



Session 3: Access to Finance and Mobilization of Resources during Smooth Transition

Implications of graduation and proposed actions to ensure a smooth transition

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Implications of LDC graduation

LDC-specific entitlements or ISMs will be phased out:

- Possible reductions in ODA from bilateral and multilateral donors
- Loss of access to exclusive mechanisms (Tech. Bank, Inv. Support, LDCF, EIF/AfT, etc.)
- Loss of access to other LDC-specific support (UN budget, travel benefits, etc.)

Graduation sends a strong signal

- A more investor-friendly climate, good infrastructure, stable political situation, predictable macroeconomic policy, country's commitment to sustainable development



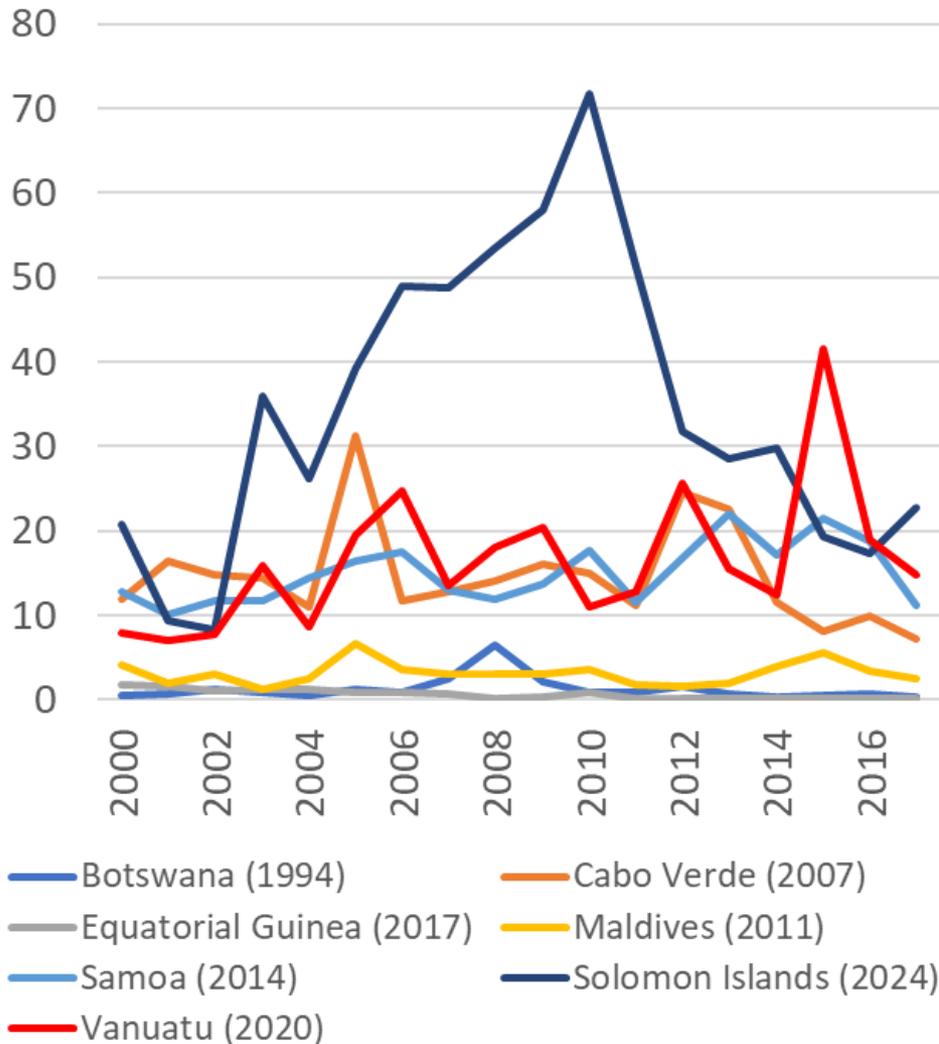
Larger flows of FDI

Improved image

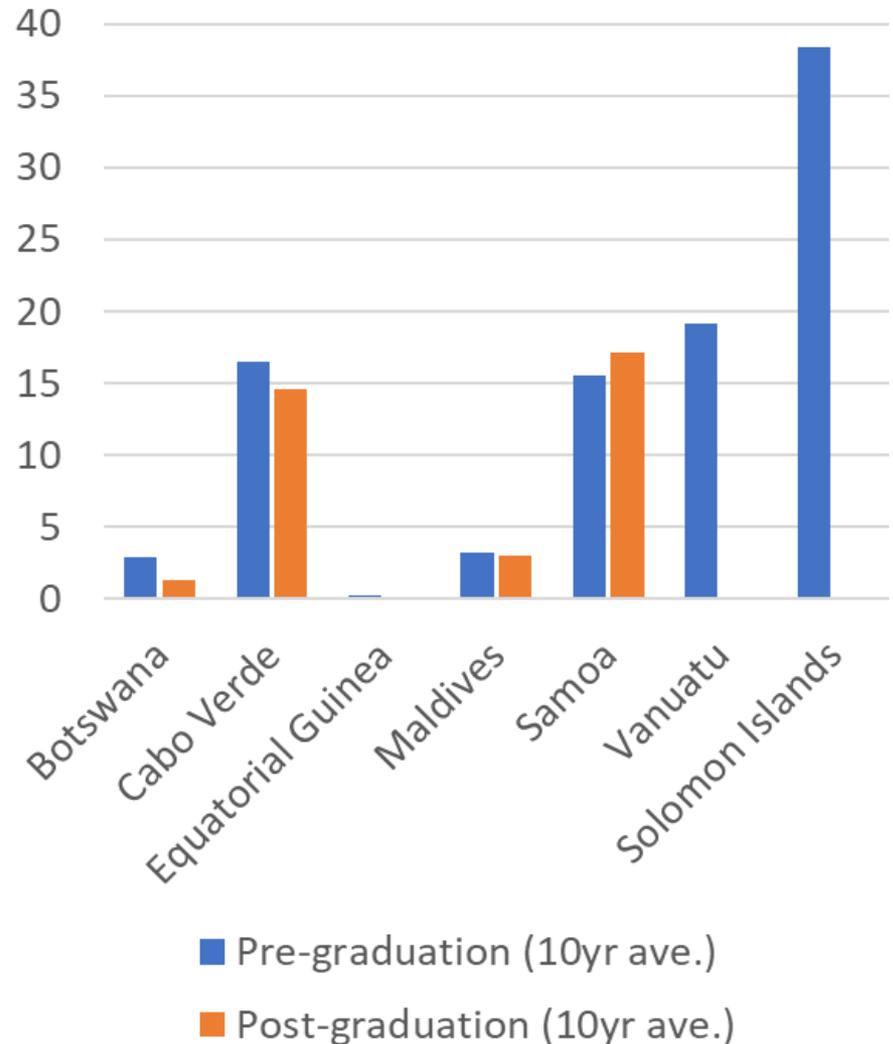


Net ODA receipts (% of GNI)

2000 - 2017



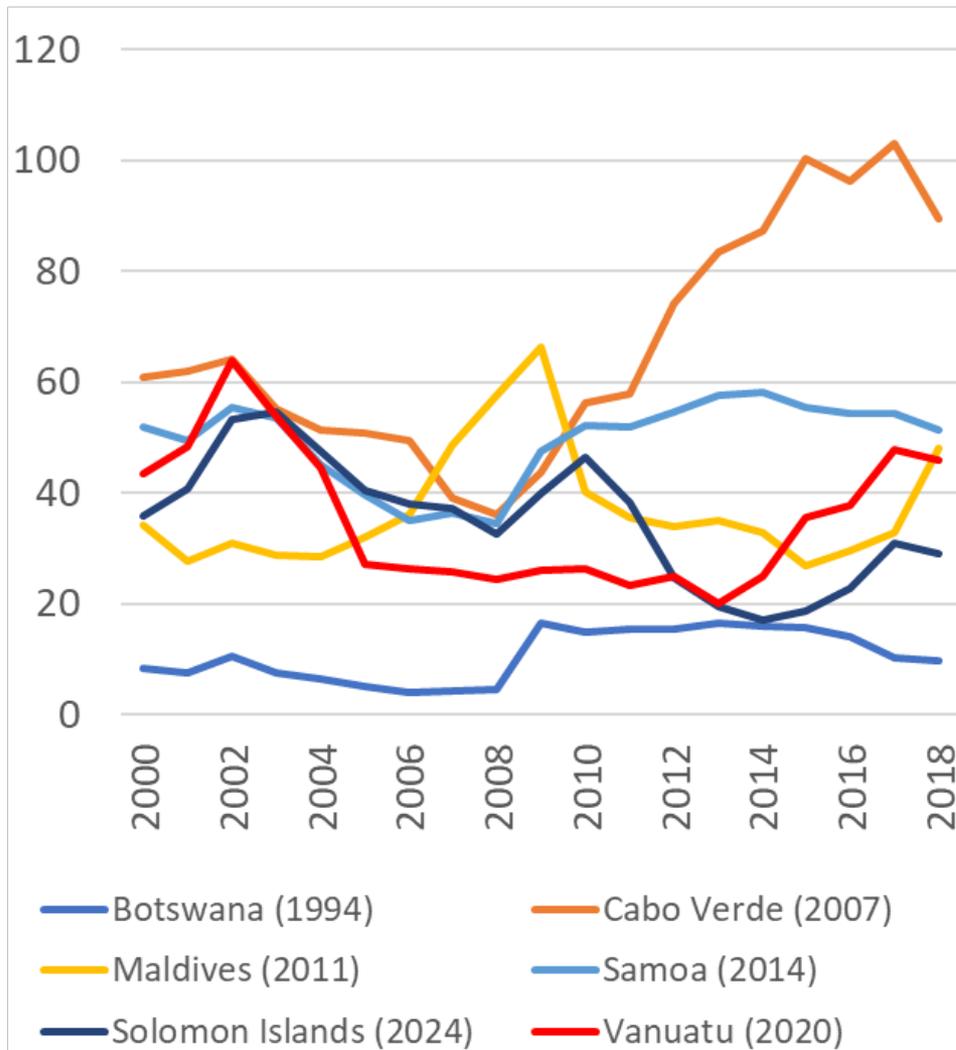
Pre vs post graduation



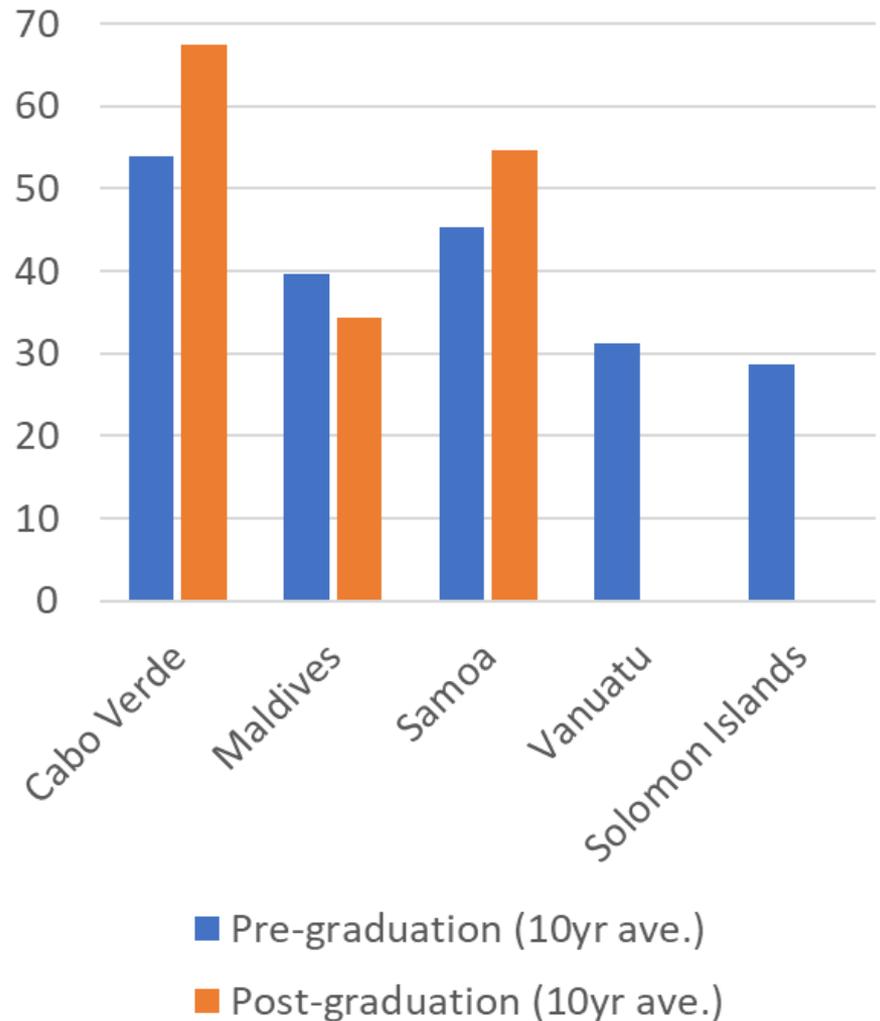
Sources: OECD and UN AMA. Note: Ten-year, or less, averages prior to and after graduation

Public external debt stock (% of GNI)

2000 - 2018



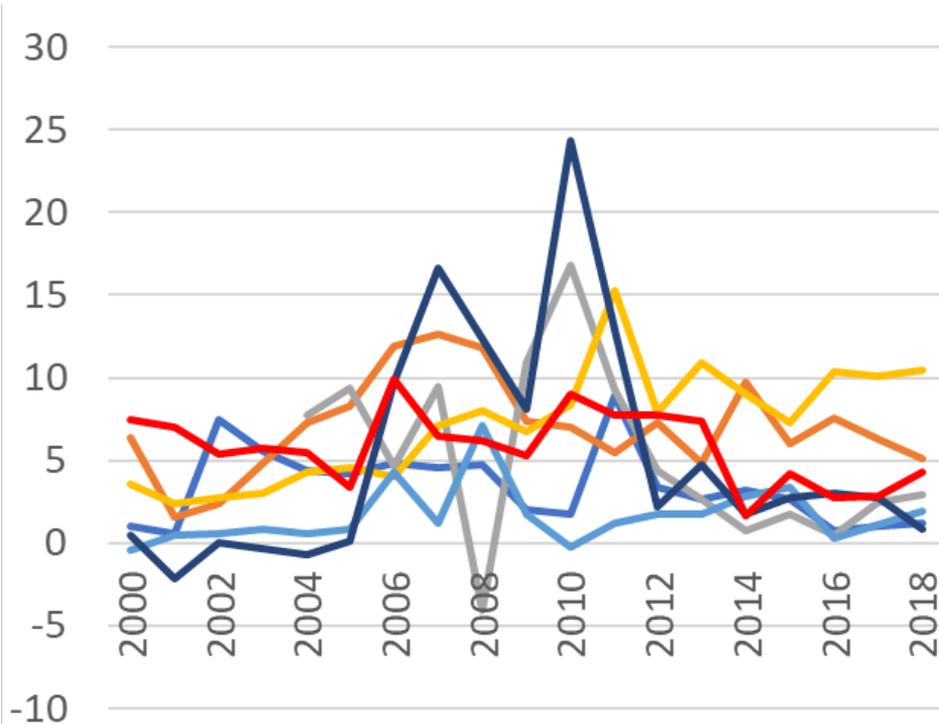
Pre vs post graduation



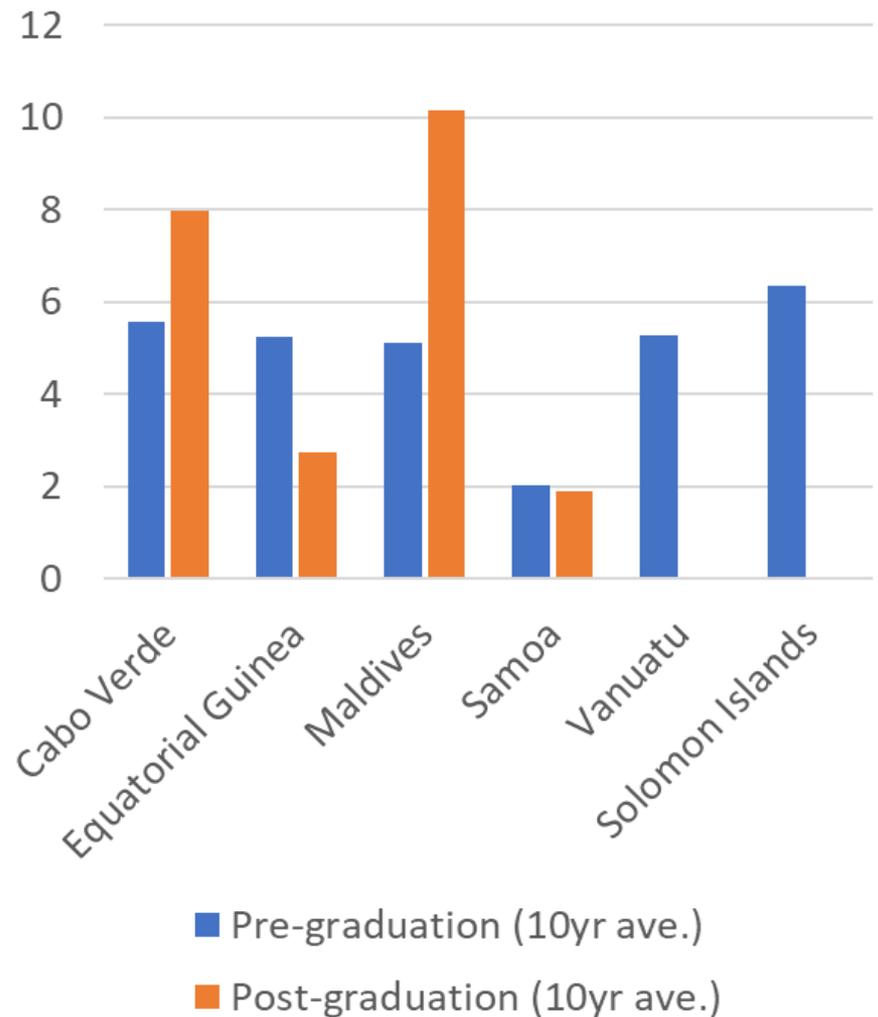
Sources: WDI. Note: Ten-year, or less, averages prior to and after graduation

Net FDI inflows (% of GDP)

2000 - 2018



Pre vs post graduation



- Botswana (1994)
- Equatorial Guinea (2017)
- Samoa (2014)
- Vanuatu (2020)
- Cabo Verde (2007)
- Maldives (2011)
- Solomon Islands (2024)

Sources: WDI. Note: Ten-year, or less, averages prior to and after graduation



Experience of former LDCs suggests:

- Not enough evidence to support the claim that graduation have immediate impacts on access to development finance
- However, it may be accompanied by a reduction in concessionality and loss of access to exclusive mechanisms
- Not enough evidence on the impact on external debt
- Graduation may result in increase in FDI to some sectors that have strategic importance to the economy
- In the medium to long-term, greater focus should be placed on enhancing domestic resource mobilization, complemented by strong international support and development cooperation.





Proposed actions

Before/during the preparatory period

- Seek confirmation from bilateral and multilateral partners that their support will NOT be affected by graduation
- Estimate development financing needs to achieve the SDGs and/or the objectives of NDS.

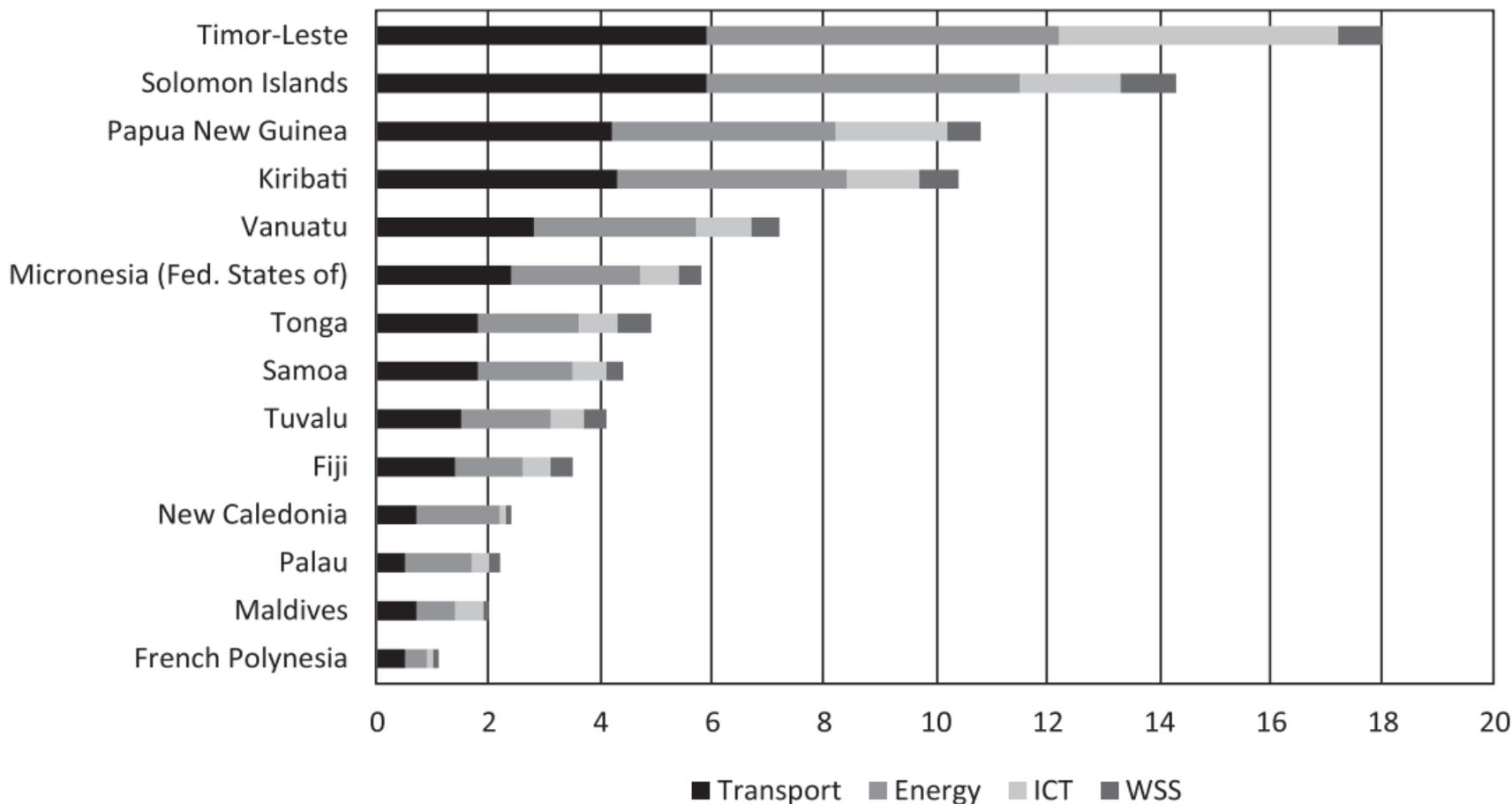
During the preparatory period

After graduation / during the transition period





Infrastructure financing needs in Asia-Pacific SIDS, 2018-2030 (% of GDP)



Source: Branchoux, Fang and Tateno (2018)





Proposed actions

Before/during the preparatory period

During the preparatory period

- Fully utilize existing support measures (LDCF, Investment Support Programme, etc.)
- Prepare to compensate for the loss of ISMs
 - Engage with development partners for extension of ISMs
 - Build institutional capacity for accessing climate finance
- Use graduation as an opportunity/motivation to introduce medium- to long-term resource mobilization policies (e.g. tax reforms, new development partnerships, etc.)
- Build awareness and celebrate

After graduation / during the transition period





Proposed actions

Before/during the preparatory period

During the preparatory period

After graduation / during the transition period

- Utilize smooth transition measures granted to newly graduated LDCs
 - LDCF – projects approved before graduation will be funded
 - UNCDF – 3 years + 2 years on a cost sharing basis
 - Investment Support Programme– 5 years
 - UN travel support for GA sessions – 3 years
- Share experience with remaining LDCs





How is ESCAP supporting LDCs?

- **Knowledge-based products** on key issues, such as the challenging and consequences of LDC graduation
 - Asia-Pacific Countries with Special Needs Development Report Series
 - National strategy papers on LDC graduation
- **Technical support and capacity building workshops** on means of implementation: data, statistics, resource mobilization
 - Project: “Supporting the Countries with Special Needs in Asia-Pacific in meeting the challenge of resource mobilization for achieving the 2030 Agenda for Sustainable Development”
- **Intergovernmental processes** to support for regional follow-up and review
 - Asia-Pacific Forum on Sustainable Development
 - Regional mid-term review of IPoA in Cambodia in 2015
 - Regional final review of IPoA to be held in 2020

