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# Integrated national financing frameworks and LDC graduation

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# 1 Fundamentals of financing strategies and responsiveness to LDC graduation

# The socio-economic progress of AP LDCs must be consolidated and built upon further by enhanced resource mobilization efforts

Despite numerous challenges (including COVID-19) AP LDCs demonstrated tremendous socio-economic progress during the IPoA implementation period

- 3 AP LDCs graduated (Maldives, Samoa, Vanuatu)
- 5 AP LDCs are scheduled to graduate by 2026 (Bangladesh, Bhutan, Lao, Nepal, Solomon Islands)
- 10 out of 11 AP LDCs are now at various stages of graduation

However, these countries continue to face multifaceted challenges

- Limited productive capacities, slow structural transformation and diversification, inadequate human and institutional development, COVID-19 consequences, etc)
- Full implementation of IPoA remains unfinished and progress on SDGs was rather slow
- Financing needs to achieve the SDGs were already high and after COVID-19 will increase further.

# On-going development transitions and financing needs

- The ongoing development transition in AP LDCs would require catering to ever **rising demand for infrastructure facilities, energy, and improved health and education.**
- COVID-19 had brought a reinvigorating attention to the need for much stronger **health services and social protection.**
- On the other hand, LDCs graduation would result, in some instances, to the **loss of significant trade preferences and unfavorable prospects to low-cost development financing.**
- In some cases, **lending rates have risen** even before LDCs graduation as countries move from low income to lower middle-income status.

Exporter	Loss of exports as % of initial exports
Bangladesh	-14.28%
Bhutan	-1.44%
East Timor	-0.03%
Kiribati	-0.19%
Lao PDR	-1.45%
Myanmar	-3.83%
Nepal	-2.48%
Solomon Islands	-4.16%
Tuvalu	-0.01%
Vanuatu	-0.29%

Source: WTO (2020).

# For enhanced resource mobilisation, attention is needed on both fronts: domestic and external

## Various components of financial resources for development

- Domestic resource mobilization through internal taxation and non-tax revenue
- ODA, FDI, remittances, and external debt management

## There are opportunities for improvement in all areas

- LDC graduation does not necessarily mean lower levels of external resource mobilization.

# INFF & financing strategy: added-value

Countries are targeting impact through financing strategies at three levels

## Strategic and Policy level

From public finance centric approach to planning to **public and private finance approach** with a focus on prioritized, sequenced set of changes that respond to financing imperatives for **graduation preparedness & beyond**

## Financing outcomes level

- Enhanced domestic resource mobilization
- Strengthening resourcing for sectors impacted by decline in ODA
- **Focus on building new competitive advantages** to address impacts of loss of trade preferences
- Diversified investment flows in line with national priorities

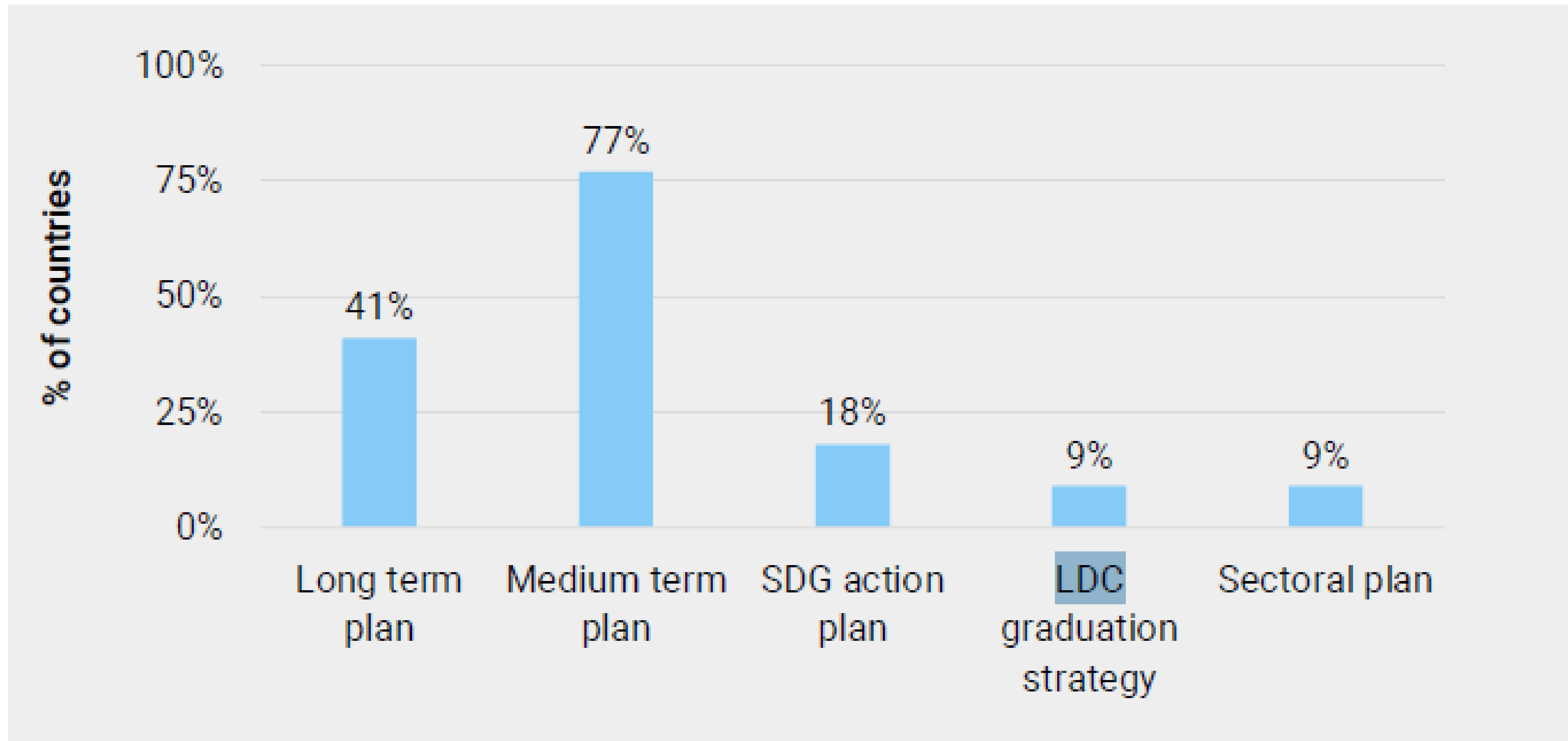
## Governance level

**Anticipatory** – identifying how existing coordination mechanisms can be sustained in the transition

**Promoting dialogue** and collaboration on financing issues and reform agenda

# 2 Country snapshots from AP LDCs

# Out of 33 LDCs, 9% concretely include a focus on aligning the INFF to a graduation strategy





# INFF vision in Bangladesh

## Boost Public & Private SDG Financing

- Context: **LDC Graduation** and economic impact of **COVID-19**
- Financing roadmaps and bankable projects in **WATSAN, RENEWABLE ENERGY, CLIMATE FINANCE**
  - with low hanging fruits/opportunities
- **Engaging UN/IFIs/DPs**
- Interventions **in other sectors** (i.e., Education, Health, etc.)
- Crosscutting **GENDER LENS**

WHAT DO WE WANT TO DO?

WHAT ARE WE WORKING WITH?

**FS:** BGD SDG Financing Gap **USD 928.48 B**

- **42%** from Private Sector – USD 389.96 B

**8<sup>th</sup> 5YP:** Total budget **USD 750 B**

- **75%** from Private Sector - USD 560 B

**IMPLEMENTING AGENCIES:** UNDP, UNCDF, ILO, UNWOMEN under political leadership of RCO and w/ UNDP as technical lead

# Bangladesh: what is different about the current INFF

## Updates previous DFA & FS

- **Updating DFA & FS**
- Learned what was missing in the previous DFA & FS, and they are addressing those gaps:
  - **Private investments:** *from targets to a ROADMAP (how do we achieve the targets & how to we measure PS impact – including to boost design of SDG-linked financing instruments)*
  - **SDGs:** breakdown & synergies
  - **LDC graduation:** from concessional loans to new trade negotiations
  - **Covid-19:** economic impact

## Focuses on all 4 INFF pillars

- **Focus on closing the loop from assessments and investment impact measurement to bankable projects**
  - **Diagnostics:** mapping market data & fin. instruments w/ PS; DFA & FS incorporating investment roadmaps, investor mapping, digital scorecard; conducting sector baselines
  - **Strategy:** advocacy for investment policy reforms based on DFA/FS; & co-designing **BANKABLE PROJECTS** & digital trade platform
  - **Monitoring:** SDG Budgeting & Private Sector impact measurement / investment taxonomy
  - **Governance:** Incorporating SDG financing in existing SDG Governance mechanism w/ PS participation

# READINESS TO TAP INTO SUSTAINABLE INVESTMENT AND FINANCE CAMBODIA INVESTOR MAP – OPPORTUNITY AREAS, IMPORTANT TO ALSO CONSIDER EQUITY AND SUSTAINABILITY

6+1 Sectors

11+1 Sub-sectors

15 IOAs

9+1 White Spaces



*technology-based solutions to ensure last-mile reach to the population, thereby reducing gender and regional disparities*

# Lao PDR - action-oriented financing strategy with a focus on actions to meet important LDC finance objectives

## Policy area 2.2: LDC finance

- The 9th NSEDP fully recognizes the importance of preparing for LDC graduation: “the Government must continue to prioritise and prepare comprehensively for LDC graduation over the extended 5-year preparatory period (2021-2026) to ensure that graduation is smooth and sustainable”.
- In light of upcoming graduation, the Financing Strategy recommends a dual focus on (1) maximising access to LDC-specific multilateral funds for the second half of the implementation of the 9th NSEDP and (2) prioritising fiscal sustainability and mitigation of impacts on ODA in the Smooth Transition Strategy.
- ► Policy objective 2.2.1: urgently mobilise LDC-specific funds to finance national development priorities
- The DFA highlighted that “current fiscal revenue constraints caused by the COVID-19 pandemic signal that Lao PDR is likely to seek additional ODA support to meet 9th NSEDP social sub-sector development targets and specific technical assistance needs”.
- To tap LDC-specific funds include, one action was agreed
- □ In preparation for the LDC V Conference (5-9 March 2023), the assessment of challenges, opportunities, and best practices to mobilise ODA from multilateral funds, Technology Bank, and Investment Support Programme.
- ► Policy objective 2.2.2: prioritise financing sustainability in the forthcoming LDC Graduation Smooth Transition Strategy
- Building on 2.2.1, this policy objective provides directions for the development and implementation of a Smooth Transition Strategy, coordinated by the Ministry of Foreign Affairs, with support from the UN Country Team.

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**A few reflections...**

# Reflections on financing strategies in the context of graduation

- **INFFs are not a once off**, really important to see how to ensure updates and momentum on action matrix of financing strategies
- **Coordination fora**: LDC related institutional coordination for a typically start to break down/hold less value for government so useful to anticipate and explore what institutional mechanisms including INFF-related could help to provide collaboration fora led by government and facilitate planning on a more continuous basis
- **Institutional transformation and transitions**: Issues related to transformation of institutions also need to be anticipated and planned for by government with support of UN – these are typically not easy and often call for increased allocations from the budget
- **Focus on economic, environmental and social sustainability to access to capital markets** and use of **fiscal incentives and regulatory measures to promote greening and meeting of social criteria in line with growing sustainability focus of capital markets**
- **Promote engagement of private sector** in the lead up to promotion of LDC



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**Thank you**