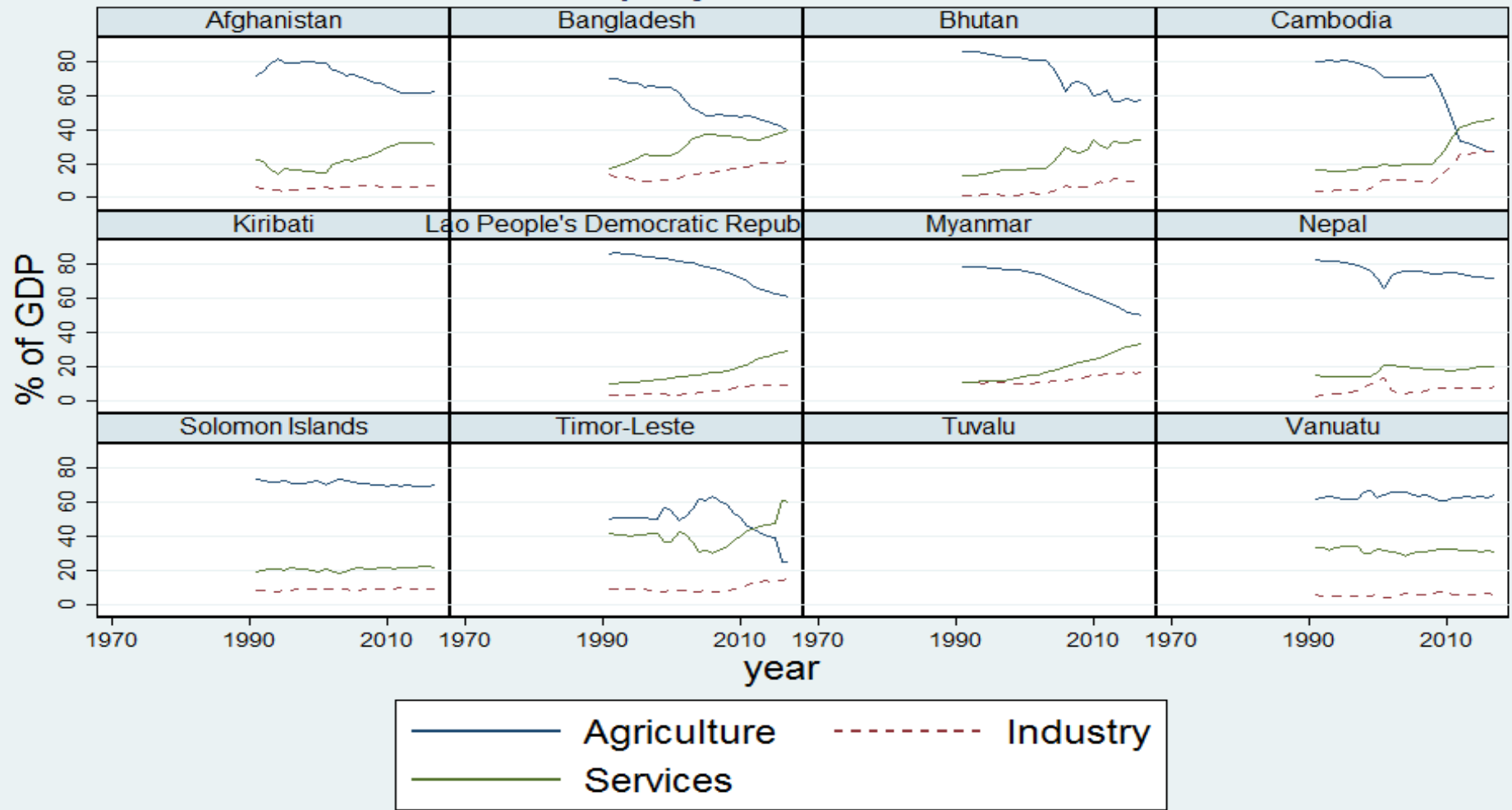
Structural transformation



Graphs by country

Structural transformation

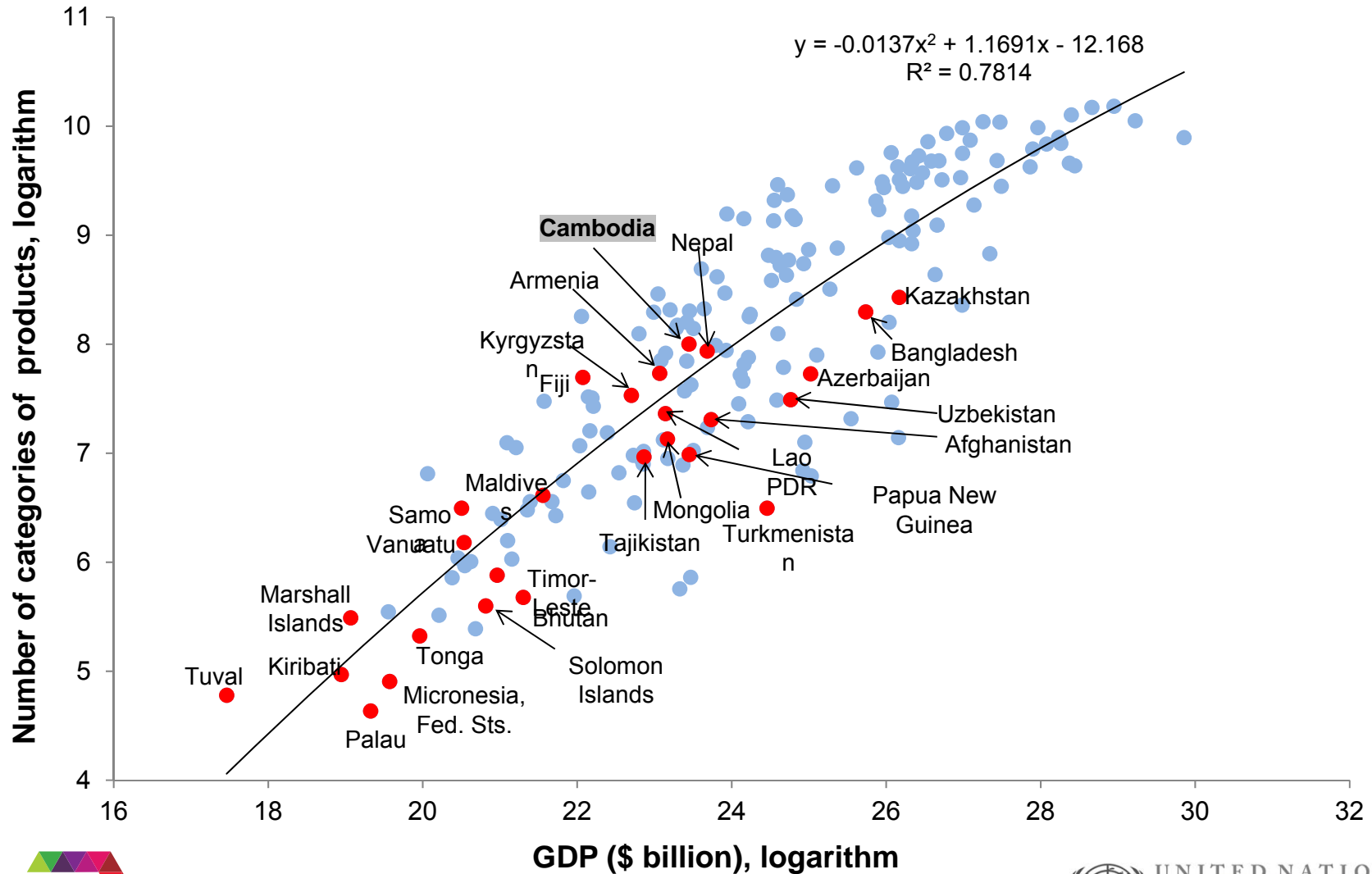
Sector employment shares: LDCs



Graphs by country



Higher output in association with diversification





Finance-related ISM

Priority 7 of Istanbul Programme of Action:

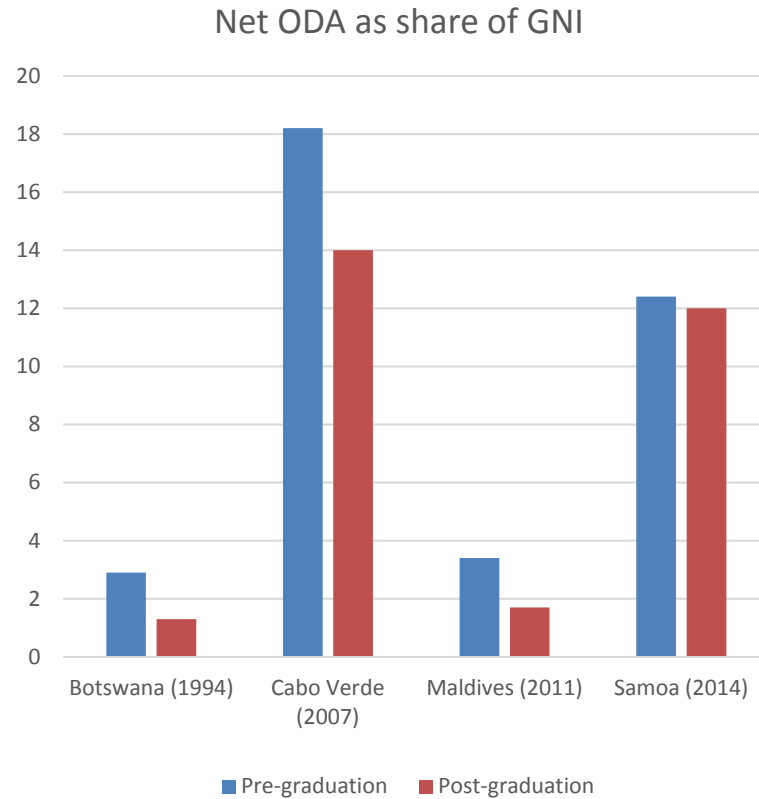
Mobilizing financial resources for development and capacity-building

- Domestic resource mobilization
- Official development assistance
- External debt
- Foreign direct investment
- Remittances





Finance-related ISM



Source: UNCTAD (2016)

Note: Ten-year, or less, averages prior to and after graduation





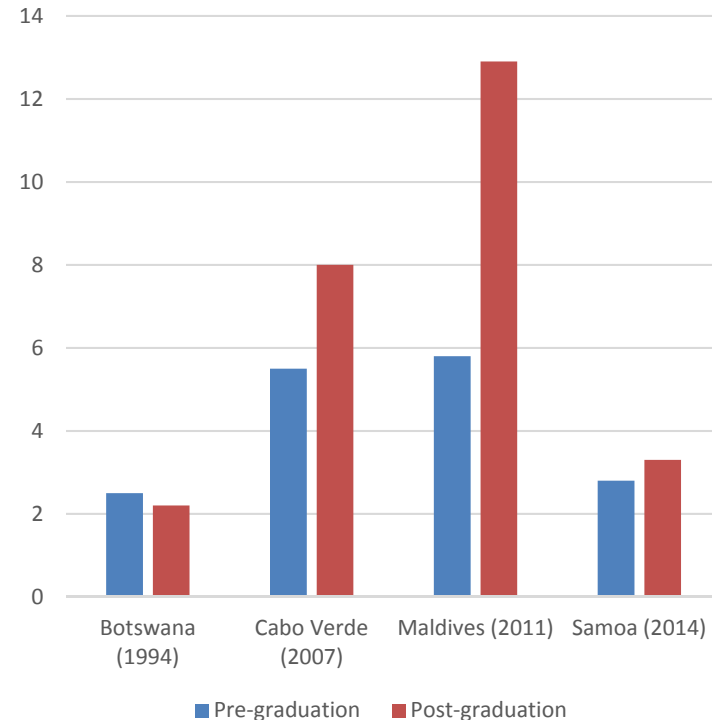
Performance of graduated countries

LDC indicator values (2015)

| | GNI per capita | EVI | HAI |
|------------|----------------|------|------|
| Threshold | > \$1,242 | <32 | >66 |
| Botswana | 7,410 | 43.4 | 75.9 |
| Cabo Verde | 3,595 | 38.8 | 88.6 |
| Maldives | 6,645 | 49.5 | 91.3 |
| Samoa | 3,319 | 43.9 | 94.4 |

Source: CDP (2015)

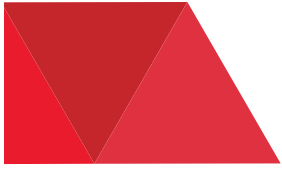
FDI as share of GDP



Source: UNCTAD (2016)

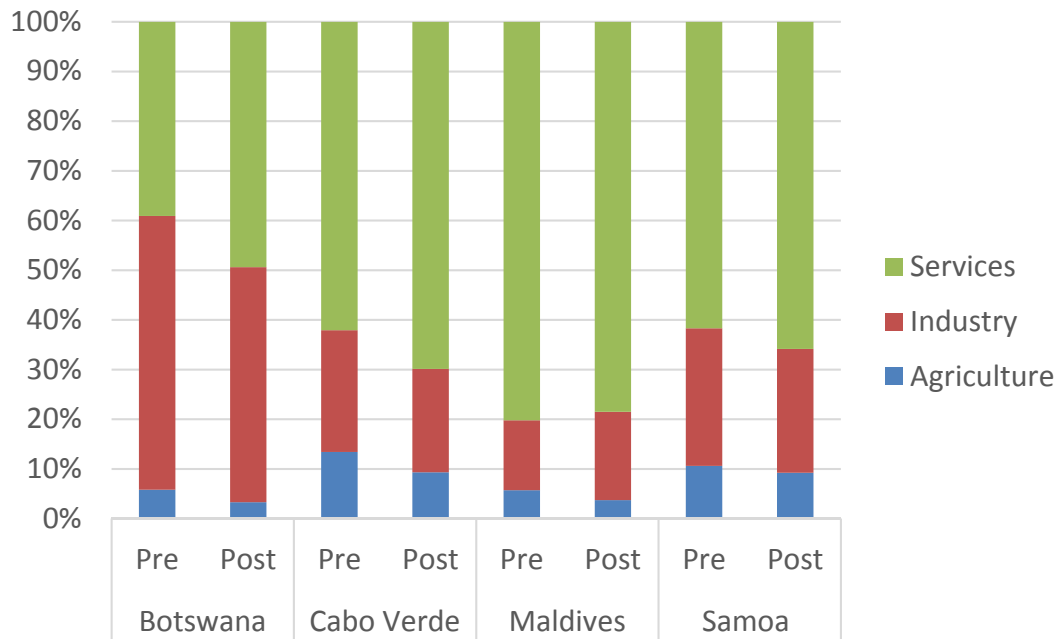
Note: Ten-year, or less, averages prior to and after graduation



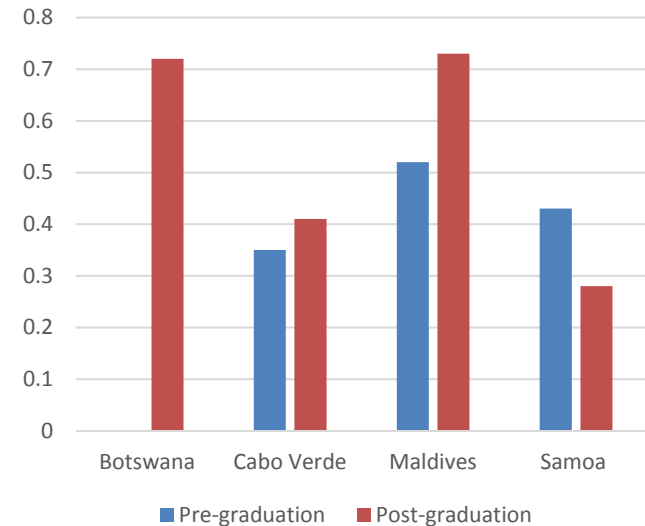


Pre- and post-graduation: Sectoral composition of gross value added and export concentration

Sectoral composition of gross value added



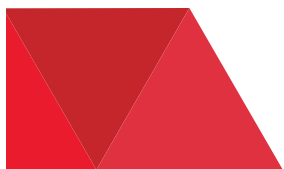
Export concentration index



Source: UNCTAD (2016)

Note: Ten-year, or less, averages prior to and after graduation





Conclusion

- Move from graduation strategies focus on meeting the criteria for graduation towards **post-graduation strategies** to ensure a smooth and sustainable transition as graduation approaches (still time for Cambodia)
- No sharp reductions in availability of development finance after graduation. But, possible reduction in concessional and loss of access to climate finance.
- Loss of preferential market access may entail substantial costs.
 - Maintaining access to some ISMs depends on the graduating country's **negotiation capacities**.
- **A better understanding of likely impacts of graduation**, with sufficient data and analysis, good preparation, and proactive engagement with development partners are critical.

