

Session 5 (2)
Regional Meeting on Financing Graduation
Gaps of Asia-Pacific LDCs

Financing strategies for LDCs graduation:
trends, effectiveness and prospects

Dhaka, Bangladesh
28-30 October 2014

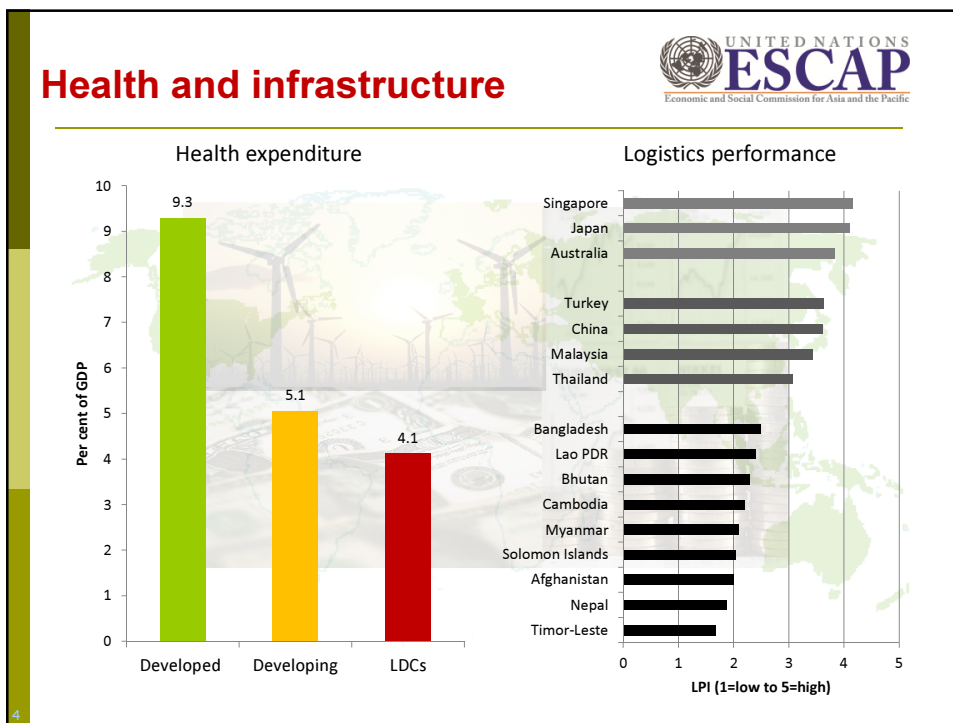
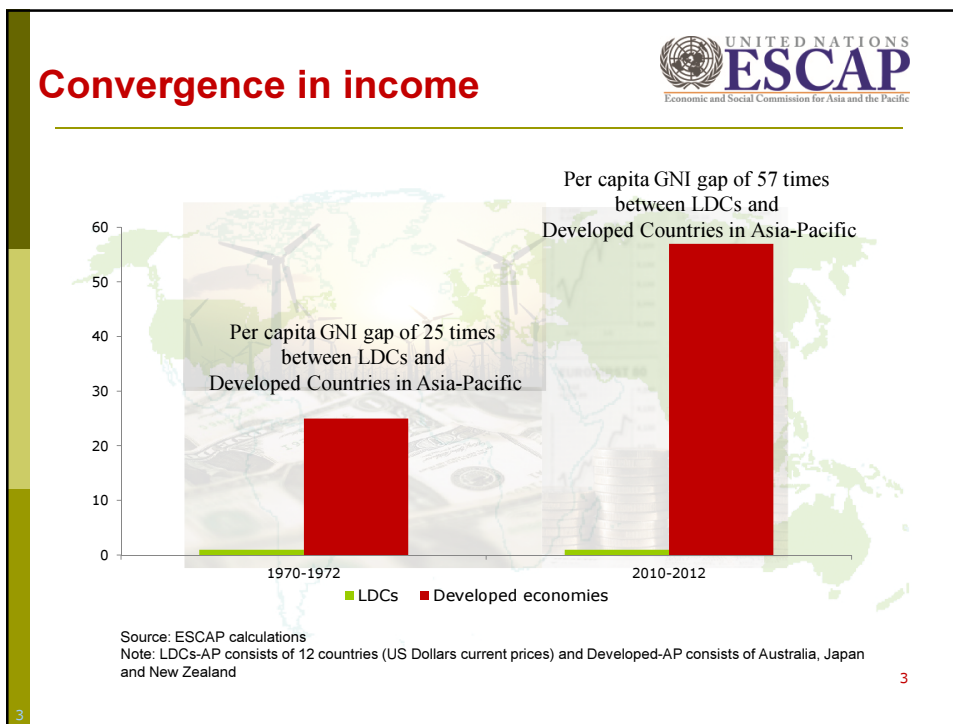
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1

Outline

- **Setting the stage**
- **Framework for mobilizing resources and trends**
- **Effectiveness**
- **Prospects for financing**
- **Possible policy reforms**

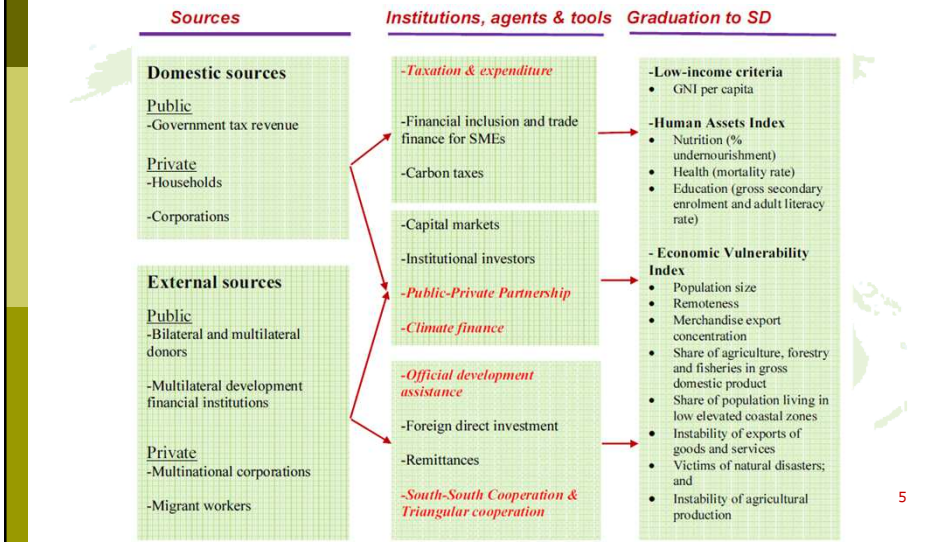
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Framework for mobilizing resources



A schematic view of the sources of financing for closing the graduation gaps

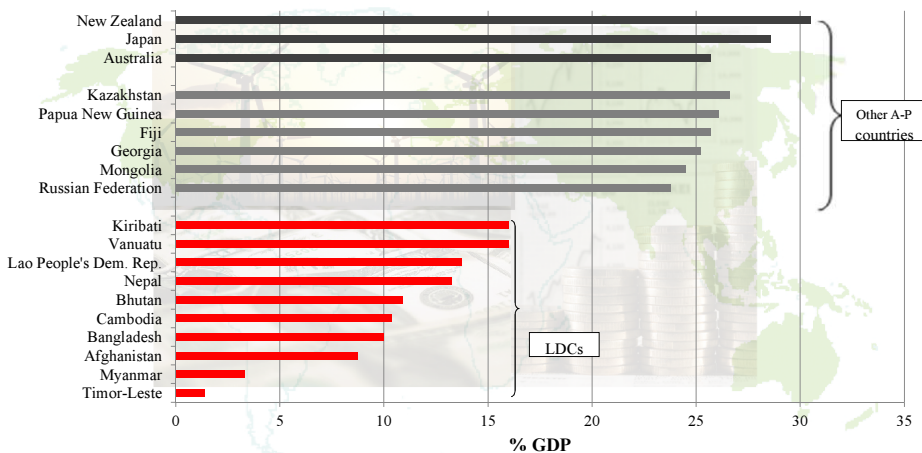


5

Domestic public resources: tax revenues



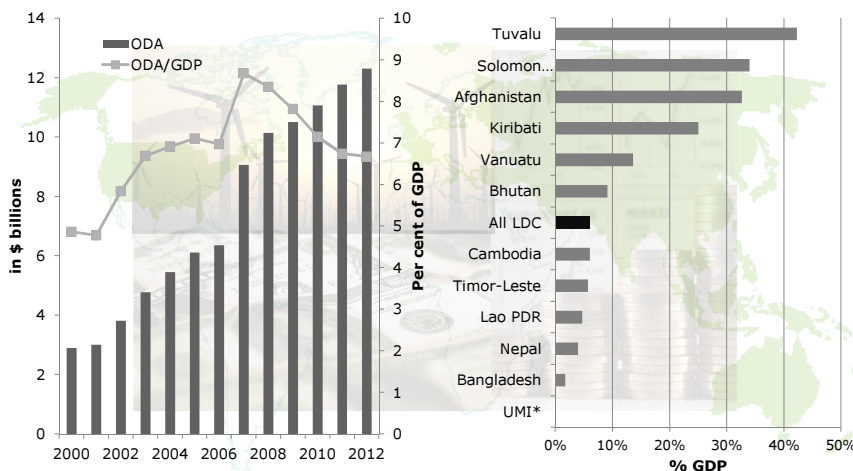
Tax-to-GDP ratio in selected Asia-Pacific countries, 2011



Source: ESCAP 2014

6

External public resources: Official Development Assistance



Source: ESCAP

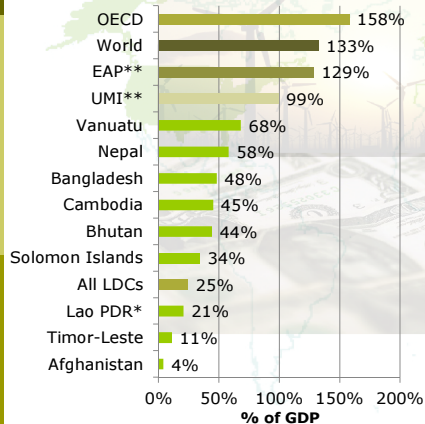
Note: * UMI refers to upper middle income countries.
Source: WDI database

7

Domestic private resources



Domestic credit to private sector as percentage of GDP in selected LDCs



Large potential for **Islamic finance** to support financing requirements for graduation.

In Bangladesh, **18.9%** of deposits and **21.1%** of total credit is through Islamic banks and branches.

UMI refers to upper middle income countries;
EAP refers to developing countries of East Asia and the Pacific.
Source: WDI database

8

Domestic private resources



Financial inclusion

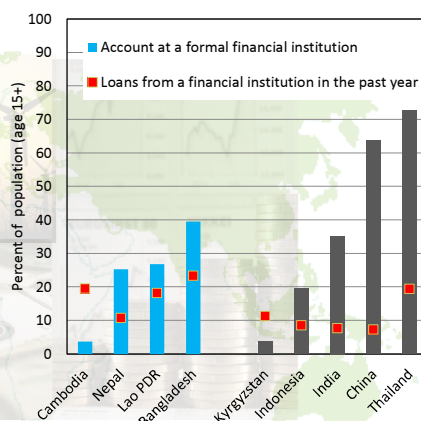
- low access to financial services and low financial literacy and capability in LDCs.

Equity markets

Stock markets have emerged in several LDCs.

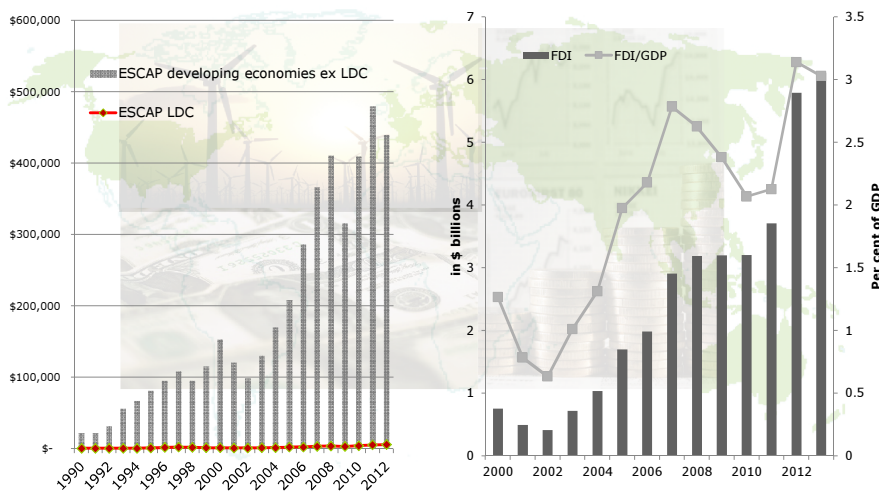
Bangladesh:

- 2 stock exchanges
- 542 traded securities
- \$80 billion market cap.



Source: ESCAP, based on World Bank, G20 Financial Inclusion Indicators dataset (accessed 10 March 2014).
Note: (1) Most of the data was collected in 2010-2011 period

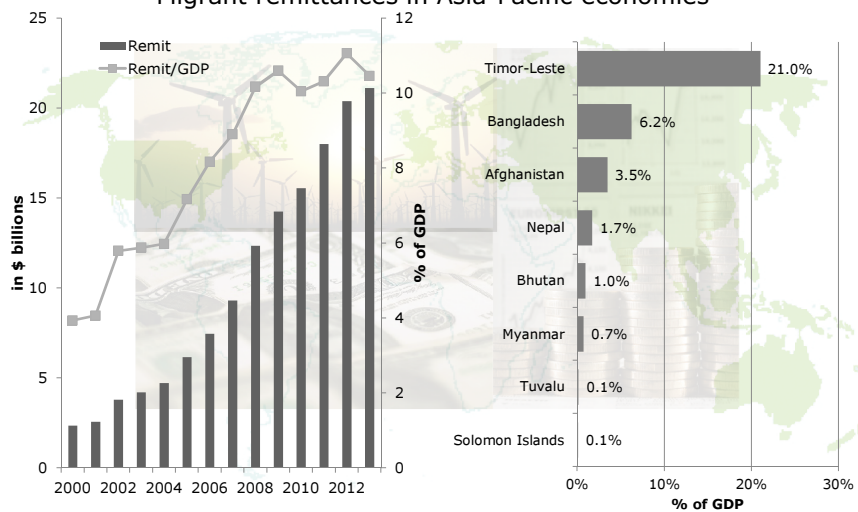
External private resources: FDI



External private resources: remittances



Migrant remittances in Asia-Pacific economies

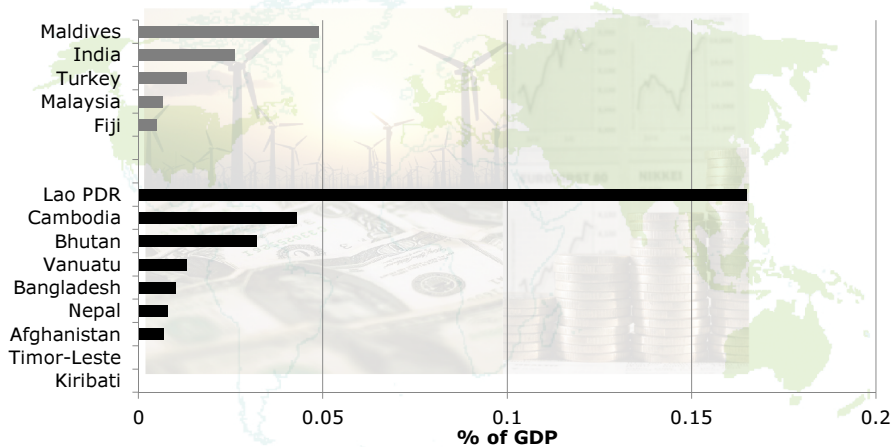


11

Blended finance



Private infrastructure investment in selected Asia Pacific LDCs, 2008-2012



Source: ESCAP, based on data from the World Bank

12

South-South cooperation



Knowledge building, capacity-assistance and sharing development experiences

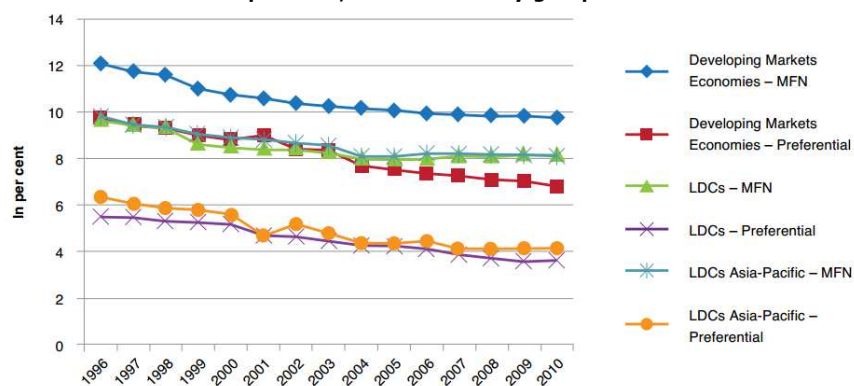
- New opportunities for South-South cooperation (SSC) and triangular development cooperation (TDC)
- China and Turkey have spent over \$2.8 billion and \$2.5 billion respectively on SSC related activities in recent years
- Other important contributors to SSC activities in the region include the Republic of Korea, India, the Russian Federation, Thailand and Indonesia.
- Key areas to enable LDCs graduation efforts: poverty alleviation, gender, agriculture and rural development, food security, infrastructure projects, ICT, environment, disaster relief and reconstruction, debt relief, banking, training of civil servants, governance, capacity-building and advisory services, and humanitarian aid

13

Effectiveness Trade

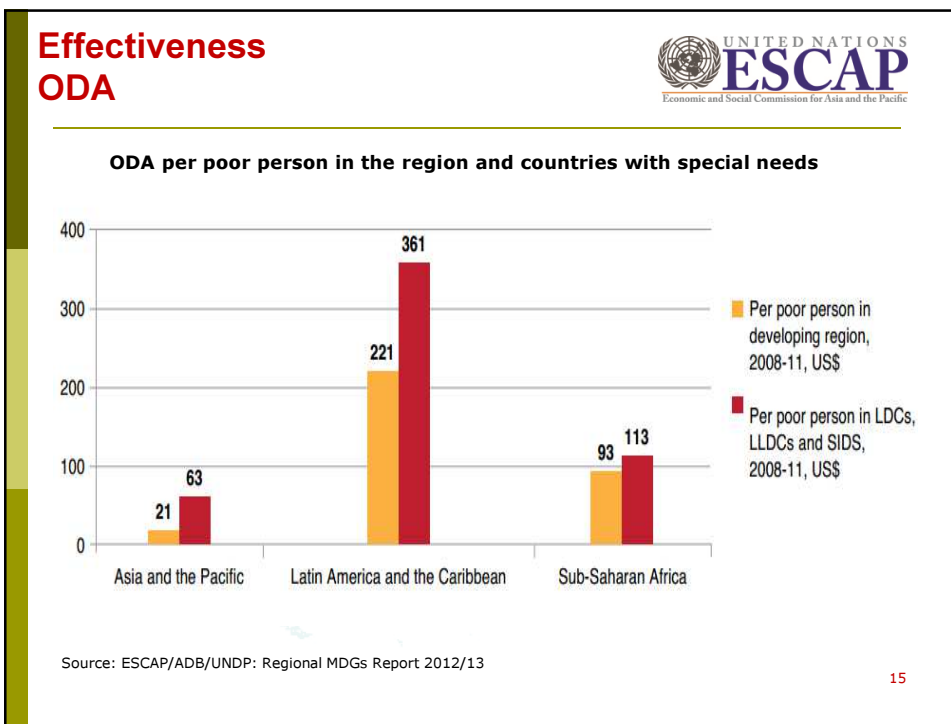


Average tariffs imposed by developed markets on agricultural, clothing and textiles products, selected country groups

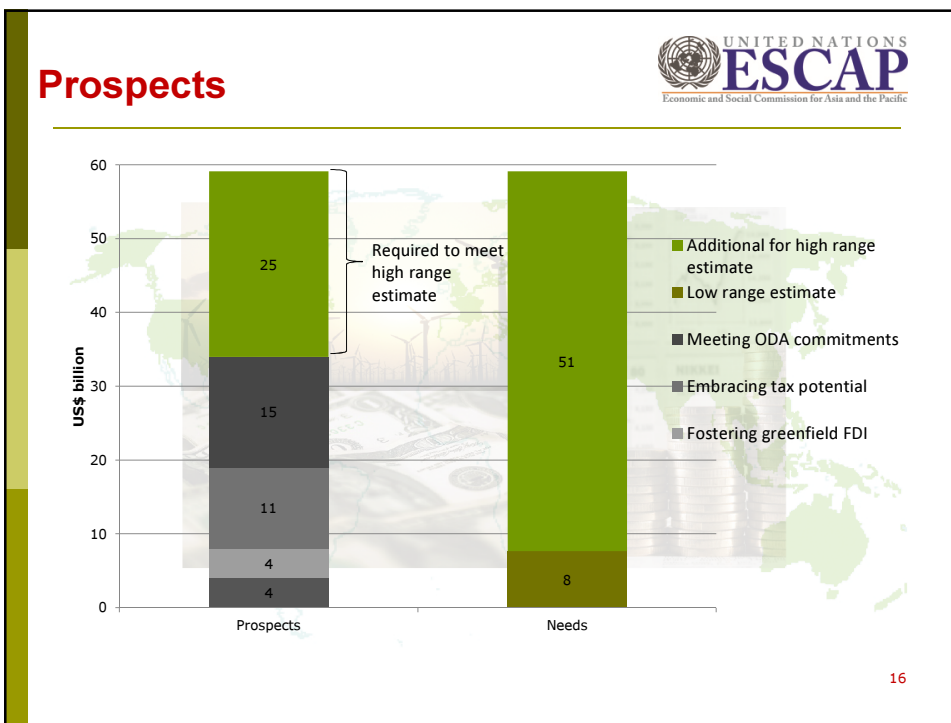


Source: ESCAP/ADB/UNDP: Regional MDGs Report 2012/13

14



15



16

Possible Policy Reforms



1. Raise tax-to-GDP ratios.
2. Strengthen banking sector, and developing financial sector.
3. Strengthen legal and regulatory framework for FDI inflows.
4. Expand the use of remittances for productive activities.
5. Advocate and position blended finance for development.
6. Create a pool of resources for climate change consequences
7. Promote complimentary role of South-South cooperation.
8. Strengthen the role of ODA flows.