



Support by UNESCAP for LDC graduation

Regional Workshop on Graduation for Least Developed
Countries in Asia

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(LDCs, LLDCs and SIDS)

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Structure

- Progress of Asia-Pacific LDCs towards graduation
- Implications of LDC graduation
- Relevance to SDGs
- ESCAP's support to LDCs



Status of Asia-Pacific LDCs at the 2018 review

Country	GNI per capita (average: 2014-16)	Human assets index	Economic vulnerability index	Have the criteria been met?
Afghanistan	\$ 633	48.4	39.3	
Bangladesh	\$ 1274	73.2	25.2	✓
Bhutan	\$ 2 401	72.9	36.3	✓
Cambodia	\$ 1075	68.9	34.8	
Kiribati	\$ 2 986	84	73.7	✓
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	✓
Timor-Leste	\$ 2 656	66.6	56.8	✓
Tuvalu	\$ 5 388	90.1	56	✓
Vanuatu	\$ 2 997	78.5	47	✓
Graduation thresholds	≥ \$ 1 230	≥ 66	≤ 32	

- Of the region's 12 LDCs, 10 met the thresholds for graduation as of 2018
- Vanuatu (2020), Bhutan (2023) and Solomon Islands (2024) are due to graduate.
- ECOSOC will make decision on Kiribati and Tuvalu no later than 2021
- CDP will consider Bangladesh, Lao PDR, Myanmar, Nepal and Timor-Leste for graduation in 2021



Key observations (1)

- LDCs are globally recognized as countries that struggle with sustaining human and social development and entitled to receive several benefits called the international support measures (ISMs)
- LDCs can graduate from the LDC category when they meet certain criteria, but the process is not automatic
- While Asia-Pacific LDCs are advancing towards graduation, many of them still remain vulnerable to major natural disasters and global economic shocks.



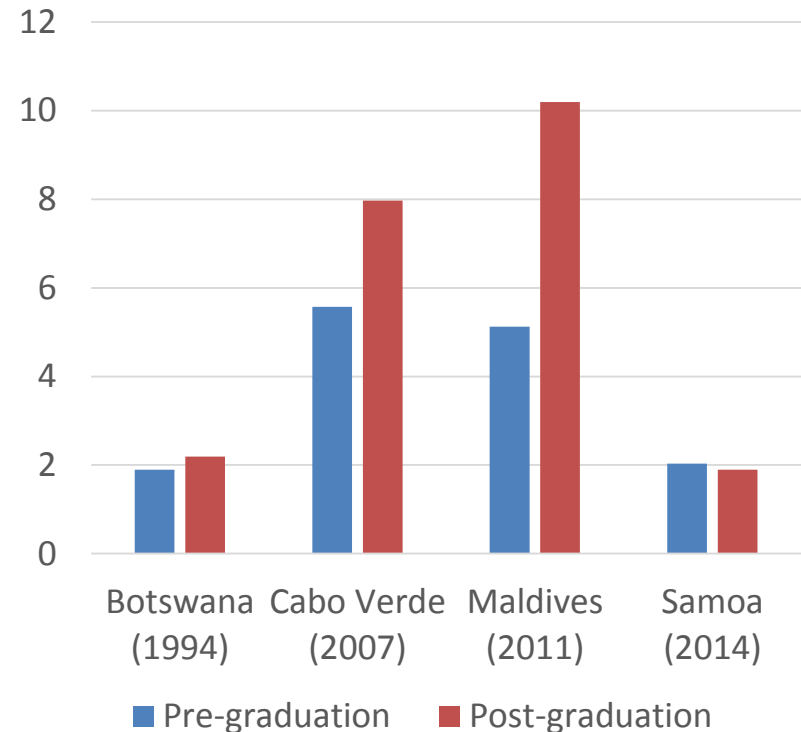
Implications of LDC graduation

- Graduation sends a strong signal of:
 - A more investor-friendly climate
 - Good infrastructure
 - Stable political situation
 - Predictable macroeconomic policy
 - Country's commitment to sustainable development

➔ Larger flows of FDI
Better credit ratings

Note: it is difficult to establish the causal relationship due to the limited number and diversity in situations

**FDI, % of GDP
(pre- and post-graduation)**



Data source: WDI

Note: Ten-year average prior to graduation and ten-year average, or less, post-graduation





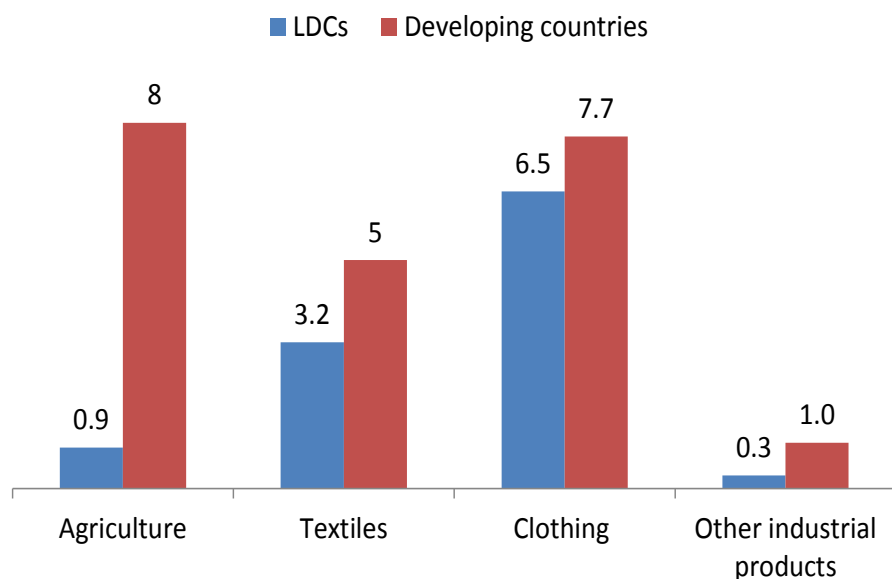
Implications of LDC graduation

- LDC-specific entitlements or ISMs will be systematically phased out:
 - **Trade-related ISM:** preferential market access; special and differential treatment (SDT) provisions; Preferential rules of origin; trade-related technical assistance; accession to WTO
 - **Finance-related ISM:** ODA volume and modalities; climate finance; domestic resource mobilization; external debt; foreign direct investment; remittances
 - **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



Implications of LDC graduation

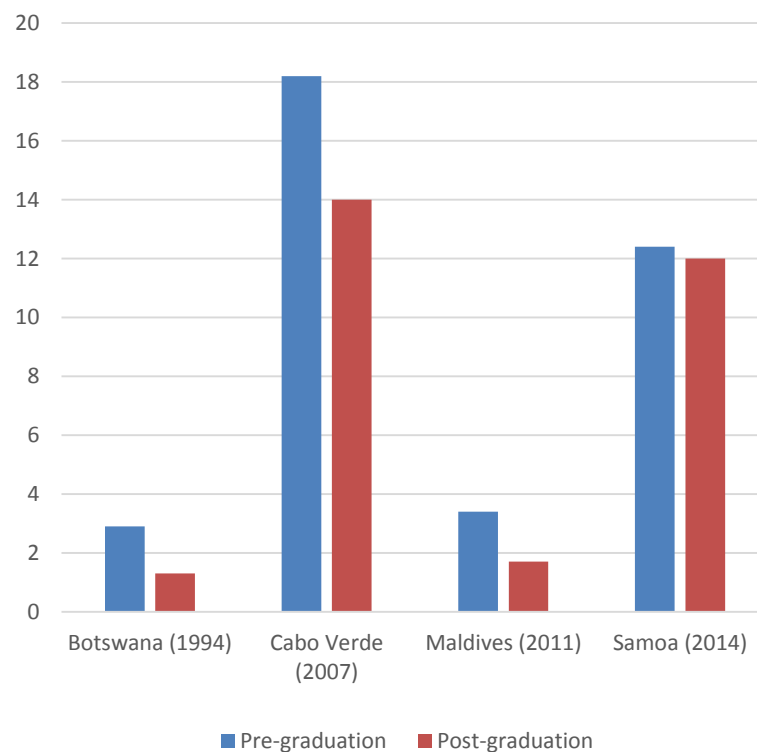
Average tariffs levied by developed countries in 2015 on products exported by LDCs and developing countries (%)



Source: UNCTAD (2016)

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

Net ODA as share of GNI



Source: WTO Secretariat



Performance of graduated countries

LDC indicator values (pre-graduation and 2018)

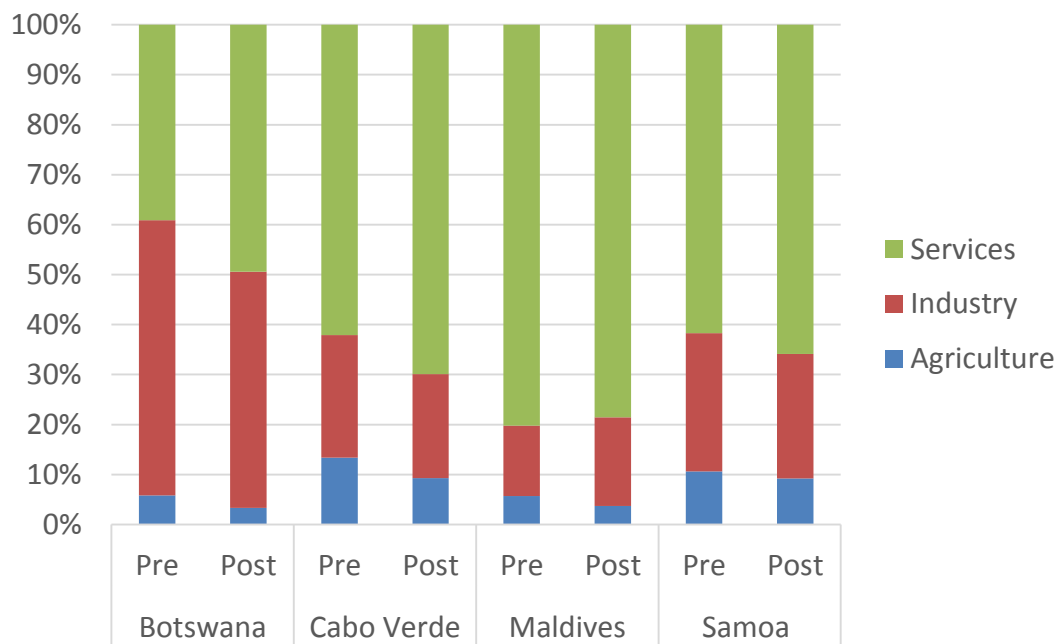
Country (graduation year)	Year	GNI per capital	EVI	HAI
Botswana (1994)	1994	\$2,649	43	59
	2018	\$6,845	45	79
Cabo Verde (2007)	2006	\$1,486	58	82
	2018	\$3,161	36	90
Maldives (2011)	2009	\$2,940	58	88
	2018	\$9,200	51	91
Samoa (2014)	2012	\$2,880	51	93
	2018	\$4,123	40	94
Equatorial Guinea (2017)	2015	\$16,088	39	54
	2018	\$9,665	28	58
Threshold		> \$ 1,230	< 32	> 66

Data source: CDP

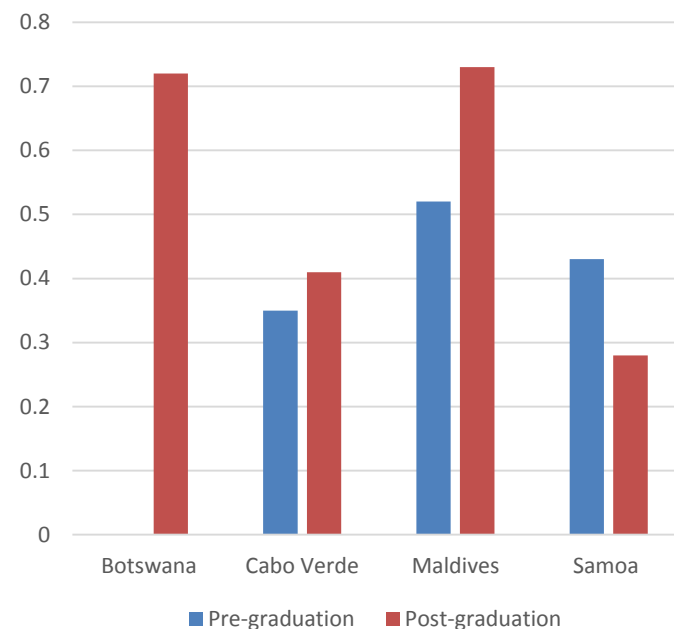


Sectoral composition of GVA and export concentration

Sectoral composition of gross value added



Export concentration index



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





Key observations (2)

- Graduation can bring to the country opportunities and prosperity.
- It may also pose some challenges associated with the withdrawal of ISMs. 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.





How is ESCAP supporting LDCs?

- **Knowledge-based products**, such as studies on key issues that are relevant to LDCs, LLDCs and SIDS:
 - Asia-Pacific Countries with Special Needs Development Report Series
 - Challenges and consequences of LDC graduation (e.g. national strategy papers on LDC graduation)
- **Technical support and capacity building workshops**: e.g. on means of implementation, statistics, resource mobilization
- **Intergovernmental processes**: e.g. Asia-Pacific Forum on Sustainable Development; MTR of IPoA; Regional final review of IPoA to be held in 2020



Relevance to IPoA to SDGs

- LDC graduation and the progress towards SDGs are complementary
 - LDC indicators cover various SDGs. Out of the 17 indicators,
 - 4 are official SDG indicators:
 - HAI: Percentage of population undernourished (SDG 3)
 - HAI: Maternal mortality ratio (SDG 3)
 - HAI: Under-five mortality (SDG 3)
 - EVI: Victims of natural disasters (SDGs 1, 11, 13)
 - 8 are indirectly related to SDGs
 - GNI per capital (SDGs 8 and 10)
 - HAI sub-indicators covering SDGs 4, 5
 - EVI sub-indicators covering SDGs 2, 8, 9, 13, 17
- To transmit the momentum of LDC graduation to achieving SDGs, key elements of the SDGs or IPoA have to be addressed as longer-term post-graduation strategies:
 - Poverty, creation of decent jobs, peace and stability, universal access to basic infrastructure services, domestic resource mobilization



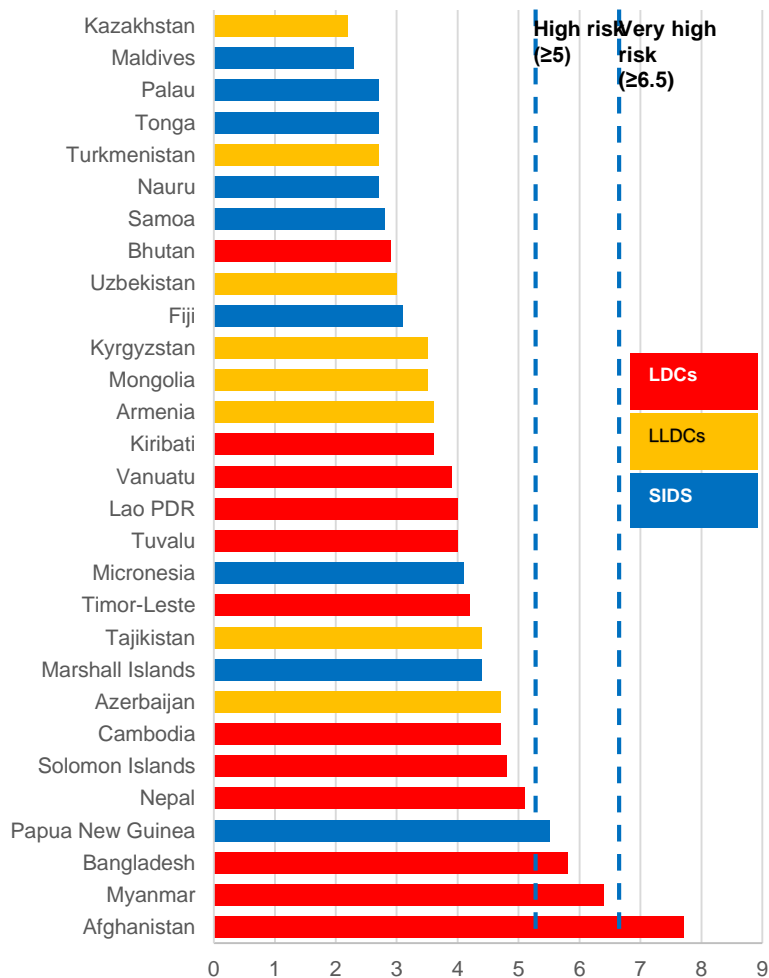
ASIA-PACIFIC COUNTRIES
WITH SPECIAL NEEDS
DEVELOPMENT REPORT 2016
Adapting the 2030 Agenda
for Sustainable Development
at the National Level



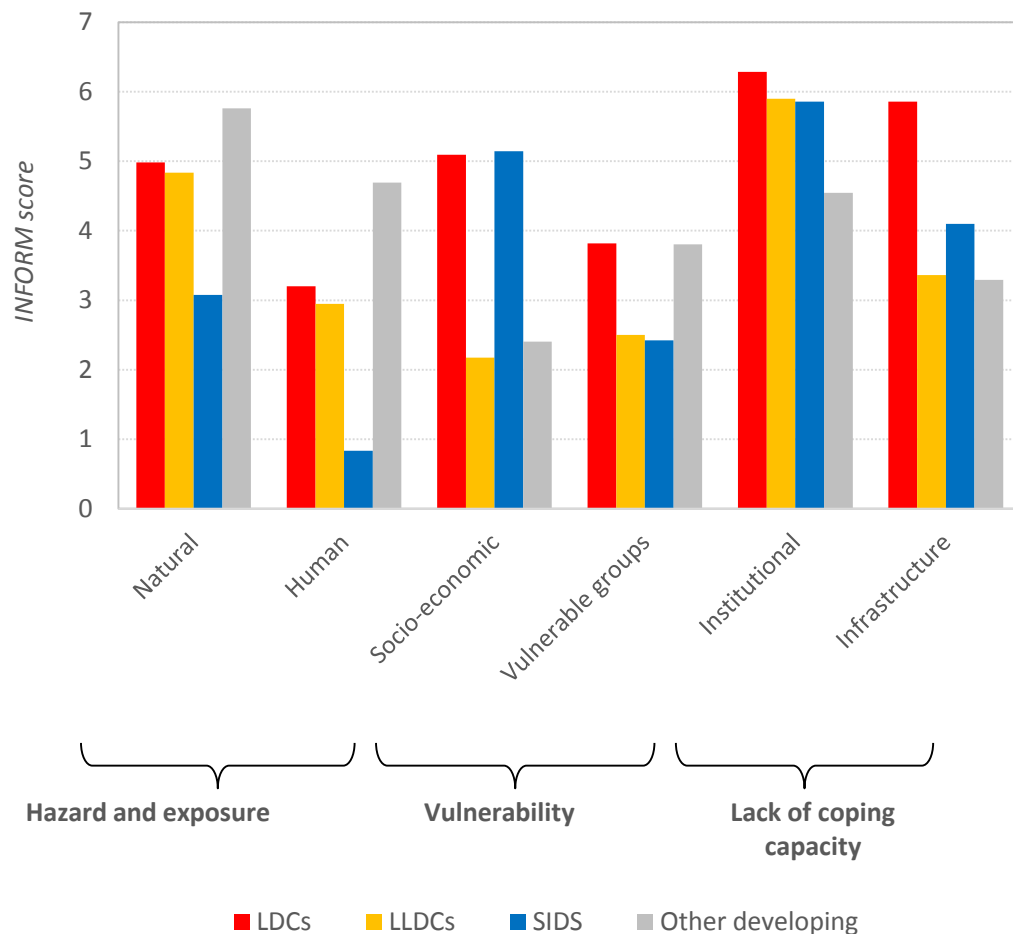
Sustainable Development and Sustaining Peace



INFORM scores (2018)

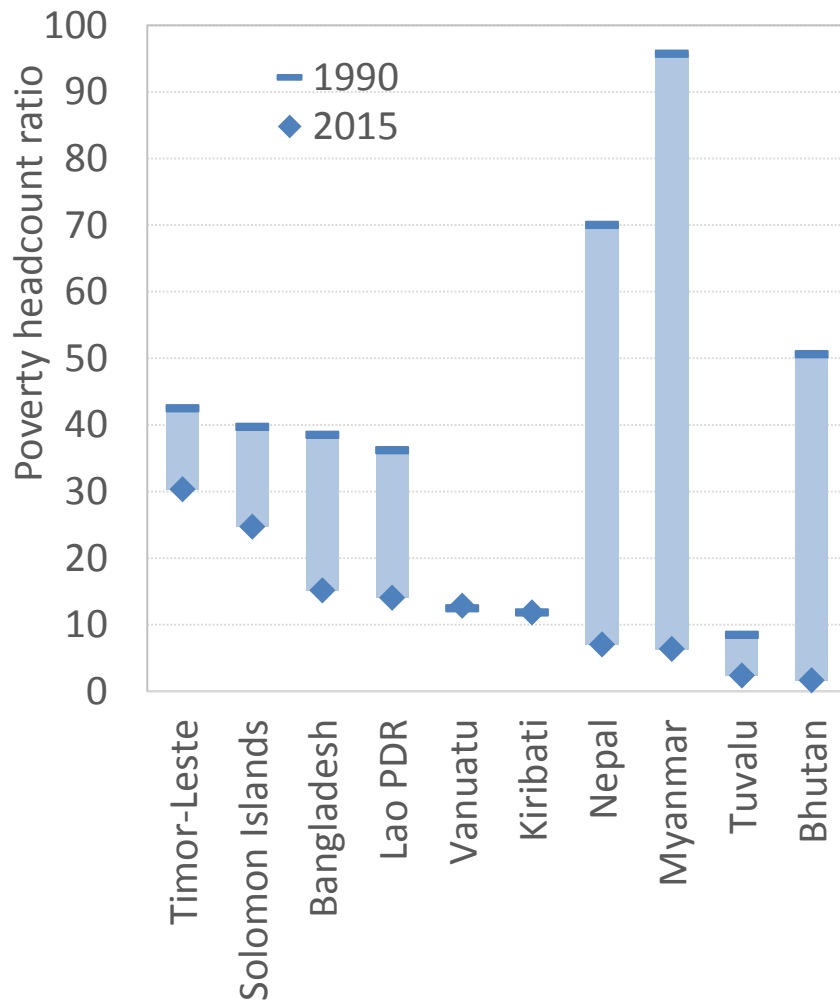


Six categories of INFORM, by country group

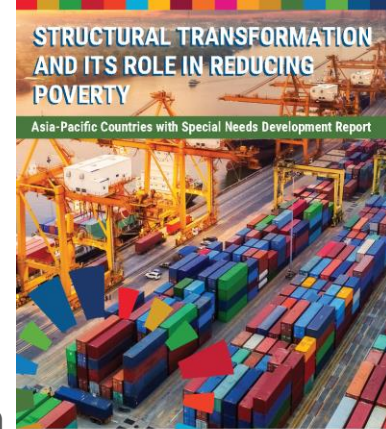


Income poverty remains persistent

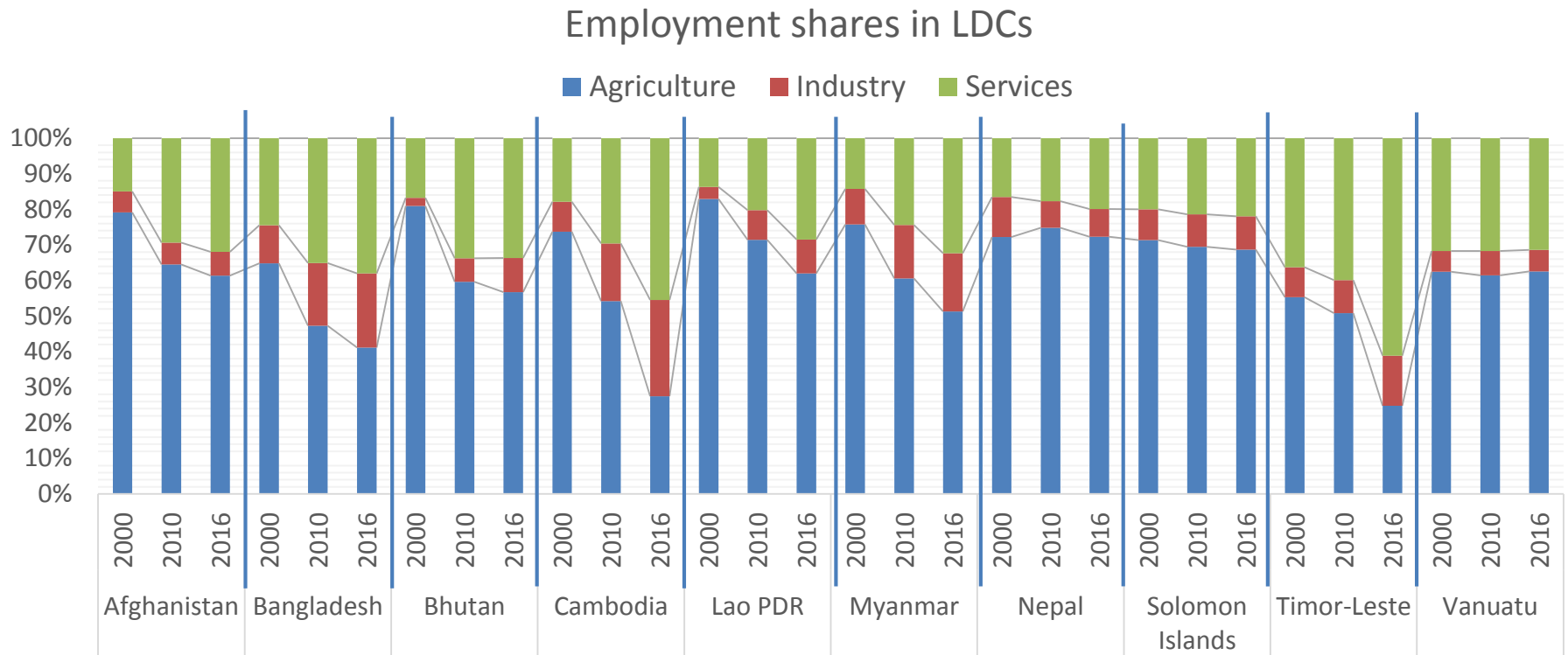
Poverty reduction between 2000 and 2015 at the \$1.90 international poverty line



- Poverty rates at the 1.90 line dropped from 50+% in 1990's to 12% in 2015.
- However, one in two people still live on incomes below \$3.20 a day.
- People living in rural areas are 2.4 times more likely to be poor than people living in city areas in LDCs, LLDCs and SIDS.



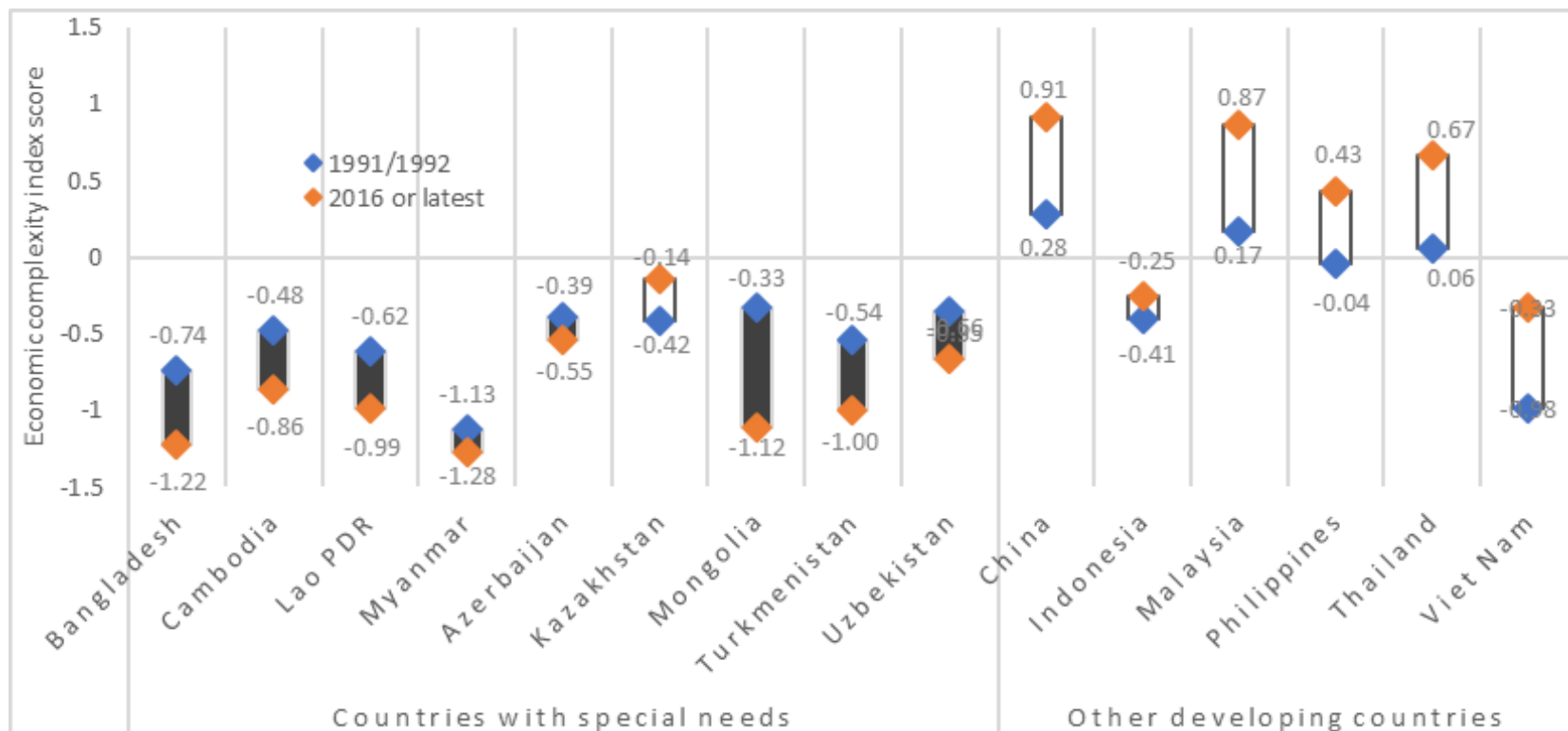
Most LDCs are structurally underdeveloped



- Most LDCs are still “structurally under-developed” as agriculture is the largest sector in terms of the number of employed.
 - Movement out of agriculture is still slow
 - Nepal, Solomon Islands, Vanuatu have been particularly slow
- Cambodia and Timor-Leste are outliers where the service sector is particularly large
 - In the case of the former employment in industry and agriculture are also comparable

Limited productive capacity inhibits LDCs from undergoing dynamic transformation

Economic complexity index, change between 1991/1992 and 2016



Source: The Observatory of Economic Complexity, MIT Media Lab.

Note: White bars on the figure represent improvements, while black bars represent deterioration.

Infrastructure gap remains



ASIA-PACIFIC COUNTRIES WITH SPECIAL NEEDS DEVELOPMENT REPORT 2017
Investing in infrastructure for an inclusive and sustainable future



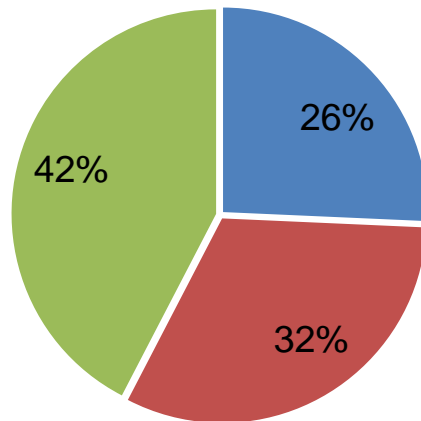
ESCAP Access to Physical Infrastructure Index (APII), measuring

- Access to energy
- Access to water and sanitation facilities
- Access to transport
- Access to ICT

Access to Physical Infrastructure Index (2017)

Country or groupings	APII score	APII rank
Developed countries	0.63	
Developing countries	0.43	
LDCs	0.20	
Bangladesh	0.28	28
Bhutan	0.27	29
Lao PDR	0.23	34
Nepal	0.22	35
Vanuatu	0.20	36
Myanmar	0.20	37
Cambodia	0.19	38
Solomon Islands	0.11	39
Afghanistan	0.07	40

Composition of infrastructure financing needs

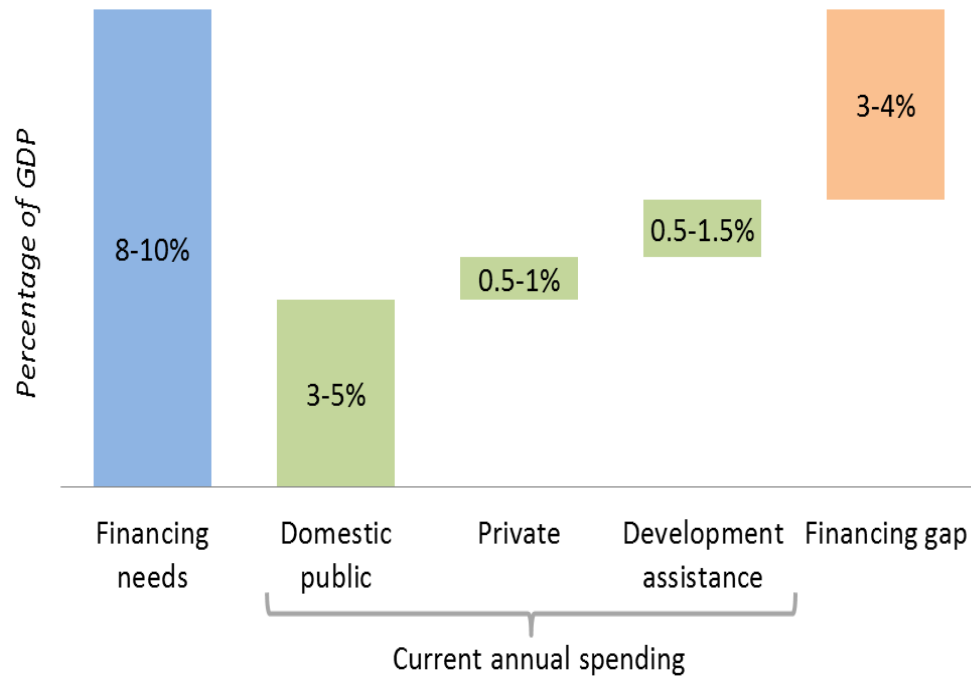


- New demand
- Maintenance
- Universal access

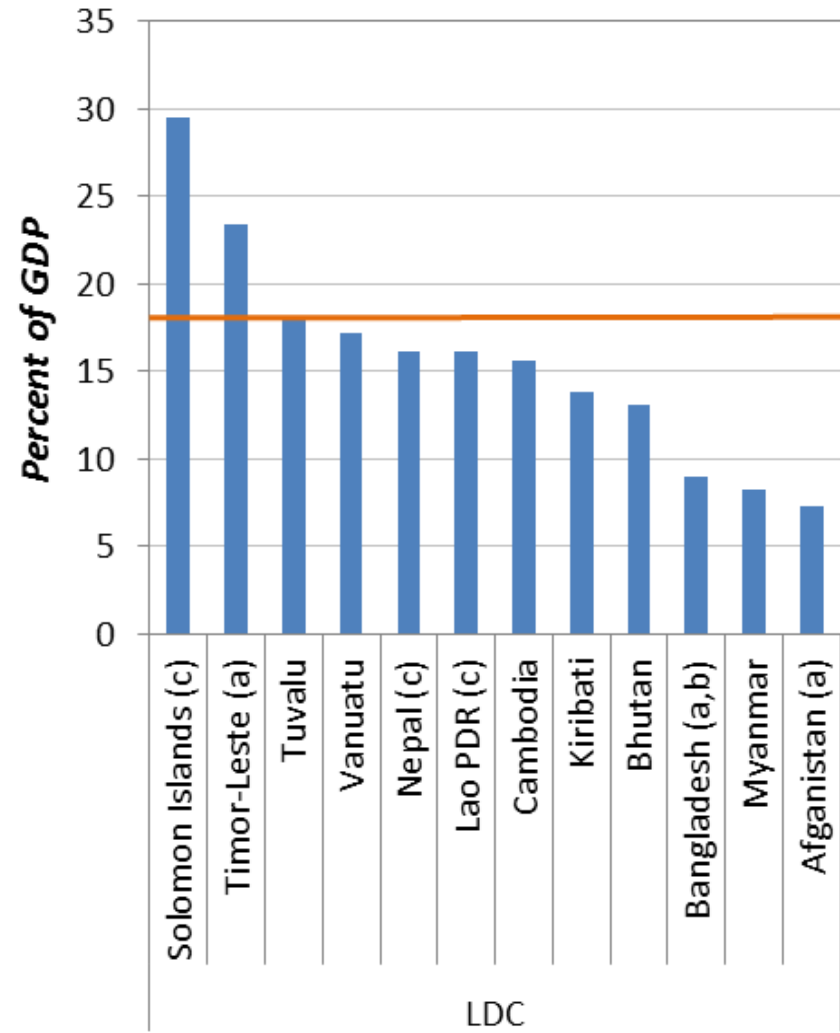


Domestic resource mobilization efforts can fill the financing gap

Financing needs and infrastructure spending in LDCs, LLDCs and SIDS



Tax-to-GDP ratios in LDCs, 2014





Technical support and capacity building workshops

- Project: “Supporting the Countries with Special Needs in Asia-Pacific in meeting the challenge of resource mobilization for achieving the 2030 Agenda for Sustainable Development”
- Various capacity building workshops to support LDCs:
 - Formulating National Policies and Strategies in Preparation for Graduation from the LDC Category (2017).
 - Strengthening Development of Least Developed Countries in Asia and the Pacific to support implementation of the 2030 Agenda for Sustainable Development. (2017)
 - Pacific Subregional Workshop on Preparing for a Smooth Graduation from the LDC Category (2018)
 - Assisting the Asia-Pacific LDCs in preparing for graduation and beyond, with a focus on reducing poverty through structural transformation (upcoming 2019).
 - Inception Workshop and Consultation on “LDC Graduation” (2019)
 - Capacity building activities on impact of graduation on trade (throughout)
 - Needs assessment missions. (throughout)





Intergovernmental processes

Support for regional follow-up and review

- Midterm review of Istanbul Programme of Action: co-organized with the Royal Government of Cambodia in Siem Reap in 2015.
- Final regional review of IPoA to be held in 2020 as part of the 76th Commission session (GA RES 73/242)
- Support region's LDCs at LDC V conference in 2021.

ESCAP Resolution on “Supporting the smooth transition of the least developed countries in Asia and the Pacific towards a sustainable graduation” (ESCAP/RES/74/1)

Liaise with OHRLLS on inputs to various reports of the Secretary General





Conclusion

- There is a 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
- A **better understanding of likely impacts of graduation**, with sufficient data and analysis, good preparation, and proactive engagement with development partners are critical.
- In the medium- to long-term, focus must also be placed on **enhancing domestic resource mobilization**, complemented by strong international support and development cooperation, to improve tax and other revenue collection.
- Further highlighting the importance of **infrastructure, structural transformation and rural development** in LDCs with a view to **strengthening productive capacities**.

