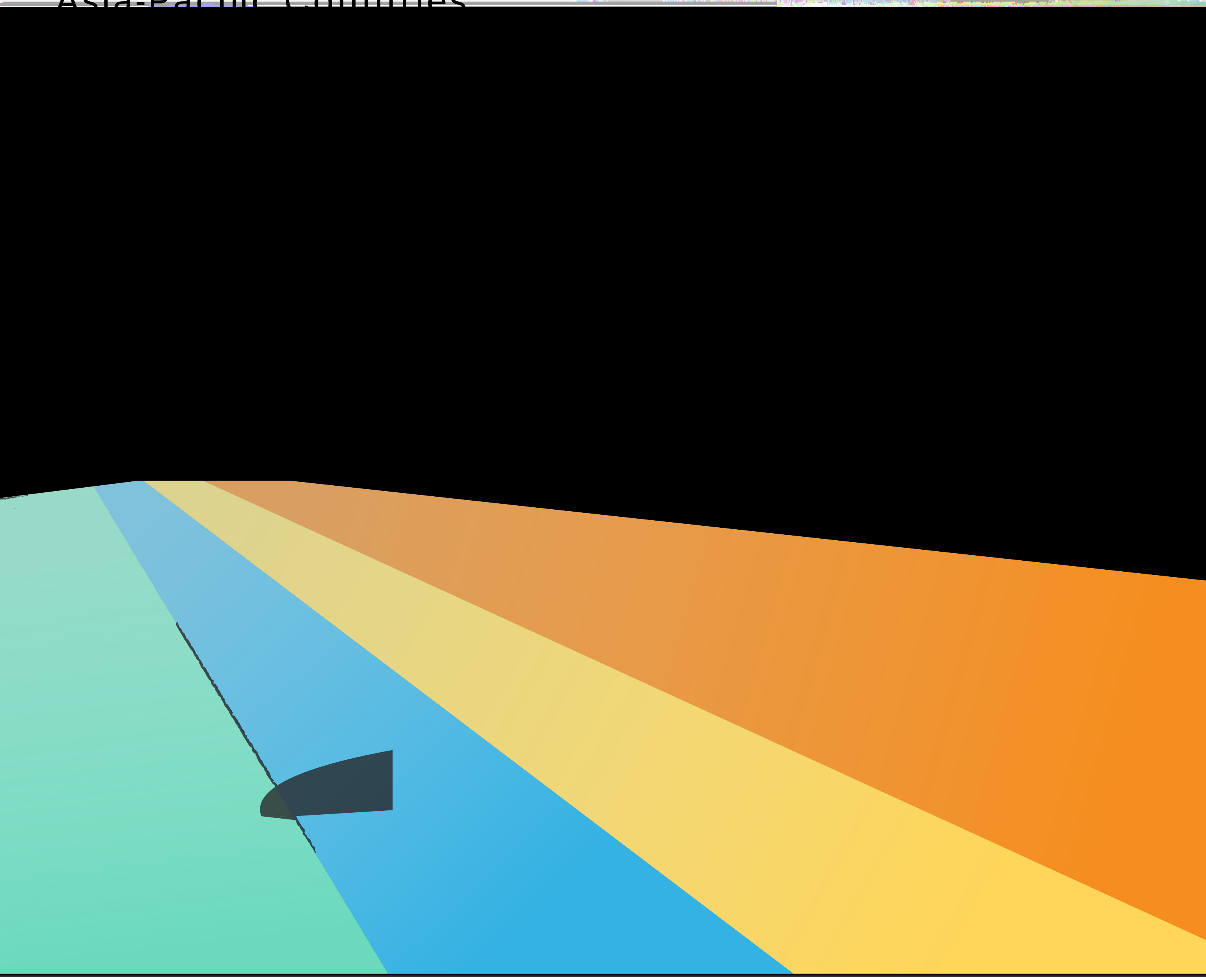
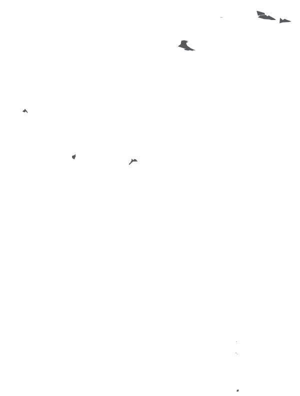
STRENGTHENING THE RESILIENCE OF LEAST DEVELOPED COUNTRIES IN THE WAKE OF THE CORONAVIRUS DISEASE PANDEMIC

Asia-Pacific Countries





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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

FOREWORD

The least developed countries (LDCs) of Asia and the Pacifc 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-Pacifc 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-Pacifc 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

The Asia-Pacifc 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 Pacifc 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-Pacifc 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.

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Least development countries in Asia and the Pacifc have made signifcant 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-Pacifc 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 diffculty 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 productiv tar . m Ђ
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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 estimate " D

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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 ef f ciency 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

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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.

ACRONYMS

ADB	Asian Development Bank
COVID-19	coronavirus disease 2019
ECOSOC	United Nations Economic and Social Council
ESCAP	United Nations Economic and Social Commission for Asia and the Pacifc
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GNI	gross national income
IEA	International Energy Agency
ICT	information and communication technology
ILO	International Labour Organization
IMF	International Monetary Fund
ITU	International Telecommunication Union
kWh	kilowatt hour
LDCs	least developed countries
MW	megawatt
OECD	Organisation for Economic Co-operation and Development
ODA	offcial de ê [illegible] anisation for Ecor Teleco [illegible]

CONTENTS

CHAPTER

01

Review of the progress made in implementing the Istanbul Programme of

are among the most vulnerable and structurally disadvantaged countries in the region.

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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).[4] 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[5]. 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.[6]

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.

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 fvfor d ! nanp' 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.

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

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-Pacifc 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 fnancial inputs are making ! ʒ n 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

Infrastructure

Overall, the provision of physical infrastructure

- 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 signi f cantly 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-Himala% e n so unde" A 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.[21] The global average of all developing countries for which data are available was 10.1 per cent in 2017.

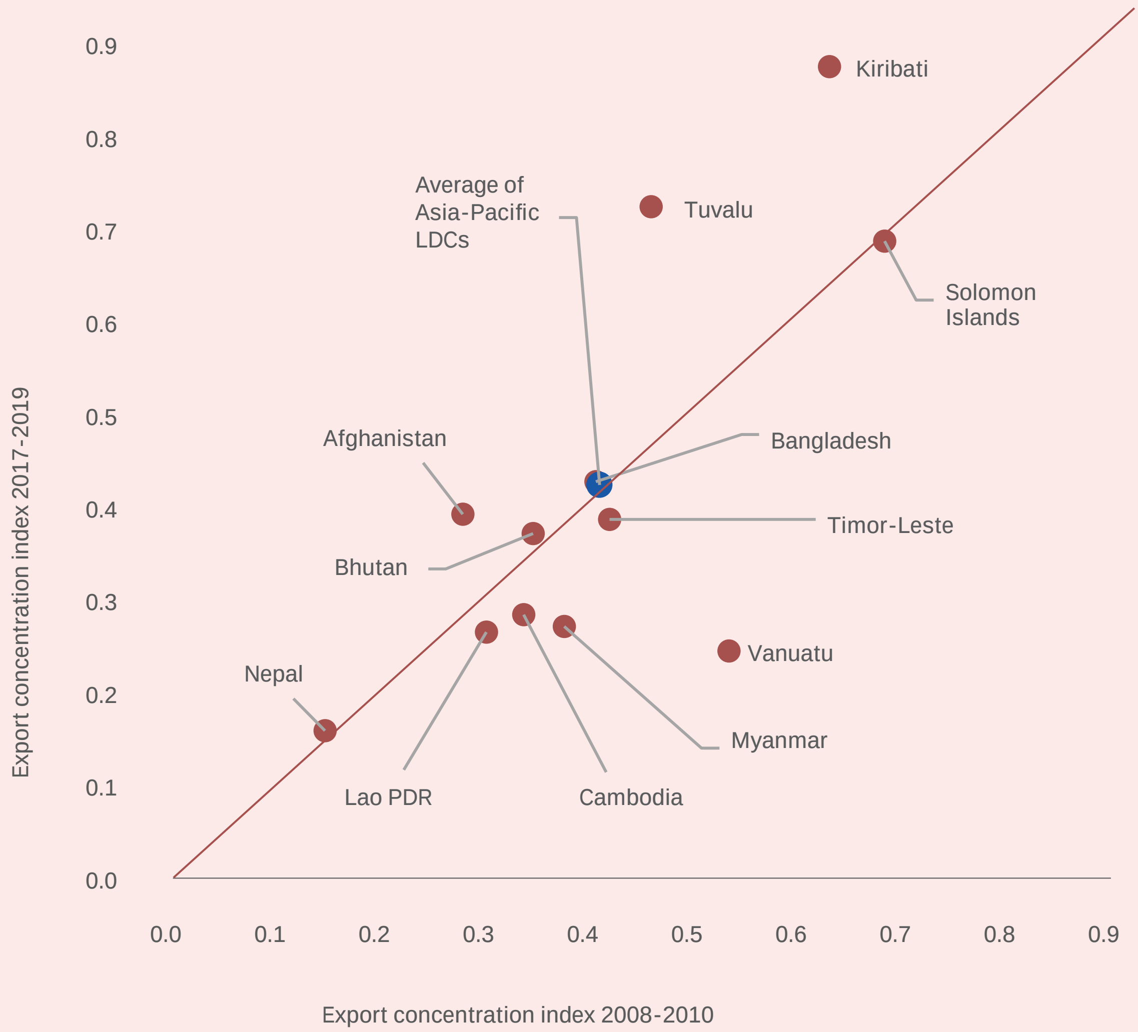
Science, technology and innovation

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.[22] 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

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 scientifc 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 a ή M

exports increased from 0.23 per cent in 2010 to 0.38 per cent in 2019.[30] 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).

Figure 1-6: Export concentration index



Source: ESCAP based on data from UNCTAD Stat. 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

countries, as in the case of trade in goods. In 2011, WTO members reached an agreement to allow LDC-specifc 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 benefted. Operationalization of the services waiver, therefore, remains a major challenge.

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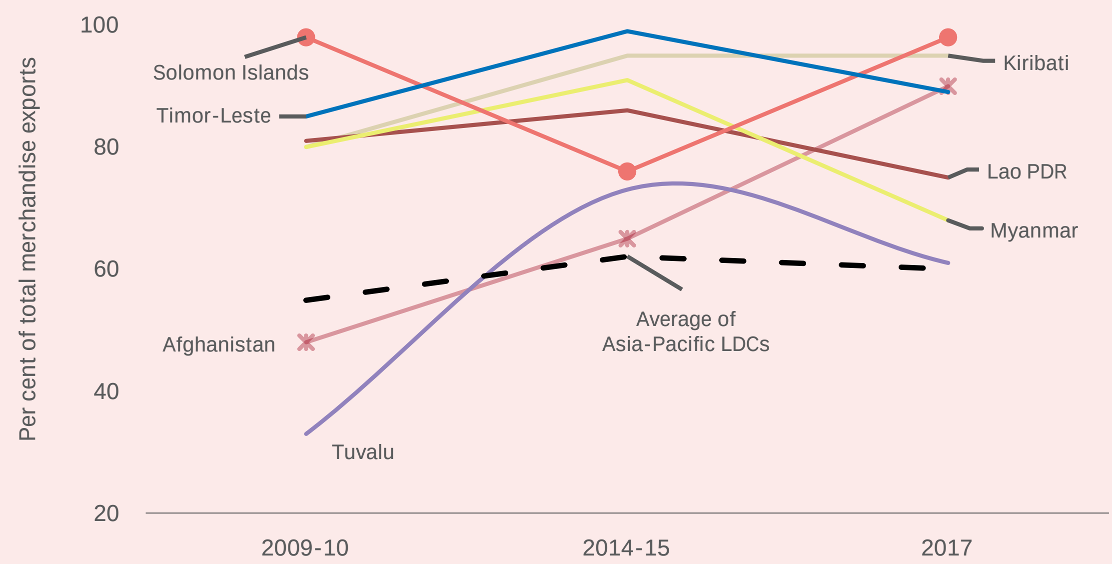
Seven LDCs from the region are commodity dependent, which makes them vulnerable to price volatility and external shocks.[35] The Istanbul Programme of Action includes calls for countries to broaden their economic base and reduce commodity dependence. Among the region's LDCs, the average share of commodity 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.

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.

implementation period (47.7 per cent in 2010 to 48.1 per cent in 2017).[42] 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.[43]

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.[44] As a result, many worke

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 bene fts to two million poor and vulnerable individuals nationwide (OECD t programme (Schjødt, 2017). Examples of social protection responses to the COVID-19 pandemic introduced in Asia-Pacific LDCs are presented in table 1-3.

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 v [illegible] 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).

vulnerabilities, LDCs tend to bear a disproportionately heavy impact of hazards and face daunting reconstruction challenges. The Asia-Pacifc regional "riskscape" 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 per cent compared to 2.8 per cent 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

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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 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.[51] 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.[52] 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[53], 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.[54] 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.[55]

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] . Thel ! ige'eThel þ
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inflows during the second half of 2020 (see section 1.6 of chapter 2 for more detailed information).

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[59], which captures the availability, collection and Ó M LDCs c î ʎ p

Source: ESCAP

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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.

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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 nineth. 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 Conv t 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 rema] l sed i| lows to

Chapter

02

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

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-Paci f c 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 with-stand 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

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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 ve hh gunt in a0101 Σ esp Ƙ sentlng h _ bs Σ wnduc,te. hed owth v pecv п l

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

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) ($40.6 million), targeting education, employment, and businesses and reduced the policy rate by 65 basis points from 2.9 per cent to 2.25 per cent. Tuvalu has introduced a package of 10.5 million Australian dollars ($A) ($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.

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-Pacifc 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 fgure 2-3). This is equivalent to full-time job losses of 17.7 million in the Asia-Pacifc 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.[69]

As the COVID-19 virus spread in the Asia-Pacifc LDCs, one of the frst 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 fgure 2-4).

In the Asia-Pacifc 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 fgure 2-5). Many of these workers are engaged in very fragile and seasonal employment, 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

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Source: ESCAP, Policy responses to COVID-19 in Asia and the Paci f c (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 (accessed 28 February2021)); ESCAP, United Nations Network on Migration, Voluntary GCM Review, various countries; www.unescap.org/intergovernmental-meetings/asia-paci f c-regional-review-implementation-global-compact-safe-orderly; and ESCAP/GCM/2021/CRP.1.

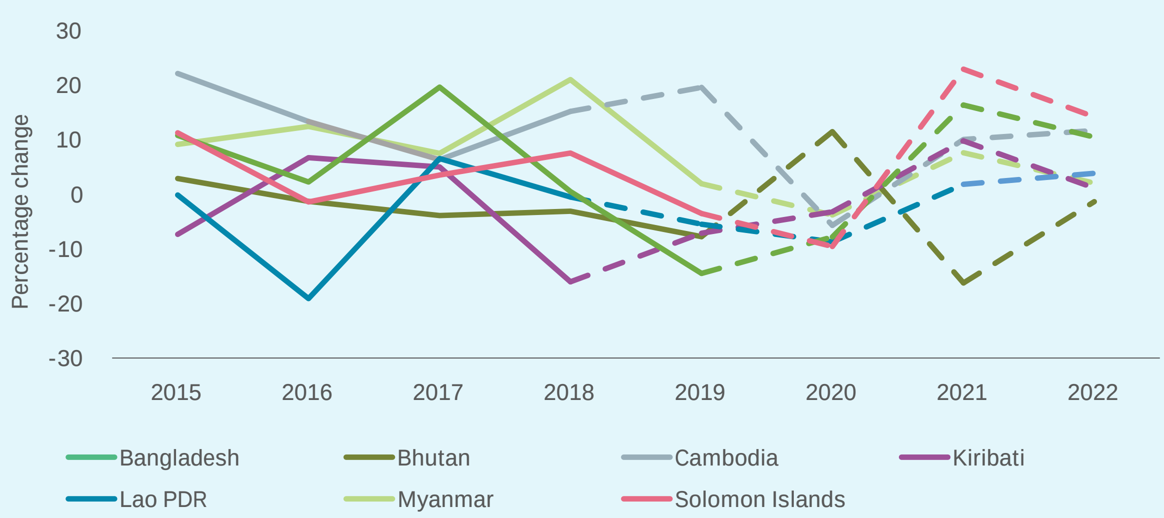
Table 2-4: Support extended to private sector, including the small- and medium-sized enterprise sector: selected examples

Country	Support provided
Afghanistan	Deferred taxes for all individuals and businesses for two months until 20 May 2020. Extended f ling deadlines on March 20 for individual and business taxpayers to 3 April 2020, later extended it to 5 July 2020.
Bangladesh	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.
Bhutan	Several measures have been introduced, including deferral of tax payment, exemption and refund, loan support, deferral of loan repayment and other f scal supports. An economics.

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 fscal 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 frst 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 proft margins, further compounding the diffculties faced by the sector. Demand for manufactures from Nepal, such as carpets and cashmere, has dropped signifcantly, 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.[72] 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 signifcantly (see fgure 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).
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

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.

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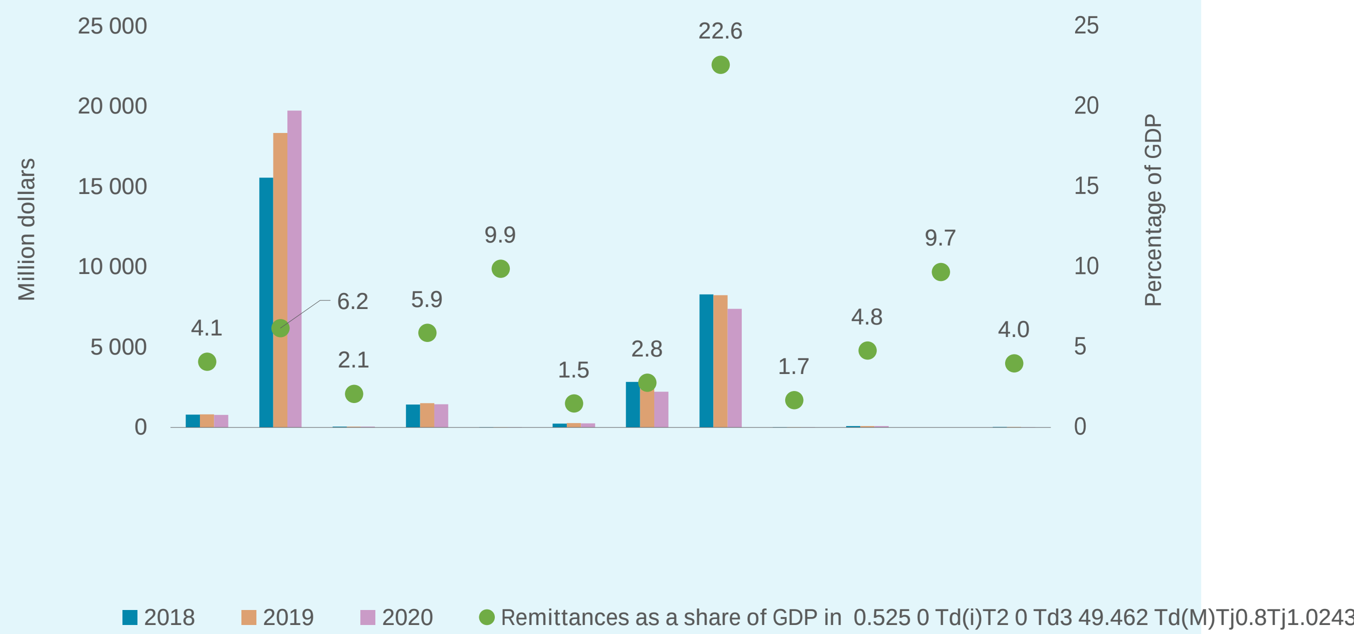
Cash transfer programmes and employment generation schemes funded by ODA and other external development financing sources are critical in alleviating poverty as well as to facilitate the inclusion of marginalized and vulnerable groups in the development process in Asia-Pacific LDCs. ODA is also vitally 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



Unfortunately, the pandemic has disrupted the implementation of projects and programmes in the region's LDCs funded by ODA and other external development fnancing, 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 insuffcient human capacity. The pandemic is compounding those challenges. Many infrastructure projects have already been postponed[74], 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-Pacifc 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-Pacifc 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 identifed as experiencing "high debt distress" (see also Section 1.2(g) of Chapter 1).

- The World Bank Group is extending fnancial assistance of up to $160 billion to developing countries, including to Asa-Pacifc LDCs. The assistance includes (a) $14 billion in fast-track fnancing 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 fnanced projects (World Bank, 2021b). The Asia-Pacifc LDCs are benefting 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 fnancial assistance of more than $100 billion, of which $2.3 billion was given to fve Asia-Pacifc LDCs — Afghanistan, Bangladesh, Myanmar, Nepal and Solomon Islands — mostly through its Rapid Cren [illegible]

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:

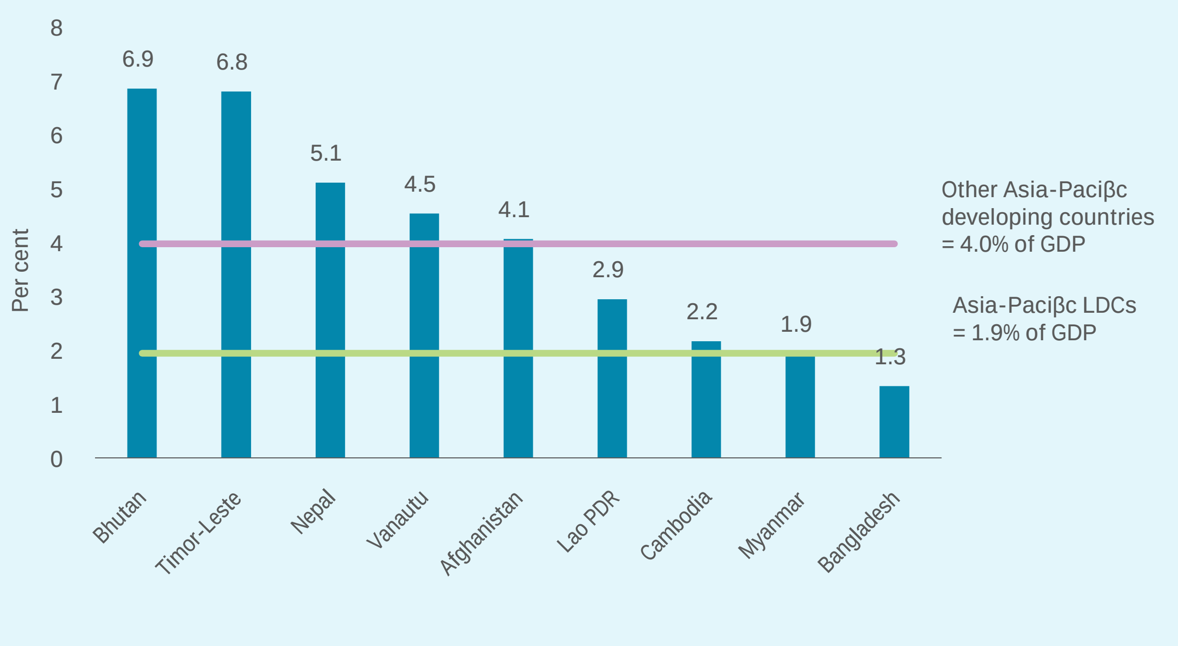
- Afghanistan has introduced draft budget amendments to allocate a total of 2 per cent of GDP for the pandemic-related spending with one third of it directed to health.

- 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.

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.

Although the number of COVID-19 cases and deaths from the pandemic have been relatively 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 infrastrib iod ʔ ar ҡ ɬ nђc ӽʽ

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

Table 2-6 shows the progress made by the Asia-Pacifc LDCs in each of the three criteria for graduation. The 2020 fgures are estimates 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,

[redacted]ul Programme of Action,
[redacted]y (Goal 1) remains the
[redacted]ll developmental efforts
[redacted]g poverty is also key to
[redacted]a national income, an
[redacted] reaching the graduation
[redacted]ntries have recorded high
[redacted]overty before the onset
[redacted] to World Bank estimates,[83]
[redacted]cluding Afghanistan and
[redacted]age poverty rates of 6.4
[redacted]$1.90-a-day international
[redacted]er cent at the $3.20-a-day
[redacted]e 2-10). National poverty
[redacted]nd Cambodia — although
[redacted]e rest of the group — were
[redacted]timates that 3.4 million
[redacted] Asia-Pacific LDCs will be
[redacted]verty due to the COVID-19
[redacted]aking it more difficult to
[redacted]erty by 2030 (Tateno and

[redacted]inable Development Goals
[redacted] the graduation process of
[redacted] be realized. For example,
[redacted]f stunting among children
[redacted]s the number of children
[redacted]ion in most of the LDCs
[redacted]demic, ranging from 29 per
[redacted]per cent in Timor-Leste.

Chapter

03

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

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 polices and packages, care must be taken to ensure that they are used ef f ciently, 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 polices 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 f scal and other forms of support. All the LDCs have been able to access increased f nancial support from their development partners. These scarce resources need to be used more productively and equitably, realizing that many of these objectives require signi f cant upscaling of the capacity and ef f ciency of government and other allied institutions.

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 signi f cant 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-Paci f c 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 e D M

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

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 glon !

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

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[88] 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 b eжąro ' " an ế ᴰe ˁ ʎ

imes ! e┌ ɥ ʞ ᵀ. ᵐ ɛ cedΆ ᴀ ᴰ ɣ ӿ ᵠ ᴰ ɿ ꝑ M to trade-related international support measures, 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.

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-Pacifc 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 defcit has not only prevented them from acquiring productive capacity, it has also increased their costs in trading with their neighbours and hampered 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.

Concluding chapter

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.

development. Preparations for graduation from their LDC status and strategies and polices 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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[24] Based on data from IMF, Investment and Capital Stock Dataset, 1960–2017 (data.imf.org/?sk=1CE8A55F-CFA7-4BC0-BCE2-256EE65AC0E4).

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[26] Based on data from the United Nations, SDG Global Indicators Database (unstats.un.org/sdgs/indicators/database/ (accessed 27 February 2021)).

[27] World Bank, World Development Indicators database (databank.worldbank.org/source/world-development-indicators (accessed 5 February 2021)).

[28] Based on FAO, FAOSTAT, food production index (www.fao.org/faostat/en/#data/QI/metadata (accessed 5 February 2021)).

[29]

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

[48] 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).

[49] 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.

[50] 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.

[51] Exports of goods, services and primary income is the sum of goods exports, exports of non-factor services and factor income receipts.

[52] 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.

[53] Based on estimates of ESCAP (2021c).

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

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

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

[57] 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 eiti.org/countries.

[58] Based on data from Extractive Industries Transparency Initiative Data Portal (eiti.org/explore-data-portal (accessed 15 February 2021)).

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

[60] This includes Cambodia, which was deemed eligible for graduation for the first time at the 2021 triennial review.

[61] 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.

[62] Information obtained from www.greenclimate.fund/sites/default/files/document/gcf-factsheet-ldc.pdf.

[63] A/75/72-E/2020/14.

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

[65] 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.

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

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

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

[69] 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).

[70] Viet Nam seems to have overtaken Bangladesh as the second highest exporter of ready-made garments to the European Union and

the United States.

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

[72] IMF, Policy responses to COVID-19 (www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19 (accessed 28 February2021)).

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

[74] 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).

[75] 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 (accessed 26 March 2021)).

[76] 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

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