

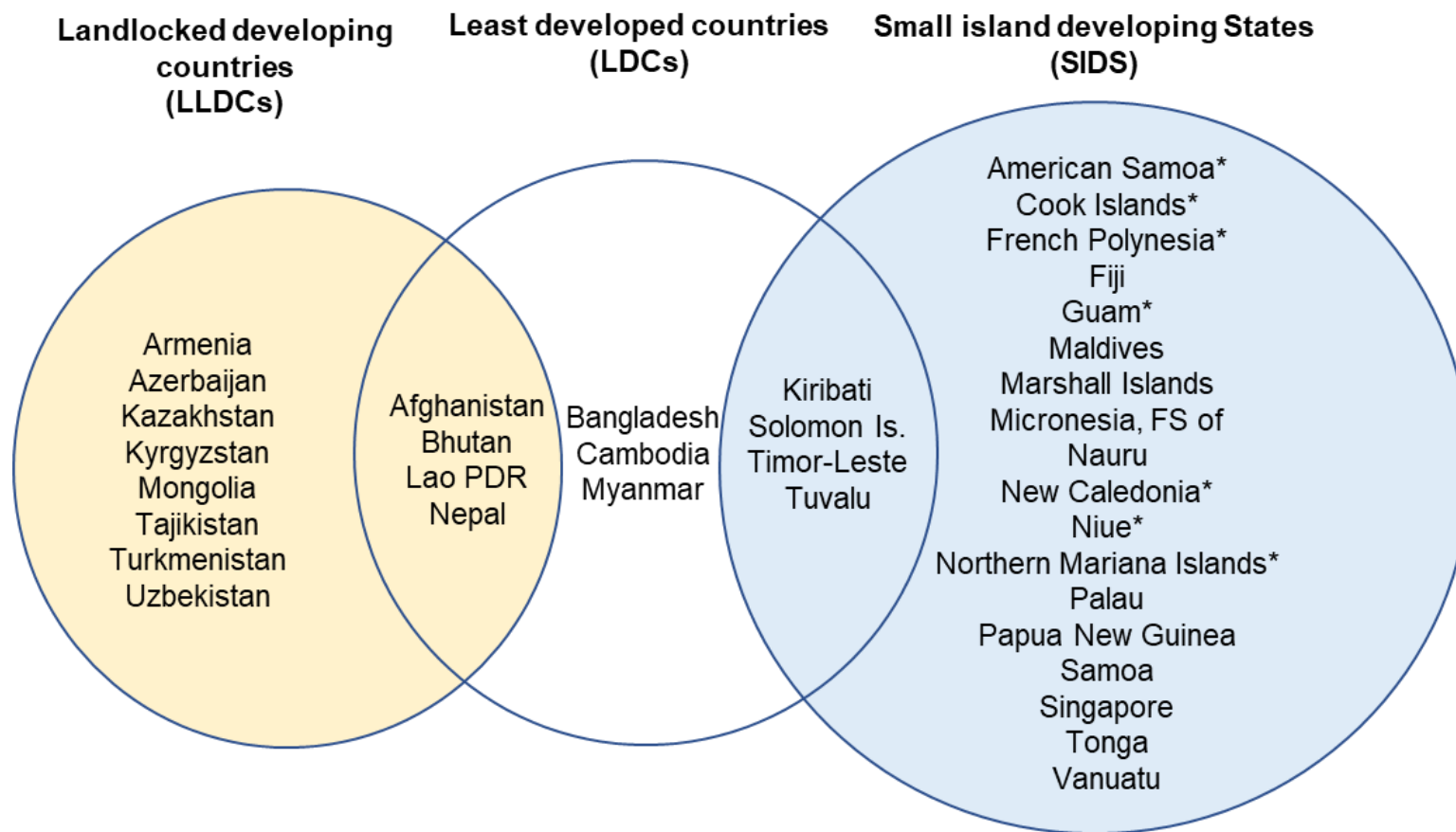
Access to finance in Asia Pacific LDCs

LDCs' Access to Finance
Virtual Roundtable for LDCs in Asia and the Pacific, 6-8 December 2022

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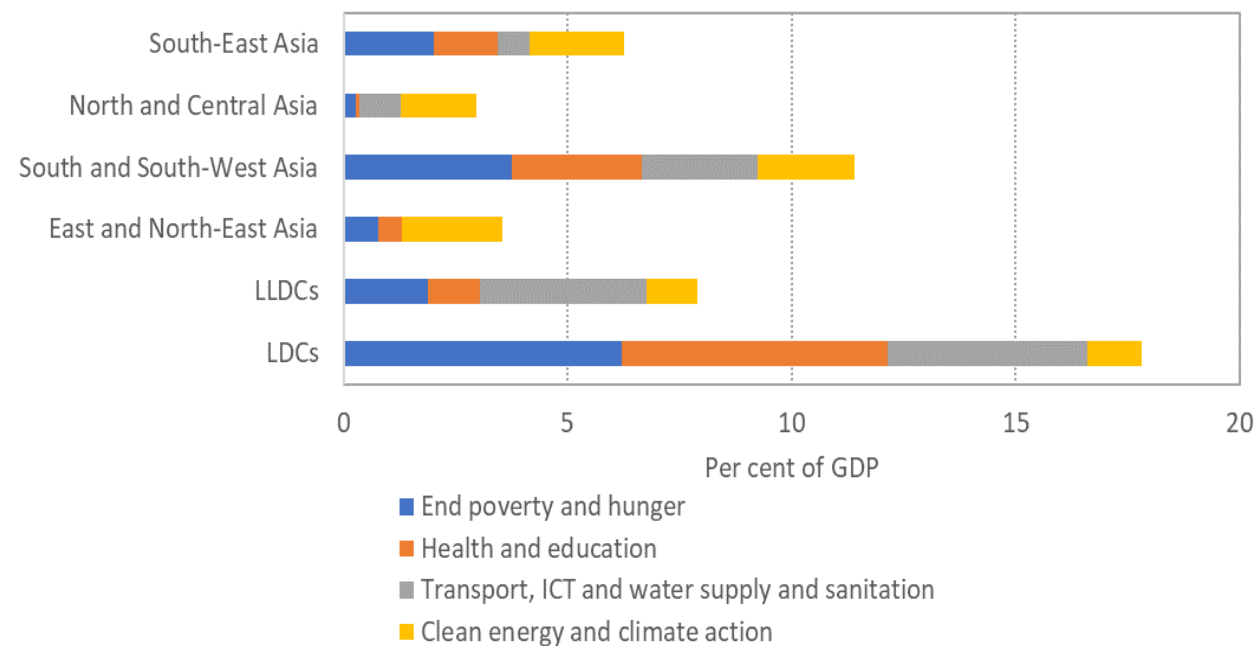
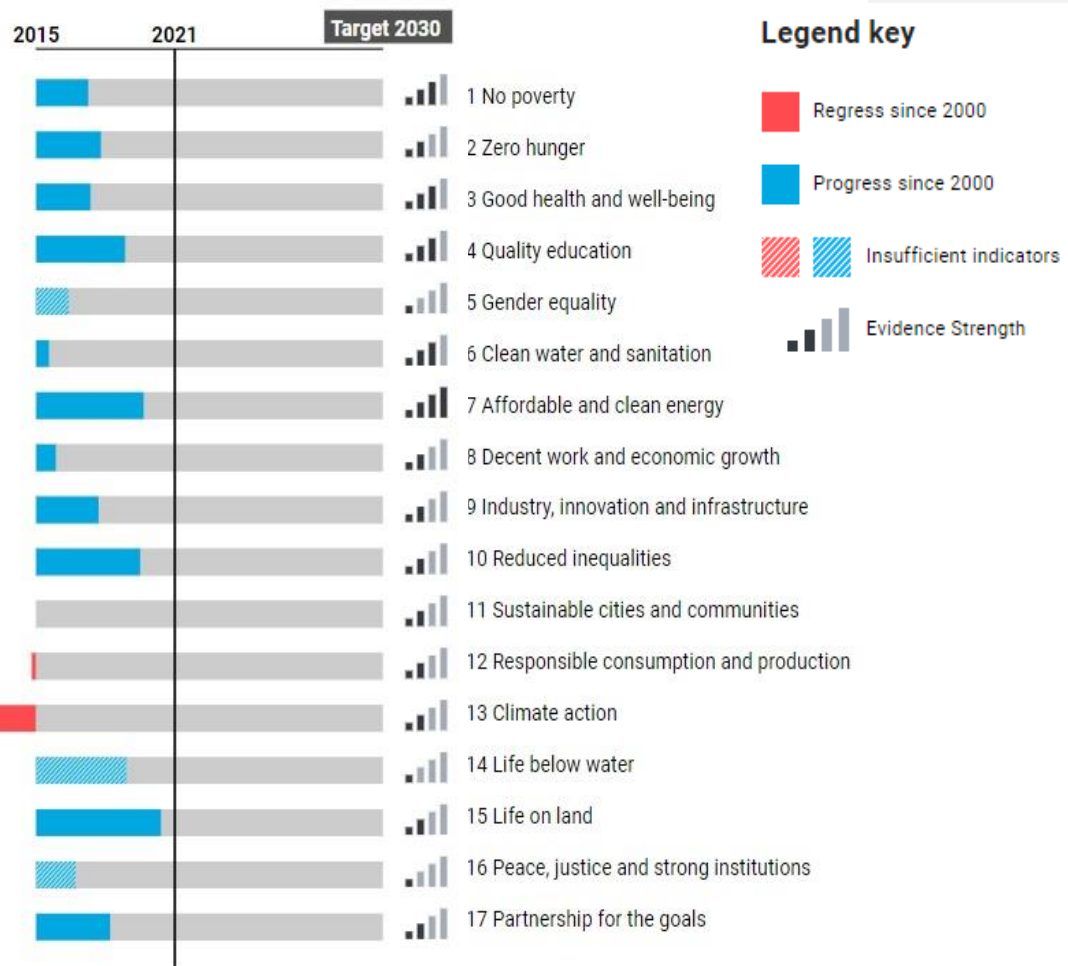
Asia-Pacific LDCs



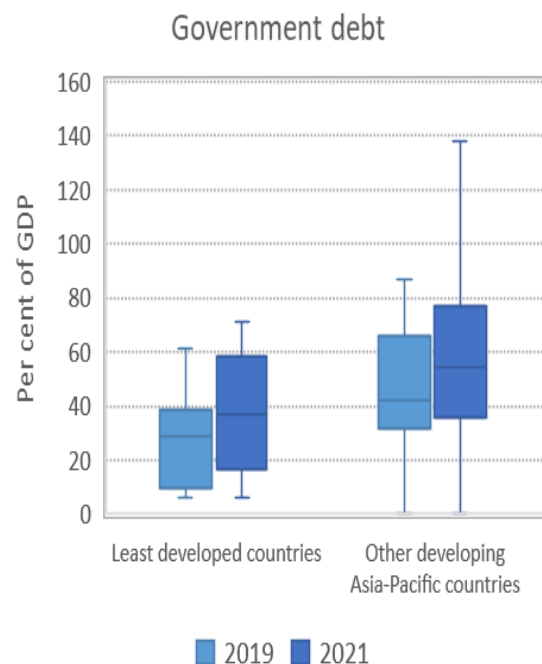
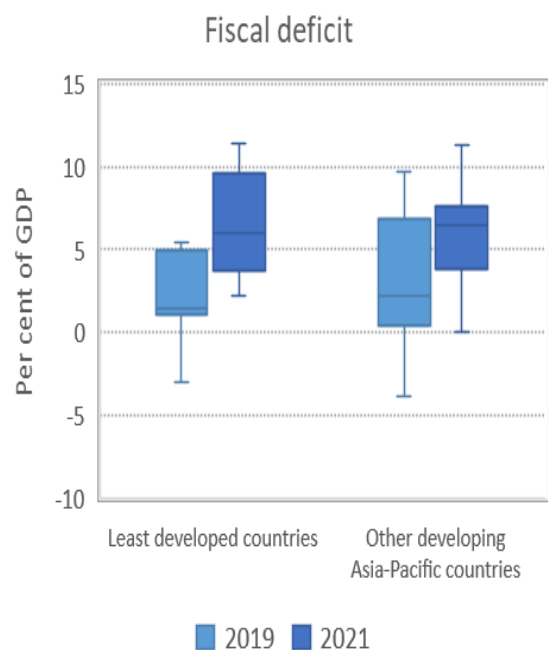
Diversity

- LLDCs and SIDS
- Population, GDP
 - 11600 (Tuvalu) to 163 million (Bangladesh)
 - USD 63 million to USD 416 billion

Progress towards the SDGs and financing requirements



...gaps have widened further; existing challenges have been compounded requiring a sustainable recovery

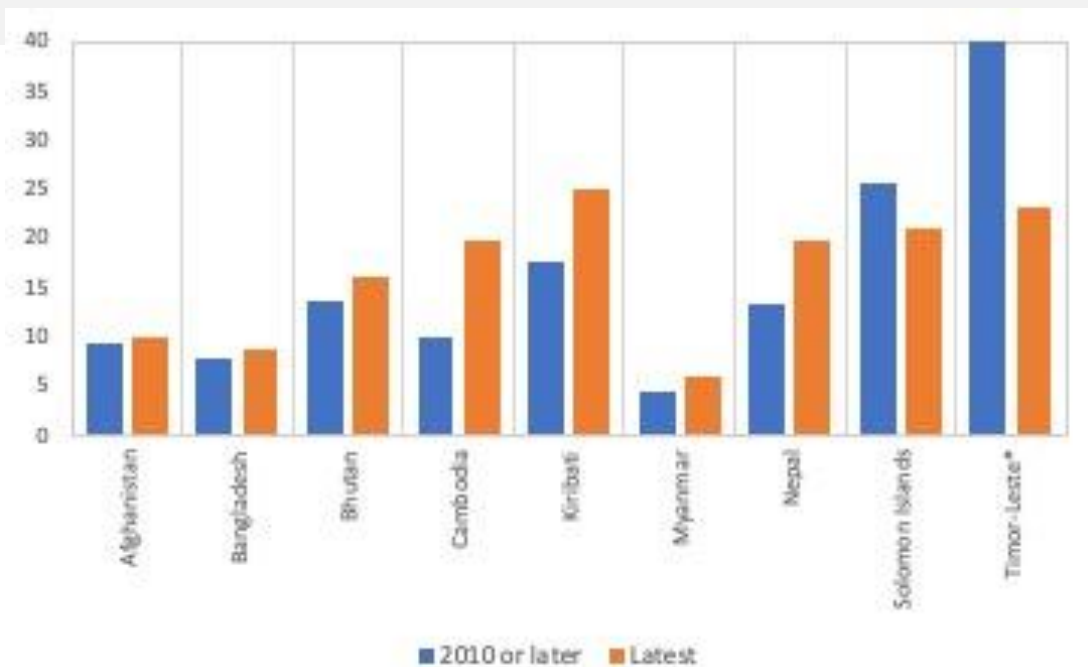


Stimulus measures so far are:

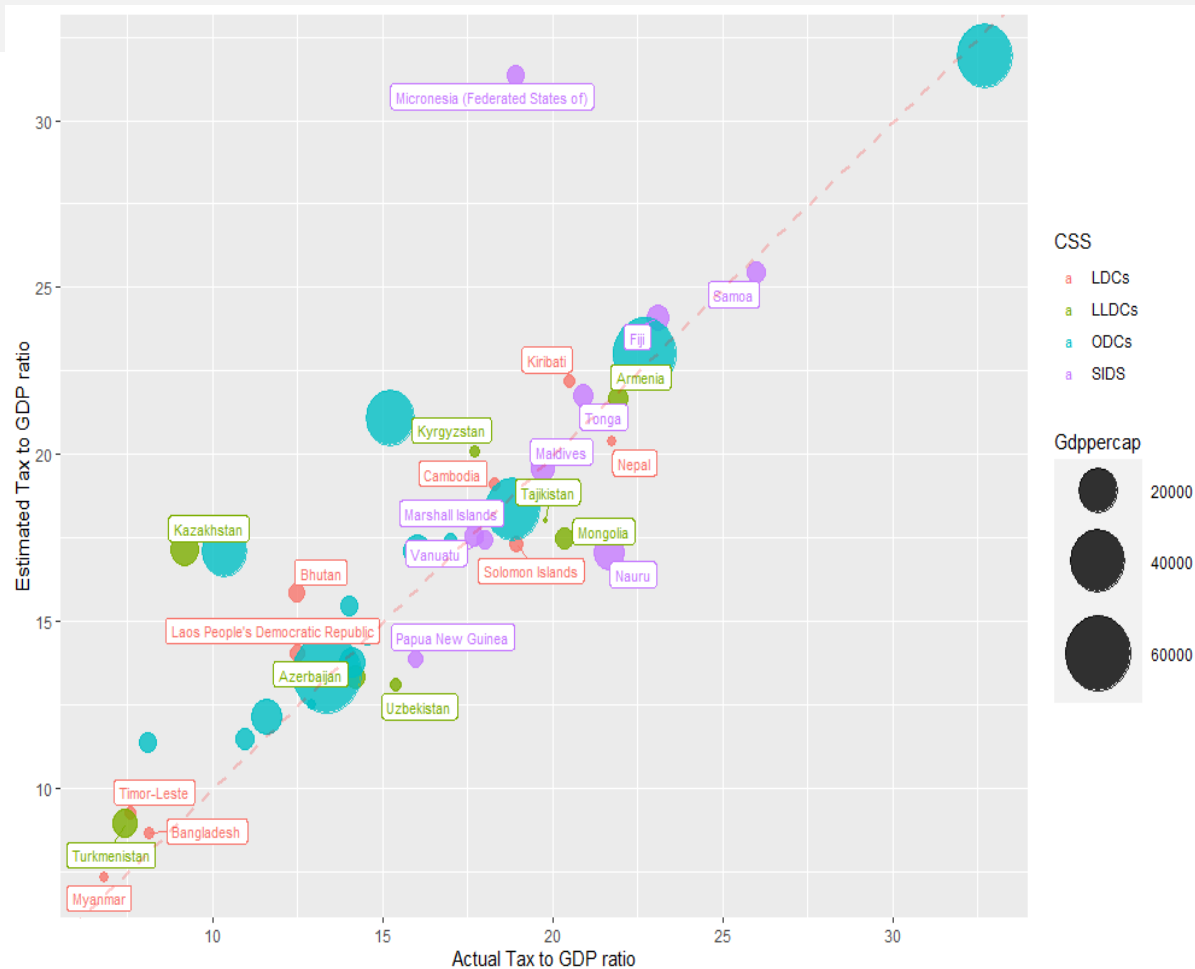
- Not designed to achieve the long-term development goals
- Small compared to other developing countries in the region (1.7% of GDP in LDCs vs. 6.6% for all developing AP countries), pointing a rising risk “K-shaped” recovery.

A sustainable recovery refers to an integrated approach to supporting economic recovery from the pandemic while ensuring that the recovery is environmentally sustainable, socially inclusive and resilient to future shocks.

Traditional sources of financing still dominate albeit challenges in mobilizing them



- High volatility due to undiversified revenue base
- Larger LDCs – less than 10%
- **COVID-19** - 5% average decline
- Untapped potential exists

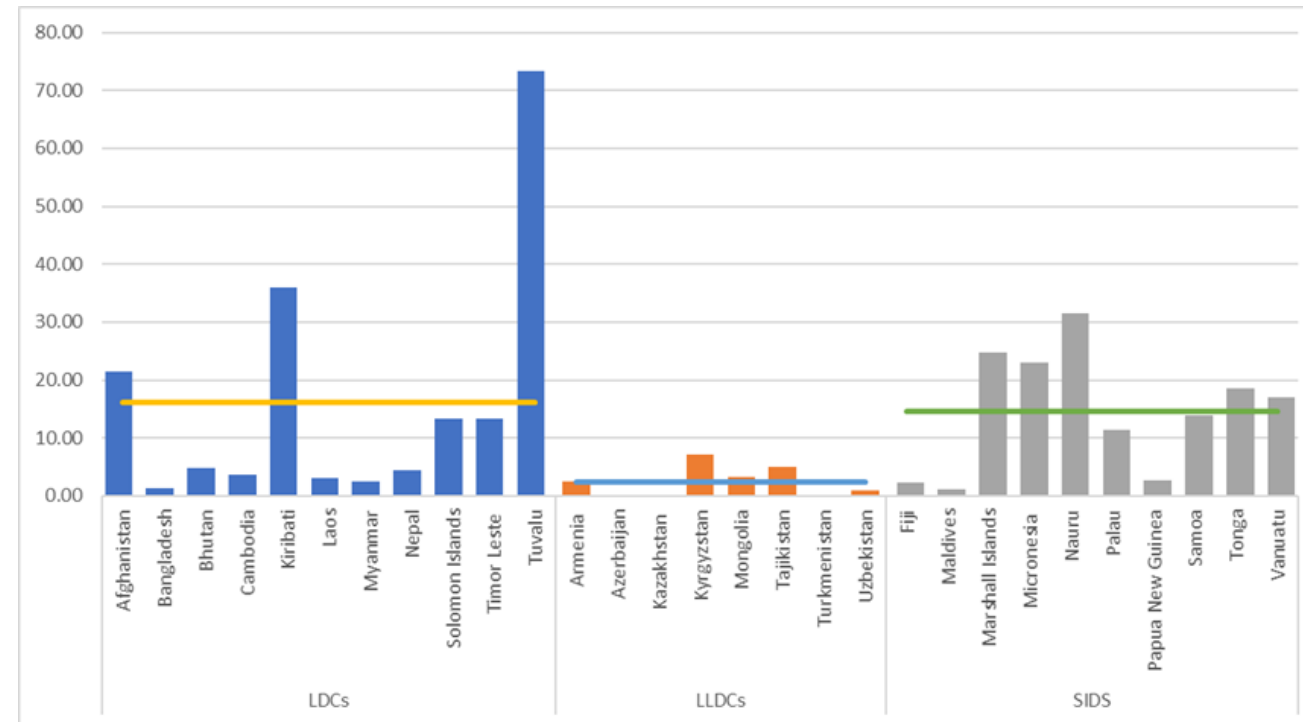


Actual vs. potential tax-to-GDP ratio

While uncertainty remains for bilateral ODA, IFIs provide immediate liquidity relief

- The single most important source of external finance for many CSN
 - LDCs: 16% of GDP
 - SIDS: 15%
 - LLDCs: 2%
- Impact of **COVID-19** on bilateral ODA is uncertain
- IFIs have stepped up activities

Average ODA as a share of GDP (2015-2019)

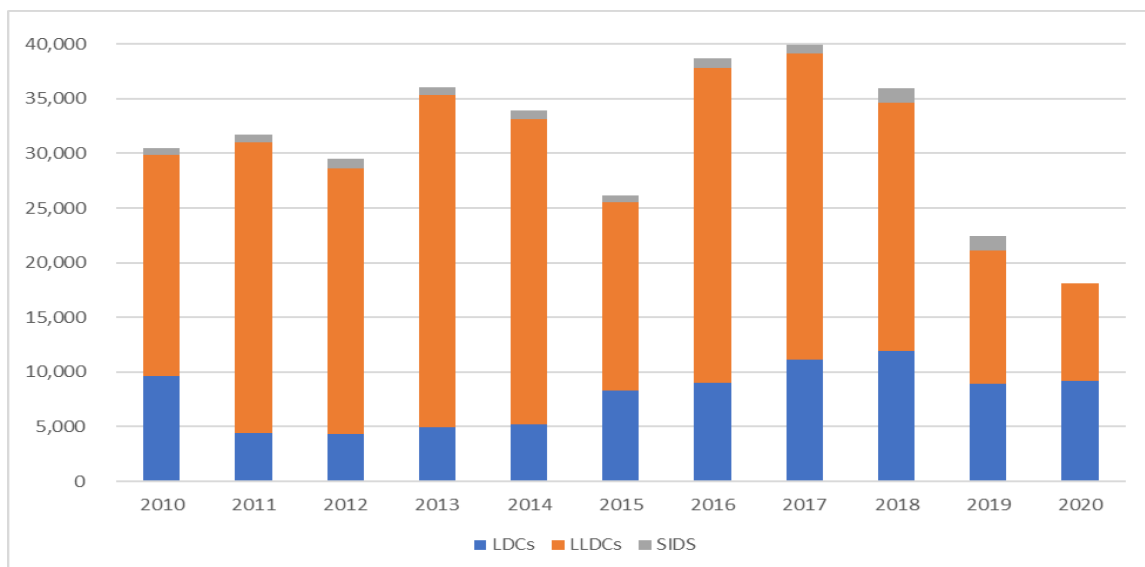


Struggles to attract FDI continue, especially to SDG sectors

FDI

- Generally low and volatile; unevenly distributed
- Greenfield investments: concentrated in coal, oil and gas sub-sector in LLDCs

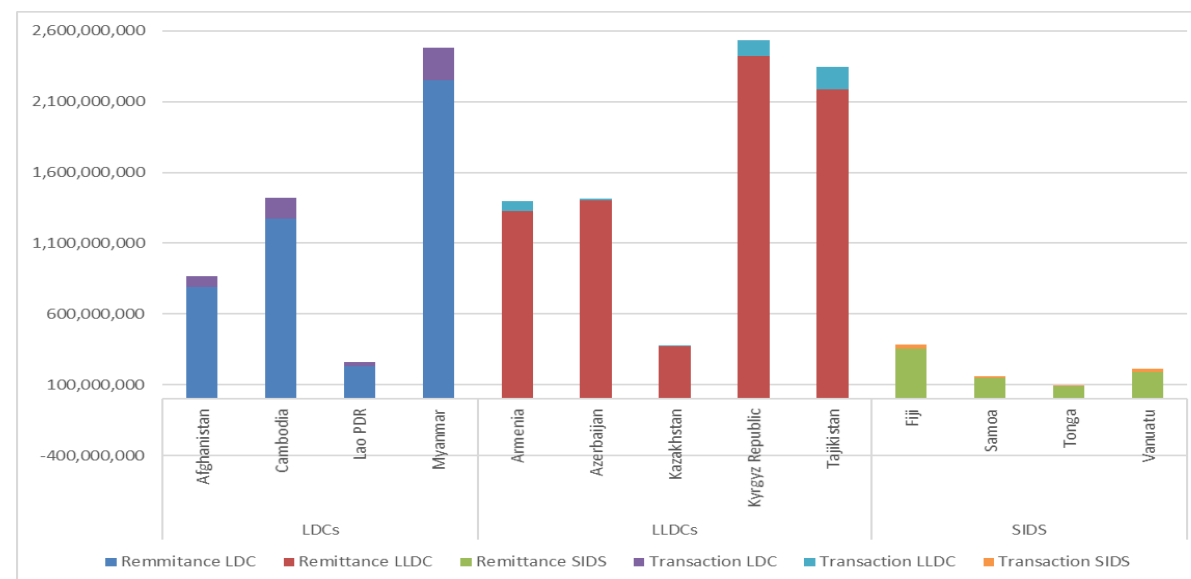
Total FDI flows to CSS



Remittances

- LDCs-3.5%; LLDCs-8.8%; SIDS-6.1% of GDPs
- Costs are still high: between 2016-2020 a total of \$10.7 billion incurred by 16 CSN

Total vs. cost of remittances, 2020

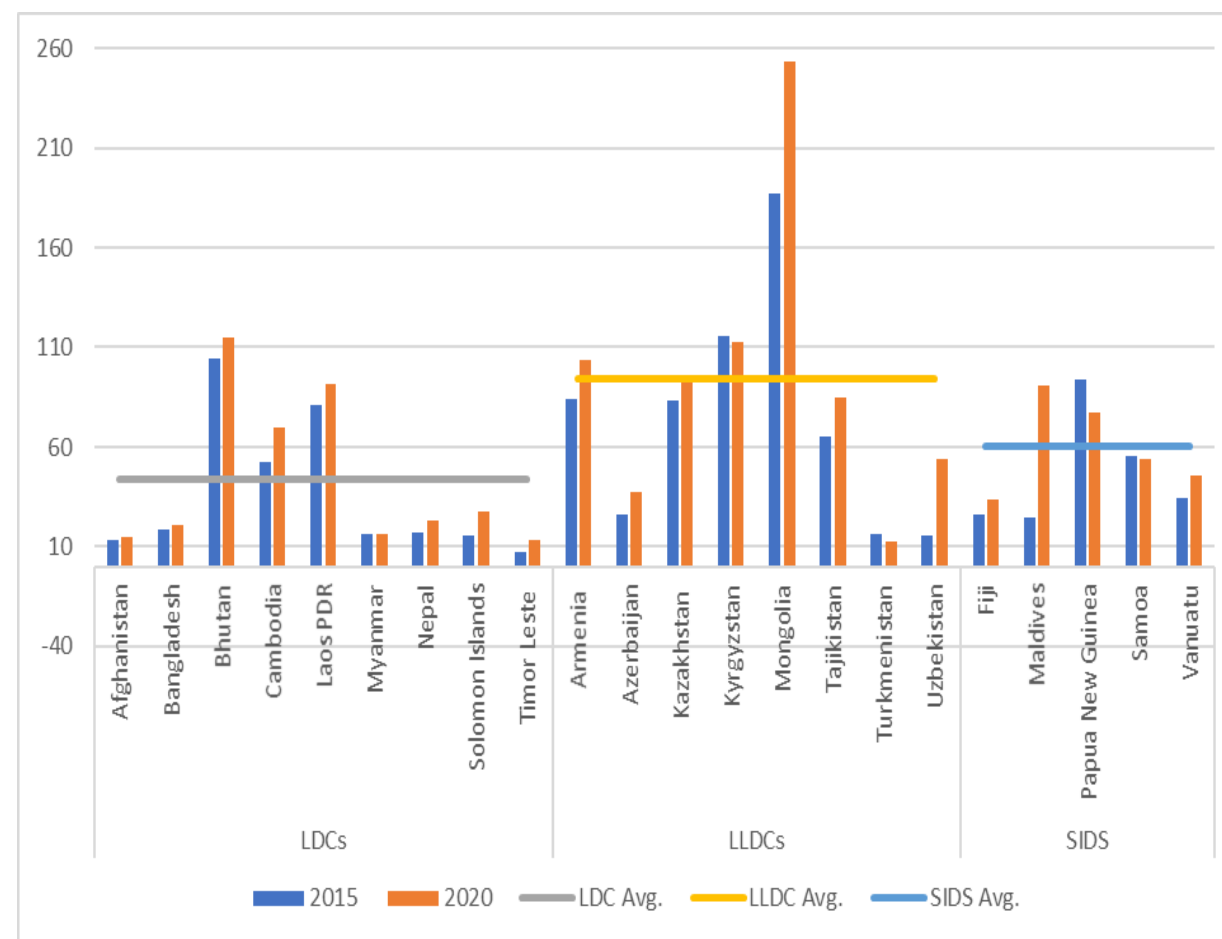


Traditional sources will not be adequate and need to be complemented by innovative sources

- 4 LDCs are classified as 'high risk'
- Shift towards non-concessional forms of financing

Risk Category	Low risk	Moderate risk	High risk
Country	Bangladesh Cambodia Myanmar Nepal Timor-Leste	Bhutan Solomon Islands	Afghanistan Kiribati Laos PDR Tuvalu

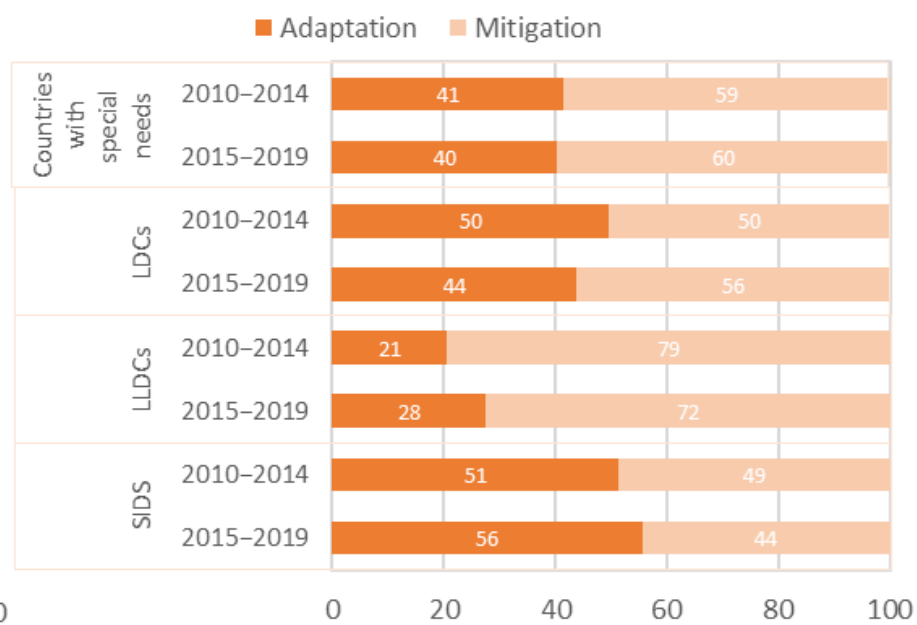
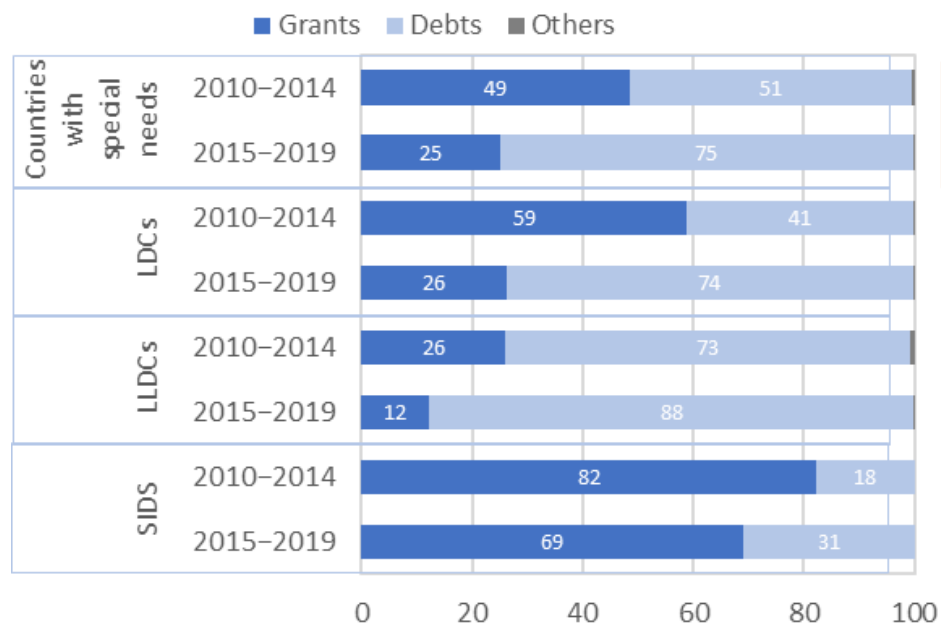
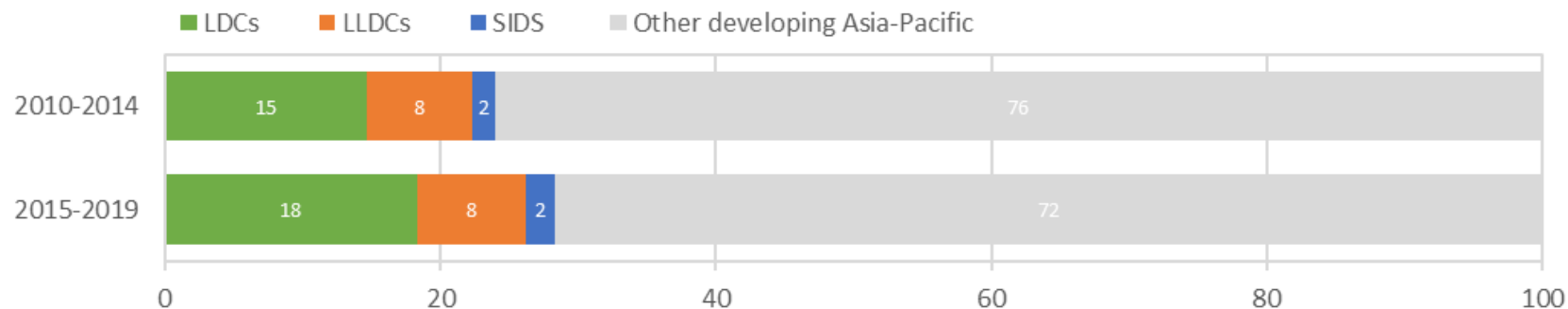
Public debt as % of GDP, 2015 and 2020



Traditional sources will not be adequate and need to be complemented by innovative sources in the long term

- LDCs can take advantage of expanding global markets for thematic bonds.
- Debt-for-climate swaps could also reduce debt exposure while also increasing investments in climate adaptation or mitigation.
- However, existing shortcomings must be addressed
 - Regulatory framework
 - Technical and institutional capacity
 - Theme-specific frameworks
 - Align frameworks with global or regional standards

Meeting climate commitments and leveraging innovative climate and environment-related finance



Regional cooperation can enhance resource mobilization capacities of countries with special needs

ESCAP's regional/subregional initiatives:

- Collaborate with Pacific Islands Forum Secretariat (debt and financing options)
- Provide technical support and capacity building to enhance regulatory and policy framework for bond issuance
- ESCAP Sustainable Business Network (ESBN) – engagement with the private sector and other stakeholders
- Infrastructure Financing and the PPP Network of Asia and the Pacific
- Digital FDI – knowledge products and investment policies

