As Delivered

**United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)**

**Statement by**

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**High Representative**

**and**

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**Least Developed Countries, Landlocked Developing Countries and Small Island Developing States**

**Asia-Pacific Regional Review Meeting on the Implementation of the Istanbul Programme of Action in Preparation for the Fifth United Nations Conference on the Least Developed Countries (UNLDC-5)**

**Session 7: Road to Doha: An ambitious agenda for the next decade through reinvigorated and innovative financing for development of the Asia-Pacific Least Developed Countries**

**10:55--13:00**

**Thursday, 2 September 2021**
**Geneva, Switzerland**

**CR Tempus 1 at UNOG**

Ambassador Rabab Fatima,
Excellencies,
Distinguished Delegates,
Colleagues from the UN system,
Ladies and Gentlemen,

Over the past few days, we have combed through the complex structural impediments faced by LDCs in the Asia-Pacific region, which hinder the implementation of the Istanbul Programme of Action. While progress in graduation is heartening, the stark reality is that the Istanbul Programme of Action represents unfinished business.

The COVID-19 pandemic is likely to stall the steady progress towards the SDGs achieved by the Asia-Pacific LDCs. Their limited productive capacity and limited financial resources render them unable to cope with the significant social and economic fallout of the pandemic, from which they are likely to suffer disproportionately. In sum, the risk of another lost decade of development and a failure to achieve the SDGs is high and rising. LDCs in the region are at a crucial moment in their efforts to build back better and consolidate their achievements to ensure a transformative recovery from the pandemic. Asian LDCs and LLDCs are well aware of the need to solidify past gains, with a view to achieving structural transformation through growth in trade, increases in competitiveness and productive capacity and, ultimately by moving up regional and global value chains.

Pacific LDC SIDS urgently need to build climate resilience and enhance their adaptive capacity to cope with more frequent and intense climate crises.

Countries in conflict and post-conflict situations in the region are faced with the daunting task of restoring peace and building stable institutions to avert humanitarian crises and begin the process of national rehabilitation and reconciliation.

As LDCs in the region embark on the road to Doha, a question that needs to be addressed is how to reinvigorate development finance to better support LDCs in their quest to achieve sustainable and resilient recovery from the pandemic. The international community has a duty to assist by providing practical policy options coupled with swift and concrete action.

Due in part to their extreme vulnerability to external economic and environmental shocks, their narrow economic bases and remoteness from major global markets, LDCs across the region lack the fiscal space to cope with the effects of the COVID-19 pandemic, which is having devastating impacts on both lives and livelihoods.

Domestic resource mobilization is particularly challenging for most LDCs, as they face capacity constraint in effective tax administration. The limitations this places on their ability to raise public revenue is compounded by the pernicious effect of illicit financial flows and tax evasion.

LDCs rely to a large extent on external finance. In fact, ODA, remittances and FDI represent a larger share of LDCs' GDP than domestic finance.

Unfortunately, COVID-19 has required increased spending at the very time that domestic revenues in LDCs are being sharply reduced, due to a decline in economic activity and a sharp downturn in export earnings and remittance flows. This has widened the financing gap to achieve the SDGs. The OECD estimated that developing countries as a whole require $2.5 trillion per year to achieve the SDGs, pre-pandemic. It now estimates that these countries face a financing shortfall of 1 trillion dollars in COVID-19 emergency and response spending. The 2021 OECD Global Outlook projects that the annual SDG financing gap in developing countries could have increased by as much as $1.7 trillion dollars, or by about 70%, last year. Moreover, external financing to developing countries is estimated to have fallen by $700 billion in 2020.

Added to this, COVID-19 has exacerbated the debt servicing burden faced by LDCs. Four LDCs in the region have been assessed in the latest World Bank-IMF debt sustainability assessments as having a high risk of external debt distress. And we have heard from Professor Gita Sen this morning on the impact this has on critical sectors such as health and education.

Ladies and Gentlemen,

Access to development finance is of crucial importance to LDCs in their quest to achieve the structural transformation required to place them on a sustainable development path. The entire global community, including the UN development system, development partners both from the North and the South, and LDCs themselves have a role to play.

Even as these countries pursue innovative sources of finance, development partners should fulfil and enhance their ODA commitments to LDCs, as it remains a crucial means of financing investment in sustainable development.

Although the G20 Debt Service Suspension Initiative (DSSI) provided temporary breathing space for LDCs in respect of the debt service obligations to their official bilateral creditors, it did not alleviate the crushing debt burdens of LDCs. A concrete sovereign debt restructuring mechanism needs to be put in place to ensure that LDCs attain long-term debt sustainability. And we should not shy away from consideration of a new debt cancellation initiative.

The recently announce $650 billion allocation of Special Drawing Rights agreed by the IMF Board of Governors will provide enhanced liquidity to LDCs, and help them to address urgent health needs, including vaccinations, and enable greener, more robust recoveries from the pandemic.

However, this SDRs issuance will be credited to IMF member countries in proportion to their existing quotas. And because LDCs command relatively small quotas, they will need those member countries with large quotas and strong external positions to voluntarily channel some of their quotas to those most in need, such as the LDCs. This could be done by way of the IMF’s concessional financing facility for low-income countries, the Poverty Reduction and Growth Trust.

For Asia-Pacific LDCs at the frontline of various shocks and hazards, it is important to ensure that development financing is sustainable, riskinformed and resilient. This will require public and private, domestic and international investment to be aligned with national and sub-national disaster risk reduction strategies. I cannot overstate how important it is for investors to mainstream climate risks in their investment decision-making.

The adaptation needs of the Asia-Pacific LDCs, and the Pacific SIDS in particularly are significant. However, access to climate finance remains a major challenge for LDCs. These countries need efficient and effective access to climate finance through simplified application procedures and modalities. They also need assistance in building the capacity to prepare bankable projects for climate change adaptation and mitigation.

To achieve transformative recovery, LDCs need a green economic stimulus package supported by the international community that can help them address climate challenges while they work to achieve better economic outcomes. There is a clear need for investments in digital technologies, renewable energy and sustainable infrastructure, all of which will contribute to the creation of jobs and the reduction of inequality. New financing sources and innovative funding mechanisms, including blended finance, green and blue bonds, debt swaps and state contingent debt instruments such as catastrophe linked sovereign bonds should be considered.

Finally, LDCs need to improve the capacity of their investment promotion agencies to better attract, diversify and retain FDI.

Ladies and Gentlemen,

The achievement of the SDGs in LDCs will require scaled up international financial and technical support.

The use of innovative financial instruments should be tailored to the specific requirements of LDCs, particularly the needs of local communities, in relation to their recovery and resilience building efforts.

From Istanbul to Doha, we must put in place an ambitious and transformative development finance and policy response package for LDCs, to enable their sustainable recovery from the pandemic and accelerated implementation of the SDGs. And we will need to address the deficiencies in the international financial architecture so that it provides long-term sustainable benefits for all countries, not least of which are the LDCs.

Thank you.