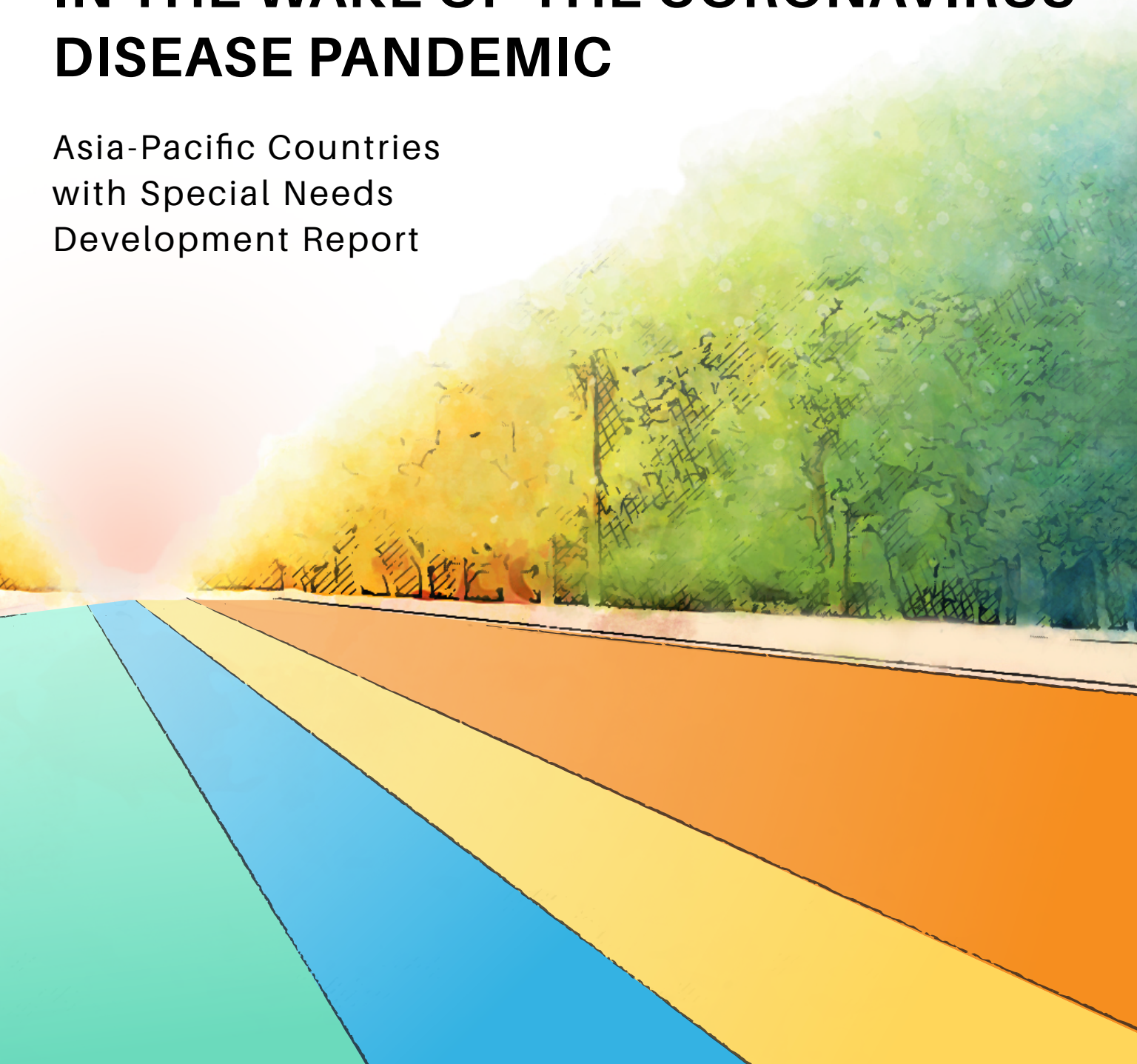


# STRENGTHENING THE RESILIENCE OF LEAST DEVELOPED COUNTRIES IN THE WAKE OF THE CORONAVIRUS DISEASE PANDEMIC

Asia-Pacific Countries  
with Special Needs  
Development Report





The shaded areas of the map indicate ESCAP members and associate members.\*

The Economic and Social Commission for Asia and the Pacific (ESCAP) is the most inclusive intergovernmental platform in the Asia-Pacific region. The Commission promotes cooperation among its 53 member States and 9 associate members in pursuit of solutions to sustainable development challenges. ESCAP is one of the five regional commissions of the United Nations.

The ESCAP secretariat supports inclusive, resilient and sustainable development in the region by generating action-oriented knowledge, and by providing technical assistance and capacity-building services in support of national development objectives, regional agreements and the implementation of the 2030 Agenda for Sustainable Development.

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# **ASIA-PACIFIC COUNTRIES WITH SPECIAL NEEDS DEVELOPMENT REPORT**

**Strengthening the resilience of  
least developed countries in the wake  
of the coronavirus disease pandemic**



# **ASIA-PACIFIC COUNTRIES WITH SPECIAL NEEDS DEVELOPMENT REPORT**

## **Strengthening the resilience of least developed countries in the wake of the coronavirus disease pandemic**

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The least developed countries (LDCs) of Asia and the Pacific continue to face deep-rooted structural impediments and be exposed to multiple pre-existing vulnerabilities. The COVID-19 pandemic has hindered the region with long-term impacts, which have compounded other challenges, resulting in a rise in poverty and a further widening of socio-economic disparities. Indeed, Asia-Pacific LDCs already were lagging in making progress towards realizing the Sustainable Development Goals, but the pandemic has dimmed the prospects of achieving them by 2030.

This *Asia-Pacific Countries with Special Needs Development Report* provides timely analytical and policy directions to build back better in the post-COVID-19 era. In the report, it is argued that the policymakers from LDCs and their development partners need to initiate a sustained socioeconomic recovery, including through strengthening public health and social protection systems, and resource mobilization strategies. Asia-Pacific LDCs also need to take an integrated approach to multi-dimensional poverty, with a focus on the immediate needs of vulnerable

groups, strengthening productive capacity and promoting structural economic transformation. Governments are advised to increase their efforts to expand trade capacity and move up in the regional value chains.

Looking ahead, the 11 Asia-Pacific LDCs must recover better together by applying a more sustainable strategy as they prepare to graduate from the LDC category. By identifying several policy options, the report presents an opportunity to revitalize development cooperation for strengthening the resilience of Asia-Pacific LDCs. With a call to scale up international support measures, regional cooperation will continue to play a catalytic role in the smooth transition of LDCs to graduation.

I hope that the report will constitute an important contribution in the process leading to the Fifth United Nations Conference on the Least Developed Countries, to be held in 2022.

**Armida Salsiah Alisjahbana**

Under-Secretary-General of the United Nations and  
Executive Secretary of United Nations Economic and  
Social Commission for Asia and the Pacific





## EXECUTIVE SUMMARY

The *Asia-Pacific Countries with Special Needs Development Report: Strengthening the resilience of least developed countries in the wake of the coronavirus disease pandemic* provides an assessment of the progress made and challenges encountered by least developed countries (LDCs) in Asia and the Pacific in implementing the Programme of Action for Least Developed Countries for the Decade 2011–2020 (Istanbul Programme of Action). This publication includes an evaluation of the socioeconomic impacts of the COVID-19 pandemic on the Asia-Pacific LDCs and a summary of key lessons learned to build back better and to make these economies more resilient. In addition, suggested policy areas for Asia-Pacific LDCs to focus on are highlighted, with a view to inform the process leading to the formulation and adoption of the next programme of action for LDCs.

### 1. The review of progress in implementing the Istanbul Programme of Action indicates that persistent vulnerabilities and lack of resilience continue to plague Asia-Pacific LDCs

Least development countries in Asia and the Pacific have made significant and notable progress in implementing the Istanbul Programme of Action: of the 14 countries in this group at the start of the implementation period in 2011, three have graduated and 10 are in the process of graduation. In fact, most of them meet the criteria for graduation from the LDC category, but they still require support from the international community due to their high levels of economic and environmental vulnerability. This is particularly the case for the landlocked or small islands countries, mainly because high transport costs and other associated challenges amplify their vulnerability.

Most Asia-Pacific LDCs have achieved only limited structural transformation, leading to, at best, only modest gains in their productive capacity development. Impeding this process are the region's low private investment, infrastructure

gaps, failure to adopt digital technologies, lack of skilled labour, poor capacity of public sector institutions and difficulty in diversifying export markets, which, in turn, are adding to their vulnerability to economic shocks.

Although LDCs have duty-free quota-free access to many developed country markets, supply constraints and non-tariff barriers are hampering their ability to fully exploit those support measures. At the same time, rural development among LDCs in the region has been limited, and rural and remote areas are handicapped by low labour productivity.

In terms of social and human development, there is some positive news for the region's LDCs. Based on available data, maternal and infant mortality rates have declined at a rapid pace and access to drinking water and sanitation services has improved. On the other hand, however, this group of countries remain highly vulnerable to climate change, environmental degradation and natural disasters. This is particularly the case among small island LDCs, which face the existential threat of climate change.

Asia-Pacific LDCs are encountering tremendous financing requirements for their development, including challenges in mobilizing financial resources. Worryingly, in some of these countries, external debt has increased, while net foreign direct investment (FDI) has declined sharply.

### 2. High external dependence and low levels of resilience to external shocks have exacerbated the impact of the COVID-19 pandemic on the Asia-Pacific least developed countries

The COVID-19 pandemic has exposed the large policy gaps Asia-Pacific LDCs need to address. For many of them, the impact of the pandemic, in addition to raising concerns about prospects for graduation, is impeding their

progress towards achieving the Sustainable Development Goals by the target year of 2030.

The low level of resilience of Asia-Pacific LDCs to the COVID-19 pandemic can be grouped into four broad set of factors: (a) lack of economic diversification arising from slow structural transformation and low productivity; (b) dominance of informal sectors, digital divide, poor infrastructure and underdeveloped private sector; (c) inadequate health-care and social protection systems; and (d) chronic shortage of human and financial resources and weak governance.

The economic setbacks caused by the pandemic for the region's LDCs is projected to weigh on their economic growth. The weighted average rate of growth for this group of countries was 7.2 per cent in 2019 and is projected to have declined to 3.0 per cent in 2020. As a result of the slowing growth rate, an estimated 17.7 million full-time jobs in LDCs in the region were lost in 2020. Vulnerable groups, including women and young people, persons living with disabilities and workers in the informal sector, are feared to have suffered disproportionately more.

Another casualty of the COVID-19 pandemic is the productive capacity of LDCs in Asia and the Pacific, in particular in segments that rely on external trade and FDI. The pandemic has exacerbated the challenges faced by the manufacturing base of these countries, which was already hampered by limited productive capacity; insufficient adoption of digital technology; lack of investment; underdeveloped infrastructure; and slow skills formation. The likelihood that many businesses will not reopen is going to have serious implications on the efforts of these countries to improve their productive capacities. The pandemic has also led to declines in flows of external resources, in particular FDI and remittances, to these countries. Meanwhile, Official Development Assistant (ODA) is entering a new phase of uncertainty as major donors are also experiencing economic stress. This has important implications for growth and poverty reduction for the region's LDCs as this type of financial assistance serves as a critical

resource for them, often allocated to important cash transfer programmes and employment generation schemes.

From the perspective of social development, the effects of COVID-19 pandemic have been devastating to Asia-Pacific LDCs; an estimated 3.4 million people have been pushed into extreme poverty (below \$1.90-a-day) and 10.7 million may have been pushed below the \$3.20-a-day poverty line. Multidimensional poverty is also on the rise.

Since the start of the pandemic, some of the recent social development gains have come under tremendous stress because of the large digital divide. For example, because of the widespread closure of educational institutions, the education sector has been hit extremely hard. Online learning has been provided in most LDCs in the region, but many children in low-income households lack access to digital technology and are unable to attend school. Lack of digital technologies also has hampered access to health-care services, social protection schemes and employment generating programmes for the poor.

Mitigating the adverse impacts of the pandemic will be a challenge for Asia-Pacific LDCs, especially for those that will graduate, as they will need to deal with a gradual cessation of duty-free quota-free access to markets and a withdrawal of certain concessional financing.

### 3. Concerted efforts are needed to attain a rapid recovery, create resilience and renew the focus on sustainable development

Lessons learned from progress in the implementation of the Istanbul Programme of Action and from the economic and social impacts of the pandemic suggest that, in addition to mitigation and recovery from the pandemic, forward-looking strategies, policies and programmes are needed to build back better and create more resilient economies. This requires actions in a broad range of areas as well as more international support.

In the aftermath of the pandemic, Asia-Pacific





LDCs must focus on socioeconomic recovery by reviving growth and diversifying their economic structures in ways that support green development, strengthen public health and social protection systems, support digital transformation and promote governance and efficiency of public institutions. In this regard, there is an urgent need to scale up stimulus packages and relief measures to ensure that the recovery is inclusive, sustainable and green. Moreover, to minimize their exposure to future risks, these countries have to diversify their exports, advance in the value chains and harness new and emerging technologies, especially digital technologies. These actions will increase national preparedness and enable countries to better anticipate and cope with future shocks, such as pandemics and environmental disasters.

The pandemic has also highlighted the complexity and multidimensionality of poverty. Building productive capacity and promoting economic diversity can be powerful tools in this regard. These processes can reinforce each other by recognizing employment creation and spatial development as explicit objectives in development strategies. Actions are also needed to scale up access to and the quality of education, digital technology and other basic infrastructure services. Households in rural and remote areas need to have better access to markets and be provided with more economic opportunities. This requires enhanced transport connectivity and affordable and reliable access to electricity, the Internet, and water and irrigation services. In addition, robust and comprehensive social protection systems are needed to prevent the poor and other vulnerable groups from being trapped in or falling into poverty.

The COVID-19 pandemic has spurred some favourable environmental impacts, including, among them, reductions in carbon emissions and improvements in air and water quality. These positive developments are only temporary, but they do show that opportunities exist to pursue more effective sustainable development strategies, including introduction of green technologies and encouragement of carbon-neutral production and

consumptions systems. At this point, the pandemic's negative effects on the economy should also be noted, and mainly to mitigate these economic impacts, some countries have lowered their environmental standards.

The pandemic is amplifying the importance of digital technologies and connectivity and highlighting how the persistent digital divide is holding back efforts to build resilience among the region's LDCs. It has also led to an acceleration of the digital transformation in the workplace and educational facilities, and the creation of new job opportunities. However, the new job opportunities are often only available for those with the right skills. All in all, the pandemic is highlighting the growing digital divide both *within* as well as *between* countries.

One way to narrow this digital divide is to strengthen digital infrastructure to accelerate the use of digital technologies in the provision of health-care services, social protection systems and employment programmes. Asia-Pacific LDCs have particularly lagged other developing countries in the region in this area. Another way to narrow the divide is to foster the digitalization of trade procedures; this would not only reduce trade costs, but it also could enable the Asia-Pacific LDCs to effectively participate in the rapidly growing digital economy and boost productivity. In this regard, the LDCs in the region should ratify the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific and reap the benefits of this new regional treaty, as Bangladesh did in late 2020.

Regional, subregional, and international cooperation must be revitalized to mitigate the medium to long-term adverse impacts of the COVID-19 pandemic in Asia-Pacific LDCs and to help them increase their levels of resilience and support their graduation.

As Asia-Pacific LDCs continue to face significant resilience gaps, the international community should assist them in coping with the adverse impacts of the pandemic. To do this, they must



keep their commitments and strengthen support measures for LDCs, including through scaled-up concessional financing and debt relief, as these resources are urgently needed to build resilience. In addition, increased assistance in accessing COVID-19 vaccines and technical assistance in rebuilding their public health systems are also urgently needed.

The next generation of international support measures must address the fundamental structural weaknesses of LDCs. They should continue to include duty-free quota-free access for exports from LDCs, various special and differentiated treatment provisions for trade, preferential access to concessional finance, and certain flexibilities under World Trade Organization (WTO) agreements. To ensure a smooth transition, an improved monitoring mechanism for graduating and graduated countries must be established. Such a mechanism should offer increased incentives to encourage countries to participate in it.

The existing mechanisms, agreements, and initiatives of ESCAP can support the Asia-Pacific LDCs in enhancing resilience, building resilient supply chains, promoting trade and investment, and strengthening transport and digital connectivity. Regional and subregional cooperation is important to protect and restore ecosystems for building and deepening resilience to internal and external shocks.

Least developed countries may be provided a new opportunity to redirect ODA and other sources of external finance to achieve the Sustainable Development Goals by 2030, as some of their traditional development partners reorient policies and programmes towards supporting health, education, water and sanitation, and social protection programmes. New opportunities in using ODA and other development finance to support infrastructure development and regional connectivity are also opening up.



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The core team, led by Oliver Paddison, included Yusuke Tateno and Naylin Oo of the Section on Countries in Special Situations of ESCAP. Chapter 1 of the report was prepared in collaboration with Mohammad A. Razzaque, Research Director, Policy Research Institute of Bangladesh and Chairman, Research and Policy Integration for Development, Bangladesh. Chapters 2 and 3 were prepared in collaboration with Syed Nuruzzaman, Consultant. Substantive inputs were provided by Zakaria Zoundi, Project Officer, International Institute for Sustainable Development. Walaiporn Laosuksri of the Section on Countries in Special Situations of ESCAP provided research assistance.

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## EXPLANATORY NOTES

Analyses in the *Asia-Pacific Countries with Special Needs Development Report* are based on data and information available up to the end of March 2021.

Groupings of countries and territories or areas referred to in the present issue of the report are defined as follows:

- Countries with special needs – least developed countries, landlocked developing countries and small island developing States.
- ESCAP region:
  - ESCAP member States – Afghanistan; Armenia; Australia; Azerbaijan; Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; Democratic People's Republic of Korea; Fiji; Georgia; India; Indonesia; Iran (Islamic Republic of); Japan; Kazakhstan; Kiribati; Kyrgyzstan; Lao People's Democratic Republic; Malaysia; Maldives; Marshall Islands; Micronesia (Federated States of); Mongolia; Myanmar; Nauru; Nepal; New Zealand; Pakistan; Palau; Papua New Guinea; Philippines; Republic of Korea; Russian Federation; Samoa; Singapore; Solomon Islands; Sri Lanka; Tajikistan; Thailand; Timor-Leste; Tonga; Turkey; Turkmenistan; Tuvalu; Uzbekistan; Vanuatu; and Viet Nam;
  - Associate members – American Samoa; Cook Islands; French Polynesia; Guam; Hong Kong, China; Macao, China; New Caledonia; Niue; and Northern Mariana Islands.
- Developing ESCAP region – ESCAP region excluding Australia, Japan and New Zealand.
- Developed ESCAP region – Australia, Japan and New Zealand.
- Least developed countries (LDCs) – Afghanistan; Bangladesh; Bhutan, Cambodia; Kiribati; Lao People's Democratic Republic; Myanmar; Nepal; Solomon Islands; Timor-Leste; Tuvalu; and Vanuatu.
  - Vanuatu is no longer a LDC, however, in this report, the country is included as one for the purpose of the implementation review of the Istanbul Programme of Action. Vanuatu officially graduated from the group of LDCs in December 2020.
  - In the report, LDCs refer to the twelve Asia-Pacific LDCs listed above unless otherwise specified.
- Landlocked developing countries – Afghanistan; Armenia; Azerbaijan; Bhutan; Kazakhstan; Kyrgyzstan; Lao People's Democratic Republic; Mongolia; Nepal, Tajikistan; Turkmenistan; and Uzbekistan.
- Small island developing States:
  - ESCAP member States – Fiji; Kiribati; Maldives; Marshall Islands; Micronesia (Federated States of); Nauru; Palau; Papua New Guinea; Samoa; Singapore; Solomon Islands; Timor-Leste; Tonga; Tuvalu; and Vanuatu;
  - Associate members – American Samoa; Cook Islands; French Polynesia; Guam; New Caledonia; Niue; and Northern Mariana Islands.
  - For the purposes of this report, Singapore is not considered as a small island developing State because of its high level of development and high-income status, and for simplicity of analysis.
- Pacific – American Samoa; Australia; Cook Islands; Fiji; French Polynesia; Guam; Kiribati; Marshall Islands; Micronesia (Federated States of); Nauru; New Caledonia; New Zealand; Niue; Northern Mariana Islands; Palau; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; and Vanuatu.

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- Because of the limited availability of data, associate members of ESCAP are excluded from the analysis in the report unless otherwise indicated.

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Growth rates are on an annual basis, except otherwise indicated.

Reference to “tons” indicates metric tons.

References to dollars (\$) are to United States dollars, unless otherwise stated.

The term “billion” signifies a thousand million. The term “trillion” signifies a million million.

In the tables, two dots (..) indicate that data are not available or are not separately reported; a dash (–) indicates that the amount is nil or negligible; and a blank indicates that the item is not applicable.

In dates, a hyphen (–) is used to signify the full period involved, including the beginning and end years, and a stroke (/) indicates a crop year, fiscal year or plan year.

|                  |                                                                                                                                                        |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ADB</b>       | Asian Development Bank                                                                                                                                 |
| <b>COVID-19</b>  | coronavirus disease 2019                                                                                                                               |
| <b>ECOSOC</b>    | United Nations Economic and Social Council                                                                                                             |
| <b>ESCAP</b>     | United Nations Economic and Social Commission for Asia and the Pacific                                                                                 |
| <b>FAO</b>       | Food and Agriculture Organization of the United Nations                                                                                                |
| <b>FDI</b>       | foreign direct investment                                                                                                                              |
| <b>GATS</b>      | General Agreement on Trade in Services                                                                                                                 |
| <b>GDP</b>       | gross domestic product                                                                                                                                 |
| <b>GNI</b>       | gross national income                                                                                                                                  |
| <b>IEA</b>       | International Energy Agency                                                                                                                            |
| <b>ICT</b>       | information and communication technology                                                                                                               |
| <b>ILO</b>       | International Labour Organization                                                                                                                      |
| <b>IMF</b>       | International Monetary Fund                                                                                                                            |
| <b>ITU</b>       | International Telecommunication Union                                                                                                                  |
| <b>kWh</b>       | kilowatt hour                                                                                                                                          |
| <b>LDCs</b>      | least developed countries                                                                                                                              |
| <b>MW</b>        | megawatt                                                                                                                                               |
| <b>OECD</b>      | Organisation for Economic Co-operation and Development                                                                                                 |
| <b>ODA</b>       | official development assistance                                                                                                                        |
| <b>PPP</b>       | public-private partnership                                                                                                                             |
| <b>RCEP</b>      | Regional Comprehensive Economic Partnership                                                                                                            |
| <b>toe</b>       | tonne of oil equivalent                                                                                                                                |
| <b>TPES</b>      | total primary energy supply                                                                                                                            |
| <b>TRIPS</b>     | Agreement on Trade-Related Aspects of Intellectual Property Rights                                                                                     |
| <b>UNCTAD</b>    | United Nations Conference on Trade and Development                                                                                                     |
| <b>UNDP</b>      | United Nations Development Programme                                                                                                                   |
| <b>UNESCO</b>    | United Nations Educational, Scientific and Cultural Organization                                                                                       |
| <b>UNFCCC</b>    | United Nations Framework Convention on Climate Change                                                                                                  |
| <b>UNFPA</b>     | United Nations Population Fund                                                                                                                         |
| <b>UN-ORHLLS</b> | United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States |
| <b>UNWTO</b>     | United Nations World Tourism Organization                                                                                                              |
| <b>VAT</b>       | value added tax                                                                                                                                        |
| <b>WFP</b>       | World Food Programme                                                                                                                                   |
| <b>WIPO</b>      | World Intellectual Property Organization                                                                                                               |
| <b>WTO</b>       | World Trade Organization                                                                                                                               |

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CHAPTER

# 01

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**Review of the progress  
made in implementing the  
Istanbul Programme of  
Action in the Asia-Pacific  
least developed countries**

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## Introduction

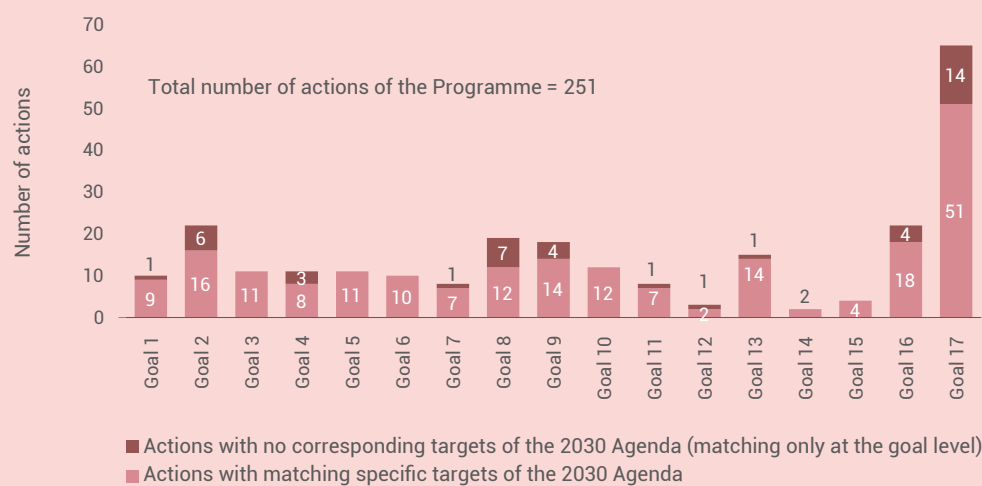
The Programme of Action for the Least Developed Countries for the Decade 2011–2020 is a decade-long development agenda, which was adopted at the Fourth United Nations Conference on the Least Developed Countries (LDCs), held in Istanbul, Turkey, in 2011. Also referred to as the Istanbul Programme of Action, the Programme articulates a vision and strategy for sustainable development of LDCs, including through developing their productive capacities. It sets an overarching goal of overcoming the structural challenges faced by these countries. The twelve Asia-Pacific LDCs<sup>1</sup>

are among the most vulnerable and structurally disadvantaged countries in the region. Four of them (Afghanistan, Bhutan, the Lao People's Democratic Republic and Nepal) are landlocked and five of them (Kiribati, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu<sup>2</sup>) are remote small island developing States. These two geographical characteristics are known to be the source of adverse implications for development.<sup>3</sup> Furthermore, susceptibility to natural disasters, such as earthquakes, tropical cyclones and climate change-related consequences, remains a major challenge for most of these countries. During the implementation of the Programme until the

### Box 1-1: Complementarities between the Istanbul Programme of Action and the 2030 Agenda for Sustainable Development

In a study conducted by ESCAP, it was found that, by mapping each of the 251 actions of the Istanbul Programme of Action with the 17 Sustainable Development Goals and 169 targets of the 2030 Agenda for Sustainable Development, the Programme and the 2030 Agenda are highly complementary (ESCAP, 2016). Accordingly, the Programme has provided guidance on achieving the Goals, as the former was customized to the specific circumstances of LDCs, particularly to address their structural vulnerabilities. Figure A gives details of the distribution of the Programme's actions that overlap with the 17 Goals and shows that the Programme covers all 17 Goals, with greater emphasis on Goal 2 (zero hunger), Goal 8 (decent work and economic growth), Goal 9 (industry, innovation and infrastructure), Goal 16 (peace, justice and strong institutions) and, most prominently, Goal 17 (partnerships to achieve the Goal).

**Figure A: Distribution of actions of the Istanbul Programme of Action across the Sustainable Development Goals**



Source: ESCAP (2016).

outbreak of the COVID-19 pandemic in 2020, a development pattern was evident among Asia-Pacific LDCs in which their long-term economic growth was accompanied by rapid poverty reduction. Many of them also attained most of the Millennium Development Goals during the first half of the implementation period and made solid progress towards graduation from the group of LDCs during the second half of the implementation period.

Also during the Istanbul Programme of Action implementation period, three Asia-Pacific LDCs graduated (Maldives in 2011, Samoa in 2014, and Vanuatu in 2020).<sup>4</sup> Globally, of the seven LDCs scheduled to graduate by 2026, five are from the Asia-Pacific region – Bhutan in 2023, Solomon Islands in 2024, Bangladesh, Lao People's Democratic Republic and Nepal in 2026<sup>5</sup>. The 2021 triennial review by the United Nations Committee for Development Policy showed 16 LDCs (including the aforementioned ones) at various stages of LDC graduation; 10 of these countries are from the Asia-Pacific region.<sup>6</sup>

Despite tangible progress achieved by Asia-Pacific LDCs, in particular towards meeting the graduation criteria, the full implementation of the Istanbul Programme of Action remains unfinished. These countries face multifaceted challenges, including, among them, limited productive capacities, lack of progress on structural transformation and diversification of their economies, inadequate capacity for human and institutional development, various trade-restrictive measures enforced in important markets, investment stagnation, and acute vulnerability stemming from climate change and natural disasters. Because of the high degree of proximity between the Programme's actions and the goals and targets of the 2030 Agenda for Sustainable Development (see box 1.1), these challenges are also factors behind the slow progress made by Asia-Pacific LDCs towards achieving the Sustainable Development Goals.<sup>7</sup> Furthermore, the COVID-19 pandemic is an unprecedented external shock to LDCs that is imposing significant economic and social costs.

This chapter contains a comprehensive review of the progress made by the Asia-Pacific LDCs in implementing the Istanbul Programme of Action from 2011 to 2020. The review includes a quantitative evaluation of progress under each of the eight priority areas of the Programme and a qualitative assessment of the factors affecting their performance, in particular those related to vulnerability to external shocks.

## 1. Progress in the implementation of the Istanbul Programme of Action

### 1.1 Overview of the progress

***Asia-Pacific least developed countries experienced generally positive economic growth dynamics***

During the first nine years of the implementation of the Istanbul Programme of Action (2011–2019), Asia-Pacific LDCs recorded widely varying growth performances. Aggregate gross domestic product (GDP) growth for the group was 6.5 per cent per year during the period 2011–2019, while the simple average annual growth was less than 5 per cent. At the country level, only Cambodia (7.2 per cent) and the Lao People's Democratic Republic (7.1 per cent) met the annual growth target of 7 per cent per annum set under the Istanbul Programme of Action; Bangladesh (6.9 per cent) and Myanmar (6.9 per cent) came close to it (see figure 1-1). In contrast, the five small island LDCs (Kiribati, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu) recorded a simple average growth rate of only 2.7 per cent for the period 2011–2019. In per-capita terms, these five countries only registered growth of just above 1.5 per cent per annum over the same period, compared with 4.5 per cent for other LDCs in the region and 2.8 per cent for other developing countries in the region.<sup>8</sup> Limited economic diversification, dependence on natural resources, small size of the domestic economy and high cost of trade were among the major obstacles to economic growth in these countries.

Economic growth in the final year of the Programme's implementation period is estimated to have been much lower in most countries, with a weighted average of 3.0 per cent (simple average of -1.4 per cent) in 2020 (ESCAP, 2021c), because of the severe COVID-19 related disruptions. High and steady economic growth, therefore, remains critical for these countries to meet their development objectives as they enter the next decade, particularly to reduce rates of income poverty. Chapter 2 provides more detailed information and discussions on the impact of the COVID-19 pandemic on LDCs.

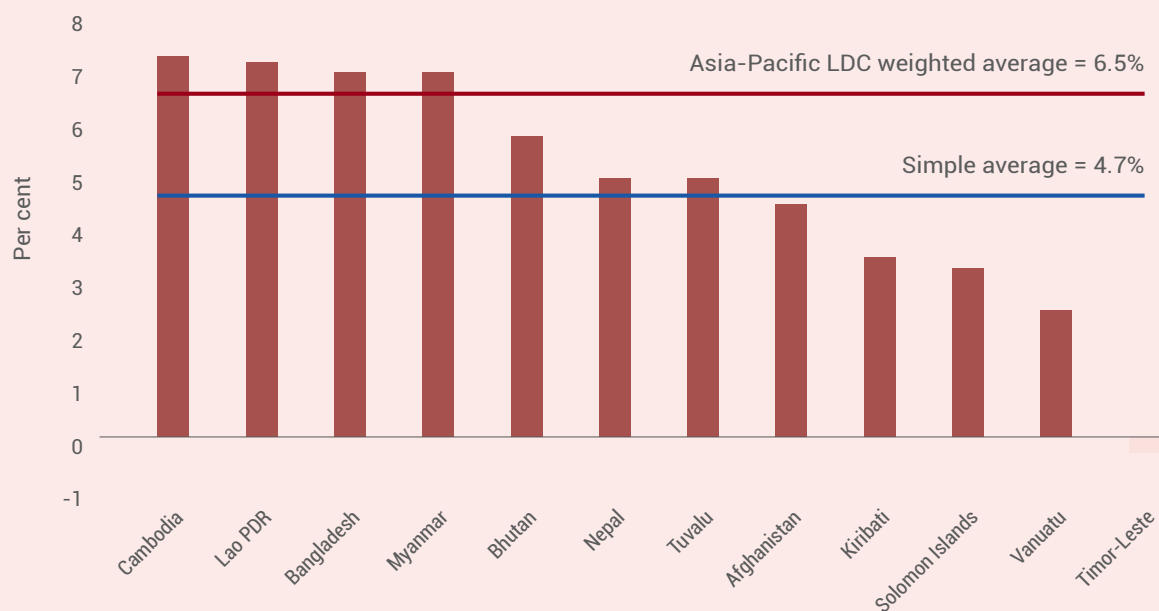
### ***Remarkable progress made towards graduation from the least developed country status***

Following the graduation of Maldives, Samoa and Vanuatu, ten of the remaining 11 Asia-Pacific

LDCs are in the process of graduation. This is a remarkable achievement as, outside the Asia-Pacific region, only 6 of the 34 LDCs are in the graduation pipeline.

Cambodia fulfilled the eligibility criteria for graduation for the first time in 2021. Bangladesh, the Lao People's Democratic Republic and Nepal met the thresholds for two consecutive reviews, and consequently, the Committee for Development Policy recommended these countries for graduation, with an extended five-year preparatory period (graduating in 2026 if ECOSOC endorses their recommendations). The Committee for Development Policy deferred its decisions on Myanmar and Timor-Leste to the next review in 2024 based on concerns about the sustainability of development progress in Timor-Leste and the impacts of the state of emergency declared in Myanmar. For Kiribati and Tuvalu, two countries that had

**Figure 1-1: Average annual gross domestic product growth rates of Asia-Pacific least developed countries, 2011–2019**



Sources: ESCAP (2021c); ESCAP Asia-Pacific SDG Gateway ([data.unescap.org/](https://data.unescap.org/) (accessed 20 March 2021)).

Note: Lao PDR stands for Lao People's Democratic Republic.

already been recommended for graduation, the Committee for Development Policy has reiterated its recommendation, with an extended five-year preparatory period, while noting the need for special international measures to address their extreme vulnerability to climate change. Bhutan and Solomon Islands are scheduled to graduate in 2023 and 2024, respectively. This leaves Afghanistan as the only LDC in the region that has yet to meet the graduation criteria. Table 1-2 provides a summary of the latest graduation status of the Asia-Pacific LDCs.

***Persistent vulnerability and the lack of resilience continue to characterize Asia-Pacific least developed countries***

Despite the great inroads made towards graduation, the review of progress made by the Asia-Pacific LDCs in the eight priority areas of the Programme indicates that they continue to be burdened by their high levels of vulnerability and low levels of resilience – defined as the capacity to prepare for, absorb and recover from economic and non-economic shocks (see Table 1-1).

Several factors explain the high vulnerability of these countries:

**First**, while the overall level of productive capacities had improved in Asia-Pacific LDCs (Priority A), the upgrading of production structures and agricultural productivity (Priority B) were limited. Regarding, trade and commodities (Priorities C and D), the share of Asia-Pacific LDCs of world goods and services exports has increased, however, the objective of doubling LDCs share of exports in global exports by 2020 was missed. In addition, their reliance on a limited number of export products and concentration on a few export markets make them extremely vulnerable to reduced external demand as exemplified by the COVID-19 pandemic. Seven of the Asia-Pacific LDCs are considered commodity dependent, and accordingly are vulnerable to price volatility and sudden changes in demand.

**Second**, for human and social development (Priority E), promising yet modest progress was made, as indicated by rapidly falling maternal and infant mortality rates and improved access

**Table 1-1: Priority areas of the Istanbul Programme of Action**

|                   |                                                                                                                                                                                                                                                                                                                   |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Priority A</b> | Productive capacity <ul style="list-style-type: none"> <li>• Infrastructure</li> <li>• Energy</li> <li>• Science, technology and innovation</li> <li>• Private sector development</li> </ul>                                                                                                                      |
| <b>Priority B</b> | Agriculture, food security and rural development                                                                                                                                                                                                                                                                  |
| <b>Priority C</b> | Trade                                                                                                                                                                                                                                                                                                             |
| <b>Priority D</b> | Commodities                                                                                                                                                                                                                                                                                                       |
| <b>Priority E</b> | Human and social development <ul style="list-style-type: none"> <li>• Education and training</li> <li>• Population and primary health</li> <li>• Youth development</li> <li>• Shelter</li> <li>• Water and sanitation</li> <li>• Gender equality and empowerment of women</li> <li>• Social protection</li> </ul> |
| <b>Priority F</b> | Multiple crises and other emerging challenges <ul style="list-style-type: none"> <li>• Economic shocks</li> <li>• Climate change and environmental sustainability</li> <li>• Disaster risk reduction</li> </ul>                                                                                                   |
| <b>Priority G</b> | Mobilizing financial resources for development and capacity-building <ul style="list-style-type: none"> <li>• Domestic resource mobilization</li> <li>• Official development assistance</li> <li>• External debt</li> <li>• Foreign direct investment</li> <li>• Remittances</li> </ul>                           |
| <b>Priority H</b> | Governance at all levels                                                                                                                                                                                                                                                                                          |

Source: A/CONF.219/3/Rev.1.

**Table 1-2: Major economic indicators and graduation status of Asia-Pacific least developed countries, 2019**

| Country Name                     | GDP                  | GDP growth (2011-2019)   | Population | GDP per capita | Exports of goods and services            | Imports of goods and services            | Trade           | Graduation status as of March 2021                                                                                    |
|----------------------------------|----------------------|--------------------------|------------|----------------|------------------------------------------|------------------------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------|
|                                  | current billion US\$ | annual average, per cent | million    | current US\$   | Balance of payment, current billion US\$ | Balance of payment, current billion US\$ | per cent of GDP |                                                                                                                       |
| Afghanistan                      | 19.3                 | 4.4                      | 38.0       | 507            | 1.5                                      | 7.4                                      | 46.1            | Did not meet any graduation criteria                                                                                  |
| Bangladesh                       | 302.6                | 6.9                      | 163.0      | 1 856          | 44.9                                     | 64.4                                     | 36.1            | Found eligible for graduation for the second time at the 2021 triennial review and recommended for graduation in 2026 |
| Bhutan                           | 2.5                  | 5.7                      | 0.8        | 3 316          | 0.8                                      | 1.2                                      | 80.0            | Scheduled to graduate in December 2023                                                                                |
| Cambodia                         | 27.1                 | 7.2                      | 16.5       | 1 643          | 21.1                                     | 25.5                                     | 172.0           | Found eligible for graduation for the first time at the 2021 triennial review                                         |
| Kiribati                         | 0.2                  | 3.4                      | 0.1        | 1 655          | 0.0                                      | 0.2                                      | 97.4            | Recommended for graduation and pending on the endorsement by ECOSOC                                                   |
| Lao People's Democratic Republic | 18.2                 | 7.1                      | 7.2        | 2 535          | 6.2                                      | 7.3                                      | 74.5            | Found eligible for graduation for the second time at the 2021 triennial review and recommended for graduation in 2026 |
| Myanmar                          | 76.1                 | 6.9                      | 54.0       | 1 408          | 17.5                                     | 17.4                                     | 45.8            | Found eligible for graduation for the second time at the 2021 triennial review, but not recommended for graduation    |
| Nepal                            | 30.6                 | 4.9                      | 28.6       | 1 071          | 2.7                                      | 13.8                                     | 54.1            | Found eligible for the third consecutive time and recommended for graduation in 2026                                  |
| Solomon Islands                  | 1.6                  | 3.2                      | 0.7        | 2 374          | 0.6                                      | 0.8                                      | 84.5            | Scheduled to graduate in December 2024                                                                                |
| Timor-Leste                      | 2.0                  | -0.3                     | 1.3        | 1 561          | 0.1                                      | 1.0                                      | 57.3            | Found eligible for the third consecutive time, but not recommended for graduation                                     |
| Tuvalu                           | 0.0                  | 4.9                      | 0.0        | 4 059          | 0.0                                      | 0.0                                      | 127.1           | Recommended for graduation and pending on the endorsement by ECOSOC                                                   |
| Vanuatu                          | 0.9                  | 2.4                      | 0.3        | 3 115          | 0.5                                      | 0.5                                      | 127.1           | Graduated in December 2020                                                                                            |
| Asia-Pacific LDCs                | 481.2                | 6.4                      | 310.6      | 1 549          | 96.0                                     | 139.5                                    | 48.9            |                                                                                                                       |
| All LDCs                         | 1 115.2              | 4.7                      | 1 033.4    | 1 079          | 252.7                                    | 341.1                                    | 53.2            |                                                                                                                       |
| World                            | 87 798.5             | 2.8                      | 7 673.5    | 11 442         | 24 977.8                                 | 24 276.7                                 | 56.1            |                                                                                                                       |

*Sources:* ESCAP based on data from ESCAP (2021c); ESCAP Asia-Pacific SDG Gateway ([data.unescap.org](https://data.unescap.org) (accessed 20 March 2021)); World Bank. World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](https://databank.worldbank.org/source/world-development-indicators) (accessed 20 March 2021)); various reports of the Committee for Development Policy.

*Notes:* Indicators are for 2019 unless stated otherwise. Aggregate values are reported for country groups.

to drinking water and sanitation services during the Programme's implementation period. There is, however, plenty of room for improvement, in particular for strengthening health-care and social protection systems. In 2018, Asia-Pacific LDCs allocated only 0.6 per cent and 0.9 per cent of the aggregate GDP on health and social protection, respectively, as compared with 2.7 per cent and 6.3 per cent for the group of other developing countries in the region. These limited financial inputs are making Asia-Pacific LDCs more vulnerable to sudden shocks, such as the COVID-19 pandemic.

**Third**, despite enhanced domestic resource mobilization (Priority G) and several national efforts to improve the quality and transparency of government services (Priority H), low levels of human and financial capacities are still apparent among Asia-Pacific LDCs. This is reflected, for example, by the large financing gaps faced by Asia-Pacific LDCs for achieving the Sustainable Development Goals and for meeting their respective national climate change mitigation and adaptation targets. This limitation, compounded by these countries' persistent vulnerability to disasters and environmental degradation, are making Priority F on multiple crises and other emerging challenges (economic shocks, climate change and environmental sustainability, and disaster risk reduction) one of the key unfinished aspects of the Istanbul Programme of Action.

Overall, the development dynamics for many Asia-Pacific LDCs seems to have followed a paradoxical trend in which countries tend to satisfy the graduation criteria<sup>9</sup>, yet their overall state of economic conditions and high level of economic and environmental vulnerability still require close attention and support from the international community to supplement their domestic efforts.

## 1.2 Review of the implementation of key priorities

In addition to the eight priority areas, the Istanbul Programme of Action is comprised of more than 40 goals complemented by various indicators.

Among the priority areas, the region's LDC made encouraging progress in following areas: human and social development (priority E); mobilizing financial resources for development and capacity-building (priority G); and governance at all levels (priority H), while closer attention is required in the following areas to accelerate progress towards achieving the Sustainable Development Goals: productive capacity (priority A); rural development, trade and commodities (priorities B, C and D); and multiple crises and other emerging challenges (priority F). As many goals and indicators were qualitative in nature and could not be clearly defined, for the assessments of the progress in this section, mainly quantitative indicators were used.

### (a) Productive capacity

Under the Istanbul Programme of Action, it is recognized that the limited productive capacities of LDCs constrains their ability to expand production and to diversify their economies through the process of structural transformation.

According to the United Nations Conference on Trade and Development (UNCTAD) Productive Capacities Index, the productive capacities of Asia-Pacific LDCs improved during the Programme's implementation period, but the gap between LDCs and other developing countries in the region did not narrow, notwithstanding the rapid economic growth of LDCs (UNCTAD, 2020) (see figure 1-2).<sup>10</sup> Similarly, another measure of productive capacities, the Economic Complexity Index<sup>11</sup>, indicates that, in relative terms, Asia-Pacific LDCs are currently less capable of producing sophisticated and complex products, as compared with two decades ago. This suggests that there has been limited upgrading of production structures in LDCs, whereas other developing countries have made greater strides in producing more complex products (ESCAP, 2019a).

Indeed, for the most part, Asia-Pacific LDCs have achieved only small changes in the composition of their GDP by major sectors, reflecting only limited progress in acquiring productive capacity and structural transformation (see figure 1-3). Limited structural transformation

makes them less resilient to economic shocks. Worryingly, the share of manufacturing value-added in GDP, often regarded as a key indicator of structural transformation, has either fallen or remained almost unchanged for all but three of the Asia-Pacific LDCs, Bangladesh, Cambodia and Myanmar, countries with extensive apparel exporting capacity. As a result, for the Asia-Pacific LDCs as a group, the average share of manufacturing value-added in GDP declined from 9.5 per cent of GDP over the period 2008–2010 to 9.0 per cent over the period 2017–2019. In all of the Pacific LDCs (except Solomon Islands for which relevant data are not available), manufacturing value-added accounted for less than 5 per cent of GDP for period 2017–2019.

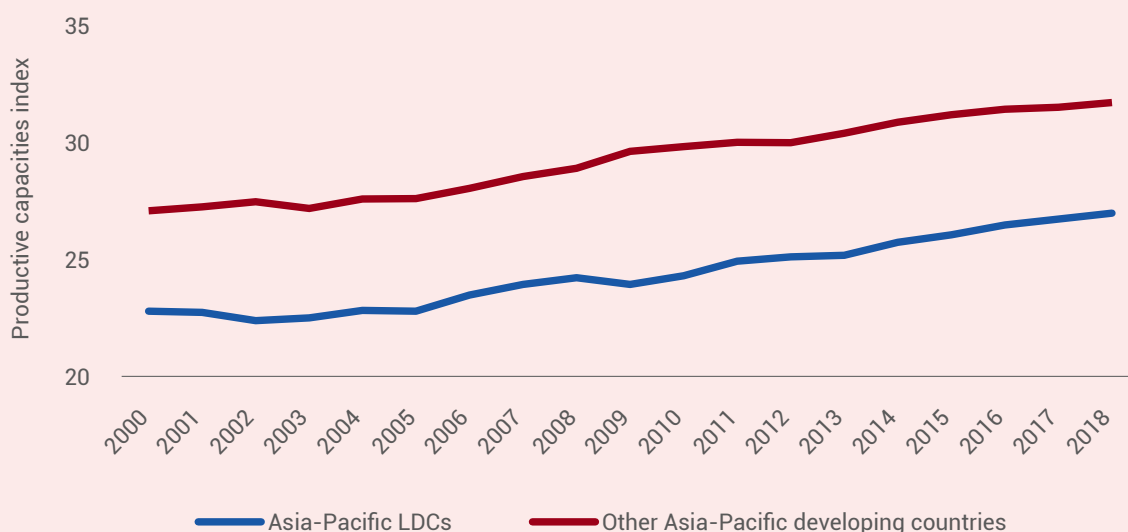
The average share of agriculture in GDP in Asia-Pacific LDCs declined from 26.4 per cent over the period 2008–2010 to 21.3 per cent over the period 2017–2019, while the corresponding share of services value-added rose by 2.6

percentage points to 55 per cent of GDP during the period 2017–2019. The gains in services value-added were mostly in low productivity informal services (ESCAP, 2019a).

Low-private investment, infrastructure gaps, lack of skilled labour, poor capacity of public sector institutions and difficulty in diversifying export markets are some of the impediments holding back manufacturing growth and productive capacity development.<sup>12</sup> Further efforts are required to diversify the manufacturing base, seek out new markets, adopt new and innovative forms of manufacturing technologies, invest in new skills and improve the investment climate to boost productive capacity.

Under the Istanbul Programme of Action, several goals and targets were tied to the four pillars of productive capacity—infrastructure, energy, science, technology, and innovation, and private sector development.

Figure 1-2: Productive capacities index, 2000–2018, Asia-Pacific least developed countries versus other Asia-Pacific developing countries



Source: ESCAP based on data from UNCTAD (2020).

Note: A median value of each country group is reported.



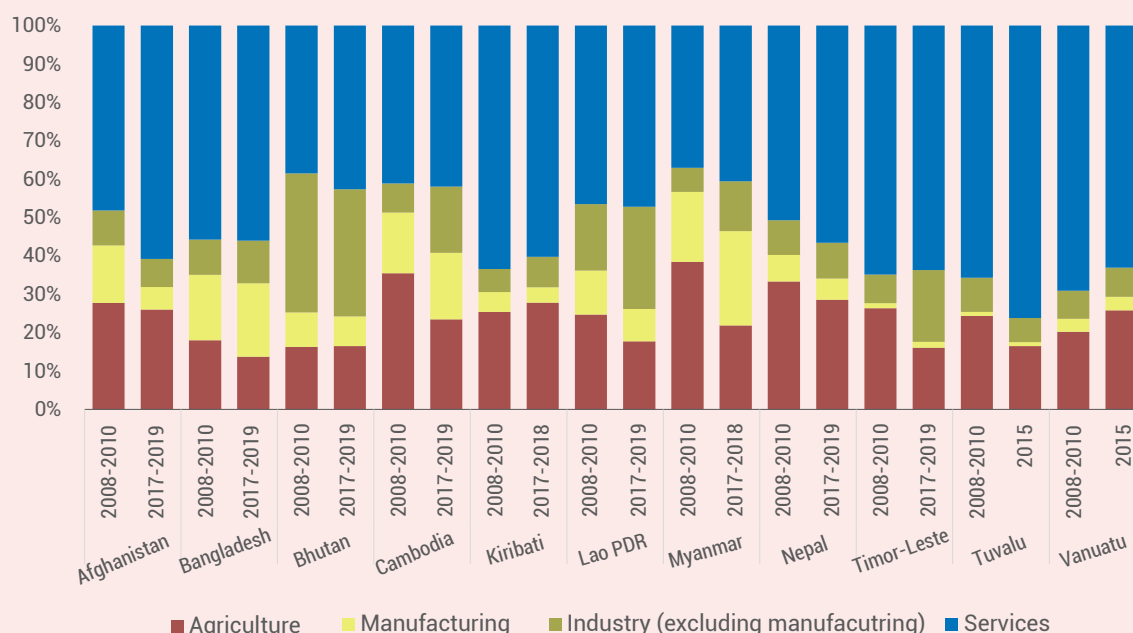
## Infrastructure

Overall, the provision of physical infrastructure has improved significantly across most Asia-Pacific LDCs. However, according to the access to physical infrastructure index, which was developed by ESCAP in 2017, the average index value of nine of the LDCs, for which the information is available, was 0.19—far below the region's developing country average of 0.43 (ESCAP, 2017).<sup>13</sup> The Liner Shipping Connectivity Index, which captures how well countries are connected to global shipping networks, for the eight Asia-Pacific LDCs, for which data are available, rose from 4.46 in 2010 to 6.9 in 2019, but during that period it peaked at 7.9 in 2016.<sup>14</sup> The low index value reflects the general poor quality of road and port infrastructures and longer lead times contributing to higher transportation costs.

Recognizing the importance of physical infrastructure for improving productive capacity and promoting growth, Asia-Pacific LDCs have set infrastructure development as a key priority of their long-term development strategy. Some examples of this are the following:

- Cambodia specified massive infrastructural development as an objective of its National Strategic Development Plan 2014-2018 and the National Strategic Development Plan 2019–2023 (Cambodia, 2019).
- Bangladesh also included infrastructural development as one of the objectives of its Perspective Plan 2010–2021 and the 7th Five Year Plan (2016-2020) and is implementing 18 roads and highways projects through public-private partnerships (Bangladesh, 2020b).

**Figure 1-3: Value-added shares of output by sector of Asia-Pacific least developed countries, 2008–2010 and 2017–2019**



Source: ESCAP, based on data from World Development Indicators database, (<https://databank.worldbank.org/source/world-development-indicators> (accessed 1 February 2021)).

Note: Three-year averages are reported unless stated otherwise. Lao PDR stands for Lao People's Democratic Republic.

- Bhutan is implementing the Road Sector Master Plan 2007–2027 to expand road transport connectivity.
- With investment from development partners, Myanmar is also carrying out numerous large-scale infrastructural development projects.
- Nepal has launched 22 infrastructure projects under its National Pride Projects programme, which will significantly contribute to the development of the country's physical infrastructure.

In addition to the implementation of national projects, various regional initiatives for transport and information and communication technology (ICT) infrastructure development are also under way. Some of these major initiatives are the Asian Highway Network; the Trans Asian Railway Network; the Asia-Pacific Information Superhighway; and the Belt and Road Initiative of China. Meanwhile the Transit and Transport Agreement between Nepal and China will provide the landlocked country with access to Chinese land and seaports for foreign trade. In addition to this, the development of the Trans-Himalayan Multi-dimensional Connectivity Network, under the Belt and Road Initiative, will help in the transformation of Nepal from a landlocked country to land-linked country.

Remarkable progress has been made in ICT, offering significant opportunities for Asia-Pacific LDCs to overcome structural impediments. Between 2010 and 2019, mobile cellular subscriptions in these countries surged from 38 per 100 people to 91.<sup>15</sup> Five countries, Bangladesh, Cambodia, Myanmar, Nepal and Timor-Leste, report subscription rates of 100 per cent and even higher.<sup>16</sup> Despite these achievements, only 17 per cent of the inhabitants of Asia-Pacific LDCs used the Internet in 2019 as against the Programme's target of providing 100 per cent access to the Internet by 2020. Moreover, high cost and poor quality of Internet services remain major issues, revealing a large digital divide between the LDCs and other developing countries in the region (see figure 1-4).

## Energy

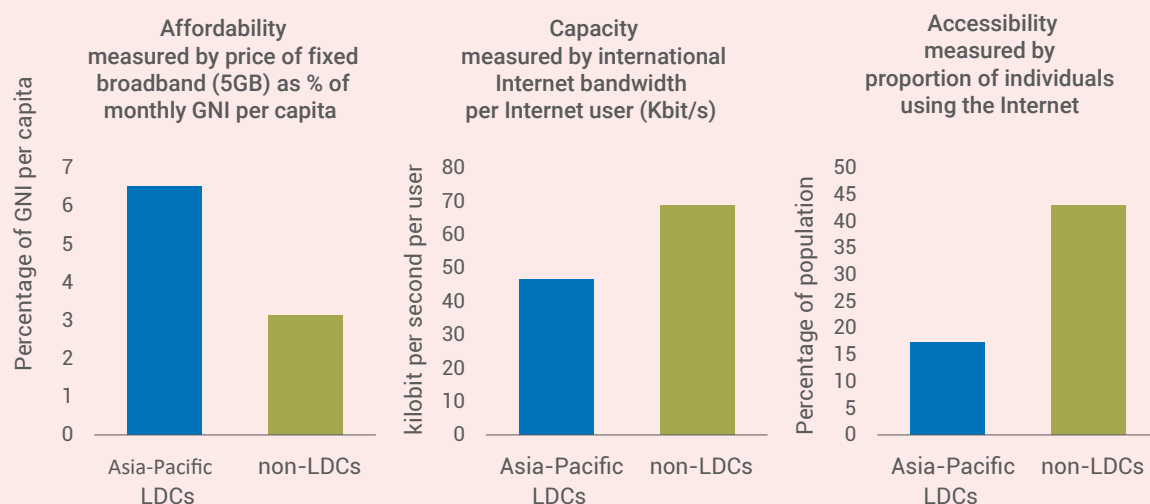
Availability of and access to affordable and uninterrupted energy supplies is critical for developing productive capacity. Access to electricity among Asia-Pacific LDCs rose sharply from 55.4 per cent in 2010 to 87.3 per cent in 2018; the current global average for LDCs is just 51.6 per cent.<sup>17</sup> More than 90 per cent of the population of Afghanistan, the Lao People's Democratic Republic, and Nepal have access to electricity, and 100 per cent of the population of Bhutan, Kiribati and Tuvalu have access.<sup>18</sup>

One of the targets of the Istanbul Programme of Action is to raise the total primary energy supply (TPES) per capita to the same level as that of other developing countries. During the implementation period, TPES per capita in Bangladesh rose from 0.20 tonne of oil equivalent (toe) in 2010 to 0.25 toe in 2017; for Cambodia, from 0.38 to 0.52; and for Myanmar, from 0.28 to 0.43. Despite these gains, TPES remained far below the average for developing countries of 2.1 toe.<sup>19</sup> Overall, the per capita electricity consumption increased in all Asia-Pacific LDCs.<sup>20</sup>

Bhutan is held up as an example for generating and exporting hydropower electricity. Hydropower played a key role in boosting the country's economy, as it constitutes 16 per cent of GDP and 30 per cent of government revenue (Bhutan, 2019). Bangladesh has expanded its access to electricity for its population from 55 per cent in 2010 to more than 90 per cent in 2019 while installed generation capacity for the country more than tripled from 5,823 megawatt (MW) in 2010 to approximately 19,000 MW in 2019 (Bangladesh, 2020a).

Notably, however, ensuring an energy supply that is uninterrupted, affordable, reliable and clean remains a significant challenge. For instance, improving the quality of the electricity supply is essential for households, as some home appliances cannot function if the supply is erratic. Moreover, inefficiencies in production, and transmission and distribution systems result in a significant proportion of energy being wasted at different stages of the generation and transmission

**Figure 1-4: Cost and quality of Internet services: comparison between least developed countries and other developing countries in Asia and the Pacific**



Source: ESCAP based on data from ITU World Telecommunication/ICT Indicators Database ([www.itu.int/pub/D-IND-WTID.OL-2020](http://www.itu.int/pub/D-IND-WTID.OL-2020) (accessed 18 March 2021)).

Note: The population-weighted averages are reported for each country group. Data are for 2020 for affordability, 2019 for capacity, and latest available years between 2017 and 2019 for accessibility. GNI stands for gross national income. ITU stands for International Telecommunication Union.

system.

Electricity generation from renewable sources also needs to be further strengthened given the rising demand for energy to sustain economic growth, while addressing climate impacts. Despite the strong emphasis placed under the Istanbul Programme of Action, progress in this area has been mixed and uneven. For example, the renewable share in final energy consumption (excluding the traditional use of biomass) remained at 0.3 per cent in Bangladesh and at approximately 6 per cent for Myanmar between 2011 and 2017. Cambodia and Nepal, however, made some progress as their shares increased, respectively, from 14.4 per cent in 2011 to 18.9 per cent in 2017 and from 4.6 per cent to 6.7 per cent.<sup>21</sup> The global average of all developing countries for which data are available was 10.1 per cent in 2017.

## Science, technology and innovation

Asia-Pacific LDCs generally lag in the development in science, technology, and innovation. While the number of scientific and technical journals published per million population – one measure of the capacity in science, technology and innovation – doubled between 2010 and 2018 to 15 journals, this figure is extremely small compared to the world average of 336.<sup>22</sup> Another measure of science, technology and innovation capacity in which Asia-Pacific LDCs are clearly lagging is the number of patents filed. Data from the World Intellectual Property Organization (WIPO) indicate that the number of patent applications in 2018 from the 12 Asia-Pacific LDCs combined was 586 in comparison with 11,845 registered by Singapore alone and 6,071 registered by Viet Nam. The combined share of Asia-Pacific LDCs of the number of worldwide trademark applications was only 0.76 per cent in 2018.<sup>23</sup>

The lack of a clear and consistent science, technology and innovation policy has held back progress in many countries in this area. Future progress is, therefore, dependent on fostering a culture of learning and innovation that rewards scientific and technical achievement. Greater private sector participation in promoting science and technology research and education should also be encouraged. To support efforts of LDCs to close these gaps, the establishment of the Technology Bank for Least Developed Countries was included in the Istanbul Programme of Action. This bank came into operation in 2018, marking the achievement of one of the Sustainable Development Goals targets (target 17.8). It implements projects and activities to build the science, technology and innovation capacity of LDCs and is accessible to graduated LDCs for up to five years after their graduation from the category.

### ***Private sector development***

Asia-Pacific LDCs have made progress in private sector development, as demonstrated by the increase in their contribution to gross fixed capital formation.<sup>24</sup> This is also reflected by the falling time and cost required to start a business. For instance, it took, on average, 56 days and 52 per cent of annual income per capita to complete business start-up procedures in 2010; nine years later the corresponding averages were 38 days and 20 per cent of income. Asia-Pacific LDCs are implementing various programmes and policies to facilitate the development of the private sector. For example, Cambodia has launched a deep reform agenda to improve the business and investment environment to accelerate the provision of business services and further open market negotiations for domestic goods (Cambodia, 2019).

Nevertheless, limited access to finance, particularly for women and small and medium-sized enterprises, policy uncertainty, regulatory deficiencies, shortages of skilled labour and the high cost of trading are all factors that continue to hamper private sector development in most of these countries. For instance, in 2017, access to financial services, measured by the proportion of adults with a bank account or mobile money account, was only 39 per cent in Asia-

Pacific LDCs, and the difference in ownership based on gender was 18 percentage points. Such inequality is also reflected in figure 1-5, which shows that three Asia-Pacific LDCs (Cambodia, Afghanistan and Myanmar) have the highest inequality in bank account ownership.

### **(b) Agriculture, food security and rural development**

The importance of agriculture in the promotion of food security and rural development is strongly emphasized in the Istanbul Programme of Action. The contribution of agriculture to GDP in Asia-Pacific LDCs was, on average, 21 per cent over the period 2017–2019. This is a decline of five percentage points from the average for the period 2008–2010, reflecting the natural course of diminishing significance of the sector as countries develop. Despite the declining share in national GDP, agriculture continues to employ, on average, more than half of the total labour force. The countries with the largest shares of employment in agriculture are Nepal (65 per cent), the Lao People's Democratic Republic (62 per cent), Vanuatu (55 per cent) and Bhutan (55 per cent).<sup>27</sup> However, despite the importance of agriculture, average annual growth of this sector was only 2.2 per cent during the period 2011–2019 in Asia-Pacific LDCs, compared to 3.2 per cent for all LDCs. Two Asia-Pacific LDCs, Tuvalu and Timor-Leste, recorded negative agricultural growth during the same period.

Some Asia-Pacific LDCs have significantly increased the production of food grain, vegetables, livestock, poultry, and freshwater fish. In Bangladesh, Cambodia, the Lao People's Democratic Republic, Nepal and Vanuatu for instance, food production increased by more than 20 per cent between 2010 and 2018.<sup>28</sup> Notably, the higher agricultural production is helping these countries make progress in their efforts to tackle poverty and hunger.

The development of the agricultural sector is an imperative for all LDCs not only to curb poverty and attain food security, but also to guarantee rural development and economic stability of farmers. In 2020, 67 per cent of the people in the Asia-Pacific region lived in rural areas.<sup>29</sup> One of the most important threats to agriculture, and rural

Figure 1-5: Inequality in bank account ownership



Source: ESCAP (2019d).

Note: D-index (the dissimilarity index) measures how the different population groups fare in terms of bank account ownership, with the value 1 meaning no inequality in ownership of a bank account. See ESCAP (2019d) for details. Lao PDR stands for Lao People's Democratic Republic.

development remain natural disasters. According to ESCAP (2015), Asia-Pacific LDCs are losing, on average, \$592 million per year (0.97 per cent of their GDP) due to natural disasters.

Different pragmatic policies and effective measures are contributing to the development of the agricultural sector. As examples, Cambodia has recently introduced the Policy on Agricultural Extension to ensure that farmers and their communities are able to acquire a better agricultural knowledge, skills and technology (Cambodia, 2019) and Nepal is implementing the Agriculture Development Strategy (2015–2035) under which sectoral strategies have been devised to improve agricultural productivity (Nepal, 2019).

A major challenge for Asia-Pacific LDCs is the need to boost agricultural productivity. Indeed, while food production increased, on average, by 17 per cent between 2010 and 2018, per-capita production increased only by 3 per cent. By

modernizing the sector through the promotion of investment in rural infrastructure and sustainable agricultural practice, extension of access to higher-yield seeds, commercialization of agricultural production and linkage of agricultural production with market opportunities, Asia-Pacific LDCs can boost labour productivity significantly. (ESCAP, 2020a). This should also contribute towards reducing poverty and tackling hunger and malnutrition in rural areas.

### (c) Trade

The objective of the Istanbul Programme of Action was to significantly increase the role of LDCs in global trade; one of the targets of the Programme was to double the share of exports in global exports by 2020. This target was reiterated in Sustainable Development Goal 17, target 17.11, confirming its central importance to the sustainable development of LDCs. The Asia-Pacific LDCs as a group missed this target; their combined share in world goods and services



exports increased from 0.23 per cent in 2010 to 0.38 per cent in 2019.<sup>30</sup> However, several countries reported a significant increase in exports over that period: for Cambodia, the average yearly merchandise exports rose by 15 percent; for the Lao People's Democratic Republic, 14 per cent; for Myanmar, 10 per cent; and for Bangladesh, 9 per cent. Consequently, shares in world exports at least doubled for the former two countries and increased by more than 50 per cent for the latter two between 2010 and 2019. It should be noted, however, the pandemic-induced export shocks in the final year of the implementation of the Programme is expected to have weighed significantly on the export performance of these countries (see chapter 2 for more information on the impact of the COVID-19 pandemic on LDCs).

Despite the noted expansion of exports, Asia-Pacific LDCs export a limited number of merchandise goods, which tend to be sent to only a few destination markets. For example, approximately two thirds of total exports from Bhutan and Nepal, two landlocked economies, are destined to a single market (India), while the other landlocked Asia-Pacific LDC, the Lao People's Democratic Republic, sends 70 per cent its exports to China and Thailand.<sup>31</sup> For other LDCs in this region, China, the European Union, and the United States of America comprise the major markets.

Dependence on one product or a few products is common for many Asia-Pacific LDCs, especially for Pacific LDCs. For example, frozen fish and fish products account for more than 75 per cent of exports of Kiribati and approximately two thirds of exports of Solomon Islands and Timor-Leste are, respectively, wood and wood products, and crude petroleum.<sup>32</sup> Indeed, the level of export product concentration as measured by the UNCTAD concentration index increased for Kiribati, and Tuvalu during the Programme's implementation period (see figure 1-6).<sup>33</sup> It also remained high for Solomon Islands.

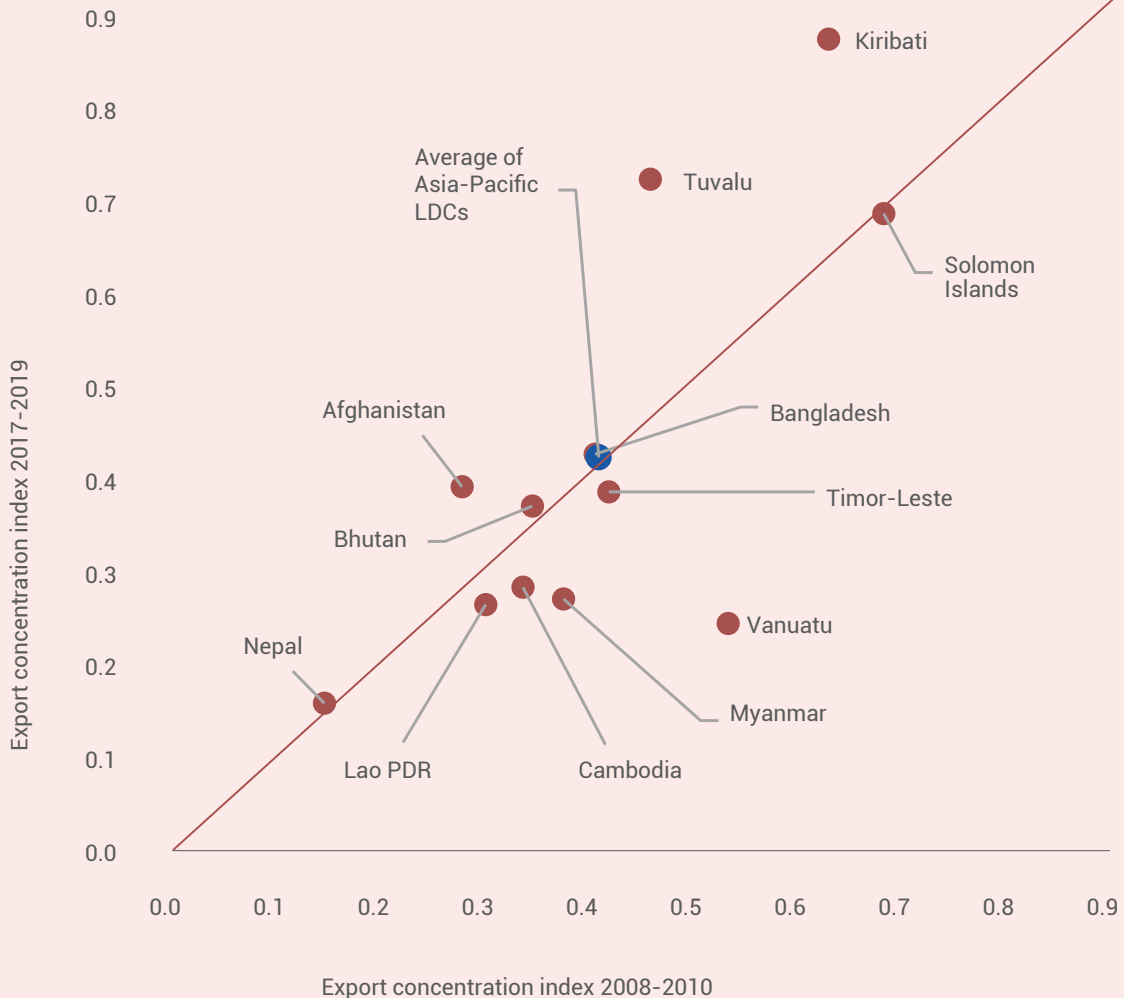
Unlike primary products, manufacturing enables the production of a wide variety of items within a broad export category, as reflected in the reduced levels of export product concentration

for Cambodia, the Lao People's Democratic Republic and Myanmar shown in figure 1-6. Nevertheless, more than 60 per cent of the merchandise exports of Cambodia and 25 per cent of the merchandise exports Myanmar are apparel. In Bangladesh, clothing exports account for more than 80 per cent of its exports.<sup>34</sup> Such high export concentration makes these countries highly vulnerable to external shocks, including reduced external demand, as exemplified by the COVID-19 pandemic. Chapter 2 entails a discussion on the trade impact of the pandemic in LDCs.

The WTO Ministerial Council meeting in 1995 decided to grant duty-free quota-free market access to LDCs by developed countries and also by the developing countries that were willing to do so. Implementation of duty-free, quota-free market access for all products originating from LDCs was called for in the Istanbul Programme of Action. Most developed countries provide such market access to LDCs, with less stringent and relaxed preferential rules of origin. Several developing countries – with China and India being prominent examples – have also instituted preferential schemes for LDC exports. Notably, some Asia-Pacific LDCs have benefited from these preferential schemes, while others have not yet fully taken advantage of them: for example, Bangladesh and Myanmar use LDC-specific preferences for 71 per cent and 26 per cent of their exports, respectively, while that share is below 5 per cent for Kiribati, Timor-Leste, Tuvalu and Vanuatu (WTO, 2020). The low levels of utilization are primarily due to the concentration of the exports in primary commodities to which low or zero duties are generally applied or the use of regional or bilateral trade agreements. Complex non-tariff barriers, supply-side limitations and high trade and compliance costs also contribute to the low utilization rate (Bhattacharya and Mikic, 2015; WTO, 2019).

In services trade, some progress has been made in improving market access offers, but, to date, LDCs have yet to benefit from them. Initially, the General Agreement on Trade in Services (GATS) of the WTO provided a framework for liberalization, but it failed to spell out the scope for preferential treatment for LDCs and other developing

Figure 1-6: Export concentration index



Source: ESCAP based on data from UNCTAD Stat. [unctadstat.unctad.org](http://unctadstat.unctad.org) (accessed on 20 December 2020).

Note: The concentration index, also known as the Herfindahl-Hirschmann Index, is provided by UNCTAD and is estimated using the SITC 3-digit level export products. An index value closer to 1 indicates a country's exports or imports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports or imports are more homogeneously distributed among a series of products. For countries to the left of the 45-degree line, export concentration rose between 2008-2010 and 2017-2019. Lao PDR stands for Lao People's Democratic Republic.

countries, as in the case of trade in goods. In 2011, WTO members reached an agreement to allow LDC-specific preferential treatment for services and service suppliers. Despite not having clearcut guidelines about how the so-called LDC services waiver can be implemented, 24 WTO members, including the European Union, counted

as one, have, to date, indicated sectors and modes of supply of LDC services and service suppliers that can attain preferential treatment. However, given the nature of the preferences granted, there is little information on how LDC service suppliers have benefited. Operationalization of the services waiver, therefore, remains a major challenge.

### (d) Commodities

Seven LDCs from the region are commodity dependent, which makes them vulnerable to price volatility and external shocks.<sup>35</sup> The Istanbul Programme of Action includes calls for countries to broaden their economic base and reduce commodity dependence. Among the region's LDCs, the average share of commodity exports of total merchandise exports increased from 55 per cent during 2009–2010 to 60 per cent in 2017 (see figure 1-7). Notably, Myanmar recorded an impressive reduction in commodity dependence from more than 80 per cent in 2010 to 60 per cent in 2017, while Afghanistan, Kiribati and Solomon Islands lost significant ground in this area, with dependence exceeding 90 per cent in 2017.

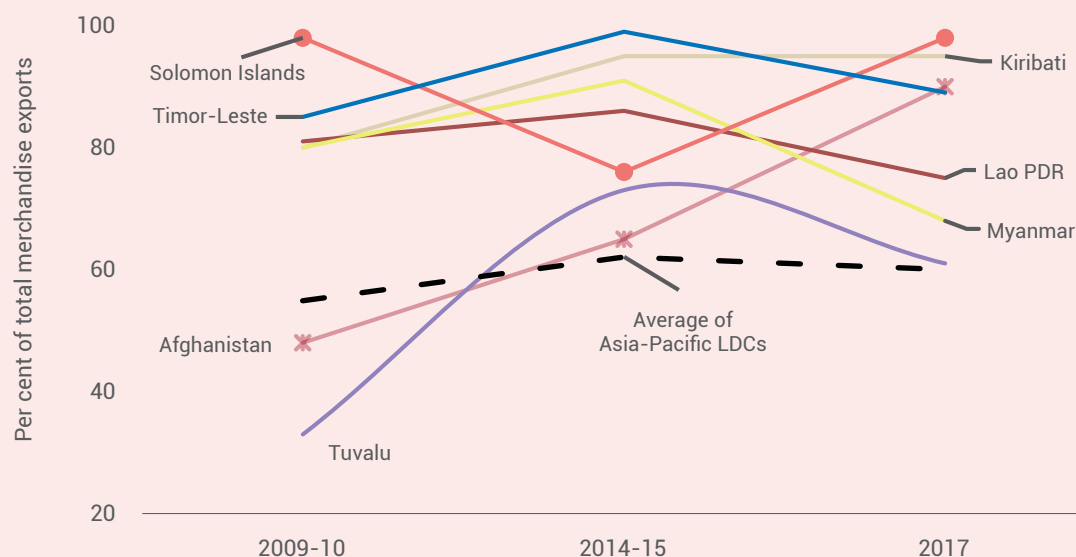
Diversification away from commodities has proven to be a formidable task for the commodity-

dependent LDCs in the region. As mentioned earlier, manufacturing capacities in most of these countries remain weak and agriculture and services sectors are plagued with low productivity. Exceptions to these include Bangladesh and Cambodia, where apparel exports have contributed to a significant rise in manufacturing activities, leading to the initiation of structural transformation. To overcome this dire situation in the region, an active economic diversification strategy that promotes forward and backward linkages between the commodities sector and the rest of the economy is required to diversify export baskets and increase the spillover benefits of growth in the commodity sector to the rest of the economy. It would also make countries more resilient to external shocks.

### (e) Human and social development

Asia-Pacific LDCs have made some encouraging,

**Figure 1-7: Share of commodities in merchandise exports of commodity-dependent Asia-Pacific least developed countries**



Source: ESCAP based on data are from UNCTAD (2017) and UNCTAD (2019c).  
Note: Lao PDR stands for Lao People's Democratic Republic.



but yet modest progress in the area human and social development under the seven pillars of the Istanbul Programme of Action, namely education and training; population and primary health; youth development; water and sanitation; shelter; gender equality and empowerment of women and social protection. Below are summaries of the status of these countries with regards to these pillars:

### ***Education and training***

The average net primary education enrolment rate in the Asia-Pacific LDCs remained unchanged at approximately 90 per cent over the implementation period of the Istanbul Programme of Action. This suggests that greater focus is required to achieve the target of universal access to education. As for secondary education, the average net enrolment rate increased from approximately 45 per cent to more than 60 per cent during the implementation period while the completion rate remained at approximately 70 per cent, which is significantly below the region's average of 89 per cent.<sup>36</sup> Moreover, gender parity in primary school enrolment deteriorated in three of the Asia-Pacific LDCs.<sup>37</sup>

### ***Population and primary health***

The average maternal mortality rate of the Asia-Pacific LDCs decreased from 285 deaths per 100,000 live births in 2010 to 199 in 2017, while the average infant mortality rate declined from 40 per 1,000 live births in 2010 to 29 in 2019. The results for life expectancy were also encouraging, as it increased from 66.7 years in 2010 to 69.4 years in 2018. Progress pertaining to health care were not so encouraging, with an average of only 0.79 physicians per 1,000 people in 2017, compared to 2.79 in other developing countries of the region (see figure 1-8). Similar patterns for the number of hospital beds, nurses and midwives suggest that LDCs are not catching up with the rest of the region in terms of their health-care systems' ability to deliver adequate care. One reason behind this is that investment in health-care infrastructure and health-care services is only 0.6 per cent of the aggregate GDP of Asia-Pacific LDCs, compared to 2.7 per cent for the group of other developing

countries in the region.<sup>38</sup> These limited human and financial inputs to health services are making Asia-Pacific LDCs more vulnerable to pandemics, such as one related to COVID-19.

### ***Youth development, gender equality and empowerment of women***

Economic growth in the region's LDCs has not resulted in adequate employment opportunities. The average unemployment rate among young people (aged 15–24) was 7.1 per cent in Asia in 2019 – largely unchanged from the prevailing situation in the pre-Programme implementation period.<sup>39</sup> Economic expansion driven by capital-intensive sectors, factor market imperfections leading to insecure and vulnerable employment, skill mismatch, lack of appropriate training, and inadequate provision of financial services for promoting self-employed enterprises have exacerbated youth unemployment. In addition, the youth unemployment rate for females was more than that of their male counterparts in eight of the region's 10 LDCs in 2019 for which the information is available. The highest gender disparities were prevalent in Afghanistan, Bangladesh and Timor-Leste.

In general, women and girls in Asia-Pacific LDCs continue to face significant gender-based barriers with regard to human development. Deep-rooted gender inequality and sociocultural customs and practices manifested in various patriarchal norms put women and girls into a disadvantaged situation. On the political front, the average proportion of seats held by women in national parliaments of Asia-Pacific LDCs was 16 per cent in 2019— an increase of only 1.75 percentage points from 2011 and six percentage points lower than the global average.<sup>40</sup>

### ***Shelter, water and sanitation***

Access to shelter, water and sanitation continues to remain a major challenge. While the average proportion of people with access to drinking water services increased from 83 per cent in 2010 to 89 per cent in 2017 in Asia-Pacific LDCs<sup>41</sup>, only about half of the population had access to safely managed drinking water services. This has improved only marginally over the Programme's

implementation period (47.7 per cent in 2010 to 48.1 per cent in 2017).<sup>42</sup> In the area of sanitation, the average share of the population using at least basic sanitation services in 2018 was approximately 53 per cent – 10 percentage points higher than in 2010 but 20 percentage points lower than the 2018 average of other developing countries in the region.<sup>43</sup>

### Social Protection

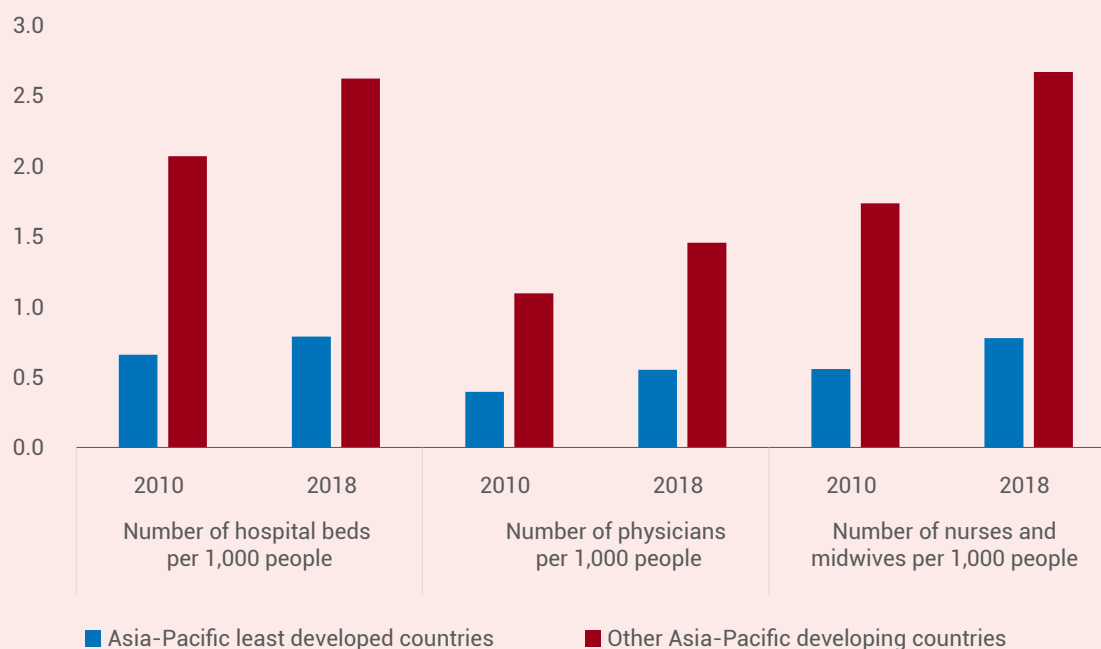
The COVID-19 pandemic has highlighted the importance of providing social protection, as the economies in many countries have collapsed and millions have lost their livelihoods. It has also exposed the inadequacy of existing health and social protection systems in most of the region's LDCs (see chapter 2 for more information

on the impact of the COVID-19 pandemic on LDCs).

Indeed, only 19 per cent of the population in the Asia-Pacific LDCs was covered by at least one social protection benefit in 2019, compared to 58 per cent for other developing countries in the region.<sup>44</sup> As a result, many workers, particularly those in the informal sector, are vulnerable to external shocks.

Coverage is hampered primarily by underinvestment due to insufficient domestic resources and the narrow fiscal space of the Asia-Pacific LDCs. On average, LDCs in the region, as a group, invest only 0.9 per cent of their aggregate GDP on social protection, compared to the average of 6.3 per cent for other developing countries.<sup>45</sup>

Figure 1-8: Change in health inputs indicators, 2010–2018, least developed countries versus other developing countries in the Asia-Pacific region



Source: ESCAP based on data from World Bank, World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](http://databank.worldbank.org/source/world-development-indicators)) (accessed 1 February 2021).

Weak institutional capacity also limits the expansion of social protection, as it presents challenges in reaching the most marginalized groups.

Nevertheless, several countries have expanded their social protection schemes through various programmes, including old-age allowances, subsidized health-care facilities, stipend programmes for primary and secondary school students, free education, maternity allowances, school feeding programmes and facilities for the ultra-poor and the homeless. For

example, Cambodia adopted its Social Protection Policy Framework in 2017 to provide access to health care and other benefits to two million poor and vulnerable individuals nationwide (OECD Development Centre, 2017) and Nepal expanded social security coverage, comprising government pensions, senior citizen allowances, and support to single women, widows, under-five children from various disadvantaged groups and persons with disabilities. The total allowances were doubled in 2016–2017. The Government intends to gradually universalize the Child Grant

**Table 1-3: Examples of latest social protection measures in response to the COVID-19 pandemic**

| Country                                 | Type of measure                                                                 | Function of social protection | Short description of the measure                                | Headline                                                                                                                                                                      |
|-----------------------------------------|---------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Afghanistan</b>                      | Introducing benefit for poor or vulnerable population                           | Food and nutrition            | Afghanistan launches new COVID-19 relief package                | Afghanistan launches new COVID-19 relief package                                                                                                                              |
| <b>Bangladesh</b>                       | Introducing benefit for poor or vulnerable population                           | Food and nutrition            | Food distribution to poor families                              | Food Aid Before Eid: free rice for 1 crore poor                                                                                                                               |
| <b>Bhutan</b>                           | Increasing benefit duration                                                     | Special allowance/ grant      | Extends COVID-19 assistance for three months                    | Druk Gyalpo's Relief Kidu                                                                                                                                                     |
| <b>Cambodia</b>                         | Increasing benefit duration                                                     | Unemployment                  | Extends duration of allowance to workers on suspended contracts | Cambodia Issues Additional Support for Workers and to the Revive Economy                                                                                                      |
| <b>Lao People's Democratic Republic</b> | Introducing subsidies to or deferring or reducing cost of necessities/utilities | Housing/basic services        | Reduction of electricity and water tariffs                      | Policy Responses to COVID-19 pandemic                                                                                                                                         |
| <b>Myanmar</b>                          | Introducing prophylactic/care leave                                             | Sickness                      | Sickness cash benefit for insured workers under quarantine      | Myanmar Legal Update: High-lights of Instructions, Notifications and Announcements on Prevention and Control of COVID-19 for Factories, Establishments and Construction Sites |
| <b>Nepal</b>                            | Introducing benefit for workers and/or dependents                               | Health                        | Tokha municipality: allowance to workers in the health sector   | Tokha municipality to provide 150 per cent perks to frontline health workers                                                                                                  |
| <b>Solomon Islands</b>                  | Introducing subsidies to or deferring or reducing cost of necessities/utilities | Housing/basic services        | Reduction of electricity bills                                  | Policy Responses to COVID-19                                                                                                                                                  |
| <b>Timor-Leste</b>                      | Introducing benefit for workers and/or dependents                               | Income/job protection         | Temporary subsidy to Timorese living abroad                     | Meeting of the Council of Ministers on 16 September 2020                                                                                                                      |
| <b>Tuvalu</b>                           | Introducing benefit for workers and/or dependents                               | Special allowance/ grant      | One-off payment for members of the National Provident Fund      | Government of Tuvalu announces COVID-19 relief                                                                                                                                |
| <b>Vanuatu</b>                          | Other                                                                           | Access to education           | School fee exemptions                                           | School fee exemptions                                                                                                                                                         |

Source: ILO, Social Protection, social responses to COVID-19 crisis around the world ([www.social-protection.org/gimi/ShowWiki.action?id=3417](http://www.social-protection.org/gimi/ShowWiki.action?id=3417) (accessed 1 February 2021)).



(f) **Multiple crises and other emerging challenges** Responses to the COVID-19 pandemic introduced in Asia-Pacific LDCs are presented in Table 1.3b. The Istanbul Programme of Action stressed the importance of building resilience in LDCs to withstand crises and challenges that emanate from abrupt changes in the global economy is explicitly highlighted.

### ***Economic shocks***

To cope with regional and global economic and financial shocks, it was suggested in the Istanbul Programme of Action that LDCs develop and implement national risk mitigation strategies and set up national crisis resilience and mitigation facilities to reduce their vulnerabilities. Private sector development and economic diversification have been two of the most important mitigation strategies pursued by the region's LDCs to cope with economic shocks.

However, the economic and social impacts of the COVID-19 pandemic have exposed the region's LDCs' high external dependency of their economic performance and their limited fiscal space in dealing with such an external shock, as elaborated in chapter 2. The COVID-19 pandemic also demonstrates that in addition to national efforts, external shocks of the magnitude of the pandemic require a collective, regional response to minimize the adverse impacts. This is especially valid for LDCs where capacities are generally lower and vulnerabilities are high. In chapter 2, the analysis of the impact of the COVID-19 pandemic on Asia-Pacific LDCs is explained in greater detail.

Other challenges also trigger economic shocks. For example, Afghanistan remains subject to civil conflicts and political instability and Bangladesh is hosting approximately one million refugees, which has significant impacts on economic and environmental resources.

### ***Climate change and environmental sustainability***

One of the largest challenges faced by Asia-Pacific LDCs is climate change and environmental degradation. Extreme weather events, such as global warming, floods, cyclones, and sea level rise,

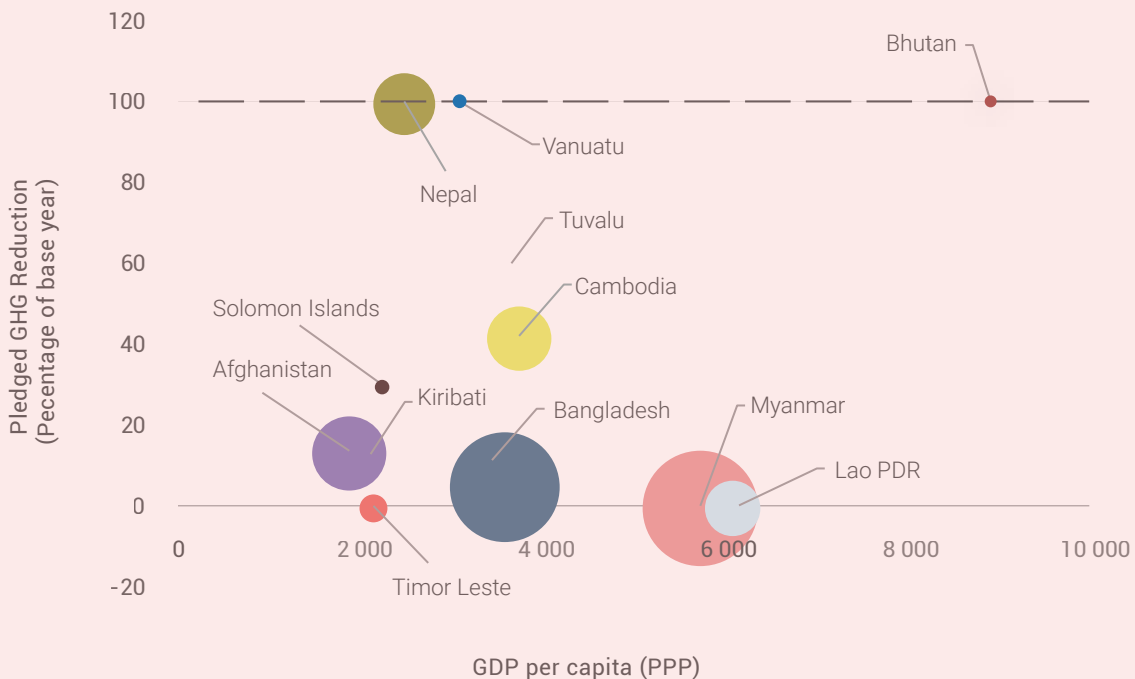
are imposing high economic and social costs.<sup>46</sup> In the Istanbul Programme of Action, the importance of ensuring that development plans and programmes integrate adaptation considerations, with the aim of minimizing the impact of climate change on livelihoods, is underscored.

To combat the adverse impacts of climate change, the Asia-Pacific LDCs have ratified the Paris Agreement and submitted nationally determined contributions (NDCs), which include a greenhouse gas reduction target of 10 to 30 per cent by 2030. Bangladesh, Cambodia and Nepal were among the 17 countries in the Asia-Pacific region that have already submitted revised NDCs ahead of the United Nations Climate Change Conference (Conference of Parties 26), scheduled to be held from 1 to 12 November 2021 in Glasgow, United Kingdom. In addition, Bhutan has already reached carbon neutrality, Tuvalu has set a goal to be on a zero-carbon pathway by 2050 and Vanuatu has committed to 100 per cent renewable energy by 2030 (figure 1-9).

By the end of 2020, these countries had introduced specific policy measures to cut emissions and increase resilience of their economies. For example, Bangladesh prepared the Nationally Determined Contribution Implementation Roadmap in 2018 to commit to and to spell out climate change actions under the Paris Agreement; Cambodia prepared the National Strategic Plan for the Management of the Protected Areas 2017–2031 and the National REDD+ Strategy 2017–2026; and Tuvalu enacted the Tuvalu Climate Change and Survival Fund Act 2015 to address extreme vulnerability and enhance the country's resilience.

Despite these national efforts, delivering on carbon mitigation and adaptation for these countries depends on further capacity development support and financial assistance. Overall, for the six LDCs that have estimated financing needs to address climate change in their NDCs, total adaptation and mitigation costs are \$54 billion and \$35 billion, respectively.<sup>47</sup> To date, there has been little progress in the flow of financial resources to meet these financing needs. As of September 2019, cumulative pledges to the Least Developed Countries Fund was approximately \$1.6 billion (GEF, 2019). Of the resources pledged, \$1.4

**Figure 1-9: Comparing greenhouse gas reduction target by 2030, gross domestic product per capita, and emission levels**



Source: ESCAP based on data are from UNCTAD (2017) and UNCTAD (2019c).  
Note: Lao PDR stands for Lao People's Democratic Republic.

billion (about 87 per cent) was delivered. At the end of October 2019, a total of 47 projects and programmes (excluding national adaptation programmes of action) were approved for the 12 Asia-Pacific LDCs, with a total value of \$366 million (just 26 per cent of the available finance). As of February 2020, project proposals from seven Asia-Pacific LDCs had been approved by the Green Climate Fund totalling \$702 million (Green Climate Fund, 2020).<sup>48</sup> All in all, overall assistance has been much lower than the requirements of LDCs. Compounding this challenge, it needs to be pointed out that after graduation from the LDC status, access to the Least Developed Country Fund is not possible (see section 2.5 for further discussion on access to climate funds).

Furthermore, the COVID-19 pandemic is posing

additional challenges to the ongoing adaptation and mitigations efforts in many countries as the governments have to focus temporarily on public health and divert their human and financial capacities to contain the spread of the virus and support the people and the businesses affected in their countries. In Cambodia, for instance, the economic impact of the pandemic on local communities has affected local-level consultations on climate change adaptation and mitigation, a key to successful implementation of the National Adaptation Plans (National Adaptation Plan Global Support Programme, 2020).

### **Disaster risk reduction**

The Istanbul Programme of Action emphasizes that given their structural constraints and multiple



vulnerabilities, LDCs tend to bear a disproportionately heavy impact of hazards and face daunting reconstruction challenges. The Asia-Pacific regional “riscscape” highlights that economic losses resulting from disasters are larger than previously estimated, with most of the additional loss linked to the impact of slow onset disasters in the agricultural sector. Moreover, most LDCs, such as Bangladesh, Bhutan, Cambodia and Nepal, have relatively large numbers of at-risk populations and at-risk economies. For instance, the average annual loss as a percentage of GDP is highest in the Lao People’s Democratic Republic, at 8.7 per cent, and in Cambodia, at 8 per cent. Overall, Cambodia, the Lao People’s Democratic Republic and Myanmar have an average annual loss of 7.1 percent compared to 2.8 percent for other countries in South-East Asia. Similarly, the average annual losses amount to 7.7 per cent, 6.9 per cent, and 6.4 per cent of GDP for Nepal, Bhutan, and Bangladesh, respectively (ESCAP, 2019b).

Disasters widen inequalities in outcomes and opportunities and slow poverty reduction; losses resulting from disasters undermine the ability of economic growth to reduce poverty and inequality by widening inequalities in outcomes and opportunities and disempowering at-risk communities. For example, the devastating earthquake of 2015 in Nepal, which cost 9,000 lives and one third of GDP through losses and damages (Nepal, 2015), severely undermined the country’s development endeavours and reversed development gains. In 2020, in the Asia-Pacific region, the collision of climate extremes and COVID-19 transmission created cascading disasters with wide-ranging impacts on sectors, economies and populations. The LDCs of South and South West Asia were the most affected by climate-related natural disasters, followed the LDCs in South East Asia and the Pacific.

There was a similar pattern related to the impact of the COVID-19 pandemic; the subregions of South and South-West Asia were affected the most followed by South-East Asia. Bangladesh had to deal with the collisions of the COVID-19 pandemic with Cyclone Amphan in May 2020, and subsequently with large-scale monsoon floods, which also occurred in Afghanistan, and Nepal (Srivastava and others, 2021).

### **(g) Mobilizing financial resources for development and capacity-building**

Under the Istanbul Programme of Action, lack of financial resources is a major constraint faced by LDCs in achieving sustainable development and making progress towards graduation. The annual investment needs of Asia-Pacific LDCs are estimated at 16 per cent of GDP in order to achieve the Sustainable Development Goals by 2030 (ESCAP, 2019c). Small island LDCs need to invest more to address their high vulnerability to climate change.

Overall, continued efforts are needed to mobilize and allocate the financing required for long-term investment in new productive sectors and activities, as well as for the investments undertaken for the technological and organizational upgrading of existing sectors and production units. In this context, it would be useful to establish or strengthen institutions that conduct financial analysis and planning and coordination for structural transformation, and are responsible for mobilization of domestic financial resources (UNCTAD, 2019b).

#### ***Domestic resource mobilization***

Government revenue of Asia-Pacific LDCs (excluding grants) increased from 19.1 per cent of GDP in 2011 to 22.8 per cent in 2019, driven primarily by a rise in tax revenue; the median tax-to-GDP ratio increased from 13.5 per cent to 18.8 per cent over the same period. While this is an encouraging trend, government revenue of these countries was significantly more volatile than that of other developing countries in the region<sup>49</sup>, thereby limiting a further increase in public spending on health, education and social protection. In the three most populous LDCs in the region, Afghanistan, Bangladesh and Myanmar, government revenue remained below the desired level of 15 per cent of GDP<sup>50</sup> to invest in basic infrastructure services and achieve sustainable development. In Timor-Leste, the tax-to-GDP ratio fell sharply from more than 100 per cent in 2011 to 25 per cent in 2018 because of a combination of low oil prices and declining production from major oil fields.

Gross domestic savings in Asia-Pacific LDCs was



approximately 20 per cent of GDP between 2011 and 2019, which is significantly below the median of 29.2 per cent in other developing countries in the region. Kiribati and Timor-Leste recorded negative gross domestic saving rates during this period. A decline in gross domestic savings as a percentage of GDP was recorded by Bhutan and Myanmar, while an improved rate was recorded by Bangladesh, Cambodia and Nepal. Low per capita income, the underdeveloped domestic financial sector, non-inclusive financial systems and weak banking oversight are some of the factors that have affected the domestic savings mobilization efforts of the LDCs.

### ***Official development assistance***

Official development assistance constitutes a major component of development finance to support the growth and development of LDCs. Over the period 2011–2018, net ODA to Asia-Pacific LDCs increased by 13 per cent, from \$10.7 billion to \$12 billion in 2018 (measured in 2018 prices), however, the ODA/GNI ratio declined from 4.3 per cent to 2.7 per cent. Even though sustained economic growth has reduced the significance of ODA in some countries, because of the socioeconomic challenges, ODA remains an important source of development finance, in particular for Pacific LDCs. Moreover, as LDCs suffer from absorptive capacities in using resources, committed aid is often utilised at a much slower pace.

### ***External debt***

Most of the Asia-Pacific LDCs have fared relatively well in keeping debt and debt service obligations at a low level. Reserves as a percentage of external debts exceed 100 per cent in Afghanistan, Cambodia, Nepal, Solomon Islands, Timor-Leste and Vanuatu. Moreover, debt-service requirements as a proportion to export earnings are generally low, ranging from 12.8 per cent in Bangladesh to 0.5 per cent in Timor-Leste.<sup>51</sup> However, four countries (Afghanistan, Kiribati, the Lao People's Democratic Republic and Tuvalu) are listed as countries with high risk of external debt distress according to the latest Debt Sustainability Analysis of the International Monetary Fund (IMF) and the World Bank.<sup>52</sup> Because of rising spending needs

and the economic contraction resulting from the COVID-19 pandemic, public debt in most of these countries is estimated to have expanded in 2020 by approximately 5.9 per cent of GDP<sup>53</sup>, which, in turn, is expected to increase the debt-service burden (information on international debt relief and servicing suspension initiatives is given in section 1.6 of chapter 2).

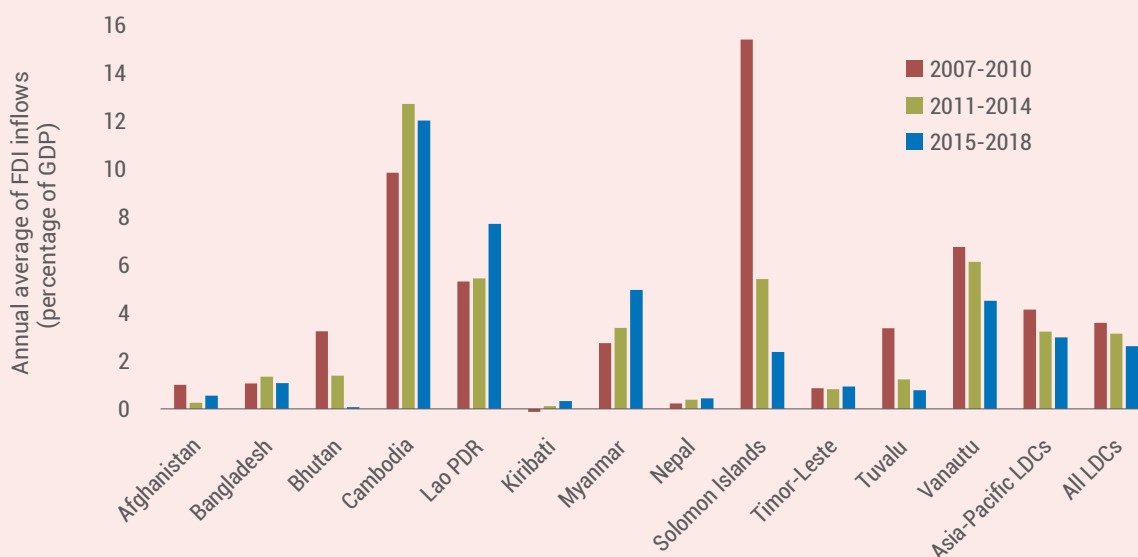
### ***Foreign direct investment***

Net FDI inflows to Asia-Pacific LDCs increased from approximately \$5.7 billion in 2011 to \$8.4 billion in 2018.<sup>54</sup> Bangladesh, Cambodia, the Lao People's Democratic Republic and Myanmar are the largest recipients of FDI. During that period, net FDI flows to Bhutan, Solomon Islands, Timor-Leste, and Vanuatu declined, partly reflecting the high base effect as many large-scale FDI projects were being implemented in these countries, such as hydropower projects in Bhutan and mining development in Solomon Islands. When measured as a per cent of GDP, average annual FDI inflows to Asia-Pacific LDCs declined significantly from 4.1 per cent over the period 2007–2010 to 3.0 per cent over the period 2015–2018 (see figure 1-10). For LDCs globally, it has decreased from 3.6 per cent to 2.6 per cent during the same period. Estimates indicate that FDI inflows fell sharply in 2020 because of the pandemic's adverse effects on inflows to such sectors as textile and apparel, tourism, and oil and gas.<sup>55</sup>

### ***Remittances***

Personal remittances received by Asia-Pacific LDCs have steadily increased from \$17.5 billion in 2011 to \$31.9 billion in 2018. Bangladesh and Nepal are the largest recipients among them, accounting for 6.1 per cent and 26.9 per cent of GDP respectively. The average cost of sending remittances to Asia-Pacific LDCs, however, remains high: in 2017, it varied from 4.4 per cent to 16.6 per cent of the amount transferred – much higher than the Addis Ababa Action Agenda target of reducing such transaction costs to 3 per cent by 2030. The COVID-19 pandemic is estimated to have had adverse implications on remittances to LDCs, although several countries have reported an impressive uptick in these

Figure 1-10: Net Foreign direct investment inflow



Source: World Bank, World Development Indicators database (<https://databank.worldbank.org/source/world-development-indicators>).

Note: Annual averages of net FDI inflows are reported. Lao PDR stands for Lao People's Democratic Republic.

inflows during the second half of 2020 (see section 1.6 of chapter 2 for more detailed information).

#### (h) Governance at all levels

In the Istanbul Programme of Action, good governance and the rule of law at the local, national, and international levels are strongly recognized as being vital for sustained, inclusive and equitable economic growth, sustainable development and the eradication of poverty and hunger. All of the Asia-Pacific LDCs have either ratified or acceded to the United Nations Convention against Corruption. Some have also focused on e-governance in their efforts to improve the quality of government services through the introduction of advanced electronic and mobile services. The average scores of the United Nations E-government Development Index for the Asia-Pacific LDCs

increased from 0.22 in 2010 to 0.44 in 2020.<sup>56</sup>

As of the end of 2019, three Asia-Pacific LDCs. Afghanistan, Myanmar and Timor-Leste, are implementing the Extractive Industry Transparency Initiative to boost transparency over payments and revenue in the extractive sector.<sup>57</sup> Timor-Leste has made "satisfactory" progress and Myanmar has made "meaningful" progress in implementing the standard in their extractive sector.<sup>58</sup> The membership of Afghanistan in the Initiative was suspended in 2017 because of inadequate progress in 2017. Since then, the country has made "meaningful" progress in implementing the Extractive Industry Transparency Initiative standard. Information on licences, production, revenue and spending of State-owned enterprises has been made available to the public by the country.

Challenges pertaining to governance remain, particularly regarding proper use of development



resources and ensuring the rights of workers and marginalized groups. Cultural and other barriers have prevented full recognition of universally accepted human rights. More efforts must also be placed on strengthening the rule of law, improving the effectiveness of legal and regulatory frameworks and enhancing human and institutional capacity. In particular, the availability of official statistics and statistical capacity constitute an essential element of good governance as recognized in the Istanbul Programme of Action and in Principle 1 of the United Nations Fundamental Principles of Official Statistics (United Nations, 2015). This is also an area in which Asia-Pacific LDCs clearly lag other developing countries in the region. For example, their World Bank statistical capacity index scores<sup>59</sup>, which captures the availability, collection and practice of official statistics, are generally low; the index scores of all of the Asia-Pacific LDCs except Nepal were lower than the median of all developing countries in the region. Increased efforts in these areas would increase the level of resilience in these countries.

### **1.3 Summary of achievements and challenges**

Despite a number of national efforts and steps taken related to each of the eight priority areas of the Istanbul Programme of Action, challenges remain in all areas. Table 1-4 gives a summary of key achievements and challenges.

## **2. Continued and emerging vulnerabilities of Asia-Pacific least developed countries**

Despite the mixed performance of individual countries across various priority areas, Asia-Pacific LDCs, on the whole, have made progress as reflected in a high number of countries (10 of 11 remaining LDCs) already meeting graduation criteria.<sup>60</sup> However, the high level of economic and environmental vulnerability and the significant resilience gaps revealed in a number of the Programme's priority areas continue to be of serious concern for many beyond the Programme and beyond graduation. Satisfying graduation

criteria alone does not imply that a country is resilient to natural disasters or other climate change-related consequences, such as earthquakes, tsunamis, typhoons and tropical cyclones, global pandemics, and shifts in the global trade and economic landscape.

### **2.1 The COVID-19 pandemic threatens to derail socioeconomic progress made by Asia-Pacific least developed countries**

The COVID-19 pandemic is posing a serious threat to the global economy. The fallout from the crisis has hit poor countries, especially LDCs, as illustrated in chapter 2. The extent of the impact has yet to unravel, but based on available information, the pandemic is derailing progress made by LDCs over the past decade. Tackling the resultant consequences will be more challenging for LDCs as noted earlier because of their highly vulnerable conditions, limited resources and weak institutional capacities. Given the inadequacies of public health-care and social protection systems and resource bases to mitigate economic losses, the ongoing crisis could exacerbate pre-existing vulnerabilities of Asia-Pacific LDCs (ESCAP, 2020e). These countries need to implement extensive international support measures to cope with the crisis and overcome the expected consequences. More discussion on this issue is provided in the next chapter of this report.

### **2.2 Productive capacity development remains critical for sustainable graduation for Asia-Pacific least developed countries**

As already explained, low and/or stagnant investment, infrastructure gaps, lack of skilled labour and weak public sector institutions are key factors making it difficult for Asia-Pacific LDCs to boost their productive capacities. While some inroads in these areas were made during the implementation of Istanbul Programme of Action, a lot of work still needs to be done to improve their productive capacity and enable them to graduate from the least developed status.

**Table 1-4: Summary of achievements and challenges in the priority areas of the Istanbul Programme of Action**

| Priority areas and subareas                                                     | Achievements                                                                                              | Challenges                                                                                                                                                               |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(a) Productive capacity</b>                                                  | Improved overall level of productive capacities                                                           | Limited diversification and upgrading of production structures                                                                                                           |
| Infrastructure                                                                  | Significant improvement in physical access, especially to transport and ICT                               | High cost and generally low quality of services                                                                                                                          |
| Energy                                                                          | Improved access to electricity and enhanced production capacities                                         | Limited quality of electricity supply, in terms of affordability, reliability and cleanness                                                                              |
| Science, technology, and innovation                                             |                                                                                                           | Lack of a clear and consistent policy related to science, technology and innovation                                                                                      |
| Private sector development                                                      | Reduced time and cost to start businesses                                                                 | Limited access to finance, particularly for women and small- and medium-sized enterprises                                                                                |
| <b>(b) Agriculture, food security and rural development</b>                     | Significantly increased production in several countries                                                   | Limited enhancement of labour productivity and rural modernization                                                                                                       |
| <b>(c) Trade</b>                                                                | Increased shares in world exports (though the combined share did not double as targeted in the Programme) | High dependence on a single or a few products and on a small number of trade partners                                                                                    |
| <b>(d) Commodities</b>                                                          | Improved                                                                                                  | Vulnerability to price volatility and external shocks because of high commodity dependence                                                                               |
| <b>(e) Human and social development</b>                                         |                                                                                                           |                                                                                                                                                                          |
| Education and training                                                          | Increased access to secondary education                                                                   | Limited improvement in net primary education enrolment and deteriorated gender parity in school enrolment in some countries                                              |
| Population and primary health                                                   | Lower maternal and infant mortality rates and increased life expectancy                                   | Underinvestment in health-care infrastructure and health-care services                                                                                                   |
| Youth development; gender equality and empowerment of women                     |                                                                                                           | Sluggish employment opportunities, especially for young people and women; generally high gender-based barriers                                                           |
| Shelter; water and sanitation                                                   | Improved access                                                                                           | Low-service quality, such as limited access to safely managed drinking water services                                                                                    |
| Social protection                                                               | Many initiatives and policy measures introduced, especially in response to the COVID-19 pandemic          | Severely limited coverage and underinvestment                                                                                                                            |
| <b>(f) Multiple crises and other emerging challenges</b>                        |                                                                                                           |                                                                                                                                                                          |
| Economic shocks                                                                 |                                                                                                           | High external dependency and exposure; limited fiscal space                                                                                                              |
| Climate change and environmental sustainability                                 | High level of commitment and ongoing adaptation and mitigations efforts                                   | Limited financial resources and implementation capacity of national plans                                                                                                |
| Disaster risk reduction                                                         |                                                                                                           | High and increasing economic losses resulting from disasters                                                                                                             |
| <b>(g) Mobilizing financial resources for development and capacity-building</b> |                                                                                                           |                                                                                                                                                                          |
| Domestic resource mobilization                                                  | Increased tax revenue                                                                                     | High volatility of government revenue and low domestic saving                                                                                                            |
| ODA                                                                             | Increased volume disbursed                                                                                | Declining flow as a share of GNI; limited absorptive capacities                                                                                                          |
| External debt                                                                   | Low debt and debt service obligations in most countries                                                   | High level of external debt distress in some countries; increased pressures anticipated after the COVID-19 pandemic                                                      |
| FDI                                                                             |                                                                                                           | Declining net inflows as a percentage of GDP                                                                                                                             |
| Remittances                                                                     | Steady increase in personal remittances received                                                          | Uncertainty caused by the COVID-19 pandemic                                                                                                                              |
| <b>(h) Governance at all levels</b>                                             | National efforts taken to improve the quality and transparency of government services                     | Proper use of development resources and ensuring the rights of workers and marginalized groups; limited human and institutional capacity, including statistical capacity |

Source: ESCAP

## **2.3 The potential of international trade-led development remains underutilized by Asia-Pacific least developed countries**

The disappointing progress made related to trade-led development during the implementation of the Istanbul Programme of Action, in particular, failure of LDCs to double their export share by 2030, is expected to have worsened recently due to the economic perils inflicted by the COVID-19 pandemic. Thus, in the absence of a revitalized global trade regime, one important driver of economic development in LDCs, will be less effective. In the face of a sustained trade slowdown, international support measures related to trade preferences are of limited value for LDCs. Accordingly, during the post-COVID-19 economic recovery, strengthened multilateralism and enhanced regional cooperation could help improve global trade prospects from which LDCs should benefit. Promoting development through international trade must remain a priority for these countries with the assistance of the global community.

## **2.4 Loss of preferential market access can have significant implications for graduating Asia-Pacific least developed countries**

For Asia-Pacific LDCs at various stages of LDC graduation, a prominent implication could be the loss of preferential market access under LDC-specific schemes, such as the European Union Everything but Arms (EBA) initiative and the schemes offered by other developed and developing countries. The impact of losing preferential market access on a graduating country's exports depends on several factors including, among them, current export structure, export destinations, size of existing tariff preferences and the degree of preference utilisation.

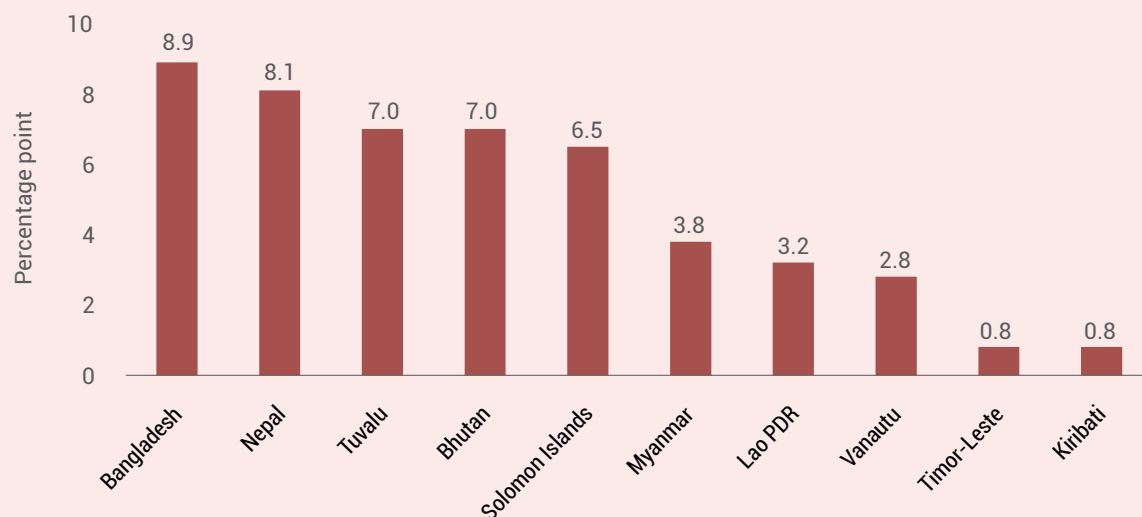
According to WTO and EIF (2020), graduating LDCs are expected to encounter a trade-weighted average tariff rise of 4.2 percentage points in

preference-granting markets. However, higher tariff increases are expected for several Asia-Pacific LDCs: 8.9 and 8.1 percentage points, respectively for Bangladesh and Nepal; 7.0 percentage points each for Bhutan and Tuvalu; and between 2.5 and approximately 4 percentage points for Vanuatu, the Lao People's Democratic Republic and Myanmar (see figure 1-11). Estimates indicated that LDC graduation will have a large impact on exports from Bangladesh (as much as a 14 per cent decline) (WTO and EIF, 2020), while the consequences for other graduating Asia-Pacific LDCs is expected to vary from sizeable to negligible (see table 1-5).

Addressing the consequences arising from loss of exports due to graduation can be difficult. In some cases, graduating LDCs can access the next best available preferential schemes. For example, the European Union's GSP+, a special incentive arrangement tied to sustainable development and good governance, is the most preferred option after losing access to the Everything but-Arms (EBA) scheme. However, access conditions may be demanding. For instance, given the current European Union provisions, Bangladesh may not be eligible for GSP+ (Razzaque and Rahman, 2019). Preference donor countries review the access conditions from time to time and graduating LDCs may need technical assistance and negotiation capacity building support to secure the best possible arrangements to facilitate a smooth transition.

Moreover, an increase in tariffs and more stringent rules of origin requirements resulting from LDC graduation puts the concerned LDCs under serious competitiveness pressure. To improve their export competitiveness and lower their cost of doing business (including cost of trading), tailored support must be extended to these countries. As graduation will also require enhancements in administrative or institutional capacity to comply with WTO rules and agreements, graduating LDCs must be provided with increased allocations of trade-related adjustment support as part of the budget for the WTO Aid for Trade initiative.

Figure 1-11: Average tariff increase faced by graduating Asia-Pacific least developed countries



Source: WTO (2020).

Note: Lao PDR stands for Lao People's Democratic Republic

Table 1-5: Potential export shocks arising from least developed country graduation

| Exporter                         | Initial exports<br>(million US\$) | Estimated export loss<br>after graduation<br>(million US\$) | Loss of exports<br>as percentage<br>of initial exports |
|----------------------------------|-----------------------------------|-------------------------------------------------------------|--------------------------------------------------------|
| Bangladesh                       | 37 634                            | 5 372                                                       | 14.28%                                                 |
| Bhutan                           | 296                               | 4                                                           | 1.44%                                                  |
| Bhutan                           | 634                               | 634                                                         | 634                                                    |
| East Timor                       | 123                               | 0                                                           | 0.03%                                                  |
| Kiribati                         | 154                               | 0                                                           | 0.19%                                                  |
| Lao People's Democratic Republic | 4 582                             | 66                                                          | 1.45%                                                  |
| Myanmar                          | 13 028                            | 499                                                         | 3.83%                                                  |
| Nepal                            | 813                               | 20                                                          | 2.48%                                                  |
| Solomon Islands                  | 826                               | 34                                                          | 4.16%                                                  |
| Tuvalu                           | 59                                | 0                                                           | 0.01%                                                  |
| Vanuatu                          | 294                               | 1                                                           | 0.29%                                                  |
| <b>Total</b>                     | <b>57 808</b>                     | <b>5 998</b>                                                | <b>10.38%</b>                                          |

Source: WTO (2020)

## 2.5 Climate change-related vulnerabilities can hamper sustainable graduation

As already noted, Asia-Pacific LDCs are among the most vulnerable countries to climate change. According to the Global Climate Index 2020, which analyses the extent to which countries have been affected by the impacts of weather-related loss events, such as storms, floods, and heat waves, Myanmar was the second most climate risk-affected country in the world over the past two decades 1999–2018; Bangladesh was ranked sixth and Nepal was ranked ninth. Furthermore, climate change poses existential threats to Pacific small island developing States. It is widely recognized that climate change is occurring more rapidly than anticipated, which, in turn, may result in sudden changes in the economic prospects of the risk-affected countries. Accordingly, LDCs, including graduating and graduated countries, need to build their resilience. To do this, international support measures are needed on a long-term basis.

Notwithstanding their efforts to cut greenhouse gas emissions and increase climate resilience, Asia-Pacific LDCs require further technical and financial assistance to build their capacity to become resilient and sustainable. These countries' access to climate finance remains limited. Many funds have been established for adaptation and mitigation of climate-related vulnerabilities, however some of them remain underfunded. Accessing these funds are complex and time consuming. LDCs can access the Least Developed Country Fund, which supports programme under the United Nations Framework Convention on Climate Change (UNFCCC), including the preparation and implementation of national adaptation programmes of action. Each LDC is eligible to access up to \$50 million cumulative funds from the Fund.<sup>61</sup> Given the significant requirements to build resilience to climate shocks and to implement adaptation measures, the \$50 million ceiling is clearly inadequate. The Green Climate Fund is dedicated to help developing countries reduce their greenhouse gas emissions and enhance their ability to respond to climate change. This Fund gives LDCs and small island developing

States special priority in the allocation of funds. As of March 2020, 30 per cent of the disbursements of the Green Climate Fund were allocated to LDCs.<sup>62</sup> While graduated LDCs can continue to access the Fund, graduating LDCs that are not small island developing States can no longer benefit from this priority. In addition, graduated LDCs can access the Special Climate Change Fund to formulate and implement national adaptation plans. However, despite these options, financing from all funds for LDCs and graduated LDCs falls far short of their estimated requirements<sup>63</sup> (see section 1.2(f) for the estimated requirements to achieve climate change targets in the Asia-Pacific LDCs).

The international community can also play a vital role in fighting climate change through the promotion of public-private partnerships (PPPs) for such activities as building climate-resilient infrastructure. PPPs have already been proven to be effective in mobilizing funds to create resiliency in agriculture and extending long-term economic and ecological benefits in India, the Russian Federation and Thailand (Norton Rose Fulbright, 2019). To promote PPPs among the Asia-Pacific LDCs, which tend to have low adaptation rates, a more conducive environment for PPPs need to be ensured by establishing an efficient ecosystem in a country (Almeida and others, 2020). In this context, Asia-Pacific LDCs can benefit from already established regional dialogue platforms, such as the Infrastructure Financing and PPP Network of Asia and the Pacific and the Asia Infrastructure Forum, to showcase infrastructure knowledge and know-how, and also strengthen partnerships.

## 2.6 Inadequate financial resources indicates that investment in critical areas are lacking

Inadequate mobilization of financial resources from domestic and external sources seriously limits the capacity of LDC to invest in wide-ranging areas to meet the Sustainable Development Goals. Due to the low tax-to-GDP ratio, most LDC governments lack the necessary fiscal space to finance, for example, large-scale physical infrastructure projects and at the same



time improve health-care facilities and raise social protection spending. Many LDCs have prioritized physical infrastructural development to boost economic growth. However, in the wake of COVID-19 crisis, the deficit in health and social sectors, accumulated over many years, has become obvious.

During the implementation period of the Istanbul Programme of Action, external financial flows to Asia-Pacific LDCs as a group increased in absolute terms, but the support remained far less than what was needed. Graduation from LDC status is, however, unlikely to be a major concern for ODA prospects as development partners do not consider this to be a key determinant in providing aid. Instead, patterns and trends in aid allocation suggest that recipient countries' historical and bilateral relationships with donors, and country-specific situations, such as civil wars and unrest, natural disasters and refugee crises, are important determinants of aid inflows. Between 2011 and 2019, of the top ten ODA recipient countries globally, only five belonged to the group of LDCs, and less than one third of total ODA was disbursed to LDCs.<sup>64</sup> Mobilizing resources for LDCs/graduating LDCs could face a heightened challenge in the aftermath of the global pandemic, which has severely affected economic situations in donor countries.

## Conclusion

Despite progress made by Asia-Pacific LDCs, their overall development dynamics appear to provide a paradoxical context. These countries have managed to satisfy the graduation thresholds, but their general economic situations often do not adequately reflect the robustness and sustainability of the development progress. This is reflected in the frequent deferments of graduation schedules for eligible countries.

As the harsh socioeconomic impacts of the COVID-19 pandemic have devastated global economies with severe economic costs set to unfold, progress made by the LDCs over the past decade and their sustainability requires further assessment. Financial

support to all LDCs remains low compared to their needs, and disbursements are slow – even for climate change. Given the unprecedented nature of the crisis and unsettling global trade and economic environments, the implications for graduating LDCs must be given careful consideration.

Given the potentially large number of graduating LDCs from the region, it is important to duly appreciate the challenges these countries face. In the absence of significant productive capacity development and no sign of a structural transformation, continued support from development partners is necessary to ensure a smooth transition. The limited productive capacity remains a critical challenge, especially for the small island States and landlocked countries. Significant investment is required for skill development training, supply-side and trade capacity-building, infrastructure development and technological adaption in the LDCs.

Despite supply-side constraints, several Asia-Pacific LDCs have expanded their export base by taking advantage of the duty-free preferential market access devised for LDCs. For these LDCs, preference erosion, resulting from a rise in tariffs rise and more stringent rules of origin following graduation, could lead to significant competitiveness pressure. For other LDCs with a low rate of utilization of LDC-specific trade preferences, graduation may not significantly affect the applied tariff rate, it mirrors the fact that support measures granted to them by the international community, particularly preferential market access, did not help them increase their participation in international trade and diversity their exports.

Overall, the Asia-Pacific region is at a critical juncture, with most of its LDCs graduating during the next decade-long programme of action period. Experiences of LDCs in the region can serve as valuable insights for other LDCs – all but two of which are in sub-Saharan Africa. However, the priority for the global community is to help facilitate a sustainable graduation through an enhanced and extended international support measures for graduating LDCs.

Chapter

# 02

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## The COVID-19 pandemic and the Asia-Pacific least developed countries: impacts, challenges and policy gaps

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## Introduction

The effects of the COVID-19 pandemic on the global economy have resulted in the most severe economic and social crisis since the Great Depression.<sup>65</sup> Although the incidence of cases and mortality due to the pandemic has been relatively limited among the Asia-Pacific LDCs, with most of the Pacific countries being almost virus-free,<sup>66</sup> these countries have still suffered significant adverse economic and social consequences. Years of development gains may have been lost and their prospects for graduation and smooth transition from the LDC category as well as for realizing the Sustainable Development Goals are less likely. In fact, the COVID-19 pandemic has complicated the development challenges faced by the Asia-Pacific LDCs, exposed policy and capacity gaps, and introduced a new set of challenges.

As the virus became a global pandemic, the effects of it began to weigh on Asia-Pacific LDCs through multiple channels, resulting in, for example, reductions in economic growth, loss in productive capacity, widespread unemployment, sharp contractions in international trade, cancellation of export orders, slowing in the flow of external development resources, and almost a complete halt in travel and tourism. These countries have struggled on multiple fronts to cope with these adverse impacts. Within these countries, the most vulnerable groups appear to have been hit the hardest, widening existing gaps and economic and social disparities. New uncertainties have also been added to the preparations for graduation and effort aimed at achieving the Sustainable Development Goals. The COVID-19 pandemic is an unprecedented shock to human development (UNDP, 2020).

In this chapter, the impacts of the pandemic on the Asia-Pacific LDCs are evaluated and the corresponding key challenges and policy gaps that these countries face are outlined. The chapter is divided into three sections. After the introduction, section 1 includes an analysis of the immediate and near-term economic impacts of the pandemic. In section 2, the immediate and near-term social impacts is reviewed with a special focus on the poor and vulnerable groups.

Government stimulus responses in mitigating the economic and social impacts are also briefly highlighted. Section 3 covers the impacts on countries' prospects for graduation and smooth transition from the LDC category as well as their prospects for achieving the Sustainable Development Goals by 2030.

## 1. Widespread economic disruptions exposed and exacerbated vulnerabilities

### 1.1 Weak initial conditions have made least developed countries vulnerable to the COVID-19 pandemic

The COVID-19 pandemic quickly developed into a multidimensional crisis among the Asia-Pacific LDCs because of their high external dependence and low levels of resilience, as highlighted in chapter 1. Their low resilience has been amplified time and again, for example, during the Global Financial and Economic Crisis of 2008 and the commodity price shocks of 2014–2015 as well as by natural disasters, such as cyclones, floods, and earthquakes. Each of these crises have inflicted significant economic and social costs on the Asia-Pacific LDCs, often undoing their economic progress by years.

Table 2-1 shows Asia-Pacific LDCs' weak economic foundations and fragile social and physical infrastructure, which have made them less resilient to deal with such a crisis as the COVID-19 pandemic. Per capita gross national income ranged from \$530 in Afghanistan to \$5,620 in Tuvalu in 2019. Although the Asia-Pacific LDCs have been successful in reducing income poverty as a percentage of total population, poverty headcount ratios are still high, particularly in the countries with large populations (see discussions in section 2.1). Moreover, available data for nine countries indicate that government expenditure on education as a percentage of GDP is low; the weighted average is only 1.9 per cent, significantly below the average of other Asia-Pacific developing countries (3.8 per cent). Similarly, current health expenditure is among

**Table 2-1: Selected indicators of initial socioeconomic conditions of Asia-Pacific least developed countries**

| Country Name                                              | GNI per capita (2019) | Poverty rate (estimates for 2018) | Government expenditure on: |                                     |                                        | Number of physicians (2018) | Access to:                                   |                                      |                          |                          |
|-----------------------------------------------------------|-----------------------|-----------------------------------|----------------------------|-------------------------------------|----------------------------------------|-----------------------------|----------------------------------------------|--------------------------------------|--------------------------|--------------------------|
|                                                           |                       |                                   | Education (2019)           | Social protection (2018)            | Health (2018)                          |                             | Internet (2019)                              | Safely managed drinking water (2017) | Basic sanitation (2018)  | Electricity (2018)       |
|                                                           |                       |                                   | Percentage of GDP          | Percentage of GDP, excluding health | Percentage of GDP, current expenditure |                             | Proportion of individuals using the Internet | Percentage of population             | Percentage of population | Percentage of population |
| Afghanistan                                               | 530                   | ...                               | 4.1                        | 1.8                                 | 0.5                                    | 0.3                         | 11.4                                         | ...                                  | 43.4                     | 98.7                     |
| Bangladesh                                                | 1 940                 | 40.5                              | 1.3                        | 0.7                                 | 0.4                                    | 0.6                         | 12.9                                         | 55.4                                 | 48.2                     | 85.2                     |
| Bhutan                                                    | 3 140                 | 7.9                               | 6.9                        | 1.0                                 | 2.4                                    | 0.4                         | 41.8                                         | 36.2                                 | 69.3                     | 100.0                    |
| Cambodia                                                  | 1 530                 | ...                               | 2.2                        | 0.9                                 | 1.3                                    | 0.2                         | 40.5                                         | 25.8                                 | 59.2                     | 91.6                     |
| Kiribati                                                  | 3 350                 | 31.4                              | ...                        | 10.8                                | 9.3                                    | 0.2                         | 14.6                                         | ...                                  | 100.0                    | 100.0                    |
| Lao People's Democratic Republic                          | 2 570                 | 36.0                              | 2.9                        | 0.7                                 | 0.9                                    | 0.4                         | 25.5                                         | 16.1                                 | 74.5                     | 97.9                     |
| Myanmar                                                   | 1 390                 | 16.0                              | 1.9                        | 0.8                                 | 0.7                                    | 0.7                         | 23.6                                         | ...                                  | 64.3                     | 66.3                     |
| Nepal                                                     | 1 090                 | 33.6                              | 5.1                        | 2.1                                 | 1.5                                    | 0.7                         | 21.4                                         | 27.2                                 | 62.1                     | 93.9                     |
| Solomon Islands                                           | 2 390                 | 57.6                              | ...                        | 0.7                                 | 3.5                                    | 0.2                         | 11.9                                         | ...                                  | 33.5                     | 66.7                     |
| Timor-Leste                                               | 2 020                 | 70.2                              | 6.8                        | 8.0                                 | 2.6                                    | 0.7                         | 27.5                                         | ...                                  | 53.5                     | 85.6                     |
| Tuvalu                                                    | 5 620                 | 10.3                              | ...                        | ...                                 | 15.2                                   | ...                         | 49.3                                         | ...                                  | 84.1                     | 100.0                    |
| Vanuatu                                                   | 3 210                 | 41.0                              | 4.5                        | 1.7                                 | 2.1                                    | 0.2                         | 25.7                                         | 44.1                                 | 34.1                     | 62.8                     |
| <b>Asia-Pacific LDCs</b>                                  | <b>1 592</b>          | <b>34.5</b>                       | <b>1.9</b>                 | <b>0.9</b>                          | <b>0.6</b>                             | <b>0.5</b>                  | <b>17.3</b>                                  | <b>48.1</b>                          | <b>53.0</b>              | <b>84.9</b>              |
| <b>Other developing countries of Asia and the Pacific</b> | <b>6 378</b>          |                                   | <b>4.0</b>                 | <b>6.3</b>                          | <b>2.7</b>                             | <b>1.5</b>                  | <b>43.0</b>                                  | <b>61.6</b>                          | <b>75.3</b>              | <b>96.2</b>              |

Source: ESCAP based on data from World Bank, World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](https://databank.worldbank.org/source/world-development-indicators) (accessed 1 February 2021)); WHO/UNICEF Joint Monitoring Programme ([data.unicef.org](https://data.unicef.org) (accessed 25 February 2021)); ILO, World Social Protection Data Dashboards ([www.social-protection.org/gimi/WSPDB.action?id=32](https://www.social-protection.org/gimi/WSPDB.action?id=32) (accessed 24 March 2021)); International Telecommunication Union (ITU), World Telecommunication/ICT Indicators Database ([www.itu.int/pub/D-IND-WTID.OL-2020](https://www.itu.int/pub/D-IND-WTID.OL-2020) (accessed 18 March 2021)); and estimates from World Bank, PovcalNet database ([iresearch.worldbank.org/PovcalNet/home.aspx](https://research.worldbank.org/PovcalNet/home.aspx) (accessed 1 February 2021)).

Notes: Data reported are for years indicated in respective data labels or for latest available years. Aggregate (population-weighted) values are reported for country groups. The Atlas method, a method used by the World Bank to estimate GNI, smoothens exchange rate fluctuations by using a three-year moving average. For more details, see [datahelpdesk.worldbank.org/knowledgebase/articles/378832-what-is-the-world-bank-atlas-method](https://datahelpdesk.worldbank.org/knowledgebase/articles/378832-what-is-the-world-bank-atlas-method). PPP stands for purchasing power parity.

the lowest in the region with a weighted average of 0.6 per cent compared to a weighted average of 2.7 per cent for other Asia-Pacific developing countries. The number of physicians per 1,000 people was less than one in all LDCs in the region in 2018. Internet use as a percentage of population, although increasing, remains low in

most of the LDCs, indicating a widening digital divide within the LDCs as well as across other countries of the region (see discussions in section 1.2(a) of chapter 1), which has seriously affected their resilience and capacity to withstand the adverse impacts of the pandemic.

#### Box 2-1: Travel and tourism come to a halt

Globally, the World Tourism Organization (UNWTO) estimates that international arrivals declined by 74 per cent in 2020, which is equivalent to a loss of \$1.3 trillion in international tourism receipts. This may translate into an estimated economic loss of more than \$2 trillion in global GDP, more than 2 per cent of the world's GDP in 2019. In Asia and the Pacific, there was an 84 per cent decrease in arrivals over the period January–October 2020 (UNWTO, 2021) as most of the Asia-Pacific LDCs imposed travel bans, and recorded sharp drops in tourist arrivals (see figure A).

Figure A: International tourist arrivals and earnings



Source: UNWTO (2021).

Note: Year-to-day percentage changes from the same period in 2019 to 2020 are reported. Lao PDR stands for Lao People's Democratic Republic.

Consequently, many travel and tourism-related businesses have been shut or are operating under capacity. A significant number of workers connected with the tourism and travel industry have either been laid off, furloughed or lost their jobs permanently. This may be particularly worrying for Pacific LDCs, given their high level of dependency on tourism. In Vanuatu, for example, tourism earnings accounts for approximately 30 per cent of GDP and the number of tourism employees constitutes more than 30 per cent of total employment. Unemployment figures are likely to be staggering, as close to 40 per cent of the country's formal workforce is expected to be out of a job, with even greater impacts on the informal sector (Sen and Kenny, 2020).<sup>67</sup>

## 1.2 Collapse of economic growth

Asia-Pacific LDCs, as a group, have suffered multiple supply and demand shocks, on the back of the collapse in the global economic growth caused by the pandemic. For instance, as shown in box 2-1, travel bans have resulted in a sharp drop in tourist arrivals and earnings, consequently leading to a complete meltdown in the tourism industry.

Asia-Pacific LDCs as a group, has suffered steep declines in their growth performance (see table 2-2). Before the pandemic, their economies were expanding at a weighted average rate of 7.2 per cent in 2019. The growth rate has since been estimated to have declined to 3.0 per cent in 2020, representing a significant loss in their growth momentum. In comparison, estimates indicate that the growth performance of all developing countries in the region is likely to have fallen from a weighted average of 4.2 per cent in 2019 to an estimated rate of -1.0 per cent in 2020, indicating that the impacts on economic growth are equally large for LDCs and other developing countries. It should be noted that this decline is steep even though the number of COVID-19 cases reported in LDCs had been relatively low (see section 2.3 for more information on the number of reported cases).

Global economic growth is expected to rebound in 2021, assuming the pandemic is brought under control. For Asia-Pacific LDCs, there is a risk that pre-pandemic growth levels will not be reached anytime soon due to the pandemic's severe impact on their growth momentum. These countries' undiversified economic base and fragile resilience are factors that will impede their growth potential.

Stable economic growth and slow and limited economic transformation in terms of shifts in sectoral shares of GDP achieved by several Asia-Pacific LDCs during the last decade have been put to a serious test. Some of these countries, such as Bangladesh, Bhutan, Cambodia and Myanmar, were on the verge of achieving some limited but encouraging structural transformation as the share of agriculture in GDP was beginning to fall. However,

**Table 2-2: Gross domestic product: growth rates in Asia-Pacific least developed countries**

| LDCs                                     | 2018       | 2019       | 2020        |
|------------------------------------------|------------|------------|-------------|
| Afghanistan                              | -1.7       | 3.0        | -3.8        |
| Bangladesh                               | 7.9        | 8.2        | 5.2         |
| Bhutan                                   | 5.8        | 5.3        | 0.4         |
| Cambodia                                 | 7.5        | 7.1        | -1.4        |
| Kiribati                                 | 2.3        | 2.4        | 0.6         |
| Lao People's Democratic Republic         | 6.2        | 4.7        | -0.6        |
| Myanmar                                  | 6.2        | 6.9        | 1.8         |
| Nepal                                    | 6.7        | 7.0        | 2.3         |
| Solomon Islands                          | 3.9        | 1.2        | -5.6        |
| Timor-Leste                              | 2.8        | 3.1        | -6.8        |
| Tuvalu                                   | 7.0        | 6.3        | 0.8         |
| Vanuatu                                  | 3.2        | 2.8        | -9.8        |
| <b>Asia-Pacific LDCs</b>                 | <b>6.7</b> | <b>7.2</b> | <b>3.0</b>  |
| <b>Asia-Pacific developing countries</b> | <b>5.3</b> | <b>4.2</b> | <b>-1.0</b> |

Source: ESCAP ESCAP (2021c) and ESCAP Asia-Pacific SDG Gateway ([data.unescap.org/](https://data.unescap.org/) (accessed 10 March 2021)).

Notes: Weighted averages are reported for country groups.

the pandemic has contributed a new uncertainty to this transformation. A good part of their economic base in terms of output, income and employment has been lost and it will take a significantly long time, if at all, for these economies to recover and return to their pre-COVID-19 growth trajectory.

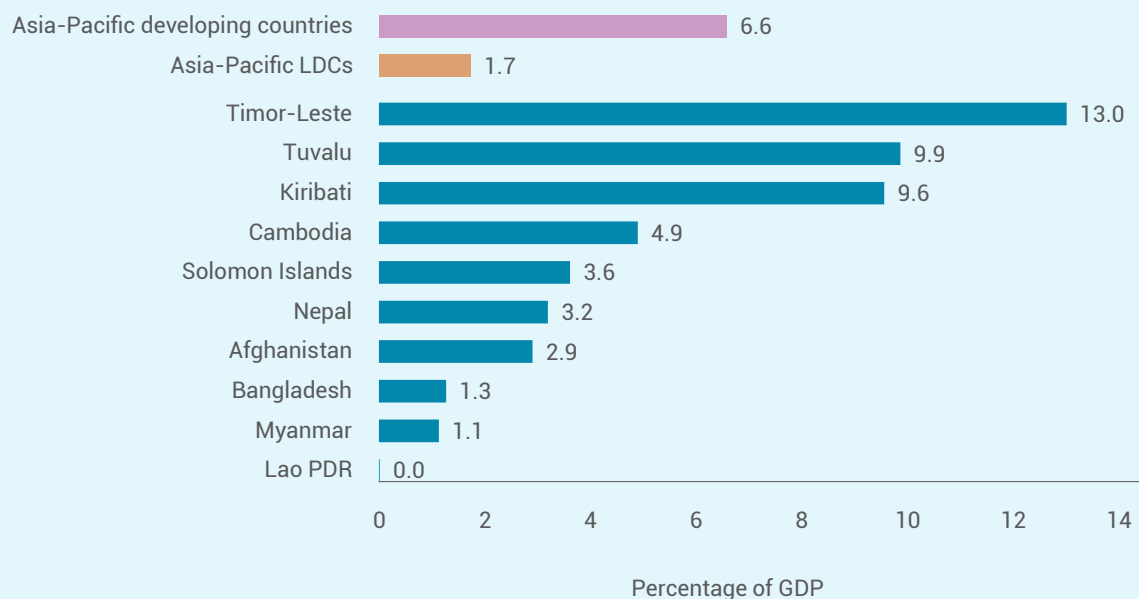
To mitigate the economic impacts of the pandemic, Asia-Pacific LDCs have responded with stimulus packages (see box 2-2). They have allotted 1.7 per cent of their aggregate GDP to stimulus packages since the onset of the pandemic until December 2020 (see figure 2-1). This, however, is significantly lower than the average of 6.6 per cent of GDP for all developing countries in the region, an indication of their limited fiscal space to respond to the crisis.

Although no definitive information is available from Asia-Pacific LDCs, lack of effective targeting of stimulus packages and weak institutional capacity may have constrained the impacts of these measures, particularly in alleviating the sufferings of the poor, laid-off workers, and other vulnerable groups, such as women, young people, the elderly and persons living with disabilities. A World Bank phone survey

suggests that public social assistance in the early months of the COVID-19 pandemic was highly inadequate in most countries, with the number of surveyed households that benefited from the assistance ranging from 70 per cent in Indonesia and Mongolia to an overall average of only 20 per cent (Sánchez-Páramo and Narayan, 2020). As per ESCAP estimates (ESCAP, 2020d), Bangladesh and Bhutan require stimulus packages of 11 and 9 per cent of their respective GDPs to mitigate the socioeconomic impacts of the pandemic.

These stimulus packages, though small compared to the packages offered by other developing countries, may put additional pressure on the already weak fiscal balance of the Asia-Pacific LDCs. Tax revenue as a percentage of GDP in these countries is generally low, as discussed in section 1.2(g) of chapter 1. It is feared that

Figure 2-1: Stimulus package in a percentage of gross domestic product



Source: ESCAP based on Lee (2020); data from IMF, Database of Fiscal Monitor Database of Country, Fiscal measures in response to the COVID-19 pandemic ([www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19](http://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19) (accessed 1 February 2021)).

Notes: Figures are preliminary estimates of the International Monetary Fund (IMF) as of December 2020 and may differ from the size of the stimulus packages reported in national statistics. These estimates focus on government discretionary measures that supplement existing automatic stabilizers. GDP-weighted averages are reported for country groups. Lao PDR stands for Lao People's Democratic Republic.

government deficits as a percentage of GDP are estimated to have increased significantly in 2020 in the Asia-Pacific LDCs, except for Cambodia and Timor-Leste (see figure 2-2). Debt relief support extended by IMF to Afghanistan, Nepal and Solomon Islands underscores the seriousness of government budget deficits in these countries. Bangladesh has decided to hold 25 per cent of its budgetary allocation for development projects and has sought budget support from donors.<sup>68</sup> Reduction in growth, widespread business closures and growing unemployment are feared to have put additional pressure on governments'

fiscal space. Trade disruptions have also put an additional pressure on government revenue as duties and surcharges, which constitute an important source of government revenue, has declined.

Some positive news for Asia-Pacific LDCs is the extension of funding and other types of support from development partners, including United Nations organizations and specialized agencies, multilateral financial institutions, bilateral agencies and regional organizations, to implement these stimulus packages and cushion the economic and social impacts (see section 1.6 for details).

#### Box 2-2: Selected stimulus packages introduced by the Asia-Pacific least developed countries

Vanuatu has launched a stimulus package of 4400 million vatu (VT) (\$40.6 million), targeting education, employment, and businesses and reduced the policy rate by 65 basis points from 2.9 per cent to 2.25 per cent. Tuvalu has introduced a package of 10.5 million Australian dollars (\$) (\$7.6 million), targeting mainly health, social assistance, and the private sector. Timor-Leste declared a state of emergency on 28 March 2020 and introduced a stimulus package of \$150 million. The stimulus package of Solomon Islands amounted 319 million Solomon island dollars (SI\$) (\$40 million), and covered the provision of social assistance to households, payroll support, capital grants to businesses, and fast-tracking planned infrastructure investment. The Central Bank of Solomon Islands also reduced the cash reserve requirements to inject liquidity support.

Nepal launched a refinance fund of 60 million Nepalese rupee (Nr) (\$500,000) and made contributions to the COVID-19 Relief Fund tax free. Nepal Rastra Bank lowered its cash reserve ratio to 3 per cent from 4 per cent and cut interest rate from 6 to 5 percent. Myanmar formulated the COVID-19 Economic Relief Plan, containing seven goals, 10 strategies, 36 action plans and 76 actions, as part of its emergency fiscal and monetary response. It launched an initial stimulus package of 100 billion Myanmar kyats (K) (\$70 million) and announced tax relief for businesses. The Government also drafted the Myanmar Economic Resilience And Reform Plan to extend its efforts in recovery and relief.

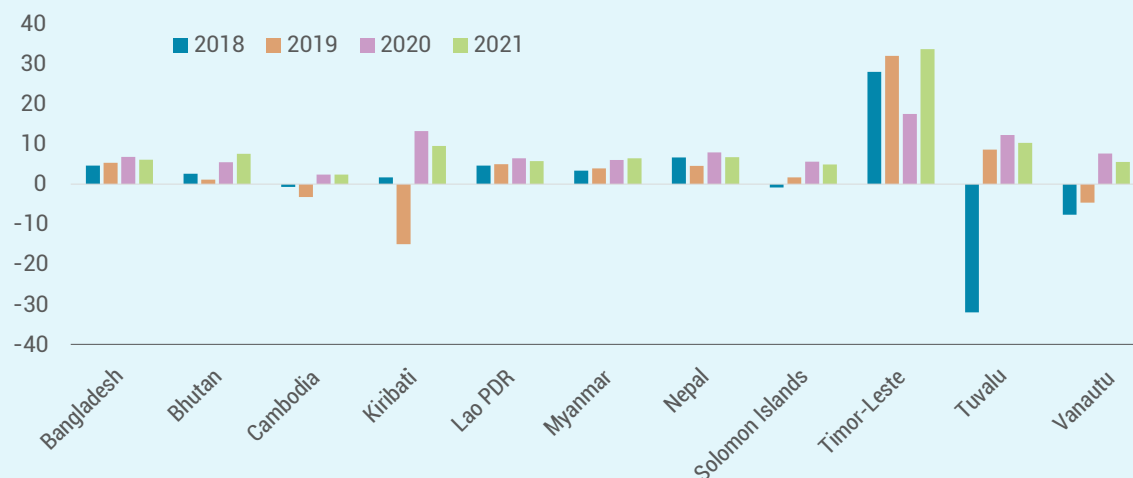
The Lao People's Democratic Republic launched an initial package of about \$11 million to target prevention and control of the pandemic. Cambodia put aside between \$800 million to \$2 billion in the forms of tax breaks, delayed tax payments and support measure for the business sector. Bhutan allocated 30 billion Bhutan ngultrum (Nu) (\$408 million) and declared its intention to formulate plans to fast track implementation of its twelfth Five Year Plan with a focus on tourism, agriculture, and infrastructure.

Bangladesh introduced an initial emergency health investment package of \$30 million, followed by a series of relief measures totalling 1.03 trillion Bangladesh taka (\$12 billion). Bangladesh took specific measures to tackle COVID-19, including extending health insurance and life insurance and cash incentive to its frontline workers, and the recruitment of more doctors and nurses. It has also provided cash aid to five million household to enhance agriculture production and curb supply chain disruption (ESCAP).

Afghanistan extended tax filing deadlines, strengthened monitoring of early signs of liquidity stress, and suspended the administrative penalties and fees of the Da Afghanistan Bank and froze loan classifications.

*Sources:* Extracted from ESCAP, Policy Responses to COVID-19 in Asia and the Pacific. Available at ([unescap.org/covid19/policy-responses](https://unescap.org/covid19/policy-responses) (accessed on 7 November 2020)), and IMF, policy responses to COVID-19, Bangladesh (<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> (accessed 28 February 2021)).

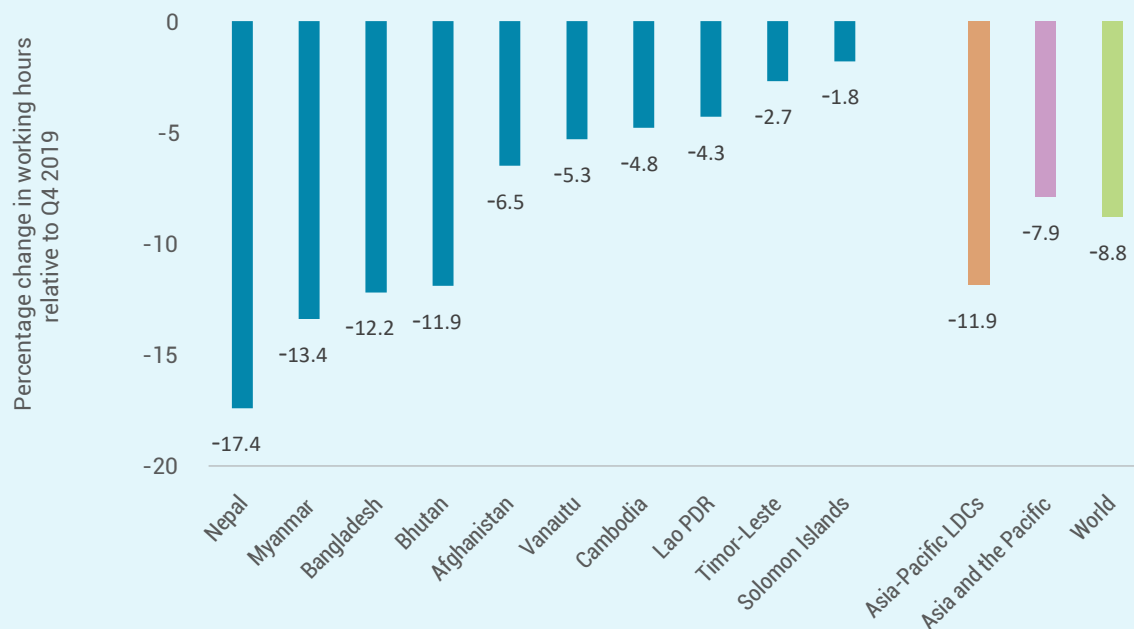
Figure 2-2: Government deficit as a percentage of gross domestic product



Source: ESCAP based on data from IMF World Economic Outlook Database, October 2020. (<http://www.imf.org/en/Publications/WEO/weo-database/2020/October> (accessed 1 February 2021)).

Note: Lao PDR stands for Lao People's Democratic Republic.

Figure 2-3: Working-hour losses in 2020



Source: ESCAP based on data from ILO Stat ([ilostat.ilo.org/data/](http://ilostat.ilo.org/data/) (accessed 25 March 2021)).

Notes: Percentage changes in working hours relative to 2019 Q4 are reported. Lao PDR stands for Lao People's Democratic Republic.



### 1.3 Widespread job losses and a sharp fall in incomes

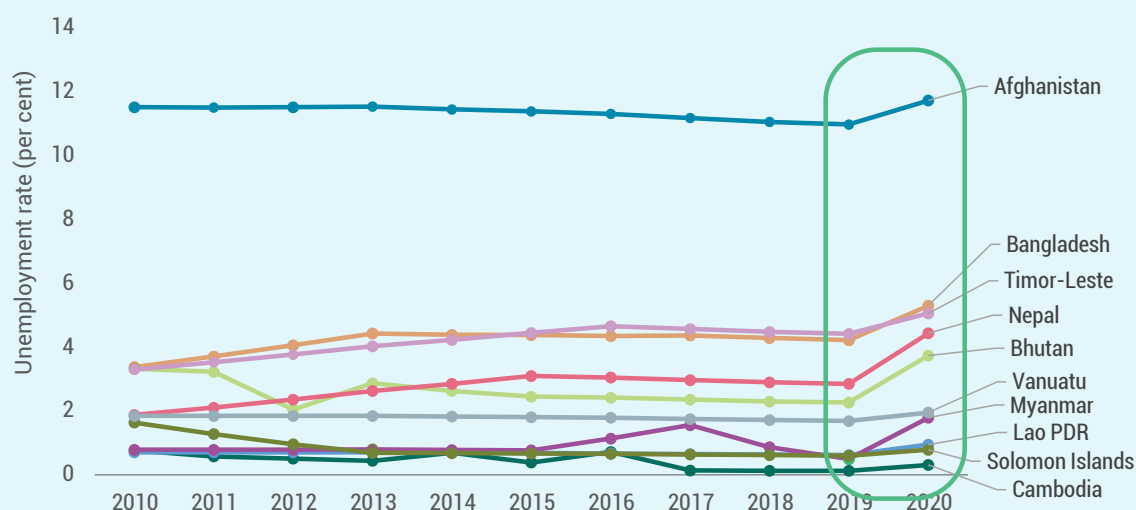
Because of the pandemic, many workers, in particular those in the informal sector, have lost their jobs. According to International Labour Organization (ILO) estimates, Asia-Pacific LDCs have lost 11.9 per cent of the total working hours due to the pandemic in 2020, with populous countries, such as Bangladesh, Myanmar and Nepal, being the most affected (see figure 2-3). This is equivalent to full-time job losses of 17.7 million in the Asia-Pacific LDCs. Given the limited size of the stimulus packages introduced by these countries and multiple waves of infections and economic shutdowns, it is unlikely that labour market conditions will return to pre-pandemic levels in 2021.<sup>69</sup>

As the COVID-19 virus spread in the Asia-Pacific LDCs, one of the first measures adopted by the governments was to lock down their economies and impose restrictions on movements of goods

and people. These measures have caused widespread job losses, particularly in the services sector, such as tourism, civil aviation, retail and hospitality industry. Agricultural jobs were also lost following the restrictions on mobility. ILO estimates that more than 80 per cent of all workers in the region's LDCs encountered some form of workplace closure by 30 July 2020 (Parisotto and Elsheikhi, 2020). Consequently, unemployment rates, which had remained almost constant since 2010, increased in 2020 in many of them (see figure 2-4).

In the Asia-Pacific LDCs, the most vulnerable to economic shocks are the workers in the informal sector who, on average, constitute more than 80 per cent of total workforce; in Bangladesh and Cambodia, informal employment reportedly accounts for more than 90 per cent of the labour force (see figure 2-5). Many of these workers are engaged in very fragile and seasonal employment, such as petty trading, construction work and on-farm agricultural activities.

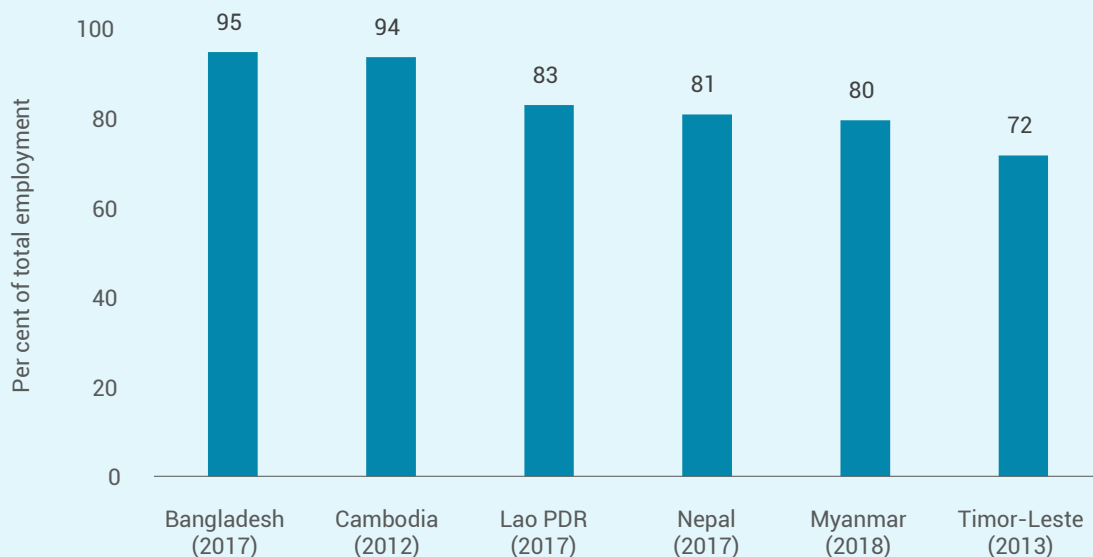
Figure 2-4: Unemployment rate, 2010–2020



Source: World Bank, World Development Indicators database. ([databank.worldbank.org/source/world-development-indicators](https://databank.worldbank.org/source/world-development-indicators) (accessed 22 March 2021)).

Notes: Data are the modelled estimates by International Labour Organization. Lao PDR stands for Lao People's Democratic Republic.

Figure 2-5: Informal employment in total employment (percentage of total employment)



Source: ESCAP Asia-Pacific SDG Gateway (data.unescap.org (accessed 25 March 2021)).

Notes: Latest available years are shown in brackets. Lao PDR stands for Lao People's Democratic Republic.

The absence of a robust social protection system in the Asia-Pacific LDCs has aggravated the adverse impacts of job losses resulting from the pandemic (see section 1.2(e) of chapter 1). It has also exacerbated their vulnerabilities across all dimensions of development. To preserve the benefits of sustainable economic growth and poverty eradication and promote social stability, Asia-Pacific LDCs need to create robust social protection systems. Such systems can take various forms, including cash transfers, public work programmes and unemployment benefits, all aimed at protecting the poor and supporting growth, employment and broader economic resilience. Social protection systems also act as strong stabilizers during economic recessions and help boost the resilience of the poor and other vulnerable groups.

Because of the predominant informal sector, the proportion of the unemployed population covered by social protection is almost non-existent in most of the Asia-Pacific LDCs. Even in the formal

sector of the economy, social protection is limited to pension benefits and provident funds for those employed primarily in the public sector. That too is not universal. Limited institutional capacity has constrained the coverage of social protection systems, creating multiple challenges in reaching the poor and other vulnerable groups. Another key factor impeding the development of a robust social protection system is the limited fiscal resources of the Asia-Pacific LDCs.

Consequently, when the pandemic hit the Asia-Pacific LDCs, a vast number of unemployed found themselves without any social protection, pushing many into abject poverty. LDC Governments tried to narrow the gap by extending wage and employment support, including cash transfers, to provide temporary relief from the impacts of the pandemic. Table 2-3 provides selected examples of government support to vulnerable groups, including returned migrant workers, in that regard.

**Table 2-3: Governments wage and employment support to vulnerable groups**

| Country                                 | Support provided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Afghanistan</b>                      | About 21 billion afghanis (Af) (\$272 million) (1.4 per cent of GDP) will be allocated for a short-term employment programme for processing and storage facilities for agriculture commodities that producers have been unable to export, building industrial parks, purchases of additional hospital beds, and bread distribution to the vulnerable households. Afghanistan has allocated Af1.7 billion to a wheat purchase programme, Af2.8 billion to a bread distribution programme, Af6.2 billion for a health package, Af1 billion for short-term job creation, and a World Bank-supported Af20.8 billion for social distribution programme.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Bangladesh</b>                       | <p>Launched a series of fiscal measures including increased allocation to an open market sale programme to facilitate the purchase of rice. On 31 March 2020, the Government announced a Tk50 stimulus package for export industries at a 2 per cent interest rate as workers' salary support. It has launched a housing scheme for the homeless amounting to Tk 21.3 billion and allocated Tk 15 billion for the poor who faced job losses from the pandemic. Higher allocations for health, agriculture and social safety nets have been included in the FY21 budget. A Tk 12 billion cash assistance programme has been announced for disadvantaged elderly people, widows and female divorcees.</p> <p>Offered temporary interest free loans to protect employment and pay wages and allowances for businesses that export 80 per cent of their products. Bangladesh Bank has launched a refinance facility amounting to Tk 80 million for low-income groups, farmers, marginalized groups and small businesses to protect employment and income.</p> <p>Created an emergency support fund for the returning immigrant workers and allocated approximately \$25 million to be lent to returning migrants and their families. A returnee database has also been established.</p> |
| <b>Bhutan</b>                           | Announced a national resilience fund for mitigating COVID-19- linked job losses and salary cuts, which included grant support to individuals directly affected by the pandemic and full interest waiver on loans contracted between April 2020 and March 2021. Various measures have been adopted in support of migrant workers, including repatriation flights to bring back migrant workers.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Cambodia</b>                         | <p>Introduced a scheme under which a 60 per cent wage support would be provided to furloughed workers. 20 per cent of minimum wage would be paid to laid-off workers in the hospitality industry. Social assistance of nearly \$400 million is being disbursed, including \$300 million monthly cash transfer programme for poor and vulnerable groups and \$100 million for a work programme.</p> <p>Measures targeting poorer households have been unscaled, especially because of the extent of informal work and returned migrant workers. Another \$64 million has been allocated for wage subsidies and a skill training programme for employees furloughed in the garments and tourism industries. A cash relief programme for poor and vulnerable families was extended to March 2021.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Kiribati</b>                         | Grants for unemployed including seafarers, fisheries, fruit pickers, and workers in construction and tourism industry. A package amounting to \$A15.5 million was launched, including \$A2.6 million as unemployment support.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Lao People's Democratic Republic</b> | Income tax has been exempted for civil servants and employees of the private sector with income less than five million Lao kip (KN) (\$530) for three months (from April to June 2020). Employees earning above this threshold have had the first KN five million exempted and have been taxed at the progressive rates of 10 to 15 per cent. The Government has agreed to an allowance of KN 500,000 per worker who currently participate in the Social Security Scheme. Terminated workers are eligible for unemployment allowance as allowed by the Social Security Law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Myanmar</b>                          | On 12 June 2020, an order of the Office of the President granted further tax relief on additional salary and wage expenses. In-kind and cash transfers to the most vulnerable population amounting to K404 billion. Allocated some K550 billion as interest-free loans to public servants. The Social Security Board plans to pay 40 per cent of the salary to insured workers. Measures have been taken to repatriate migrant workers who have been provided with necessary shelter, health care, and other facilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

**Table 2-3: Governments wage and employment support to vulnerable groups (continued)**

| Country         | Support provided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nepal           | <p>Social assistance measures to be strengthened by providing daily food rations to the most vulnerable, subsidizing utility bills for low-usage customers and partially compensating those workers in the informal sector who have lost their jobs and wages. The Government provided emergency consular support for bringing back migrant workers, and quarantine and isolation centres have been established.</p> <p>Programme to provide employment in public works projects for informal sector workers who lost their jobs due to the crisis with payment of 25 per cent of daily lost wages to workers that participate in these projects. Expanded existing child grant to an additional 11 districts, bringing the total to 25.</p> |
| Solomon Islands | Announced a COVID-19 economic stimulus package of SI\$319 million, financed by donors and the Government. Under the initiative, social assistance is provided to vulnerable households and firms and to facilitate economic recovery, including payroll support for non-essential public servants, and employment support for women and youth.                                                                                                                                                                                                                                                                                                                                                                                               |
| Timor-Leste     | Financial and economic support has been provided to promote employment creation, encourage local production of food, and improve financing to the private sector in rural areas.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Tuvalu          | The Vanuatu National Provident Fund offered interest-free hardship loans for up to VT100,000 from a member's account for six months.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Vanuatu         | The Vanuatu National Provident Fund offered interest-free hardship loans for up to VT100,000 from a member's account for six months.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

Source: ESCAP, Policy responses to COVID-19 in Asia and the Pacific ([unescap.org/covid19/policy-responses](https://unescap.org/covid19/policy-responses) (accessed 10 December 2020)); IMF, Policy responses to COVID-19 ([www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19](https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19) (accessed 28 February 2021)); ESCAP, United Nations Network on Migration, Voluntary GCM Review, various countries; [www.unescap.org/intergovernmental-meetings/asia-pacific-regional-review-implementation-global-compact-safe-orderly](https://www.unescap.org/intergovernmental-meetings/asia-pacific-regional-review-implementation-global-compact-safe-orderly); and ESCAP/GCM/2021/CRP.1.

### 1.4 Productive capacity in nascent manufacturing and small business confronted with fresh turmoil

The COVID-19 pandemic has seriously affected the manufacturing capacity of the region's LDC, particularly segments that rely heavily on global value chains, exports and FDI. Although quite limited, many of the region's LDCs gained some manufacturing capacity in recent years. Bangladesh was gradually diversifying its manufacturing base away from ready-made garments and had made some inroads in manufacturing and exporting jute products, pharmaceuticals, finished leather goods, ship-building and agro-processing. Cambodia was rapidly gaining access to the global clothing market. The Lao People's Democratic Republic had focused on small and medium-scale agro-processing and had invested heavily in its

special economic zones to attract FDI. Myanmar carried out a series of economic reforms with a promising start in attracting FDI in exports of manufactured goods, and parts and components. All these transformational gains have come under threat, particularly as key trading partners continue to remain under economic stress in the wake of fresh surges in the pandemic.

Large-scale job losses in their manufacturing could lead to deskilling of the labour force and excess capacity in the nascent manufacturing sector, thereby eroding their productive capacity. Although it is too early to determine, there are indications that some of them have become exposed to increased risk of losing their traditional developed country markets<sup>70</sup> as a result of the COVID-19 crisis. Their micro, small and medium-sized enterprises have also been hit hard. Most of these entities operate in the

**Table 2-4: Support extended to private sector, including the small- and medium-sized enterprise sector: selected examples**

| Country                                 | Support provided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Afghanistan</b>                      | Deferred taxes for all individuals and businesses for two months until 20 May 2020. Extended filing deadlines on March 20 for individual and business taxpayers to 3 April 2020, later extended it to 5 July 2020.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Bangladesh</b>                       | Introduced a second stimulus package entirely for the SME sector amounting to Tk200 billion. Another package amounting to Tk15 billion has been announced for the micro and cottage entrepreneurs. Ministry of Finance is subsidizing interest payments on working capital loans of up to Tk600 billion (provided by banks to affected businesses. Another package of Tk20 billion 6 in interest payment on behalf of 13.8 million loan recipients adversely affected by the pandemic.                                                                                                                                                                                                                                                          |
| <b>Bhutan</b>                           | Several measures have been introduced, including deferral of tax payment, exemption and refund, loan support, deferral of loan repayment and other fiscal supports. An economic contingency plan has been launched aimed at helping sectors, such as tourism, agriculture, Build Bhutan and higher level of capital outlay to frontload and accelerate activities under the twelfth.                                                                                                                                                                                                                                                                                                                                                            |
| <b>Cambodia</b>                         | Tax exemption package for hotels, guesthouses, restaurants, and travel agencies for three months starting in March 2020. Tax relief measures amounting to \$200 million have been introduced. Extended loan to support some 500 SMEs. Allocated \$600 million as low-interest loans to specialized banks. Packages amounting to \$50 million to SMEs in manufacturing and \$500 million for SMEs in the agricultural sector have been launched. Government extended until March 2021 (a) allowance subsidy for garment and tourism sectors; and (b) tax exemption for tourism and aviation sector.                                                                                                                                              |
| <b>Kiribati</b>                         | Grants and subsidies are expected for businesses and state-owned enterprises. As part of a larger package, country launched a \$A4.5 million private business stimulus programme, and a \$A5.2 million package for State-owned enterprise support.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Lao People's Democratic Republic</b> | Exemptions include profit tax for microenterprises with annual income between KN50 million to 400 million for three months, duty free imports of goods for taming the outbreak, deferring tax collection from tourism related businesses, and postponement of contributions to social security by affected businesses. The Bank of the Lao People's Democratic Republic has allocated KN200 billion as low interest loans for the SMEs, and preparations are underway to allocate KN1,800 billion as low interest loans for post-COVID-19 economic and business recovery.<br><br>The Cabinet endorsed a ten-measure economic stimulus package, which includes the establishment of a task force to address the economic impact of the pandemic. |
| <b>Myanmar</b>                          | Deferment of income and commercial tax, exemption of the 2 per cent advance income tax on exports, waiver of specific goods tax, customs duty and commercial tax on medical supplies and products needed to mitigate the pandemic, and exemption of fees for renewal of licences of hotels and tourism businesses. Established the COVID-19 Fund to extend loans to affected businesses particularly for the garment, tourism, and SMEs. K600 billion for loans to farmers.                                                                                                                                                                                                                                                                     |
| <b>Nepal</b>                            | Loans repayable by individuals and businesses in mid-April can be postponed to mid-July and repaid in monthly or quarterly instalments. No interest charged for this period and deferred repayments are not classified as non-performing loans. Working capital loans and the repayment schedule of the amount due during the lockdown to be extended up to 60 days. Lending programme established for cottage industries, SMEs and businesses in the tourism sector. Job creation programme in labour-intensive construction sector, and workers' training in manufacturing and services sector.                                                                                                                                               |
| <b>Solomon Islands</b>                  | The stimulus package includes tax and utility relief to affected businesses in specific sectors, subsidies for copra and cocoa, capital grants to businesses, additional equity in government-owned businesses, and supporting planned infrastructure investment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Timor-Leste</b>                      | Extended access of microenterprises affected by the pandemic to the Credit Guarantee Scheme                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Tuvalu</b>                           | Allocated an additional \$4.9 million to meet expenses, including those related to improving broadband for Internet connectivity and a grant of \$330,000 to members of the private sector affected by the pandemic.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Vanuatu</b>                          | Announced plans to implement a fiscal package amounting to more than VN 4 billion, which included deferred and cancelled taxes, licence fees and charges for businesses in 2020 amounting to VN796 million, a monthly subsidy of VN30,000 for each employee from his/her employer for four months under the Employment Stabilization Payment, SMES with a turnover of less than VN200 million to receive the value of their licence fees amounting to approximately VN400 million, and a commodity support grant to the producers of copra, kava, cocoa and coffee.                                                                                                                                                                             |

Source: ESCAP, Policy responses to COVID-19 in Asia and the Pacific ([unescap.org/covid19/policy-responses](https://unescap.org/covid19/policy-responses) (accessed 10 December 2020)); IMF, Policy responses to COVID-19 ([www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19](https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19) (accessed 28 February 2021)).

Note: SME stands for small- and medium-sized enterprise.

informal sector, employing significant number of workers and supplying goods and services at prices that low-income households can afford. Many of these businesses may fail to reopen even after the pandemic comes to an end. Many of the region's LDCs have responded to this by adopting support measures for the private sector and other businesses (see table 2-4).

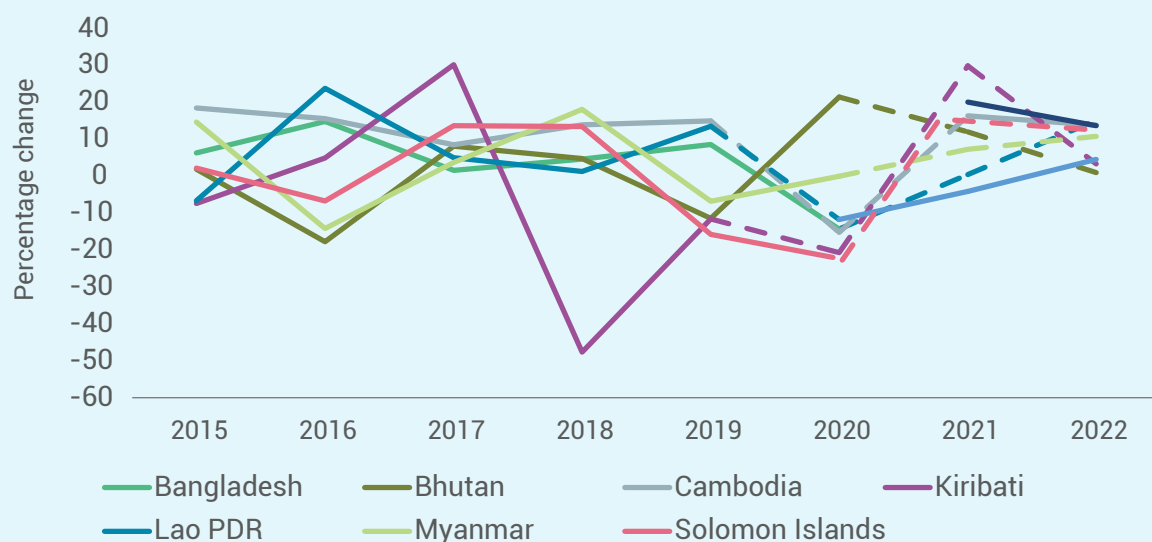
### 1.5 Exports and imports declined significantly

The value of exports of LDCs declined by 1.6 per cent in 2019, more than the global decline of 1.2 per cent (WTO, 2020). For 2020, the decline in exports of LDCs is expected to be greater than for other groups of countries. Asia-Pacific LDCs is not an exception to this global trend (figure 2-6). During the second and third quarters of 2020,

exports from the Asia-Pacific LDCs dropped much more significantly (by 17.7 per cent from the previous year), as compared with 6.3 per cent for developing countries in the region (by an average of 6.3 per cent) and the world total, which fell to 13.3 per cent.<sup>71</sup> It appears that some of the main export and import destination markets of the Asia-Pacific LDCs, such as India, France, Germany, the Netherlands, Spain and the United States, were among the most severely affected countries by the pandemic, leading to a sharp decline in demand for merchandise exports from several LDCs in the region. Trade costs are likely to have gone up significantly.

As highlighted in chapter 1, the share of LDC trade in global trade has been insignificant. Export of merchandise goods constitute a small share of their GDP. Exports from the region's LDCs are not diversified and are sent to small number of

Figure 2-6: Volume of export of goods (percentage change)



Source: IMF, World Economic Outlook Database, October 2020 ([www.imf.org/en/Publications/WEO/weo-database/2020/October](http://www.imf.org/en/Publications/WEO/weo-database/2020/October) (accessed 1 February 2021)).

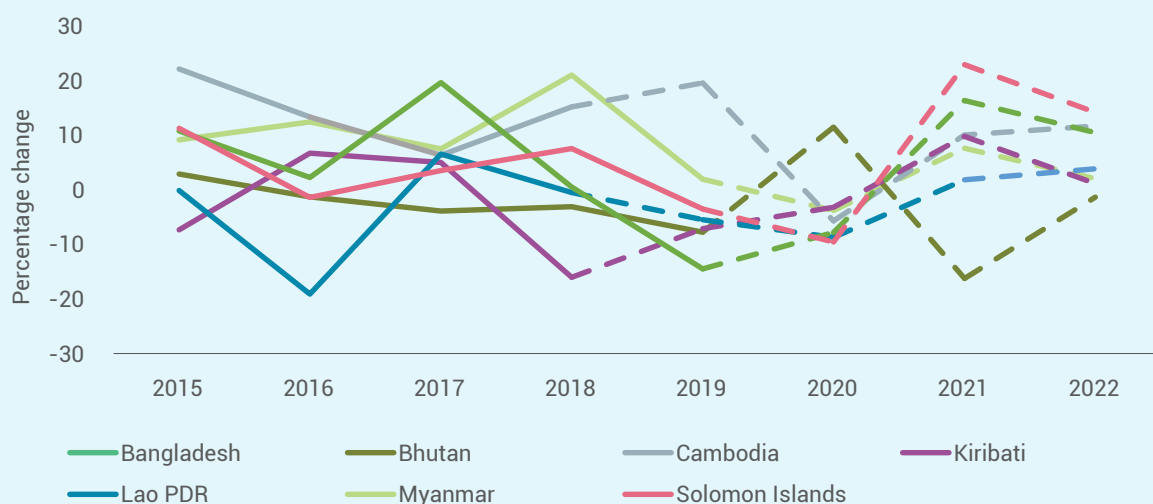
Notes: Data estimates, presented with the dash lines, start after 2019 for Bangladesh, Bhutan, Myanmar and Solomon Islands, and after 2018 for Cambodia, Kiribati and the Lao People's Democratic Republic. The volatility associated with Bhutan is largely explained by the fluctuation in its energy sector. Lao PDR stands for Lao People's Democratic Republic.

destination markets, making them extremely vulnerable to external and internal shocks. As global export demand collapsed and regional and global supply chains broke down, access to vital industrial raw materials, parts, and components was also severely curtailed. Border closures and restrictions on exports and imports had led to supply shortages of critical inputs. Accordingly, both external demand shocks and domestic COVID-19 responses have affected the export-oriented manufacturing particularly hard.

Low-cost labour-intensive manufacturing exports, such as ready-made garments, leather goods and processed food and agricultural items are expected to have fallen the most as a result of the pandemic. Bangladesh (ADB, n.d.) and Cambodia (ADB, 2020a) have been hit by severe disruptions in their textile and ready-made garments sector, initially due to factory closures and a slump in export demand. Importers have cancelled orders from both these countries (see box 2.3 for examples). Bangladesh earned \$34 billion from ready-made garments exports in the 2018–2019

fiscal year, accounting for 84 per cent of total exports (ADB, n.d.). It is now realizing a recovery in the sector aided by government support and an uptick in export demand from the United States and the European Union after an initial setback in the first quarter of 2020. Bangladesh and Cambodia faced fresh challenges as a second wave hit these markets. A drop in export prices and rising production costs have squeezed profit margins, further compounding the difficulties faced by the sector. Demand for manufactures from Nepal, such as carpets and cashmere, has dropped significantly, particularly as tourist arrivals stalled. Meanwhile, the economy of Myanmar was affected by a sharp decline in tourist arrivals, supply chain disruptions for its garments manufacturing, and losses made by small- and medium-sized enterprises.<sup>72</sup> Commodity prices fell as international demand shrunk, affecting Timor-Leste, as its export earnings declined in line with reduced demand for oil. Imports have also decreased significantly (see figure 2.7). Available data indicate that, with the exception of Bhutan, the six other LDCs shown

Figure 2-7: Volume of import of goods (per cent change)



Source: IMF, World Economic Outlook Database, October 2020 ([www.imf.org/en/Publications/WEO/weo-database/2020/October](http://www.imf.org/en/Publications/WEO/weo-database/2020/October)).

Notes: Data estimates, presented with the dash lines, start after 2019 for Bangladesh, Bhutan, Myanmar, and Solomon Islands, and after 2018 for Cambodia, Kiribati and the Lao People's Democratic Republic. Lao PDR stands for Lao People's Democratic Republic



in the figure have severely reduced their imports, indicating weak domestic demand.

Several trade measures have been implemented by the LDCs to cope with the adverse impacts of the COVID-19 pandemic. The following are some examples of the steps taken:

- Bangladesh has waived import duty and taxes on certain medical items required to fight the virus and the value added tax (VAT) to facilitate domestic production of personal protective equipment. The Export Development Fund was increased to \$5 billion and the lending rate was reduced to 2 per cent along with the relaxing of the refinancing limit.
- Myanmar has waived specific goods tax on the import of medical supplies and products needed to cope with the pandemic.
- Nepal has imposed bans on the export of medicines, masks and sanitizers, and exempted customs duty on the import of relief and medical items.<sup>73</sup>

- Several LDCs also have strived to accept electronic rather than paper trade documents to keep trade flowing while minimizing physical contact between parties (ESCAP, 2021e).

## 1.6 External financial flows slowed down

External financial flows in the form of FDI, remittances and ODA, which played a crucial role in the development process of the LDCs, have become somewhat uncertain since the advent of the pandemic.

### (a) Foreign direct investment and remittances becoming increasingly uncertain

Owing to the global pandemic, prospects for FDI are increasingly uncertain. Although as a percentage of GDP, FDI in some Asia-Pacific LDCs has trended higher in recent years, but it has declined as a result of the pandemic. For instance, the FDI to Bangladesh was \$720 million for the period July to October 2020, a reduction of 31 per cent from the same period in 2019 (bdnews24.com, 2020).

#### Box 2-3: Widespread cancellation of orders

Exporters from Asia-Pacific LDCs are facing the growing challenge of dealing with cancellations of export orders. Bangladesh is confronted with being highly dependent on a few products, such as ready-made garments, which accounts for more than 84 per cent of exports, and limited export markets, such as the European Union and the United States with little possibility of finding alternative markets for those products in the domestic market.

Buyers from the European Union and United States, including Primark, the budget fashion chain, have cancelled approximately \$1 billion worth of garment orders from Bangladesh. All told, estimates indicate that export orders worth \$3 billion were either cancelled or suspended by global garment retailers and brands because of the pandemic and that orders have been cancelled from 347 Bangladeshi garment factories. These cancellations have forced companies to impose extensive furloughs and dismiss factory workers, often without pay and severance. Globally, labour groups and unions have sought government assistance to mitigate the impacts that are adversely affecting 60 million workers in apparel supply chains.

Shrimp exports from Bangladesh have also been badly hit. For example, 290 export orders worth \$54,000 were cancelled in a span of a month. Following the massive cancellation of the orders, the fish exporting companies stopped buying fish from the shrimp cultivators. This puts at risk livelihoods of more than 500,000 people involved in cultivating fish in 90 per cent of their agricultural lands. Cancellation of export orders also have been rife in Nepal, especially in the handicrafts sector for which the European Union and the United States are major markets. Amounting to approximately \$165 million, the cancellations have left exporters with unsold inventory and extensive bank loans. The country's handicraft sector provides direct and indirect employment to more than 1.1 million people.

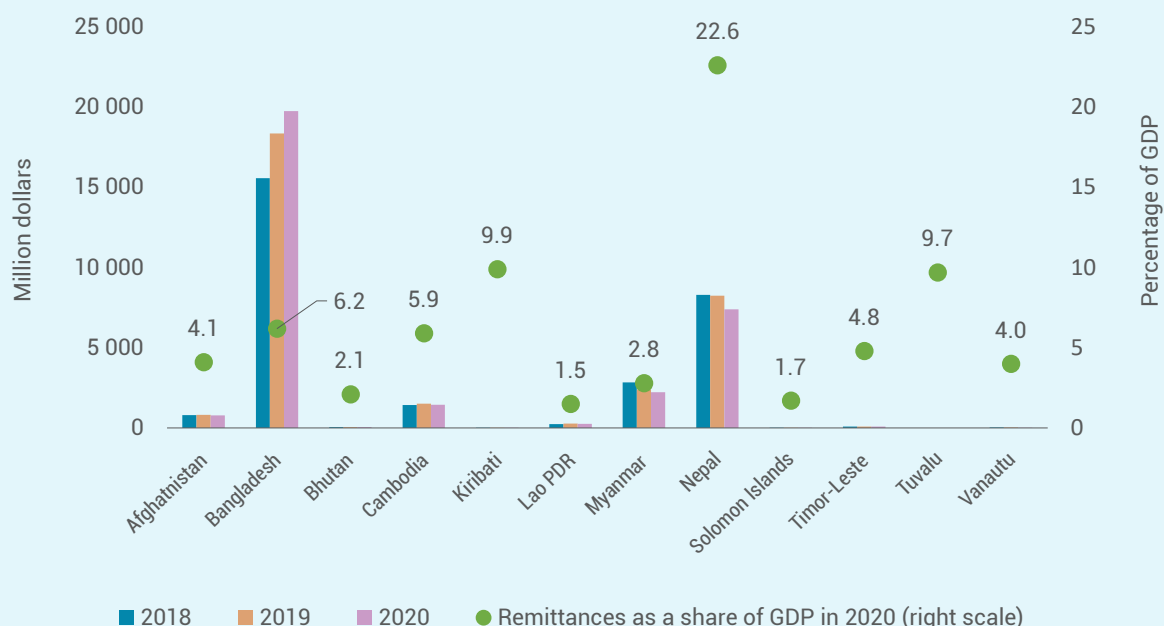
Source: : ESCAP (2020d).

Worryingly, estimates indicate that remittances to Asia-Pacific LDCs (except Bangladesh) also fell in 2020 and projections point to a 14 per cent decline in global remittance flows by 2021 (compared to 2019) (Rotha and others, 2020). These resources are critical to supporting households in the Asia-Pacific LDCs and account for a large share of GDP, ranging from 1.5 per cent for the Lao People's Democratic Republic to 22.6 per cent for Nepal (see figure 2-8). In Bangladesh, however, remittances increased by 8 per cent in the third quarter of 2020, possibly because of unprecedented floods and loss of income in rural households. Uncertainty tied to remittance flows is likely to persist due to demand and supply shocks, which will add to the economic and social hardships of countless households, particularly the rural poor households.

## (b) Official development assistance flows have entered uncharted territory

Cash transfer programmes and employment generation schemes funded by ODA and other external development financing sources are critical in alleviating poverty as well as to facilitate the inclusion of marginalized and vulnerable groups in the development process in Asia-Pacific LDCs. ODA is also vitally important for infrastructure development and for building trade capacity, critical components in boosting productive capacity and social and economic resilience. The COVID-19 pandemic has created additional demand for grants and concessional loans among Asia-Pacific LDCs to meet the increase in government expenses required to cover, for example, the provision of social services for the poor.

Figure 2-8: Remittance inflows to Asia-Pacific least developed countries



Source: World Bank, migration and remittances data, October 2020 ([www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data](http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data) (accessed 12 November 2020)).

Notes: Remittance inflows are reported both in current US dollars and as a percentage of GDP. Data for 2020 are estimated by the source. Lao PDR stands for Lao People's Democratic Republic.

Unfortunately, the pandemic has disrupted the implementation of projects and programmes in the region's LDCs funded by ODA and other external development financing, which will likely further slow their effort to achieve economic and social transformation. Proper and timely utilization of ODA in many LDCs is often hampered by institutional weakness and insufficient human capacity. The pandemic is compounding those challenges. Many infrastructure projects have already been postponed<sup>74</sup>, while the volume of unutilized grants and concessional loans awaiting administrative approval is expected to increase sharply, potentially resulting in detrimental impacts on growth and sustainable development in the long run.

When reviewing the effects of the pandemic, here is, however, some good news to report, such as the launching of several international initiatives to assist LDCs and other developing countries in mitigating the adverse impacts. Below are examples of some of these initiatives:

- Under the debt service suspension initiative for the poorest countries, the G20 Finance Ministers announced that principal repayments and interest payments is suspended from 1 May 2020 to June 2021. Three Asia-Pacific LDCs, Afghanistan, Myanmar and Nepal, have participated in this initiative as of 16 March 2021, securing a total estimated saving of \$861 million (World Bank, 2021). If all Asia-Pacific LDCs participate in the initiative, potential debt service savings could total \$2.9 billion. Several other countries, such as Afghanistan, Kiribati and the Lao People's Democratic Republic, were already displaying signs of debt distress prior to the pandemic when they were identified as experiencing "high debt distress" (see also Section 1.2(g) of Chapter 1).
- The World Bank Group is extending financial assistance of up to \$160 billion to developing countries, including to Asia-Pacific LDCs. The assistance includes (a) \$14 billion in fast-track financing to support COVID-19 emergency response and health systems preparedness projects, (b) \$12 billion for the purchase and distribution of COVID-19 vaccines and (c) redeployment of resources in existing World

Bank financed projects (World Bank, 2021b). The Asia-Pacific LDCs are benefiting from these emergency support operations; the approved amount totals \$3 billion, of which \$1.7 billion has been allocated to Afghanistan.

- The International Monetary Fund has extended financial assistance of more than \$100 billion, of which \$2.3 billion was given to five Asia-Pacific LDCs — Afghanistan, Bangladesh, Myanmar, Nepal and Solomon Islands — mostly through its Rapid Credit Facility and Rapid Financing Instrument (IMF, 2021).
- The Asian Development Bank (ADB) announced an assistance package of \$20.3 billion to fight the pandemic, which includes \$2.5 billion in grants and concessional loans (ADB, 2020b). All the Asia-Pacific LDCs are benefiting from this package, receiving a total estimated amount of \$1.7 billion.<sup>75</sup> ADB has also launched a \$9 billion vaccine initiative whose objective is to help countries access and distribute COVID-19 vaccines (ADB, 2020d).

## 2. Social impacts have compounded other threats

Social impacts of the COVID-19 pandemic have compounded existing vulnerabilities, leading to increased poverty rates. It is also feared that the pandemic has widened existing inequalities, particularly those related to gender and social groups, disrupted health and education systems, affecting access to safe drinking water and sanitation, and contributed to heightened food insecurity. Lack of a robust social protection system in most of the LDCs has aggravated the impacts of the pandemic.

As discussed earlier, the pandemic has exposed some serious gaps in social protection systems set up by the region's LDCs. Workers in the informal sector are particularly at risk, as they most likely do not have social insurance nor access to social assistance. Absence of a robust social protection system have intensified the adverse impact of COVID-19 on poverty and hunger (United Nations, 2020a).

Although social protection measures have already been taken to mitigate the adverse impact of the pandemic in the Asia-Pacific LDCs, more are needed. Large increases in investments are needed to fund child and maternal benefits schemes, pension schemes, disability benefits, and unemployment benefits. Instead of ad hoc and uncoordinated responses, these countries need to implement robust and comprehensive social insurance programmes that work counter-cyclically and mitigate vulnerability to future shocks.

## 2.1 Rise in poverty and inequality

Gains made in alleviating poverty and inequality could be erased in the region's LDCs as a result of the pandemic. Extreme poverty, based on the \$1.90-a-day international poverty line, is expected to have fallen below 8 per cent in Asia-Pacific LDCs in 2020, but then rise in 2021. ESCAP projections indicate that 3.4 million people could fall below the \$1.90-a-day poverty line and 10.7 million below the \$3.20 poverty line in 2021 (Tateno and Zoundi, 2021).

Least developed countries with medium to large populations, such as Afghanistan, Bangladesh, Cambodia, Myanmar and Nepal, that have not implemented robust social protection measures are particularly vulnerable to this expected increase in poverty. The above estimates suggest that for Bangladesh, the LDC with the largest number of people living below income poverty, the number could rise by more than six million at the \$3.20-a-day poverty line (Tateno and Zoundi, 2021). In other LDCs, particularly those with a larger share of agriculture in GDP, such as Afghanistan, Myanmar and Nepal, a significant proportion of their population could continue to remain below the income poverty threshold.

Globally, multidimensional poverty could also rise in developing countries (World Bank, 2020). In Asia and the Pacific, there were 640 million multidimensionally poor people. This figure is likely to have doubled by the onset of the pandemic (ESCAP, 2021a). LDCs are no exception to the regional trend. Prior to the pandemic, multidimensional poverty headcount in the latest

reporting year was already high, averaging 35.1 per cent. By country, it was 55.9 per cent in Afghanistan, 24.6 per cent in Bangladesh, 37.2 per cent in Cambodia, 19.8 per cent in Kiribati, 23.1 per cent in the Lao People's Democratic Republic, 38.3 per cent in Myanmar, 34.0 per cent in Nepal, and 45.8 per cent in Timor-Leste (UNDP, 2020).

The COVID-19 pandemic affects the various social groups differently and possibly has increased existing economic and social inequalities and disparities due to the fact that the virus "super imposed on a world with wide and growing inequalities in human development" (UNDP, 2020). As already noted, elderly women, girls, young people, and persons living with disabilities are among the groups hardest hit by the COVID-19. Prolonged lockdowns have increased the isolation and vulnerability of the elderly, in particular those with underlying health conditions. Many of them cannot access their regular medical needs and services, putting them at greater risks. These groups have also been disproportionately affected by their inability to access public assistance introduced in the wake of the crisis.

Another effect of COVID-19 pandemic is that it has increased household responsibilities for women and girls, as most members of the household remain confined at home. Girls from poor and vulnerable households in some countries are facing the threat of household poverty, forcing them to quit attending school to enter the workplace or get married. The United Nations Population Fund (UNFPA) estimates that the effects of the pandemic will result in an additional 13 million child marriages globally by 2030 (UNFPA, 2020). As already noted, the large within country inequalities could be further exacerbated by the COVID-19 pandemic. Employment opportunities for the bottom 40 per cent generated by growth and access to basic services, such as health, education, safe drinking water and sanitation facilities have been the primary drivers of reducing income inequality between different income and social groups within countries (United Nations, 2020d). Another important channel for reducing income inequality has been inward remittances from workers overseas to their families back home. Gains made in reducing

income equalities are seriously threatened by the pandemic. The decline in remittances and fiscal pressure faced by government is making it increasingly difficult to deliver basic services to the poor and vulnerable households.

As explained earlier, the region's LDCs have adopted several policy measures and introduced financial packages to ease the burden on the private sector and the unemployed workers as well as social relief packages, targeting the poor and vulnerable groups. Some examples are as follows:

- Afghanistan has introduced draft budget amendments to allocate a total of 2 per cent of GDP for the pandemic-related spending with one third of it directed to health.
- Afghanistan has also launched a social relief

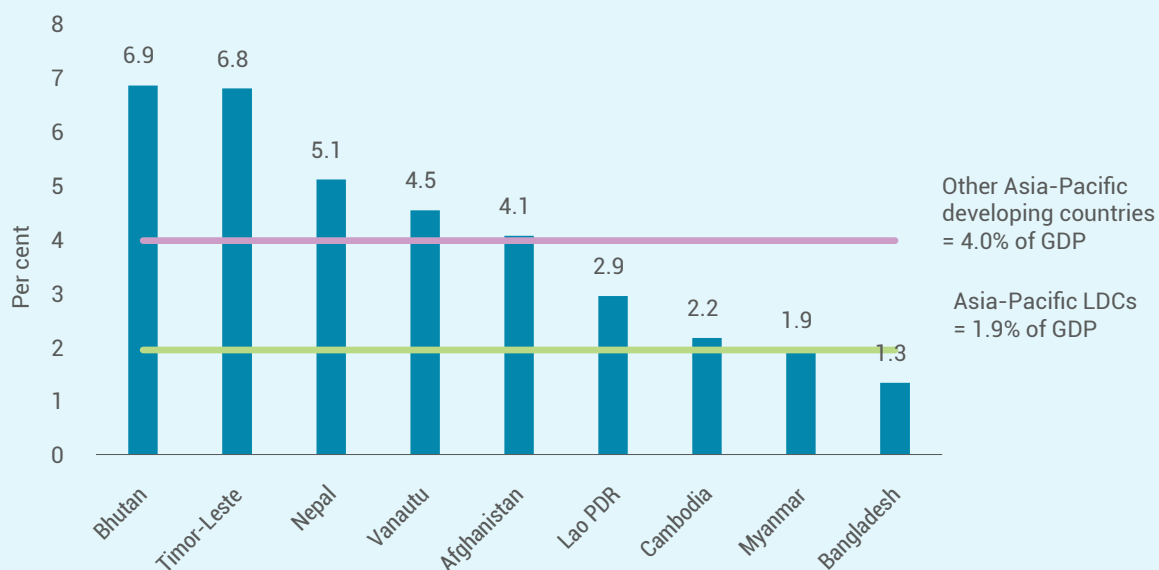
package of cash transfers or in-kind assistance to vulnerable groups and supplied wheat to internally displaced persons and wage earners.

- Bangladesh has increased its cash transfer coverage from 15 million people to 38.9 million people and ramped up its food assistance under the Special Open Market Sales Operation and Food Friendly Programme.

## 2.2 Education takes a back seat

Education systems have been severely disrupted by the pandemic in the region's LDCs. Schools have been shut and remote learning has become the only option. Lack of technological capability, including underdeveloped digital connectivity and inability of many households to buy access to ICT have seriously constrained the options available for remote learning in these

Figure 2-9: Public expenditure on education



Source: World Bank, World Development Indicators database (<https://databank.worldbank.org/source/world-development-indicators> (accessed 10 February 2021)).

Notes: Data are for 2019 or latest year available. Lao PDR stands for Lao People's Democratic Republic.

countries. In addition, there is a lack of personnel, teachers and educators trained in handling and operating digital technologies. School closures have led to children missing school meals, which has had a serious impact on child nutrition and increased stunting. Prolonged school closures are also likely to erode the human capital of young people. All in all, the pandemic may adversely affect school enrolment, literacy rates and future job prospects for young people.

Government expenditure on education has been consistently low among the Asia-Pacific LDCs. In fact, the weighted average of Asia-Pacific LDCs expenditure on education of only 1.9 per cent of GDP is significantly below the weighted average of 4.0 per cent of GDP spent by other Asia-Pacific developing countries (see figure 2-9). The weighted averages of Bangladesh, Cambodia, the Lao People's Democratic Republic and Myanmar,

notably, Cambodia and the Lao People's Democratic Republic fall below the average of other Asia-Pacific developing countries. These low rates are worrying because they indicate that these countries have minimal resilience in coping with the adverse impacts of COVID-19 on their educational sector.

## 2.3 Health services severely disrupted

Although the number of COVID-19 cases and deaths from the pandemic have been relatively small in the region's LDCs (see table 2-5),<sup>76</sup> the pandemic has exposed serious deficits in their health-care systems. Chronic shortages of hospital beds, medical equipment, outreach clinics, doctors, nurses, and other health-care services have constrained the development of the health sector in these countries (see figure 1-8). These factors have made health-care

**Table 2-5: COVID-19 cases and deaths in the Asia-Pacific least developed countries, 10 March 2021**

| Asia-Pacific LDCs                    | Cases              | Deaths           | Cases per 1 million people | Death per 1 million people |
|--------------------------------------|--------------------|------------------|----------------------------|----------------------------|
| Afghanistan                          | 55 876             | 55 876           | 55 876                     | 63.0                       |
| Bangladesh                           | 551 175            | 8 476            | 51.5                       | 51.5                       |
| Bhutan                               | 868                | 1                | 1                          | 1.3                        |
| Cambodia                             | 1 011              | ...              | 61                         | ...                        |
| Kiribati                             | ...                | ...              | ...                        | ...                        |
| Lao People's Democratic Republic     | 47                 | ...              | 7                          | ...                        |
| Myanmar                              | 142 045            | 3 200            | 2 611                      | 58.8                       |
| Nepal                                | 274 810            | 3 011            | 9 432                      | 103.3                      |
| Solomon Islands                      | 18                 | ...              | 26                         | ...                        |
| Timor-Leste                          | 129                | ...              | 98                         | ...                        |
| Tuvalu                               | ...                | ...              | ...                        | ...                        |
| Vanuatu                              | 3                  | 0                | 10                         | ...                        |
| <b>Asia-Pacific LDCs</b>             | <b>1 025 982</b>   | <b>17 139</b>    | <b>3 266</b>               | <b>54.6</b>                |
| <b>Other AP developing countries</b> | <b>24 501 759</b>  | <b>425 052</b>   | <b>5 907</b>               | <b>102.5</b>               |
| <b>World</b>                         | <b>116 874 912</b> | <b>2 597 381</b> | <b>14 972</b>              | <b>332.7</b>               |

Source: WHO, Coronavirus Disease (COVID-19) Dashboard ([covid19.who.int/table](https://covid19.who.int/table) (accessed on 10 March 2021)).



systems particularly vulnerable to the pandemic. As pointed out in section 1.2(e) of chapter 1 and shown in table 2-1, underinvestment in health-care infrastructure and health-care services is an ongoing challenge.

Many of these countries are hampered by a limited number of health-care workers, shortages of personal protection equipment, and inadequate testing and contact tracing capacities. As a result, they have been highly ineffective in coping with the pandemic, which, in turn, has led to rapid spread of the virus. The pandemic also has reduced the availability of general health-care services to their citizens due to the necessary deployment of frontline health-care providers to fight the pandemic. Non-communicable diseases and health challenges, such as diabetes, heart disease, hypertension and obesity, are also expected to go up as the population is forced to stay indoors and hesitate to access regular medical attention.

## 2.4 Heightened food insecurity

According to the World Food Programme (WFP), the pandemic has contributed to a significant increase in the number of people facing acute hunger (WFP, 2020). In line with the lockdowns and lockouts spread across the region, vulnerable groups in LDCs face increased food security risks stemming from the severe disruptions in agricultural activities and food supply chains. Labour shortages and reduced input supplies are hindering planting and harvesting of crops and have caused food prices to rise, including prices of vegetables, poultry and food grains. The serious disruptions to agriculture and global and national supply chains are already affecting prices of staple food, such as rice and wheat, which have risen sharply in almost all the developing countries of the region including LDCs, such as Bangladesh<sup>77</sup> and Cambodia.<sup>78</sup> Although the rise in food prices can partly be attributed to bad weather conditions in both of these countries, the COVID-19 pandemic has added to the upward pressure by disrupting production and distribution.

Households, particularly in rural areas, but also those in urban areas may be forced to reduce consumption of food items due to shortages and

high prices, adversely affecting their nutritional status. Poor and vulnerable groups are particularly at risk and suffer the most, severely affecting the nutritional status of children and pregnant women in poor households.

Disruptions in supply chains, especially agricultural inputs, could adversely affect small and marginal holders disproportionately, forcing many of them to assume unsustainable debt, face bankruptcies and join the ranks of landless and destitute farmers. Agricultural workers and migrant workers engaged in planting, harvesting, food processing and packaging facilities must deal with increased job losses, heightening their food insecurity. Migrant workers returning from urban centres and overseas markets have put increased pressure on agriculture and food security. Investments in agriculture are also likely to decline sharply if the pandemic stretches out to the next planting season.<sup>79</sup>

## 3. Graduation and prospects of achieving the Sustainable Development Goals

In the light of new and emerging challenges generated by the COVID-19 pandemic, fresh questions are being raised about the prospects of the LDCs in terms of sustainability of graduation from their least developed status and the pace of progress required for them to achieve the Sustainable Development Goals by 2030. Given the interconnectedness between the three criteria for LDC graduation<sup>80</sup> and the Goals, as a set of aspirational goals and targets, the pandemic could hinder the preparations of LDCs for graduation and the progress made towards achieving the Goals.

### 3.1 Impacts on graduation from the least developed country status

An assessment conducted on the impacts of the COVID-19 pandemic on graduation from the least developed country status is preliminary and not definitive. In part, this is because graduation is a medium- to long-term process. A lot depends on the duration of the crisis, the effectiveness of mitigation measures and the response of



**Table 2-6: Progress made by Asia-Pacific least developed countries in reaching graduation thresholds**

|                                           | GNI per capita      |              |              |              | Human asset index |              |              |              | Economic and environmental vulnerability index |              |              |              |
|-------------------------------------------|---------------------|--------------|--------------|--------------|-------------------|--------------|--------------|--------------|------------------------------------------------|--------------|--------------|--------------|
|                                           | 2017                | 2018         | 2019         | 2020         | 2017              | 2018         | 2019         | 2020         | 2017                                           | 2018         | 2019         | 2020         |
| <b>Afghanistan</b>                        | 651                 | 617          | 592          | 580          | 37.06             | 38.58        | 40.06        | 40.82        | 42.90                                          | 43.25        | 43.74        | 44.82        |
| <b>Bangladesh</b>                         | 1 191               | 1 314        | 1 461        | 1 640        | 69.75             | 73.38        | 73.92        | 75.33        | 27.95                                          | 27.83        | 27.73        | 27.27        |
| <b>Bhutan</b>                             | 2 533               | 2 615        | 2 735        | 2 941        | 73.31             | 74.26        | 75.41        | 75.93        | 26.40                                          | 26.17        | 26.09        | 25.90        |
| <b>Cambodia</b>                           | 1 017               | 1 073        | 1 144        | 1 254        | 57.99             | 59.24        | 60.09        | 60.78        | 33.77                                          | 32.48        | 31.93        | 30.51        |
| <b>Kiribati</b>                           | 3 268               | 3 198        | 3 059        | 2 926        | 82.16             | 82.57        | 82.95        | 83.32        | 65.41                                          | 66.68        | 67.03        | 66.08        |
| <b>Lao People's Democratic Republic</b>   | 1 803               | 1 973        | 2 112        | 2 265        | 69.29             | 70.73        | 71.86        | 72.24        | 28.82                                          | 27.83        | 27.29        | 26.59        |
| <b>Myanmar</b>                            | 1 243               | 1 244        | 1 230        | 1 257        | 69.84             | 70.90        | 71.75        | 71.92        | 27.70                                          | 27.46        | 26.50        | 25.50        |
| <b>Nepal</b>                              | 777                 | 791          | 832          | 911          | 68.82             | 70.53        | 71.74        | 72.13        | 25.91                                          | 25.77        | 25.66        | 25.40        |
| <b>Solomon Islands</b>                    | 1 677               | 1 692        | 1 686        | 1 721        | 71.39             | 71.52        | 71.65        | 71.71        | 45.68                                          | 46.02        | 45.69        | 45.82        |
| <b>Timor-Leste</b>                        | 3 224               | 2 806        | 2 421        | 1 998        | 64.29             | 65.72        | 67.04        | 67.96        | 38.71                                          | 41.49        | 41.91        | 40.14        |
| <b>Tuvalu</b>                             | 6 086               | 6 199        | 6 308        | 6 478        | 90.10             | 88.00        | 87.69        | 87.37        | 58.19                                          | 57.07        | 56.99        | 56.98        |
| <b>Vanuatu</b>                            | 2 996               | 2 908        | 2 851        | 2 913        | 76.61             | 76.86        | 77.11        | 77.35        | 39.34                                          | 39.38        | 38.68        | 39.14        |
| <b>Average</b>                            | <b>2 206</b>        | <b>2 202</b> | <b>2 202</b> | <b>2 240</b> | <b>69.22</b>      | <b>70.19</b> | <b>70.94</b> | <b>71.40</b> | <b>38.40</b>                                   | <b>38.45</b> | <b>38.27</b> | <b>37.85</b> |
| <b>Graduation threshold (2021 review)</b> | <b>&gt; \$1 222</b> |              |              |              | <b>&gt;66</b>     |              |              |              | <b>&lt;32</b>                                  |              |              |              |

Source: United Nations, Department of Economic and Social Affairs ([www.un.org/development/desa/dpad/least-developed-country-category/ldc-data-retrieval.html](http://www.un.org/development/desa/dpad/least-developed-country-category/ldc-data-retrieval.html) (accessed 30 December 2020)).

Notes: All indicator values reported do not reflect the impacts of the COVID-19 pandemic. GNI per capita refers to three-year averages, for example, the value for 2020 refers to the 2016–2018 average. For the human asset index and the economic and environmental vulnerability index, data refer to the latest year that is available for a review, such as data for 2020 refers to the 2018 data value.

Governments and the international community in setting the priorities, policies and support measures to build back better.

Table 2-6 shows the progress made by the Asia-Pacific LDCs in each of the three criteria for graduation. The 2020 figures are estimates and do not incorporate the impacts of COVID-19 pandemic. As discussed earlier, plagued by sharp reductions in growth rates, significant income losses and widespread negative social impacts, many LDCs are experiencing reversals in their

development gains. While it is difficult at this stage to identify how those reversals will negatively affect their progress towards graduation from the least developed category, it is safe to assume that planning for graduation and ensuring a smooth transition will be a challenge in the wake of the pandemic. Mitigating the adverse impacts of the pandemic will be particularly difficult for graduating countries, as they will have to deal with the impacts stemming from the withdrawal of duty-free quota-free exports and the cessation of access to certain concessional financing while

focusing on their socioeconomic recovery. There is also a possibility that there will be reductions in Aid-for-Trade and ODA, complicating the already arduous conditions.

The preparations for graduation, therefore, must be focused on sustainability in a much more holistic manner, recognizing that economic growth alone is not sufficient to ensure a smooth transition. Investments in productive capacity development, health and social protection systems, and digital connectivity are as important as those in physical infrastructure. Graduating countries need to address the additional risks and gaps amplified by the pandemic, including lack of economic diversification,

inadequate health and social protection systems, and weak governance and human resources. At the same time, options should be explored to further strengthen and extend international support measures so that graduation becomes a more sustainable process, with improved monitoring mechanisms designed to incentivize the participation of LDCs.

### 3.2 Impacts on achieving Sustainable Development Goals

The adverse impacts of the pandemic will also have serious implications for achieving the Sustainable Development Goals by 2030.<sup>81</sup> Even

#### Box 2-4: Sustainable Development Goals progress by subregion

None of the five subregions of Asia and the Pacific are on track to achieve the Sustainable Development Goals by 2030, while progress between countries and within them have been quite uneven.

East and North-East Asia is making progress towards eradicating poverty (Goal 1), reach the goal of zero hunger (Goal 2), provide access to good health and well-being (Goal 3), supply clean water and sanitation (Goal 6), affordable and clean energy (Goal 7), decent work and economic growth (Goal 8), and industry, innovation, and infrastructure (Goal 9). The subregion needs to strengthen efforts in achieving the other Goals. There are no graduated or graduating LDCs in this subgroup.

South-East Asia – home to three graduated and graduating LDCs, namely Cambodia, the Lao People's Democratic Republic and Myanmar – is making good progress towards achieving no poverty (Goal 1), zero hunger (Goal 2), good health and well-being (Goal 3), quality education (Goal 4), clean water and sanitation (Goal 6) and industry, innovation and infrastructure (Goal 9). The subregion is making slow progress with regard to affordable and clean energy (Goal 7), sustainable cities and communities (Goal 11), responsible consumption and production (Goal 12) and life on land (Goal 15) and regressing climate action (Goal 13), life below water (Goal 14) and peace, justice and strong institutions (Goal 16).

North and Central Asia has only made progress in reducing inequalities (Goal 10) and peace, justice and strong institutions (Goal 16). As for the other Goals, progress has been slow or stagnant. There are no LDCs in this subregion.

South and South-West Asia, which includes four graduated and graduating LDCs, namely, Afghanistan, Bangladesh, Bhutan and Nepal, is not on track to realizing any of the Goals. Some progress has been made regarding no poverty (Goal 1), zero hunger (Goal 2), and good health and well-being (Goal 3). Most alarming is that the subregion is regressing with regards to reduced inequalities (Goal 10), sustainable cities and communities (Goal 11), climate action (Goal 13), life below water (Goal 14) and peace, justice and strong institutions (Goal 16).

The Pacific subregion, which includes five graduated and graduating LDCs, namely, Kiribati, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu, is not on track to achieve any of the Goals, but some progress has been made regarding good health and well-being (Goal 3), industry, innovation and infrastructure (Goal 9), sustainable cities and communities (Goal 11) and climate action (Goal 13).

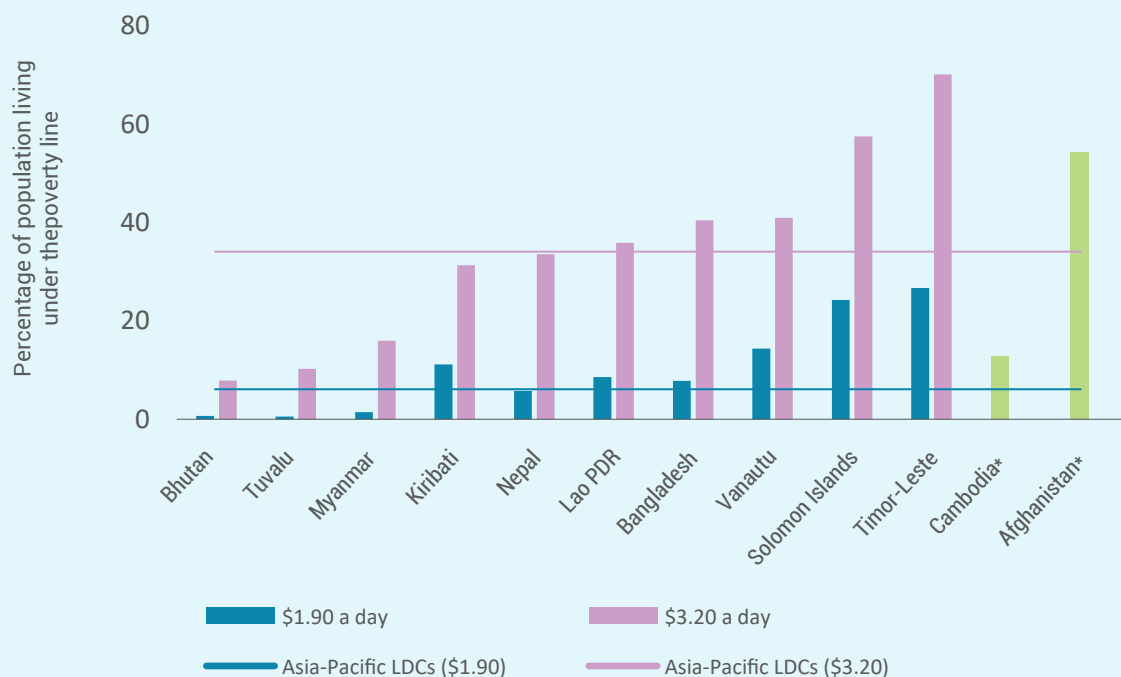
Source: ESCAP (2021a).

before the onset of the pandemic, the Asia-Pacific LDCs were lagging in this regard, and there was considerable uncertainty about their ability to make sufficient progress towards achieving the Goals by 2030.<sup>82</sup> The pandemic has added to that challenge. Prior to the outbreak, the Asia-Pacific region as a whole was unlikely to achieve any of the 17 Goals by 2030; at the present rate of progress, the region is expected to achieve only 10 per cent of the Sustainable Development Goals targets. Notably, however, the region has made some progress towards realizing Goal 1 (no poverty), Goal 2 (zero hunger), Goal 4 (quality of education), Goal 10 (reduced inequalities) and Goal 17 (partnership). The most promising results are for Goal 3 (good health and well-being) and

Goal 9 (industry, innovation, and infrastructure). As for Goal 13 (climate action) and Goal 14 (life below water), the region was regressing (ESCAP, 2021a), an alarming outcome. Box 2.4 contains a description of the progress made by different subregions of the Asia-Pacific region

In addition to adversely affecting many aspects of the Sustainable Development Goals, the mandatory lockdowns and social distancing measures instituted to combat the pandemic has hampered data collection activities, particularly from vulnerable groups, which, in turn, has significantly slowed monitoring of the progress in achieving the Goals.

Figure 2-10: Poverty rates



Source: ESCAP based estimates from World Bank, PovcalNet database ([research.worldbank.org/PovcalNet/home.aspx](https://research.worldbank.org/PovcalNet/home.aspx) (accessed on 1 February 2021)).  
Notes: Aggregate values (population-weighted averages) are reported for country groups. Estimates are for 2018. The poverty rates for Afghanistan (2016) and Cambodia (2018) are national level data and retrieved from the Asian Development Bank [www.adb.org/countries/afghanistan/main](http://www.adb.org/countries/afghanistan/main) and [www.adb.org/countries/cambodia/main](http://www.adb.org/countries/cambodia/main), respectively (accessed on 26 March 2021). Lao PDR stands for Lao People's Democratic Republic.

As stated in the Istanbul Programme of Action, eradication of poverty (Goal 1) remains the overarching goal of all developmental efforts in the LDCs. Reducing poverty is also key to increasing per capita national income, an important criterion for reaching the graduation threshold. Several countries have recorded high incidence of income poverty before the onset of COVID-19. According to World Bank estimates,<sup>83</sup> Asia-Pacific LDCs (excluding Afghanistan and Cambodia) have average poverty rates of 6.4 per cent based on the \$1.90-a-day international poverty line and 34.5 per cent at the \$3.20-a-day poverty line (see figure 2-10). National poverty rates in Afghanistan and Cambodia – although not comparable with the rest of the group – were also high. ESCAP estimates that 3.4 million additional people in the Asia-Pacific LDCs will be pushed into extreme poverty due to the COVID-19 pandemic in 2021, making it more difficult to eradicate absolute poverty by 2030 (Tateno and Zoundi, 2021).

A number of other Sustainable Development Goals and targets relevant to the graduation process of LDCs also will unlikely be realized. For example, reducing the incidence of stunting among children remains a challenge, as the number of children affected by this affliction in most of the LDCs was high before the pandemic, ranging from 29 per cent in Vanuatu to 52 per cent in Timor-Leste.<sup>84</sup> Children from poor and vulnerable households are particularly prone to be affected by stunting, and the pandemic is expected to worsen that situation as job and income losses mount. Similarly, access to some basic health-care services disrupted by the pandemic is presenting far-reaching implications for achieving the Sustainable Development Goals by 2030. As a result, it is not certain that the Asia-Pacific LDCs will be able to maintain the same level of access to basic services to meet the commitments of reducing the maternal mortality ratio, the infant mortality rate and the child mortality rate critical targets under Goal 3.<sup>85</sup>

## Conclusion

The initial conditions faced by the region's LDCs have continued to make them extremely

vulnerable to external shocks. Consequently, they were the least resilient when the COVID-19 pandemic became pronounced in March 2020. As the COVID-19 intensified, the vulnerability of these countries also increased to this unprecedented shock.

The low levels of resilience to a crisis, such as the COVID-19 pandemic can be traced to the following four groups of factors that characterize the development experiences of Asia-Pacific LDCs: (a) lack of economic diversification arising from slow structural transformation and low productivity; (b) dominance of informal sectors, digital divide, poor infrastructure and an underdeveloped private sector; (c) inadequate health-care and social protection systems, which inhibits long-term social development and poverty reduction; and (d) chronic shortage of human and financial resources and weak governance, which leads to persistent reliance on ODA.

These weak initial conditions have amplified the impact of the pandemic on Asia-Pacific LDCs even though as a group, they have not reported many cases. Notwithstanding their relatively low infection rates, all 12 of the Asia-Pacific LDCs have suffered significant declines in their economic growth performance. Their nascent manufacturing capacity, particularly among businesses in export-oriented industries and small- and medium-sized enterprises, have come under severe stress, resulting in reductions in output and exports. Widespread job losses, especially in the informal sector, have increased poverty and the vulnerability of a large number of people. Disruptions in agriculture have increased food insecurity and possibly malnutrition, particularly among women and children in poor households. Declines in external resource flows and an almost complete halt in travel and tourism have severely hit some of the Asia-Pacific LDCs, resulting in serious implications for their current account and debt sustainability.

Because of the presence of a large informal sector and the lack of social protection, job losses have directly translated into income losses, highlighting the limited buffer in the social protection system. Generally, low per capita income and little personal savings result in households having

a limited personal buffer to cope with the catastrophic events, such as the pandemic. With a limited policy buffer, Asia-Pacific LDCs also have low policy response capacity compared to other developing countries. All these factors are further compounded by the weak prospects that external sources, such as ODA, international trade, FDI and remittances, will provide the needed resources.

Concerns have been raised related to the preparations for graduation of Asia-Pacific LDCs from the least developed status. The poor state of their preparedness and weak resilience to deal with a

crisis, such as the COVID-19 pandemic, can be considered to be highly regressive, as many of the development gains made during the last decade are being reversed. Although the impacts of the COVID-19 pandemic on the preparations for graduation remain uncertain, the pandemic has introduced a new challenge in that process. As a consequence, some of the LDCs are seeking an extension of the transition time and increased international support measures. Prior to the pandemic, LDCs were already struggling to achieve the Sustainable Development Goals targets. Now, it appears that additional uncertainties have been introduced, which



Chapter

# 03

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## Lessons learned and policy priorities for the next programme of action for the Asia-Pacific least developed countries

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## Introduction

The Fifth United Nations Conference of the Least Developed Countries, to be held in Doha in January 2022, will present a fresh opportunity to craft a new international agenda for supporting LDCs in their efforts to achieve sustainable development and put them on a firm footing for graduation and attain a smooth transition.

Despite progress made by the Asia-Pacific LDCs in implementing the Istanbul Programme of Action, high vulnerabilities to external shocks continue to loom large in their efforts to achieve sustainable development. The next programme of action must, therefore, address the unfinished business of the Istanbul Programme of Action and incorporate the lessons learned from the devastating impacts of the COVID-19 pandemic. In the aftermath of the pandemic, Asia-Pacific LDCs must focus on reviving economic growth and diversifying their economies through a process that supports green development, strengthens public health and social protection systems, improves digital access and connectivity, and enhances governance and institutions. To implement many of these measures, they will need financial resources and technical support, which, without strengthened cooperation from the international community, will be an uphill struggle.

### 1. Initiating a sustained socioeconomic recovery in the aftermath of the pandemic

#### *Reviving growth and jumpstarting the recovery*

Reviving economic growth will be a significant challenge for LDCs, given their undiversified economies. They will have to restart their shuttered economies in a period plagued by heightened risks and uncertainty. The tasks of restarting business enterprises, rehiring workers, reviving supply chains and resuming exports and imports are arduous, requiring resources, and innovative initiatives. That said, going forward, the LDCs need to tackle two sets of challenges: (a) reviving growth to the pre-crisis level and taking it to a higher plane; and (b) ensuring that the new growth path is sustainable, self-sustaining,

resilient and inclusive.

One of the key lessons learned from the implementation of the Istanbul Programme of Action is the critical role of economic growth in alleviating poverty, creating jobs and ensuring an equitable supply of and access to public services and the interconnections between sound macroeconomic policy and inclusive growth. LDCs that have pursued prudent macroeconomic policies have achieved higher economic growth and better social outcomes. The pandemic has also highlighted the vital importance of macroeconomic policies in designing effective stimulus packages to prevent further losses in output and jobs and address the unanticipated socioeconomic consequences of the crisis.

As discussed in the preceding chapter, most of the Asia-Pacific LDCs have recorded a steep decline in economic growth, severely limiting their capacity for responding to the crisis. Their already fragile budgetary situations have come under renewed and additional stress, widening national debt, disrupting financial systems and increasing external debt. Governments of all of the Asia-Pacific LDCs will have to – in the short to medium-term – continue to implement many of the economic stimulus and relief packages introduced during the pandemic. These packages are centred around monetary and fiscal policies and measures with the objective to revive growth and put the LDCs on the path to a resilient recovery. In this context, reviving economic growth only will not be sufficient; it needs to be done in a manner that is sustainable, helps facilitate economic diversification and structural transformation and advances social development objectives.

Interest rate reductions and waivers for loans, debt and corporate tax relief, tax deferrals, credit guarantee schemes, refinancing loans, concessional lending, waivers of utility bills, direct fiscal transfers to businesses and households, liquidity support to the financial system and social protection measures, including cash transfers and supply of subsidized food to poor and vulnerable groups were introduced in response to the pandemic. These measures need to be continued to further mitigate the economic and social impacts of the pandemic and create

the conditions for sustained and inclusive economic recovery. Combined with the arrival of the COVID-19 vaccines, these policies and measures are expected to assist businesses to reopen, rehire their laid off and furloughed workers and re-establish supply chains. While continuing with many of these policies and packages, care must be taken to ensure that they are used efficiently, productively and equitably.

Many jobs and businesses will cease permanently, causing medium to long-term impacts on the intergenerational distribution of assets and access to resources. Economic recovery policies should facilitate and nurture the emergence of new forms of entrepreneurial activities and lead to the creation of an investment climate conducive to the development of productive capacities. When setting these policies, the long-term impacts on other development outcomes, such as poverty reduction, access to public services, such as health and education, food security, and nutritional status of women and children particularly in low-income households, must be taken into account. It will also be necessary to revisit some of the key assumptions and components of current growth policies and strategies so that future development paths contribute towards making countries climate resilient.

Attempts to cope with the COVID-19 pandemic has presented a challenge for LDC Governments to reach all income groups and geographical areas of their countries, in particular rural and remote regions. In the recovery phase, efforts should be made to redress this imbalance in delivering fiscal and other forms of support. All the LDCs have been able to access increased financial support from their development partners. These scarce resources need to be used more productively and equitably, realizing that many of these objectives require significant upscaling of the capacity and efficiency of government and other allied institutions.

### ***Strengthening public health systems***

The COVID-19 crisis has showed the close connection between a public health crisis, a strong social protection system and its impact on

economic and social development. Accordingly, governments also need to increase investment aimed at strengthening public health and social protection systems to preserve development gains and build resilience. Clearly, the pandemic has also underscored the necessity for national preparedness in anticipating and coping with external shocks that can result in significant economic and social costs, such as pandemics and environmental disasters.

Increased investment in health-care infrastructure, such as hospitals, clinics, medical equipment and critical medicine, is required. There is also an urgent need to increase the supply of health-care workers, such as doctors, nurses, and midwives, particularly in rural areas. LDCs should also consider investing in early warning systems so that they have the necessary knowledge, skills, tools and resources to deal with future public health crises. Indeed, the Asia-Pacific region needs an additional investment of \$880 million annually by 2030 in its health system to strengthen emergency preparedness, improve risk management and increase response capacity (ESCAP, 2019c).

The pandemic has affected the various income and social groups differently. When designing a more robust health system, the poor, low-income households, women and children, people living with disabilities, the elderly and people with underlying health conditions are among the groups that should be prioritized.

Vaccines against the coronavirus are being administered in several countries. However, there are growing concerns that developing countries may not be able to access these vaccines in the near future, thereby severely constraining their efforts to contain the pandemic. There are also concerns about the capacities of these countries to undertake the mammoth tasks of vaccinating millions of their citizens within a short period of time. The best hope for these countries including the LDCs is COVAX – COVID-19 Vaccines Access Facility – a coalition involving WHO, the Global Vaccine Alliance and the Coalition for Epidemic Preparedness Innovations. COVAX aims to ensure that vaccines are shared fairly by all countries rich and poor. It has concluded agreements to access nearly two billion doses of



COVID-19 vaccines and made arrangements to secure additional doses through donor support (WHO, 2020). Under current agreements, all 190 participating countries and eligible economies, including LDCs, are expected to have access to doses to protect vulnerable groups in the first half of 2021. Under the Global Vaccine Alliance COVAX AMC, 92 economies will be eligible to access 1.3 billion donor-funded doses. This should cover up to 20 per cent of their populations by the end of 2021 (WHO, 2020). Given the underdeveloped health infrastructure and the daunting tasks ahead to inoculate vast numbers of their citizens within a short period of time, LDCs will need strengthened international support and assistance in accessing the vaccines and meeting their vaccination targets.

### ***Retooling financial systems and resource mobilization strategies***

The COVID-19 pandemic has put the financial systems of LDCs under great stress and exposed several deficiencies. At the onset of the pandemic in March 2020, global financial markets were swept by a sudden plunge in liquidity and extreme volatility. Although the financial systems of LDCs are less integrated with global and regional financial markets, their banking sectors have come under considerable stress. Even before the pandemic, banking systems in several LDCs were facing serious challenges associated with bad debts and undercapitalization. Many State-owned commercial banks required regular annual budgetary support to continue their operations. As businesses failed due to the COVID-19 pandemic, non-performing loans piled up and posed a serious threat to financial stability. Domestic resource mobilization efforts at LDCs also suffered, as banks and other financial institutions were forced to close or curtail their operations. Post-COVID-19 recovery strategies should be tailored to address the gaps that have held back financial deepening in LDCs. In addition to expanding the range of financial products and services, digitization of banking and financial operations should be a priority.

Least developed countries need to reassess their financial and banking policies and strategies to cope with future financial shocks. Concerted

efforts must be made to recover non-performing loans and improve the liquidity of the banking sector. Urgent reform of many State-owned banks and financial institutions is necessary, including further deregulation, corporatization of management and privatization. Increased financial cooperation with other countries in the region should be expedited. Existing forums for exchanging information and best practices among central bank governors and finance ministry officials need to be strengthened.

### ***Expanding trade and moving up in the value chains***

The pandemic has highlighted the importance of export diversification, moving up in the international value chains, and harnessing new and emerging technologies. Asia-Pacific LDCs need to invest more resources aimed at diversifying their economies and expanding their export base, move more aggressively into manufacturing goods that are competitive in international markets and explore new markets to reduce their dependence on a few developed economies. The cost of doing business is still quite high in Asia-Pacific LDCs. Regulatory requirements remain cumbersome and are inimical to enterprises and risk taking. Poor infrastructure increases costs and discourages new investment. LDCs must move decisively to improve their investment climate so that domestic as well as foreign investors find it worthwhile to invest in new manufacturing activities, which, in turn, will increase exports and lead to the creation of new jobs.

With their undiversified export baskets suffering significantly from disruptions in regional and global supply chains, Asia-Pacific LDCs should minimize their exposure to future risk and uncertainty by diversifying their economic structures and positioning themselves as potential locations in emerging global and regional supply chains. This could significantly expand their trade capacity and enable them to move up in international value chains. To do this, an appropriate business climate is required along with investments in infrastructure development, transport connectivity, a better skilled work force and a simplified

regulatory environment. Digitalization of trade procedures is necessary to enable LDCs to cut costs and effectively participate in the rapidly expanding digital economy. Digital trade is estimated to reduce trade costs by up to 40 percent in Asia-Pacific LDCs (Duval, Utoktham and Kravchenko, 2018). In this regard, Bangladesh ratified the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific in late 2020, which is a welcome development. Hopefully, other LDCs in the region will take advantage of the new regional treaty to make progress in this area.<sup>86</sup>

## 2. Taking an integrated approach in addressing multidimensional poverty

### ***Tackling the needs of the poor and vulnerable groups***

In a report of the Secretary-General on the implementation of the Istanbul Programme of Action, it is stated that “a road map to eradicate extreme poverty and address food security and hunger in the least developed countries stands out as a top priority”<sup>87</sup>. This is due to the serious gaps that remain in reaching the goals and targets set in the Programme and in the 2030 Agenda for Sustainable Development. The pandemic has accentuated those gaps and revealed the continuing vulnerability of the poor and marginal groups to economic shocks and its downstream effects. This alone supports the need to increase significantly investments in eradicating poverty and improving resilience.

In addition to addressing the unfinished agenda, the nature of poverty is changing; it is becoming much more multidimensional and complex to address. Inequalities in income, wealth and consumption and new drivers of inequalities, such as technology, demand innovative solutions. LDCs, therefore, need to go beyond monetary measures of poverty and carry out efforts on a wide range of deprivations faced by the poor and vulnerable households, including access to education and basic infrastructure, such as the Internet (World Bank, 2020).

As noted earlier, the pandemic has caused widespread losses in jobs and output; it has also led to immense hardship for low-income groups and rural households. Working women have suffered disproportionately more as they have had to shoulder increased household responsibilities, often facing greater levels of domestic and other forms of violence. Sustainable and inclusive economic growth remains one of the most effective ways to reduce poverty and support the inclusion of poor and vulnerable groups in LDCs' development process.

The COVID-19 pandemic has seriously disrupted access to health, education, safe drinking water and sanitation services, particularly by the poor and vulnerable groups. Consequently, LDCs are finding it more challenging to achieve the Sustainable Development Goals by 2030. Governments need to scale up their investments in education, health, water, and sanitation services and ensure that poor and vulnerable groups can access these services.

Combating hunger and ensuring food security will continue to remain an urgent challenge. Specific and targeted policies and programmes are required to reduce malnutrition and prevent stunting. Governments should step up investments in basic infrastructure, with a particular focus on poor households in rural and remote areas. Some of these basic infrastructure services are rural roads, electricity, transport and communication, and water and irrigation. Access to basic infrastructure at affordable prices is essential in addressing multidimensional poverty.

Urban poor, women working in the informal sector with no job security, unemployed young people, girls, particularly in rural areas, the elderly, internally displaced populations due to climate change, and migrant workers face specific vulnerabilities, requiring specific policy attention and increased investment in their health, education, housing and employment opportunities.

Robust and comprehensive social protection systems can support people in times of unanticipated large shocks, stabilize aggregate demand and prevent an economy from falling into a deep recession. Social protection systems



can also go a long way to protect the poor and vulnerable groups from the vagaries of economic cycles and help prevent them from falling into poverty. Most LDCs lack such robust and comprehensive social protection systems, as demonstrated by the pandemic. Whatever social protection measures existed at the time the Istanbul Programme of Action was adopted proved to be ineffective during the pandemic, highlighting the need for expanding the scope and coverage of social protection systems in LDCs. In the near term, LDCs should scale up existing social protection measures, such as feeding programmes for vulnerable groups, public works projects, school meals programmes, free rural clinics and conditional cash transfer schemes. Community-based organizations can be used to deliver many of these services. In the medium to long term, LDCs need to prioritize strengthening their social protection systems and explore options viz a viz consolidating their financial viability by gradually introducing contributory universal unemployment benefit schemes, health insurance, old age pension and disability allowances.

### ***Strengthening productive capacity and promoting economic diversification***

Building and deepening productive capacity in LDCs is an unfinished agenda. Some Asia-Pacific LDCs, however, have been more successful in building productive capacity and achieving structural transformation. For instance, according to UNCTAD (2020), Bangladesh, Cambodia, the Lao People's Democratic Republic, Myanmar and Nepal have transitioned to "more modern and better performing economic structures". The manufacturing sector's contribution to GDP rose from 12 per cent in 2001 to 19 per cent in 2017. Similarly, the sector's share in employment increased from 8 per cent in 2001 to 12 per cent in 2017.

This is good news for the Asia-Pacific LDCs, as strengthening productive capacity and promoting economic diversification are critical for tackling multidimensional poverty. Despite this success, the COVID-19 pandemic has exposed the vulnerability and weakness of their economic foundations.

A successful productive capacity strategy must go beyond traditional measures and address the multitude of deprivations faced by the poor and vulnerable groups. In that regard, addressing multidimensional poverty and development of productive capacity could be complementary and should be pursued simultaneously. Incorporation of employment generation and spatial development needs to be explicit objectives in their productive capacity development strategies. Additionally, Asia-Pacific LDCs need to be significantly more strategic in pursuing productive capacity development policies and programmes and focus on producing more complex and differentiated products with a greater emphasis on digital technologies and connectivity. They can achieve these mutually reinforcing objectives by investing more in digital technology and connectivity, physical infrastructure, green energy, innovative work practices, skills development, improving working conditions and promoting greater private sector role in the economy.

Additionally, LDCs need to be more strategic in identifying products and services and focus on the ones that present opportunities for enhanced value-addition and competing effectively in regional and global markets. For instance, several LDCs have acquired significant competencies and a competitive advantage in producing low-cost labour-intensive manufactured exports. This type of competitive advantage is likely to come under threat unless they manage to produce more complex and differentiated products, which can only be achieved by investing more in new technology, adopting innovative work practices, and improving labour productivity through the adoption of digital technology and skills formation. Governments, in partnership with the private sector, need to offer supporting policy packages and invest more in infrastructure and human resources. Accordingly, governments and the private sector need to work together and be much more strategic than in the past.

Greater policy attention should be on small- and medium-sized enterprises, as they will continue to remain highly significant in generating employment, incomes, exports, and government revenue in



LDCs. Revitalizing these entities is, therefore, a critical component in strategies aimed at further enhancing productive capacity. Small- and medium-sized enterprises and microenterprises can also become powerful platforms for reducing income poverty and addressing other dimensions of deprivations faced by the poor.

These enterprises have suffered badly during the pandemic. Government lockdowns and disruptions in supply chains and cancellation of orders have forced many of them to cease operations and lay off workers, and caused them to lose market share. Continued macroeconomic and other forms of support are needed to restart these enterprises, resume production, and rehire workers who were laid off or furloughed. Resumption of the operations of small- and medium-sized enterprises will provide a fresh opportunity for introducing new and innovative digital technologies to improve their productive capacity and penetrate new markets, particularly export markets. For that to happen, market-based government policy support is critical.

### 3. Adjusting to the new normal and effective pursuit of sustainable development strategies

#### *Pursuing carbon-neutral growth strategies to mitigate the climate crisis*

As explained in chapter 1, climate change has increasingly become a significant threat to Asia-Pacific LDCs. Increased urban transport congestion and pollution is posing serious health hazards and resulting in economic losses due to time wasted in commuting to work and transporting goods and services. Global warming, which is caused by increased carbon emissions, has intensified cyclones and led to storm surges and periodic flooding, resulting in huge economic losses and displacement of vulnerable populations. Rising sea levels has led to inundation and increased salinity in coastal areas of countries, such as Bangladesh and Myanmar, making vast tracts of land unfit for agriculture, inland fisheries

and human habitation. For several Pacific LDCs, climate change poses an existential threat.

The COVID-19 pandemic has brought some temporary environmental relief to the Asia-Pacific LDCs. The slowing of economic activities is on the back of reduced transport and manufacturing activities and energy has spurred some favourable environmental impacts through reductions in carbon emissions and improvement in air quality. Water quality also has improved temporarily because of the reduced economic activities and seaborne trade (ESCAP, 2020c).

These effects are likely to be short-lived and should in no way shift attention from prevailing unsustainable production and consumption patterns. Pollution levels have rebounded, and despite the unprecedented severity and duration of the global economic recession, it is estimated that global greenhouse gas emissions fell by only 6.4 per cent (Tollefson, 2021). In some cases, environmental rules and regulations were relaxed as part of short-term mitigation responses to the pandemic, resulting in reduced enforcement and less funding for environmental protection (Helm, 2020). The pandemic has also led to a surge in plastic pollution, as single-use face masks, gloves and other non-degradable personal protection items and medical waste are being dumped in water bodies, rivers and oceans, posing a significantly heightened risk to human health, marine life and ecosystems.

Although the positive environmental impacts have been transient, the COVID-19 pandemic has highlighted that government policy is still highly relevant in pursuing carbon neutral, resilient growth strategies. It has shown the key role governments can play in introducing clean technologies and encouraging carbon neutral consumption and productions systems through the adoption appropriate incentives and policies. Some of the key sectors that Asia-Pacific LDC policymakers should target are increased use of clean energy in transport and communication, greening supply chains and transport logistics, and retrofitting plants and factories with green technologies. Increased emphasis on digital



technologies can also go a long way in promoting sustainable and resilient green growth strategies.

Although LDCs have already taken more progressive measures on climate action, the pandemic has exposed their vulnerability to environmental factors. This serves as a reminder that there are other areas with opportunities ripe for introducing green technologies, such as in food production and distribution systems, and adopting sustainable agricultural practices through the introduction of climate-smart and organic farming techniques. New breakthroughs in solar, wind and wave energy technologies have drastically reduced costs and made them commercially viable and affordable to most LDCs. In rural areas, increased electrification with a particular focus on supplying clean electricity to households can go a long way in reducing their dependence on cooking fuels, which remains one of the main health hazards for the rural women. There are also opportunities to launch sustainable reforestation programmes, creating open spaces, and introducing improved waste management practices, all of which can help pave the way for greening LDC economies. These strengthened efforts can form important elements of the recovery of LDCs in the pursuit of sustainable development strategies. As LDCs lack capacity and resources to pursue effective climate resilient policies and programmes, they need increased international support to build stronger capacity to minimize and address loss and damages associated with climate change impacts, including extreme weather events and slow onset of events.

### ***Harvesting digital opportunities and accelerating digital transformation***

The pandemic has demonstrated the growing importance of digital technologies, which are drastically changing production, distribution, and consumption patterns. In many countries, the pandemic has accelerated the process of digital transformation and created new job opportunities for those with the right skills in such sectors as information technology, robotics, e-health, e-commerce and IT-enabled technologies. Businesses in which staff and workers can work from home have thrived. Future smart workplaces will demand soft skills with competencies in digital technologies.

As explained earlier, the COVID-19 pandemic has led to massive job losses in LDCs, particularly in the service sector, such as hospitality, travel, tourism, and restaurants and cafes. Significant jobs have also been lost in labour-intensive export-oriented manufacturing enterprises and small- and medium-sized enterprises. Increased adoption of digital technologies and connectivity is one of the paths ahead for the LDCs to improve their economies. For that to happen, LDCs need to prepare for this structural transformation by investing in new and emerging digital technologies and reskilling their work force. Investments in digital literacy need to be made from early education right through to the higher level of academia. Governments and private businesses must collaborate to identify growth sectors in which demand for IT-enabled services will increase and adopt appropriate policies to encourage the development of those sectors. In that regard, there is need for policy discussions and exchange of good practices and lessons learned on inclusive digital transformation and improved digital governance to ensure more equitable, sustainable, and resilient societies.

The pandemic also has demonstrated how the lack of digital technology and connectivity has seriously affected the ability of health and education systems in Asia-Pacific LDCs to respond effectively to adverse consequences. A growing digital divide within and across countries of the region has left Asia-Pacific LDCs least able to cope with the pandemic in the region. In particular, low-income households and vulnerable groups within Asia-Pacific LDCs could not be reached by the health systems because of the lack of digital resilience, a phenomenon that is also likely to affect the recovery process, including the vaccination programmes that are being launched. Lack of digital technology and connectivity and the growing divide along income and spatial levels has prevented these vulnerable groups from accessing e-learning, social protection systems and employment creation schemes.

### ***Strengthening the 2030 Agenda implementation strategies in the aftermath of the pandemic***

Although several LDCs have made some progress in achieving the Sustainable Development Goals



by 2030, Asia-Pacific LDCs as a group have been falling behind in this regard, with the COVID-19 pandemic further complicating these efforts by slowing severely the rate of progress required to achieve the Goals by the target year. Strategies, policies, and programmes followed by the LDCs since 2015 have proved to be quite inadequate and need to be further strengthened, considering the adverse impacts of the pandemic on prospects for achieving the Goals. LDCs need to renew their commitment to realizing the Goals and pursue policies and strategies that promote pro-poor growth and ensure distributional justice. The 2030 Agenda implementation mechanism must be strengthened. LDCs need to scale up social sector investments, eliminate systematic disparities in accessing public services, improve efficiency and equity in delivering services, include beneficiary groups in implementing development projects and programmes, and ensure greater transparency

and accountability in managing development resources.

## 4. Revitalizing international and regional cooperation

### *Expanding and deepening international cooperation in building resilience and addressing the impacts of the pandemic*

Least developed countries and their development partners need to adopt an integrated approach to regional and subregional cooperation in order to effectively build resilience and address the impacts of the COVID-19 pandemic. Urgent regional and subregional measures supported by the international community and their development partners, including through existing mechanisms, agreements and initiatives, can serve as valuable platforms for

#### Box 3-1: Priorities for addressing the “resilience gap” of least developed countries

To enhance the resilience of LDCs, UN-OHRLLS (2018) suggests that the following steps be taken:

First, integrate climate and disaster risk considerations into the design and planning of social protection programmes from the start and link them to an established early warning system.

Second, as the majority of the poor in these countries live in rural areas, often as smallholder or subsistence farmers, tools, such as index insurance, can increase resilience to weather events.

Third, to diversify their economies, investment promotion and improved market access as well as supply side capacity building measures are important.

Fourth, financial support and technical assistance are needed to strengthen the fiscal buffers and macroeconomic policy frameworks of LDCs.

Fifth, debt relief, debt moratoriums and debt swaps are instrumental for releasing resources for crisis response and recovery. State-contingent debt instruments could also be helpful.

Sixth, efforts must be made to step up climate change finance for adaptation, especially for national adaptation plans.

Seventh, provide assistance in accessing existing insurance schemes covering external shocks through, for example, subsidized premiums. Support is also needed in introducing new insurance schemes at national and regional levels.

Eighth, access to modern technology and knowledge, as well as to up-to-date information, is important for building resilience, including resilient infrastructure, communication tools and industries. Access to this technology needs to be strengthened.



promoting regional and subregional cooperation. International and regional cooperation<sup>88</sup> is also vitally important for protecting and restoring ecosystems for building and deepening resilience to internal and external shocks and contributing to the graduation and transition process of least developed countries.

In this report, the importance of policy choices and structural factors in enhancing resilience and indicated measures to be adopted is highlighted. LDCs, in general, have fallen behind on almost all these measures, compared to regional peers and advanced economies. Highlighted as significant “resilient gaps” by ESCAP (2021c), they come in the form of limited market access for sovereign borrowing, shortcomings in the macroeconomic policy framework, low social protection expenditures, poor quality of infrastructure, and low levels of economic diversification and productive capacity. While the international community has recognized the need for strong and tailored support to these countries for some time, actual implementation has been weak, as reflected in the shortfall in ODA. There is a longstanding commitment by developed countries to provide the equivalent of 0.15 to 0.20 per cent of their GNI in the form of ODA to LDCs. However, in 2017, only 7 of the 29 Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee member countries have fulfilled this commitment; had all donors honoured their pledge, LDCs would have received an additional \$33 billion to \$58 billion in 2017 (UNCTAD, 2019b). These resources urgently need to be scaled up to implement resilience-enhancing actions in the most vulnerable countries (see box 3-1). In addition, debt relief measures together with increased assistance in accessing COVID-19 vaccines and technical assistance in rebuilding their public health systems must be taken.

The Economic and Social Commission for Asia and the Pacific, as the premier regional arm of the United Nations, has been assisting LDCs in their development efforts through a series of regional and subregional cooperation arrangements and mechanisms. In the post-COVID-19 mitigation and recovery period, many of these arrangements and mechanisms will become highly relevant and need to be further strengthened and reoriented to meet the urgent needs of these countries. Some

of the key regional and subregional initiatives in which increased participation, and accession of LDCs could be highly desirable are the Bangkok Declaration on Regional Cooperation and Integration in Asia and the Pacific, the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, the Asia-Pacific Information Superhighway, the Chiang Mai Initiative, the Asian Bond Markets Initiative and the South Asian Federation of Exchanges. ESCAP has developed the Socio-Economic Response to COVID-19: ESCAP Framework to support the socioeconomic response to the pandemic. The Commission also has produced a series of policy briefs and technical notes to better inform its member States with analyses, policy options and data and information on best practices.<sup>89</sup>

### ***Strengthening international supporting measures for graduation process***

The COVID-19 pandemic and its adverse impacts on LDCs have raised new concerns in addressing LDC graduation issues and introduced a new set of uncertainties. The pandemic and its economic and social impacts clearly show that LDCs, including those recommended and considered for graduation, remain highly vulnerable to internal and external shocks. These countries have not acquired the requisite resilience and capacity to withstand external shocks, implying that the preparations for LDC graduation may need to be revisited. Greater coordination among LDCs could be useful in undertaking preparations for graduation.

Accordingly, more comprehensive international support measures for graduating and graduated LDCs are needed. International support measures for LDCs have, to date, included duty-free quota-free access for their exports, various special and differentiated treatment provisions for trade, concessional and priority access to ODA, and certain flexibilities afforded under the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement). These support measures have been useful in varying degrees in expanding LDC exports to developed country markets. Notable beneficiaries of the Agreement are Bangladesh, Bhutan, Cambodia and Myanmar. Once graduated, LDCs will — after a transitional phase — lose access

to trade-related international support measures, resulting in the erosion of preferential tariff margins for their exports. Other benefits likely to be phased out are favourable terms of rules of origin, exemptions from limits on trade-related subsidies, and some flexibilities granted under multilateral and regional trade agreements. The cumulative impacts of phasing out of these measures could be significant for some LDCs if they are not prepared for the changes.<sup>90</sup>

Least developed countries need to take an integrated approach and start negotiations with key trading partners and multilateral financial institutions to retain and deepen favourable market access provisions and scale up engagements with new and potential markets, using existing and new regional trading agreements and preferential trading arrangements (ESCAP, 2020f). Going forward, there is also need to use the crisis-related provisions of regional trade agreements to help LDCs become more resilient. The next generation of international support measures must address the fundamental structural weaknesses of LDCs, including operationalizing LDC-specific preferential treatment for services and service suppliers.

A more effective monitoring mechanism for graduating and graduated countries with increased incentives for countries to participate in that mechanism is needed (United Nations, Committee for Development Policy, 2021). The mechanism should also incorporate a response process. Tangible proposals in that regard could be presented at the next Asia-Pacific regional meeting on the implementation of the Istanbul Programme of Action scheduled to be held in Dhaka in June 2021. A graduation support facility, currently being piloted by Vanuatu, will be reviewed at the regional meeting and could be launched there (United Nations, Committee for Development Policy, 2021).

For their part, LDCs need to tackle some of their supply and structural issues and challenges much more strategically and with greater vigour to facilitate their graduation process. Some suggested actions are the following: introduction of appropriate policy adjustments; significantly increase investments in new and innovative production technologies, transformative digital technologies, skills formation and upgrading and market research; and information

sharing. Competitiveness based on productive capacity development and productivity gains and smart, green and flexible production techniques should be key parts of the strategy to embark on effective graduation process.

### ***Better leveraging of overseas development assistance and other financial flows***

The future of ODA and other forms of financial flows remain uncertain. ODA as a percentage of GDP has been declining for several LDCs and some of them are encountering debt distress. This trend needs to be reversed and the high risk of debt distress must be addressed. Several major traditional donors and multilateral financial institutions are also reorienting their ODA policies by moving away from financing big infrastructure projects to supporting health, education, water and sanitation, and social protection programmes with a particular focus on poverty alleviation and the creation of social safety nets. This process is expected to accelerate in the coming years. The capacity of LDCs in using ODA and other financial resources also needs to be enhanced.

Several bilateral donors, such as China and India, have become more active in supporting infrastructure development and regional connectivity. While fully using all available official development resources for meeting their social development objectives, LDCs have new opportunities for accessing infrastructure development loans. The key consideration facing them is the need to exploit the complementarities between social sector borrowings and infrastructure development financing so that they become mutually reinforcing. Multilateral and bilateral ODA should also be used to reduce rural-urban development gaps and promote digital connectivity.

Similar factors need to be considered to guide LDC decisions to attract FDI and use remittances as a development resource, both of which should primarily be used to improve the productive capacity of LDCs and generate employment opportunities with an increased focus on young people and women. A lot also depends on the economic conditions in host countries in improving prospects for increased FDI and remittances to LDCs. As FDI and remittances are private flows, Government's role in LDCs should mainly be



concerned with creating the right conditions for fostering a better investment climate and promoting entrepreneurial capacities, including measures to reduce the high average cost of sending remittances home.

### ***Building infrastructure and strengthening regional and subregional connectivity***

Weak infrastructure and underdeveloped regional and subregional connectivity greatly hampered progress in implementing the Istanbul Programme of Action. The next programme of action needs to mobilize global, regional, and subregional support in closing that gap.

Asia-Pacific LDCs continue to be at a competitive disadvantage because of the poor quality of their infrastructure and limited regional and subregional connectivity. This infrastructure and connectivity deficit has not only prevented them from acquiring productive capacity, it has also increased their costs in trading with their neighbours and hampered timely delivery of manufactured exports for regional and global markets. For them, regional and subregional integration continues to be an unmet task.

Significant opportunities exist for strengthening regional and subregional connectivity for the LDCs, particularly in South and South-East Asia. Prominent among them are the ESCAP-led Asian Highway network, and Trans-Asian Railway network and other development corridors, such as the Greater Mekong Subregion Economic Cooperation Programme and the China-Indochina Peninsula Economic Corridor. The ASEAN road freight guidelines, which involve three LDCs in this subregional cooperation arrangement, is also an important initiative. With support from ESCAP and other development partners, many LDCs have continued to participate in these regional and subregional connectivity initiatives. The next programme of action needs to recognize these initiatives and mobilize additional financial and technical support to complete the missing links and develop further multi-modal transport and communication systems.

### ***Improving data and statistical capacity***

Lack of timely data and information is a critical

gap in assessing the economic and social impacts of the COVID-19 pandemic. More generally, lack of timely data has been a major constraint in reporting progress in implementing the Istanbul Programme of Action and achieving the Sustainable Development Goals. Asia-Pacific LDCs need to do more to improve their data and statistical capacity. Considerable scope also exists for regional cooperation in building national statistical capacity to provide timely data and information on new and emerging threats, such as the COVID-19 pandemic. Robust statistical systems to monitor progress in implementing the next programme of action for the LDCs, including preparations for graduation and assessing progress in achieving the Sustainable Development Goals, is also needed.

## **Conclusion**

Least developed countries have made significant progress in implementing the Istanbul Programme of Action, but they have not attained the required resilience to cope with external shocks. Although unprecedented in nature, the COVID-19 pandemic has exposed serious policy gaps and exacerbated their vulnerabilities. Consequently, the pandemic has imposed significant economic and social costs on LDCs and set them further behind in their efforts to realize the Sustainable Development Goals by 2030. The next programme of action is expected to be formulated against this background and will require an integrated approach along a broad range of issues and development imperatives.

The next programme of action will also need to be robust enough to improve the resilience and capacities of LDCs in addressing new and emerging challenges and harvesting opportunities that lie ahead. Economic growth supported by prudent macroeconomic policies should continue to play a key role in reducing poverty and integrating the vulnerable groups into the development process. Well-targeted policies and adequately funded initiatives and interventions are needed along a broad range of development issues and concerns, including, among them, rebuilding financial systems, enhancing and deepening productive capacity, more effective

leveraging of ODA and other financial resources, strengthening support to the poor and vulnerable groups, promoting digital and green technologies, closing infrastructure and connectivity gaps, strengthening public health systems and investing in statistical capacity development.

Strengthened regional, subregional, and international cooperation is vital for mitigating the medium to long-term adverse impacts of the Covid-19 crisis and to successfully implement the next programme of action for LDCs. The COVID-19 pandemic has shown that LDCs remain highly vulnerable to external shocks and are a long way from attaining the required economic and social resilience. The next generation of international support measures must address the fundamental structural weaknesses of LDCs, and regional

and subregional cooperation mechanisms and arrangements must be revitalized with greater emphasis on building resilience in LDCs. Preparations for graduation out of the LDC status and strategies and policies to realize the Sustainable Development Goals should be reassessed with a renewed focus on strengthening international support measures. Urgent regional and subregional measures supported by the international community and their development partners including, through existing mechanisms, agreements and ESCAP initiatives, are needed to restore and build resilient supply chains, promote trade and investment, and build transport and digital connectivity. Regional and subregional cooperation is extremely important in order to protect and restore ecosystems for building and deepening resilience to internal and external shocks.



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# Concluding chapter

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***Considerable progress has been made by Asia-Pacific LDCs but implementation of the Istanbul Programme of Action remains an unfinished agenda***

The Istanbul Programme of Action represented the aspirations of some of the most disadvantaged and vulnerable countries to overcome their structural challenges, eradicate poverty, and enable graduation from LDC status. Between 2011 and 2019, Asia-Pacific LDCs as a group made considerable progress in implementing the Programme. However, it remains an unfinished agenda, as significant gaps persist in the efforts aimed at achieving the Sustainable Development Goals and integrating their economies with regional and global trade and investment. Although average economic growth during the implementation period compared favourably with the average performance of other developing countries of the region, it fell below the Programme's target of at least 7 per cent per annum. While some LDCs managed to achieve some degree of structural transformation, a majority of them failed to increase their productive capacity and diversify their economies. Limited productive capacity remains a critical challenge, especially for the small island States and landlocked LDCs.

The share of global trade of Asia-Pacific LDCs has only slightly improved, while their continued dependence on labour-intensive manufacturing exports has remained unchanged. Despite supply-side constraints, some Asia-Pacific LDCs have expanded their export base by taking advantage of the duty-free preferential market access devised for LDCs. Preference erosion (resulting from higher tariffs and more stringent rules of origin following graduation) could put significant competitive pressure on graduating LDCs. Food security continues to be a challenge despite some notable progress made in agricultural and rural development. Although several LDCs recorded better outcomes in terms of improving access to education, health, shelter, water and sanitation, and gender equality and empowerment of women, significant challenges remain in addressing the needs of the poor and vulnerable groups and instituting comprehensive social protection systems. Significant investment is required for skill development, trade capacity-building, infrastructure

development and technological adaption in the LDCs. As a group, Asia-Pacific LDCs have not attained the required FDI needed for development finance. ODA flows were lacklustre, particularly in comparison to the volume directed to middle-income countries of the region. Remittances have become increasingly important for most of the LDCs; there is scope for using this important development resource for productive capacity development and mitigating supply-side constraints.

The COVID-19 pandemic has added a fresh challenge to LDCs and exposed their acute vulnerability to external shocks. In the light of the quickly changing external environment, the graduating LDCs will face additional challenges. In the absence of significant productive capacity development and lack of a meaningful structural transformation, continued support from their development partners is required to attain a sustainable and smooth graduation.

***The COVID-19 Pandemic has imposed significant economic and social costs on Asia-Pacific LDCs and exacerbated their vulnerabilities***

As the COVID-19 pandemic spread globally, Asia-Pacific LDCs, because of their weak initial conditions, were the least prepared to cope with its adverse impacts. The 12 Asia-Pacific LDCs are estimated to have suffered significant declines in their economic growth performance. Their nascent manufacturing capacity, in particular export-oriented industries and small- and medium-sized enterprises have come under severe stress, resulting from reductions in output and exports. Widespread job losses, especially in the informal sector, have increased poverty and the vulnerability of a large number of people. Disruptions in agriculture have increased food insecurity and possibly malnutrition. Declining external resource flows and an almost complete halt in travel and tourism have severely hit some LDCs, resulting in serious implications for their current account.

The pandemic has amplified the vulnerabilities of the Asia-Pacific LDCs. Their limited buffers in social protection, weak personal resource base and limited policy space have become more

evident. Many of the LDCs rely heavily on sectors that have been severely affected by the pandemic, such as export manufacturing for Bangladesh, Cambodia, the Lao People's Democratic Republic, and Myanmar and tourism for the Pacific LDCs. Because of these countries' large informal sector and failure to provide social protection, job losses have directly translated into income losses. Generally, low per capita income and limited savings have left individuals and households with a very small personal buffer. LDCs also have limited policy buffer compared to non-LDCs to respond effectively to the pandemic. All these factors are further compounded by bleak external conditions, which is resulting in a decline in ODA, FDI and remittances.

Implementation of the Istanbul Programme of Action, graduation from LDC status, and achievement of Sustainable Development Goals go hand in hand for LDCs to realize their development aspirations. It is clear, however, that full implementation of the Istanbul Programme of Action remains largely unfinished. The prospects of these countries to progress towards graduation from the LDC category and to achieve the Sustainable Development Goals by 2030 have also diminished, as the adverse impacts of the COVID-19 pandemic take a toll on their economies and have reversed some of their hard-earned development gains. Formulation of policies and international support measures must take into account and mainstream resilience and capacity-building as key objectives. Strengthened regional cooperation and significantly increased international support measures are necessary for LDCs to mitigate these adverse impacts and build back better in facing future challenges.

On the positive side, there are hopes to build back better. Global and regional trade and investment are poised to pick up in 2021, as vaccines become widely available and economies begin to open and consumer confidence returns. The Asia-Pacific region is expected to lead the global economic revival. The recent signing of the largest trading block, the Regional Comprehensive Economic Partnership (RCEP) agreement, has brightened prospects for increased trade and investment, although the impacts on those LDCs outside the block remain uncertain. The COVID-19 pandemic

has spurred a reduction in CO<sub>2</sub> emissions as a result of travel restrictions, lockdowns and stay at home orders and the closing of non-essential business enterprises. Technological progress and innovations offer a chance to adopt more efficient production techniques, strengthen connectivity, reorganize work practices, improve productivity and transform delivery of key services, such as health and education. In going forward, LDCs need to design and implement appropriate policies and programmes that will help to create resilience, reduce vulnerability and usher in more sustainable development pathways.

## Final remarks

Asia-Pacific LDCs made some significant progress in implementing the Istanbul Programme of Action but failed to acquire the required resilience in coping with external shocks, such as the COVID-19 pandemic. Although unprecedented in nature, the pandemic has exposed serious resilience gaps and imposed significant economic and social costs to the Asia-Pacific LDCs, setting them further behind in their efforts to realize the Sustainable Development Goals by 2030.

The next programme of action is expected to be formulated against this background and requires an integrated approach along a broad range of issues and development imperatives. It also needs to be robust enough to improve the resilience and capacities of Asia-Pacific LDCs in addressing new and emerging challenges and harvesting opportunities that lie ahead. Economic growth supported by prudent macroeconomic policies will retain its key role in reducing poverty and integrating the vulnerable groups into the development process. Well-targeted policies and adequately funded initiatives and interventions are needed along a broad range of development issues and concerns including rebuilding financial systems, enhancing and deepening productive capacity, better leveraging ODA and other financial resources, strengthening support to the poor and vulnerable groups, promoting digital and green technologies, closing infrastructure and connectivity gaps, strengthening public health systems, and investing in statistical capacity



development. Preparations for graduation from their LDC status and strategies and policies aimed at realizing the Sustainable Development Goals need to be reassessed with a renewed focus on strengthening international support measures.

Regional and subregional cooperation remains vitally important in improving the resilience of the LDCs and promoting their effective integration into regional and subregional trade and investment flows.

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<sup>1</sup> Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, the Lao People's Democratic Republic, Myanmar, Nepal, Solomon Islands, Timor-Leste and Tuvalu. Vanuatu graduated from the group in December 2020.

<sup>2</sup> While Vanuatu graduated from the LDC group in December 2020, the report covers Vanuatu as a LDC for the purpose of the implementation review.

<sup>3</sup> Timor-Leste shares a common border with West Timor of Indonesia and together they form an island.

<sup>4</sup> Since the initiation of the LDC category in 1971, just seven countries, including Maldives, Samoa and Vanuatu, have graduated from the category. The other four are Botswana in 1994, Cabo Verde in 2007, Equatorial Guinea in 2017 and Angola in 2021.

<sup>5</sup> The graduation of Bangladesh, the Lao People's Democratic Republic and Nepal is conditional on the endorsement of the United Nations Economic and Social Council (ECOSOC) in mid-2021.

<sup>6</sup> The Asia-Pacific LDCs that met graduation criteria and were at different stages of graduation at the 2021 review are Bangladesh, Bhutan, Cambodia, Kiribati, the Lao People's Democratic Republic, Myanmar, Nepal, Solomon Islands, Timor-Leste and Tuvalu.

<sup>7</sup> Based on data from the ESCAP Asia-Pacific SDG Gateway ([data.unescap.org](http://data.unescap.org) (accessed on 26 February 2021)), as of 2019, Asia-Pacific LDCs were either not on track to meeting any of the 17 Goals by 2030 or insufficient data were available to assess the progress.

<sup>8</sup> Based on data from ESCAP (2021c) and ESCAP Asia-Pacific SDG Gateway ([data.unescap.org](http://data.unescap.org) (accessed 20 March 2021)).

<sup>9</sup> To address this concern and to align the graduation assessment to the Sustainable Development Goals, the Committee for Development Policy conducted a comprehensive review of the LDC criteria and revised them and the assessment procedure in 2020. For example, the economic vulnerability index was modified to place more weight on environmental factors and renamed the "economic and environmental vulnerability index". A set of new supplementary indicators was added to cover risk factors that were not adequately captured by the previous criteria, such as inequality, resource mobilization capacity, conflict and violence, and governance. The Committee for Development Policy also adjusted a procedure such that the country views of LDCs and perspectives towards graduation contribute towards the Committee's decision on recommendation. See United Nations (2020b) for detailed information on the criteria review and revisions.

<sup>10</sup> The gaps between Asia-Pacific LDCs and other Asia-Pacific developing countries exist in almost all of the components of the Productive Capacities Index: structural change; energy; human capital; institutions; natural capital; information and communications technology; and private sector. Transport is the only component in which these two groups of countries had, on average, similar levels of achievement.

<sup>11</sup> Based on data from the Observatory of Economic Complexity, the Massachusetts Institute of Technology Media Lab ([oec.world/](http://oec.world/) (accessed 3 March 2021)).

<sup>12</sup> E/ESCAP/73/1.

<sup>13</sup> The index comprises indicators that measure access to transport, energy, information and communications technology, and water and sanitation infrastructure.

<sup>14</sup> Data from UNCTAD Stat ([unctadstat.unctad.org](http://unctadstat.unctad.org) (accessed 15 December 2020)).

<sup>15</sup> International Telecommunication Union, World Telecommunication/ICT Indicators Database ([www.itu.int/pub/D-IND-WTID.OL-2020](http://www.itu.int/pub/D-IND-WTID.OL-2020) (accessed 18 March 2021)).

<sup>16</sup> Subscription rates above 100 per cent indicate that the number of SIM cards in circulation is higher than the population due to multiple SIM ownership. For a more detailed definition, see [www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx](http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx).

<sup>17</sup> World Bank, World Development Indicators database (accessed 4 February 2021).

<sup>18</sup> Access to electricity is the percentage of population with access to electricity. Electricity access entails a household having initial access to sufficient electricity to power a basic bundle of energy services – at a minimum, several light bulbs, phone charging, a radio and potentially a fan or television – with the level of service capable of increasing over time.

<sup>19</sup> International Energy Agency (IEA). Data and statistics ([www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics) (accessed 4 March 2020)).

<sup>20</sup> Electric power consumption per capita in Asia-Pacific LDCs increased from 240 kWh in 2010 to above 400 kWh in 2017. It escalated by more than 200 per cent in Cambodia and more than 150 per cent in Myanmar. Information obtained from IEA.

<sup>21</sup> International Energy Agency (IEA). Data and statistics ([www.iea.org/data-and-statistics](http://www.iea.org/data-and-statistics) (accessed 4 March 2021)).

- <sup>22</sup> Based on data from World Bank, World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](http://databank.worldbank.org/source/world-development-indicators) (accessed 4 February 2021)).
- <sup>23</sup> World Intellectual Property Organization, intellectual property statistics ([www3.wipo.int/ipstats/](http://www3.wipo.int/ipstats/) (accessed 30 December 2020)).
- <sup>24</sup> Based on data from IMF, Investment and Capital Stock Dataset, 1960–2017 ([data.imf.org/?sk=1CE8A55F-CFA7-4BC0-BCE2-256EE65AC0E4](http://data.imf.org/?sk=1CE8A55F-CFA7-4BC0-BCE2-256EE65AC0E4)).
- <sup>25</sup> Based on data from IMF, Public Investment Management Assessment, Infrastructure Governance ([infrastructuregovern.imf.org/content/PIMA/Home/PimaTool.html](http://infrastructuregovern.imf.org/content/PIMA/Home/PimaTool.html) (accessed 4 March 2021)).
- <sup>26</sup> Based on data from the United Nations, SDG Global Indicators Database ([unstats.un.org/sdgs/indicators/database/](http://unstats.un.org/sdgs/indicators/database/) (accessed 27 February 2021)).
- <sup>27</sup> World Bank, World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](http://databank.worldbank.org/source/world-development-indicators) (accessed 5 February 2021)).
- <sup>28</sup> Based on FAO, FAOSTAT, food production index ([www.fao.org/faostat/en/#data/QI/metadata](http://www.fao.org/faostat/en/#data/QI/metadata) (accessed 5 February 2021)).
- <sup>29</sup> ESCAP Asia-Pacific SDG Gateway ([data.unescap.org](http://data.unescap.org) (accessed 20 March 2021)).
- <sup>30</sup> Based on data from World Bank, World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](http://databank.worldbank.org/source/world-development-indicators) (accessed 9 February 2021)). The overall LDC share (of all 46 LDCs put together) increased only marginally from 1.00 per cent in 2010 to 1.01 per cent in 2019.
- <sup>31</sup> Based on data reported at WTO and EIF (2020) and from World Bank, World Integrated Trade Solution (WITS) ([wits.worldbank.org/](http://wits.worldbank.org/) (accessed 3 March 2021)).
- <sup>32</sup> Based on UNCTAD (2019a) annex 1.
- <sup>33</sup> Based on data from UNCTAD Stat ([unctadstat.unctad.org](http://unctadstat.unctad.org) (accessed 20 December 2020)).
- <sup>34</sup> WTO (2020) and World Bank, World Integrated Trade Solution (WITS) ([wits.worldbank.org/](http://wits.worldbank.org/) (accessed 3 March 2021)).
- <sup>35</sup> In countries in which more than 60 per cent of its merchandise exports are from commodities are usually considered as commodity dependent (UNCTAD, 2019c).
- <sup>36</sup> Based on data from World Bank, World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](http://databank.worldbank.org/source/world-development-indicators) (accessed 9 February 2021)).
- <sup>37</sup> Based on data from UNESCO Institute for Statistics, Data for the Sustainable Development Goals ([uis.unesco.org](http://uis.unesco.org) (accessed 9 February 2021)).
- <sup>38</sup> Based on data from WHO, Global Health Expenditure Database ([apps.who.int/nha/database](http://apps.who.int/nha/database) (accessed 10 February 2021)).
- <sup>39</sup> Based on data from the ILO modelled estimates reported in World Bank, World Development Indicators ([databank.worldbank.org/source/world-development-indicators](http://databank.worldbank.org/source/world-development-indicators) (accessed 24 March 2021)).
- <sup>40</sup> Based on data from World Bank, World Development Indicators (<https://databank.worldbank.org/source/world-development-indicators>) (accessed on 9 February 2021)).
- <sup>41</sup> Based on data from WHO/UNICEF Joint Monitoring Programme ([data.unicef.org](http://data.unicef.org) (accessed on 25 February 2021)).
- <sup>42</sup> Safely managed drinking water services is defined as using drinking water from an improved source that is accessible on premises, available when needed and free from fecal and priority chemical contamination. Data for this indicator are also present for a fewer number of countries compared to the corresponding basic drinking water services indicator.
- <sup>43</sup> Basic sanitation services: improved sanitation facilities that are not shared with other households. This indicator encompasses people using basic sanitation services and those using safely managed sanitation services. Improved sanitation facilities include flush/pour flush to piped sewer systems, septic tanks or pit latrines, ventilated improved pit latrines, composting toilets or pit latrines with slabs.
- <sup>44</sup> Data based on ILO, World Social Protection Data Dashboards ([www.social-protection.org/gimi/WSPDB.action?id=32](http://www.social-protection.org/gimi/WSPDB.action?id=32) (accessed 24 March 2021)).
- <sup>45</sup> Ibid.
- <sup>46</sup> E/ESCAP/73/1.
- <sup>47</sup> The six LDCs are Afghanistan, Bangladesh, Kiribati, the Lao People's Democratic Republic, Solomon Islands and Vanuatu. Total

costs are estimated based on NDCs of Asia-Pacific LDCs, available from the NDC Registry ([www4.unfccc.int/sites/NDCStaging/Pages/All.aspx](http://www4.unfccc.int/sites/NDCStaging/Pages/All.aspx) (accessed 28 February 2021)).

<sup>48</sup> Project approvals have been given to Bangladesh (2 projects), Nepal (2 projects), Afghanistan, the Lao People's Democratic Republic, Timor-Leste, Bhutan and Kiribati (1 project).

<sup>49</sup> Government revenue of LDCs was, on average, twice as volatile as that of other developing countries in the region. Volatility is measured in terms of the coefficient of variation of annual government revenue series over the period 2010–2019.

<sup>50</sup> World Bank (2018) argues that a minimum of 15 per cent of GDP in revenue is needed to provide basic services, such as road infrastructure, health care and public safety.

<sup>51</sup> Exports of goods, services and primary income is the sum of goods exports, exports of non-factor services and factor income receipts.

<sup>52</sup> This is according to the debt sustainability analysis of the International Monetary Fund (IMF) and the World Bank. The results of the latest analysis are summarized at [www.worldbank.org/en/programs/debt-toolkit/dsa](http://www.worldbank.org/en/programs/debt-toolkit/dsa).

<sup>53</sup> Based on estimates of ESCAP (2021c).

<sup>54</sup> In current prices, based on data from World Bank, World Development Indicators database ([databank.worldbank.org/source/world-development-indicators](http://databank.worldbank.org/source/world-development-indicators) (accessed 30 November 2020)).

<sup>55</sup> According to ESCAP (2020b), the COVID-19 pandemic has accelerated the downward trend in greenfield FDI already recorded in the region in recent years, with oil and gas, tourism, and financial services being acutely affected.

<sup>56</sup> Based on data from United Nations, UN E-Government Knowledgebase ([publicadministration.un.org/egovkb/en-us/data-center](http://publicadministration.un.org/egovkb/en-us/data-center) (accessed 15 February 2021)).

<sup>57</sup> The Extractive Industries Transparency Initiative is the global standard to promote open and accountable management of oil, gas, and mineral resources. Compliance refers to the publication of satisfactory Extractive Industries Transparency Initiative reports and submission to a functioning Extractive Industries Transparency Initiative process to oversee and improve levels of transparency and accountability. Solomon Islands withdrew from the Initiative in 2018. The website for the Initiative is available at [eti.org/countries](http://eti.org/countries).

<sup>58</sup> Based on data from Extractive Industries Transparency Initiative Data Portal ([eti.org/explore-data-portal](http://eti.org/explore-data-portal) (accessed 15 February 2021)).

<sup>59</sup> Based on data from PARIS21, the Statistical Capacity Monitor (<https://statisticalcapacitymonitor.org/indicator/113/> (accessed 10 March 2021)).

<sup>60</sup> This includes Cambodia, which was deemed eligible for graduation for the first time at the 2021 triennial review.

<sup>61</sup> Information obtained from graduating or newly graduated countries are eligible to access the Fund: (a) if a country is classified as an LDC at the time of the approval of the project identification form by the Least Development Fund/ Special Climate Change Fund Council following technical clearance by the Global Environment Facility secretariat, the project is eligible to receive Least Developed Country Fund support; (b) projects are already approved by the Least Development Fund/Special Climate Change Fund Council prior to a country's graduation continue to be supported with agreed Least Developed Country Fund resources until completion.

<sup>62</sup> Information obtained from [www.greenclimate.fund/sites/default/files/document/gcf-factsheet-ldc.pdf](http://www.greenclimate.fund/sites/default/files/document/gcf-factsheet-ldc.pdf).

<sup>63</sup> A/75/72-E/2020/14.

<sup>64</sup> Based on data from OECD, International Development Statistics of the Organisation for Economic Co-operation and Development ([stats.oecd.org/qwids/](http://stats.oecd.org/qwids/) (accessed 4 March 2021)).

<sup>65</sup> See ESCAP (2021b) for discussions and analyses of the impact of the pandemic on the Asia-Pacific region. This chapter focuses only on LDCs of the region.

<sup>66</sup> WHO, WHO Coronavirus Disease (COVID-19) Dashboard ([covid.19.who.int/table](https://covid.19.who.int/table) (accessed 31 January 2021)).

<sup>67</sup> See Tateno and Bolesta (2020) for detailed discussion on the impact of the pandemic on tourism in Asia-Pacific small island developing States.

<sup>68</sup> IMF, Policy responses to COVID-19 ([www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19](http://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19) (accessed 28 February 2021)).

<sup>69</sup> The International Labour Organization estimates that, for the Asia-Pacific region, the total working hours in 2021 would still be below (2.1 per cent lower than) the pre-pandemic level in the fourth quarter of 2019 (ILO, 2021).

<sup>70</sup> Viet Nam seems to have overtaken Bangladesh as the second highest exporter of ready-made garments to the European Union and

the United States.

<sup>71</sup> Based on data from CEIC (<https://www.ceicdata.com/en> (accessed 25 March 2021)).

<sup>72</sup> IMF, Policy responses to COVID-19 ([www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19](http://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19) (accessed 28 February 2021)).

<sup>73</sup> ESCAP, Policy responses to COVID-19 in Asia and the Pacific ([unescap.org/covid19/policy-responses](http://unescap.org/covid19/policy-responses) (accessed 10 December 2020)).

<sup>74</sup> For example, the construction of Padma Bridge in Bangladesh was delayed due to the pandemic. See The Daily Star (2020). See also Global Construction Review (2020).

<sup>75</sup> Based on information available at ADB, news releases on COVID-19 financial assistance to ADB members ([www.adb.org/what-we-do/covid19-coronavirus/financial-packages](http://www.adb.org/what-we-do/covid19-coronavirus/financial-packages) (accessed 26 March 2021)).

<sup>76</sup> The numbers of cases and deaths reported per capita in Asia-Pacific LDCs are approximately one half of those in other developing countries in the region and one fifth of the world averages. They are broadly in line with the difference in the infection rates among LDCs and all other developing countries in the world that is included in UNCATD (2020). While underreporting and lack of testing may partially explain these low infection rates in LDCs, other factors that may be supporting the lower rates are the younger population, higher immunity to infectious diseases, generally warmer weather and other geographic features.

<sup>77</sup> The point-to-point general inflation rate of Bangladesh increased to 6.44 per cent in October 2020, the highest level in seven years. Food inflation rose to 6.5 per cent as prices of all commodities went up largely on the back of the COVID-19 pandemic and government fiscal and cash support. See Financial Express (2020).

<sup>78</sup> Retail price of rice is estimated to have increased by 20 per cent in January-April 2020 in the Lao People's Democratic Republic (ADB, 2020c).

<sup>79</sup> See United Nations (2020c) for more discussion on this issue.

<sup>80</sup> These are GNI per capita, a human assets index and an economic and environmental vulnerability index. The values of these indicators and respective graduation thresholds are presented in table 2-6.

<sup>81</sup> See also ESCAP, ADB and UNDP (2021) for a discussion of the impacts of the crisis on the region's progress towards sustainable development.

<sup>82</sup> ESCAP (2020a) finds that the Asia-Pacific LDCs as a group are not on track to meet any of the 17 Goals.

<sup>83</sup> Estimates from World Bank, PovcalNet database ([research.worldbank.org/PovcalNet/home.aspx](http://research.worldbank.org/PovcalNet/home.aspx) (accessed 1 February 2021)).

<sup>84</sup> United Nations Statistics, SDG Indicators Database (<https://unstats.un.org/sdgs/indicators/database/> (Accessed 10 December 2020)).

<sup>85</sup> For more detailed discussions and analyses on how the pandemic is impacting progress towards the SDGs in Asia and the Pacific, see part III of ESCAP (2021a).

<sup>86</sup> The treaty entered into force on 20 February 2021. More information is available at <https://www.unescap.org/resources/framework-agreement-facilitation-cross-border-paperless-trade-asia-and-pacific>

<sup>87</sup> A/75/72-E/2020/14.

<sup>88</sup> See ESCAP (2021b) for discussion of a four-point regional cooperation strategy to cope with the pandemic.

<sup>89</sup> ESCAP, COVID-19 response ([www.unescap.org/covid19](http://www.unescap.org/covid19)).

<sup>90</sup> See, for instance, ESCAP (2020f).

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The year 2020 marked the end of the Fourth United Nations Programme of Action for the Least Developed Countries for the Decade 2011–2020 or informally called the Istanbul Programme of Action. During that year, the world encountered an unprecedented global pandemic, which significantly affected the Asia-Pacific least developed countries (LDCs).

The *Asia-Pacific Countries with Special Needs Development Report* provides a summary of the progress made and challenges encountered by the Asia-Pacific LDCs in implementing the Programme of Action. It also includes an evaluation of the socioeconomic impacts of the ongoing COVID-19 pandemic on these countries and offers perspectives on how the pandemic is likely to affect their progress towards graduation from the LDC category and achieving the Sustainable Development Goals by 2030.

The report presents policy areas that should be covered in the next programme of action for LDCs for the next decade to initiate sustained socioeconomic recovery in the aftermath of COVID-19 pandemic and to realize the Sustainable Development Goals. Also, in the report, the importance of regional and subregional cooperation going forward to improve the resilience of these countries in dealing with shocks, such as the COVID-19 pandemic, is reinforced. For graduating countries, continued support from development partners, beyond graduation, is essential to ensure a smooth transition from the category.

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