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**<Keynote Address> Session 1: Ministerial dialogue on lessons learned in the
implementation of the IPoA - challenges encountered and the way forward
(as prepared for delivery)**

**High-level Asia-Pacific Regional Review Meeting on the Istanbul Programme
of Action in Preparation for the Fifth United Nations Conference
on the Least Developed Countries**

Monday, 30 August 2021
Time: 15.20-17.15 hrs. (Bangkok time)
(10.20-12.15 hrs., Geneva time)

Platform: TBC
ES slot: TBC (5-7 minutes)

Slide 1 (title page)

It is my honor and pleasure to deliver my keynote presentation on lessons learned in the implementation of the Istanbul Programme of Action for LDCs - challenges encountered and the way forward.

Slide 2 (review of the progress in implementing the IPoA)

The LDCs in our region have made significant progress in implementing the IPoA. During the decade covered by the programme, three Asia-Pacific countries were able to graduate from the category of LDCs, while 10 of the remaining 12 LDCs have met the criteria for graduation. This is a remarkable achievement.

Yet, the Istanbul Programme of action was not yet fully implemented. Progress in building productive capacities and achieving structural transformation has been limited in most LDCs and dependence on a few products or a single sector is still common. This makes these economies vulnerable to external shocks, as exemplified by the COVID-19 pandemic.

Slide 3 (Impact of the COVID-19 pandemic)

The pandemic has led to considerable reductions in economic growth in the region's LDCs. Before the pandemic, they were growing at a weighted average rate of 7.2 per cent. Yet, in the final year of the IPoA, growth was only an estimated 3 per cent on average.

The pandemic has led to widespread unemployment, particularly in the informal sector. Exports from Asia-Pacific LDCs contracted more than the global average, while FDI flows and remittances declined because of disruptions caused by the pandemic. This comes on top of the declining share of total ODA allocated to all LDCs.

The COVID-19 pandemic has also compounded existing social vulnerabilities. It has led to higher poverty rates and exacerbated inequalities, particularly those related to gender. Up to an additional 12 million people in the Asia-Pacific LDCs could fall below the \$3.20 daily income poverty line owing to the pandemic, while multidimensional poverty is also on the rise. Education systems have also been severely disrupted by the pandemic, which will impact development prospects for decades to come. Addressing multidimensional poverty is becoming more and more complex against this background.

Slide 4 (Priority 1: Strengthening public health and social protection systems)

Looking forward, let me discuss four priorities for Asia-Pacific LDCs for the next decade and corresponding challenges and opportunities.

First, the pandemic has highlighted the need to strengthen public health and social protection systems to support people in times of unanticipated shocks and to achieve social resilience. Investment in health-care infrastructure and services is **only 0.6 per cent of GDP in the region's LDCs**, compared to an **average 2.7 per cent for other developing countries in the region**, while **only one in 5 people was covered by at least one social protection benefit in 2019 in the Asia-Pacific LDCs**, compared to **6 out of 10 persons in other developing countries in the region**.

Fortunately, the pandemic has resulted in a rising consensus about the need for such systems to prevent the poor and other vulnerable groups from being trapped in or falling into poverty. Indeed, in October last year, ESCAP member States endorsed the **Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific**. Through this plan we will enhance the capacity of member States to build and strengthen inclusive social protection systems.

Slide 5 (Priority 2: Enhancing resource mobilization efforts)

Second, resource mobilization efforts must be enhanced.

Even before the pandemic, LDCs faced a financing gap **estimated at 16 per cent of their combined GDP** to achieve the SDGs. Ensuring a sustained economic recovery will require continued policy support, while finding means to finance the rising fiscal deficit and tackle debt sustainability concerns amid declining external flows. **For instance, FDI flows to Bangladesh dropped 31 per cent in the third quarter of 2020 compared to the previous year.**

Nevertheless, the time is opportune to develop a post-COVID-19 recovery strategy that can be tailored to address the gaps that have held back financial deepening and expand the range of financial products and services as a policy priority.

One important element is to strengthen tax revenues, particularly in those LDCs where government revenues remain **below 10 per cent of GDP in 2020**. This can be done by broadening tax bases and tackling tax avoidance and tax evasion through upgraded national tax systems, modern taxpayers' databases, and streamlined revenue collection processes.

Asia-Pacific LDCs must also take better advantage of global markets for thematic bonds, such as green bonds, social bonds, sustainability bonds and climate bonds to finance the SDGs.

Slide 6 (Priority 3: Strengthening productive capacity and promote structural economic transformation)

Third, productive capacities need to be strengthened and structural economic transformation must be promoted to address multidimensional poverty.

Asia-Pacific LDCs are characterized by **limited productive capacities** and export dependence on a handful of sectors. **Most LDCs remain “structurally under-developed”** with agriculture being the largest sector in terms of employment, accounting on average, for more than half of the total labour force . As a result, export dependence on few sectors is high. Unfortunately, for some LDCs, particularly the small island LDCs, the scope for industrialization is quite limited.

In terms of opportunities, LDCs can reduce their exposure to future risk and uncertainty by diversifying their economic structures and better positioning themselves in global and regional supply chains.

Governments can increase their efforts to expand trade capacity and move up in the resilient regional value chains through initiatives such as the **Framework Agreement on Facilitation of Cross-Border Paperless Trade**, which is a promising initiative. We are also providing support to member States by conducting legal and technical readiness assessments.

Harnessing new digital technology is another way forward. In this area, ESCAP is supporting, for instance, digital adaptation of MSME in Cambodia and Lao PDR and creation of an enabling MSME e-commerce environment.

Slide 7 (Priority 4: Enhancing cooperation in building resilience and facilitating smooth graduation)

As a fourth and final point, the pandemic has demonstrated that **LDCs are not well-prepared to deal with multiple overlapping crises.** The **triple threat of disease, disaster and climate change** is causing human hardship

and significant economic losses, with our latest *Asia-Pacific Disaster Report* estimating that the annual average disaster-related losses could nearly double, to around \$1.4 trillion, in a worst-case climate scenario.

An important concern for **graduating LDCs** is to be prepared for a smooth transition. This requires early preparation and that graduation issues are mainstreamed into national development plans. Governments would do well to acquire a more holistic focus on sustainability in their preparation for graduation and smooth transition, acknowledging that economic growth alone is not sufficient to ensure sustainable development.

As an active member of the **Inter-agency Task Force on LDC graduation**, ESCAP has been supporting graduating LDCs in the region and we will continue to do so, leveraging also our ability to facilitate South-South cooperation.

Conclusion

In conclusion, despite its impacts, the pandemic provides an opportunity for Pacific LDCs to reassess their development strategies to ensure a smooth transition and to accelerate progress towards achieving Sustainable Development Goals.

With only eight years left till 2030, I encourage policymakers from LDCs and their development partners to initiate a socio-economic recovery that is consistent with the ambitions of the Sustainable Development Goals.

In this regard, forging development cooperation and extending international support measures to LDC are essential policy tools in building back better and deepening resilience of the region's most vulnerable countries— the LDCs.



SESSION 1

Ministerial Dialogue on Lessons Learned in the Implementation of the Istanbul Programme of Action

Challenges Encountered and the Way Forward

Armida Salsiah Alisjahbana

Under-Secretary-General and Executive Secretary of ESCAP



Review of the progress in implementing the Istanbul Programme of Action



- Asia-Pacific LDCs made remarkable progress **towards graduation from leased developed status**
- ...**3 countries** in our region graduated from the LDC category during the last decade; almost all others have met the criteria for graduation
- ... but persistent **vulnerability** and the **lack of resilience** continue to characterize LDCs

COVID-19 pandemic: impacts, challenges, and policy gaps



The **socioeconomic impacts** have been profound

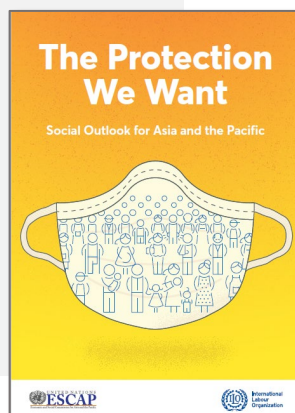
- Growth has declined significantly
- Unemployment is widespread, partly due to large informal sectors
- Exports and remittances have declined
- Education systems have been disrupted and
- Poverty has increased

Priorities for the next Programme of Action

1. Strengthening public health and social protection systems

Challenges

- Underinvestment in healthcare facilities and social protection system
- Limited social protection coverage
- Large informal sector



Opportunities

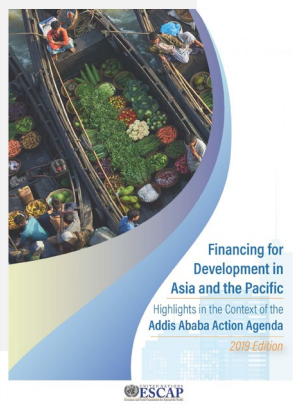
- Rising consensus about the centrality of public health and social protection in achieving inclusive and sustainable development
 - E.g. Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific

Priorities for the next Programme of Action

2. Enhancing resource mobilization efforts

Challenges

- Large financing needs
- Low and volatile Government revenue
- High reliance on external financial flows, such as FDI and ODA



Opportunities

- A recovery strategy can be tailored to address the gaps that have held back financial deepening
- Plenty of room to broaden tax bases, tackle tax avoidance and tax evasion
- Expanding global market for thematic bonds

Priorities for the next Programme of Action

3. Strengthening productive capacity and promote structural economic transformation

Challenges

- High concentration on agriculture and low productivity services
- Export dependence on a few sectors
- Limited scope for industrialization



Opportunities

- New trade treaties
 - E.g. Framework Agreement on Facilitation of Cross-Border Paperless Trade
- New digital technology
 - E.g. Training on digital adaptation of MSME in Cambodia and Lao PDR and on creation of an enabling MSME e-commerce environment

Priorities for the next Programme of Action

4. Enhancing cooperation in building resilience and facilitating smooth graduation

Challenges

- High economic and environmental vulnerability
- Potentially large impact of graduation in some graduating LDCs



Opportunities

- Smooth transition strategy preparation and implementation support
 - E.g. Vanuatu's Smooth Transition Strategy
- South cooperation among graduating LDCs and between graduating and former LDCs

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