

Regional Meeting on Financing Graduation Gaps of Asia-Pacific LDCs

Jointly organized by

The Government of Bangladesh

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

The United Nations Department of Economic and Social Affairs (UNDESA)

28-30 October 2014

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CONCEPT NOTE

Introduction

United Nations Economic and Social Commission for Asia and the Pacific, United Nations Department of Economic and Social Affairs and the Government of Bangladesh will jointly convene the Regional Meeting on Financing Graduation Gaps of Asia-Pacific LDCs from 28 to 30 October 2014 in Dhaka, Bangladesh.

I. Background

The United Nations LDC IV Conference adopted the Istanbul Programme of Action for the Decade 2011-2020 in May 2011. The overarching goal of the IPoA is to overcome the structural challenges faced by the least developed countries (LDCs) in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from LDC category. The aim of IPoA is to enable half the number of LDCs to meet the criteria for graduation by 2020 with a strong focus on developing their productive capacities. Genuine partnership and solidarity with understanding and recognition that LDCs, as the most vulnerable group of countries, need effective national policies, enhanced global support and appropriate mechanisms at all levels for the achievement of the goals and objectives of IPoA.

ESCAP has undertaken several activities mainly aimed at capacity building in Asia-Pacific LDCs in support of their graduation efforts and achieving the MDGs. For example, ESCAP organized the Asia-Pacific Regional Meeting on the Implementation of the Istanbul Programme of Action (IPoA) for the Decade 2011-2020, in December 2011 in Bangkok which adopted the Regional Road Map.¹ The Regional Road Map contains a set of capacity development activities aimed at delivering knowledge products for dissemination and advocacy, expert services, sectoral reviews,

¹ ESCAP Resolution 68/2 on "Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 in the Asia-Pacific region" requested the Executive Secretary of ESCAP to assist the Asia-Pacific least developed countries in implementing the Regional Road Map.

monitoring and evaluation, and provides a basis for formulating technical assistance programmes and projects at regional, sub-regional and national levels.

As a follow up to the meeting in December 2011 and as part of the implementation of ESCAP Resolution 68/2, ESCAP in cooperation with the Office of the High Representative for LDCs, LLDCs and SIDS and the Government of Cambodia organized the Asia-Pacific Regional Meeting on the Istanbul Programme of Action from 17 to 19 December 2012 in Siem Reap. The meeting adopted the Siem Reap Outcome Document and highlighted the need for strengthened support to LDCs in their graduation efforts, among other things. Following that, ESCAP organized in cooperation with UNDESA and the Government of Cambodia the Regional Workshop on Graduation Strategies for Asia-Pacific LDCs from 4 to 6 December 2013 in Siem Reap, Cambodia. Over 47 senior policymakers and other stakeholders from Bangladesh, Bhutan, Cambodia, Kiribati, Lao People's Democratic Republic, Nepal, Myanmar, Samoa, Solomon Islands and Timor-Leste attended workshop. The participants agreed on a set of recommendations directed at the least developed countries themselves, the private sector in least developed countries, the development partners and the United Nations system to promote graduation of least developed countries in Asia-Pacific region. The Commission during its 69th session deliberated on issues related to LDCs, LLDCs and SIDS and adopted resolutions 69/2 and 69/3 and requested the Executive Secretary to continue to assist these countries.

The proposed regional meeting is being organized by UNESCAP, UNDESA and the Government of Bangladesh in Dhaka from 28 to 30 October 2014 as a follow up to the regional workshop held in Siem Reap in December 2013 and as part of the implementation of the above Commission resolutions.

II. Graduation from LDC status

The issue of graduation from the LDC category has recently found increased attention by the international community and by the LDCs themselves. The IPoA explicitly stipulates the aim of enabling half of the LDCs to meet the criteria for graduation by 2020. Some LDCs in Asia and the Pacific have taken a lead in this regard, with several countries like Bangladesh, Cambodia, Lao People's Democratic Republic and Nepal formally expressing their commitment to graduate by 2020. CDP in several of their sessions have deliberated on the graduation issues and introduced refinements of the LDC criteria for graduation at its plenary meeting in March 2014 [Committee for Development Policy, Report on the sixteenth session (24-28 March 2014). Economic and Social Council Officials Records, 2014, Supplement No. 33.E/2014/33].

During the 69th ESCAP session in May 2013, the Commission was informed by the Governments of Cambodia and Lao PDR of the stated goal of the respective countries to graduate from the least developed country category by 2020. Bangladesh also informed the Commission that it was planning to graduate from that category to become a middle-income country by 2021. Nepal also informed the Commission of its long-term vision to graduate as early as possible.² Other LDCs in the region have also taken interest in accelerating progress towards graduation. Several LDCs reiterated their desire to graduate during the 70th session of the Commission, held in August 2014.

Graduation is a complex process. It combines a technical process led by the United Nations Committee for Development Policy (CDP) with a political process undertaken by the United

² Source: para. 348 of ESCAP Annual Report 24 May 2012-1 May 2013.

Nations Economic and Social Council (ECOSOC) and the United Nations General Assembly. Developing policy strategies to expedite graduation and to prepare a country for exiting the LDC category requires therefore knowledge on both processes.

III. Objectives and Format of the Regional Meeting

ESCAP and UNDESA in cooperation with the Government of Bangladesh will jointly organize the Regional Meeting on Financing Graduation Gaps in Asia-Pacific LDCs.

The key consideration that the proposed workshop in Dhaka in October 2014 aims to address is the whole issue of finding and using financial resources to close the graduation “gap” within a well developed graduation strategy.

The main objectives of the regional meeting are to (1) present and discuss the “refined” criteria for graduation including the review and reporting process conducted by CDP; (2) present and discuss some estimates of the financial resources needed by each of the 12 Asia-Pacific LDCs in closing their graduation gaps; (3) identify and discuss the sources of financial resources including international support measures and domestic resources to raise the required resources; (4) discuss the concrete measures and institutional mechanisms for proper utilization of the resources raised; and (5) recommend key policy measures to support resource mobilization and utilization. A special session would be devoted to discussing the implications of the sustainable development goals in light of the outcome of the General Assembly deliberations in September 2014

The main objective of the **first session** is to discuss the progress made so far and challenges encountered by the LDCs of the region in their efforts to graduate from their LDC status. An assessment of the progress made in key areas such as achieving sustained economic growth, reducing poverty and inequalities, creating productive capacity, investing in social and physical infrastructure, diversifying exports, mobilizing and effectively utilizing development finance, fostering human resources development, and improving institutional capacity would be presented and discussed. In the rapidly changing global and regional context, the opportunities and challenges faced by the LDCs in their efforts for integration would be highlighted with a particular emphasis on regional cooperation and South-South Cooperation. Forward looking medium- to long-term policy options that would be essential for the Asia-Pacific LDCs to meet the criteria for graduating from their LDCs status would be discussed.

The main objective of the **second session** is to present briefly an overview of the main stages towards graduation from the category and provide an update on the LDC criteria in view of the refinements recently introduced by the CDP at its latest plenary meeting in March 2014 [Committee for Development Policy, Report on the sixteenth session (24-28 March 2014). Economic and Social Council Official Records, 2014, Supplement No. 33.E/2014/33]. It will also provide information on and explain the recently refined LDC criteria, of which the most significant one is related to the establishment of the thresholds for inclusion and graduation from the category. Thresholds will be set at absolute rather than relative levels, focusing on the notion of development progress as overcoming absolute structural impediments. Besides reviewing the three main components of the LDC criteria [gross national income (GNI) per capita, human asset index (HAI) and economic vulnerability index (EVI)], the presentation will discuss the possible implications of having fixed thresholds for graduation prospect, using the participating ESCAP LDCs as illustration. The presentation will also review the progress made by current and former ESCAP LDCs vis-à-vis the LDC criteria, highlighting various graduation pathways that may be of interest.

The main objective of the **third session** is to present and discuss some estimates of the level of financial investment needed to close graduation gaps in all 12 LDCs in the Asia-Pacific region. LDCs need significant resources to overcome their development challenges: large investments are needed in infrastructure; to finance adaptation to climate change and mitigate its impacts; and to make progress towards achieving internationally agreed development goals, including the Millennium Development Goals and the graduation out of LDC status. This session will focus on the latter and will consider estimates of the range of investment needed for Asia-Pacific LDCs to graduate, taking into consideration: the growth required to reach the GNI threshold for LDC graduation; the amount of public investment required for the LDCs of the region to meet the HAI gaps; and the amount of public and private investment to close the EVI gaps. The session will also cover and discuss detailed case studies with estimates to close the graduation gaps in Bangladesh, Cambodia, Lao PDR, Nepal, and Solomon Islands.

The main objective of the **fourth session** is to discuss innovative ways for mobilizing resources to close the graduation gaps. In general, financial resources can be divided into two broad sources: domestic and foreign, both from public and private. Domestic investable resources include household, corporate and government savings. Foreign investable resources include funds from multinational corporations (i.e. foreign direct investment), the international banking system (commercial short- and medium-term loans), from international capital markets (foreign private portfolio investments), from bilateral donor governments (i.e. Official development assistance) and from multilateral development financial institutions such as the World Bank and ADB.

This session will also cover the Asia-Pacific regional perspectives in terms of development financing strategy options that could facilitate the mobilization of new and additional resources to close graduation gaps. The session will also discuss LDCs experiences with issues related to climate finance such as the mitigation and adaptation financing needs, availability of funds and policy options. Detailed case studies will be presented on the potential strategies for mobilizing resources to close graduation gaps in selected LDCs.

The **fifth session** will highlight the insufficiency of support, particularly ODA, available to overcome structural impediments of LDCs and how these countries could explore possible synergies between international support measures, including those beyond LDC category, and national resources. Discussion could highlight the key issues and trends related to creation of global and national enabling environment, market access, trade facilitation, Aid for Trade, ODA, private (financial) flows, technology transfer, science-technology-innovation, and south-south and triangular cooperation.

There will be two presentations, the first of which will outline the international support measures available for LDCs, covering development assistance, international trade and general support measures. The presentation will also provide information on utilization of support measures from global and regional sources.

The second presentation will focus on the recent trends and patterns in flows of ODA, FDI and Aid for Trade and bilateral and other private flows to the LDCs as also science-technology-innovation (STI) and try to assess how well those flows have been utilized in creating the necessary national economic capacity to close the development gaps. It will also highlight, *inter alia*, the issues of market access, and other WTO support measures in the graduation efforts of the LDCs.

In the **sixth session**, attention will be focused on resource utilization and institutional aspects. Mobilizing financial resources is necessary but not a sufficient condition for closing the financing gaps and eventually for comprehensive graduation of the LDCs. Equally important is how the LDCs manage to use those resources so as to close their development gaps and put themselves on an accelerated and sustained path of development. In addition to political commitment, building sustained capacities and capabilities in the LDCs is equally crucial, particularly to have adequate absorptive capacity. LDCs must have the institutional capacity, including human resources, in place to formulate and implement national development strategies in a sustained and strategic manner. Sometimes, institutional capacity building including human resources will be part and parcel of mobilizing and utilizing financial resources for development. In other words, these processes may have to go hand in hand. Results-oriented planning and budgeting, two way links between planning entities and fully-resourced local administration/entities, and robust monitoring and evaluation systems, need to be ensured for proper use of financial resources for development.

The last session, **the seventh session**, will discuss the implications of the SDGs for the LDCs. As MDG timeline (2000-2015) was coming to a close, and new global development needs and challenges appeared on the horizon, the Rio+20 (*Rio de Janeiro, 2012*) agreed to initiated a global consultation process to develop a universal Development Agenda for the post-2015 period (2016-2030). As was agreed in Rio, an inclusive intergovernmental process worked for nearly a year and half and concluded recommending a set of 17 Sustainable Development Goals (SDGs) and related 169 targets. By September 2014, these have been recommended by the General assembly as a key basis for finalizing the Post-2015 Agenda.

This session will discuss the broad contours of the recommended goals and targets, their possible implications for LDCs, challenges in terms of making adjustments in planning and implementing processes, and discuss some of the key implementation issues of particular interest to the LDCs.

IV. Participants

The Meeting in Dhaka would bring together key stakeholders of the IPoA, including senior officials from the Asia-Pacific LDCs who are directly involved with the implementation of the Programme in general and graduation in particular. The LDCs to be invited are: Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao People's Democratic Republic, Myanmar, Nepal, Solomon Islands, Timor-Leste, Tuvalu, and Vanuatu. Other member States, experts dealing with LDC issues, the UN system, relevant regional organizations, development partners and a broad spectrum of civil society representatives from Asia and the Pacific will also be invited to attend the workshop.

V. Implementation Strategy

The invitation letters from the Director, Macroeconomic Policy and Development Division (MPDD), ESCAP addressed to the Senior Officials of LDC Governments will be sent. Given financial constraints, ESCAP will finance the participation of 2 participants each from 12 Asia-Pacific LDCs as mentioned above. Member Governments of the above-mentioned 12 Asia-Pacific LDCs are welcome to nominate additional participants on a self-financing basis. Other ESCAP member States will be invited to attend on self-financing basis.

VI. Expected Outcome and Follow-up

Policy makers from the 12 Asia-Pacific LDCs and relevant stakeholders will exchange views on estimating and identifying the financial resources need to meet the graduation gaps, and propose concrete technical assistance including identifying financing requirements to address these gaps during the three-day workshop. The workshop is expected to result in enhanced understanding and appreciation of the LDC participants on the types of actions and steps that are need to be taken at the national level by their Governments as they move toward graduation on the one hand, and enhanced understanding and appreciation on the part of the international community on the challenges faced by the LDCs so that appropriate technical assistance from the international community can be provided to the LDCs, on the other.

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