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Special Body on Least Developed and Landlocked

Developing Countries: Biennial review of the Istanbul

Programme of Action

Summary of key outcomes of the Asia-Pacific Regional Meeting on the Implementation of the Istanbul Programme of Action

Note by the secretariat**

Summary

The present document is based on the outcome document of the regional preparatory meeting on the implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action), which was held in Siem Reap, Cambodia, from 17 to 19 December 2012. In the biennial review of the Istanbul Programme of Action, it was stated that the overall pace of development in the least developed countries in the Asian and Pacific region has been slow, which demonstrates that there is an urgent need to adopt more effective measures in order to address in a sustainable manner the development gaps of such countries. In the Istanbul Programme of Action, eight development priorities have been identified: productive capacity; agriculture, food security and rural development; trade; commodities; human and social development; multiple crises and other emerging challenges; mobilizing financial resources for development and capacity-building; and governance at all levels. Although most of these countries are rich in natural and human resources, their progress in each of these eight areas has been mixed and uneven. The countries differ significantly in terms of their economic size and stages of development. Moreover, they have experienced differing GDP growth rates in recent years. The external sector of these countries shows a relatively high degree of trade openness but the absolute level of trade is low compared with the potential that exists. Health, education and social development-related indicators indicate that most such countries have achieved relatively high levels of social development. The Commission and the Special Body on Least Developed and Landlocked Developing Countries may wish to deliberate on the document and provide the secretariat with further guidance on assisting the least developed and landlocked developing countries.

* E/ESCAP/69/L.1.

** The delay in issuing the document was due to the need to collect and analyse the latest data and information on the least developed and landlocked developing countries.

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I. Introduction

1. The Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action)¹ takes the form of a mutually agreed compact between the least developed countries and their development partners. The Istanbul Programme of Action contains eight priority areas of action, each supported by concrete deliverables and commitments. The eight development priorities are as follows: productive capacity; agriculture, food security and rural development; trade; commodities; human and social development; multiple crises and other emerging challenges; mobilizing financial resources for development and capacity-building; and governance at all levels.

2. In terms of implementation, follow-up and monitoring of the Istanbul Programme of Action at the regional level, the relevant regional commissions,

¹ *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011 (A/CONF.219/7) (United Nations publication, Sales No. 11.II.A.1), chap. II.*

including ESCAP, and agencies were requested to undertake biennial reviews of the implementation of the Istanbul Programme of Action in close coordination with the global-level and country-level follow-up processes and in cooperation with subregional and regional development banks and intergovernmental organizations. The relevant regional commissions and agencies were further requested to continue to ensure that the needs and challenges of least developed countries are addressed as part of their ongoing work.

3. In this context, ESCAP, in cooperation with the Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and the Government of Cambodia, jointly organized the Asia-Pacific Regional Meeting on the Implementation of the Istanbul Programme of Action, which was held in Siem Reap, Cambodia, from 17 to 19 December 2012. That meeting brought together key stakeholders of the Istanbul Programme of Action, including senior government officials from the Asia-Pacific least developed countries that are directly involved with the implementation of the Istanbul Programme of Action, experts dealing with issues affecting least developed countries, the United Nations system, relevant regional organizations and development partners. The main objectives of the preparatory meeting were to review the progress made and constraints encountered by these countries in implementing the Istanbul Programme of Action and propose an outcome document for consideration by the Special Body on Least Developed and Landlocked Developing Countries during the sixty-ninth session of the Commission.

II. Review of the progress achieved and constraints encountered by Asia-Pacific least developed countries in implementing the Istanbul Programme of Action

4. Despite variations in socioeconomic performance, the least developed countries are some of the most vulnerable in the Asia-Pacific region. Overall, the pace of development in these countries has been slow, indicating that there is an urgent need to adopt more effective measures to address their development gaps in a sustainable manner. For the least developed countries, the Istanbul Programme of Action contains eight priority areas in which actions are to be organized, goals and targets set in accordance with national development policies and strategies, and actions taken individually and jointly by those countries and their development partners.

5. Most of the Asia-Pacific least developed countries are rich in natural and human resources; however, they differ significantly in terms of their economic size and stages of development. For example, the level of GDP in 2010 varied from a low of \$0.1 billion in Tuvalu and \$0.7 billion in Solomon Islands and Vanuatu to a high of \$100.4 billion in Bangladesh and \$17.2 billion in Afghanistan (see table 1). Moreover, the countries experienced differing GDP growth rates in recent years. The savings and investment rates are moderate, indicating significant potential for improvement.

Table 1
Major indicators of socioeconomic performance in Asia-Pacific least developed countries

	Afghanistan	Bangladesh	Bhutan	Cambodia	Kiribati	Lao People's Democratic Republic	Myanmar	Nepal	Samoa	Solomon Islands	Timor-Leste	Tuvalu	Vannuatu
GDP (billions of United States dollars)	17.2	100.4	1.5	11.2	1.5	7.2	...	16.0	0.6	0.7	0.9	0.1	0.7
Population (millions)	34.4	148.7	0.7	14.1	0.1	6.2	48.0	30.0	0.2	0.5	1.1	0.1	0.2
Population growth rate (percentage)	2.8	1.1	1.7	1.1	1.5	1.4	0.8	1.8	0.4	2.6	2.9	0.2	2.5
GDP per capita (purchasing power parity in United States dollars)	1 202	1 652	5 305	2 184	2 458	2 567	...	1 198	4 376	2 697	1 439	...	4 430
Trade-GDP ratio (percentage)	69	43	137	114	86	77	0.2	47	91	93	...	...	101
Foreign direct investment inflows (percentage of GDP)	0.4	0.9	1.3	7.0	2.4	3.9	...	0.5	0.1	35.1	32.0	4.8	5.6
Literacy rate of persons aged 15+ (percentage)	95.9	55.9	52.8	77.6	...	72.7	92.0	59.1	98.8	...	50.6	...	82.0
Life expectancy (years)	48.3	68.6	66.9	62.5	60.9	67.1	64.7	68.4	72.3	67.5	62.0	...	70.8
Infant mortality rate (deaths per 1,000 live births)	75	39	44	39	39	35	49	41	16	19	49	26	12
Maternal mortality ratio (deaths per 100,000 live births)	460	240	180	250	...	470	200	170	100	93	300	...	110

Source: <http://data.worldbank.org>.

Note: The figures refer to data available for the latest year during the period 2004-2010. Three dots (...) mean that the data are not available.

A. Productive capacity

6. Limited productive capacity constrains the ability of the Asia-Pacific least developed countries to produce efficiently and effectively and to diversify their economies, which results in weak potential for export and economic growth and limited opportunities for employment generation and social development. The Istanbul Programme of Action is aimed at significantly increasing value addition in natural-resource-based industries, diversifying local productive and export capability, increasing access to telecommunication services, increasing total primary energy supply per capita and improving transport and communication networks.

1. Progress

7. The Asia-Pacific least developed countries have taken measures to mainstream the Istanbul Programme of Action into their development plans

and programmes along with a special focus on expanding productive capacity in a sustainable manner. Although the term “Istanbul Programme of Action” is not explicit in many of those documents, the national policy frameworks consider expansion of productive capacity in all segments of the economy as an integral component of their development strategies. Within the overall framework, country-level strategic actions have also been spelled out to address constraints and move forward.

8. Afghanistan has adopted the Afghanistan national development strategy (2008-2013) as an integrated strategy for security, governance, economic growth and poverty reduction consistent with the Istanbul Programme of Action framework. Bangladesh has been implementing the sixth five-year plan (2011-2015) within the overall framework of the perspective plan (2010-2021), which is aimed at transforming Bangladesh into a middle-income country by 2021. The vision articulated in Bhutan’s economic development policy 2010 is to promote the achievement of a green and self-reliant economy by 2020 sustained by an information technology-enabled knowledge society that is guided by the philosophy of “gross national happiness”. Cambodia adopted the national strategic development plan update (2009-2013) for growth, employment, equity and efficiency; its key policy priorities are good governance, agriculture, physical infrastructure, private sector development and employment, capacity-building and human resources development, and creating an environment for the implementation of the strategic changes. The Kiribati development plan (2008-2011) is aimed at creating a vibrant economy by enhancing economic growth for sustainable development, focusing on six broad priority issues: human resources development; economic growth and poverty reduction; health; environment; governance; and infrastructure.

9. The national socioeconomic development plan (2011-2015) of the Lao People’s Democratic Republic is based on the country’s socioeconomic development strategy until 2020; it is aimed at achieving sustainable economic growth, reducing poverty and inequality, and guiding the country’s graduation from its status as a least developed country by 2020. The national sustainable development strategy of Myanmar is aimed at achieving well-being and happiness for all people in the country within a 15-year time horizon. The three-year interim plan (2008-2010) of Nepal is aimed at laying the foundation for economic and social transformation in order to build a prosperous, modern and just country.

10. The strategy for the development of Samoa (2008-2012) is aimed at ensuring improved quality of life for all through sustained macroeconomic stability, private sector-led economic growth and employment creation, improved education and health outcomes, community development, improved governance and environmental sustainability and disaster risk reduction. The development agenda of Solomon Islands, as articulated in the country’s strategy for agriculture and rural development, is focused on sustainable and inclusive growth through improved local governance and participation, better access to basic services and infrastructure, greater income and participation in the local economy and better management of the country’s natural resource base. The strategic development plan (2011-2030) of Timor-Leste covers three key areas: social capital; infrastructure development; and economic development. Tuvalu has developed policies and strategies in its Te Kakeega II 2005-2015 national strategy for sustainable development that are aimed at stimulating economic growth and stability. The priorities and action agenda (2006-2015) of Vanuatu reflects the goal of creating an educated, healthy and wealthy country; to achieve that goal, actions in several strategic key areas are emphasized, including private sector development and employment creation, macroeconomic stability and equitable growth, good governance and public

sector reform, primary sector development (natural resources and the environment) and the provision of better basic services.

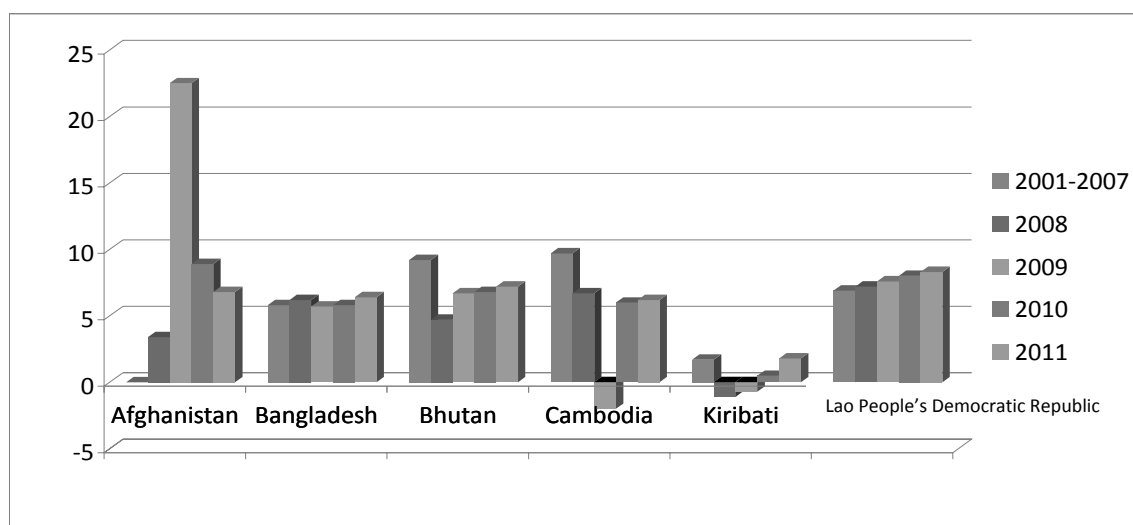
2. Obstacles and challenges

11. Despite widely divergent performance, these countries suffer from slow and fluctuating economic growth, rising inequalities and inadequate structural transformation. The recent growth performance of these countries, as shown in figures 1a and 1b, indicates that growth performance in most countries has been relatively slow while there have been large fluctuations in growth rates in almost all of the countries. Only a few countries have achieved the target of economic growth being at least 7 per cent per annum. More importantly, the Pacific island least developed countries have witnessed strong deceleration in growth due to the recent global economic crisis. Most of these countries have also experienced limited structural transformation, and their vulnerability to external shocks has not been reduced. Changes in the sectoral composition of GDP have been slow, with the share of manufacturing, which is the driving force of growth, having risen only marginally. The investment-GDP ratio fell short of the target (25 per cent in the Barbados Programme of Action²) for most countries (see table 2).

Figure 1a

GDP growth in selected Asia-Pacific least developed countries

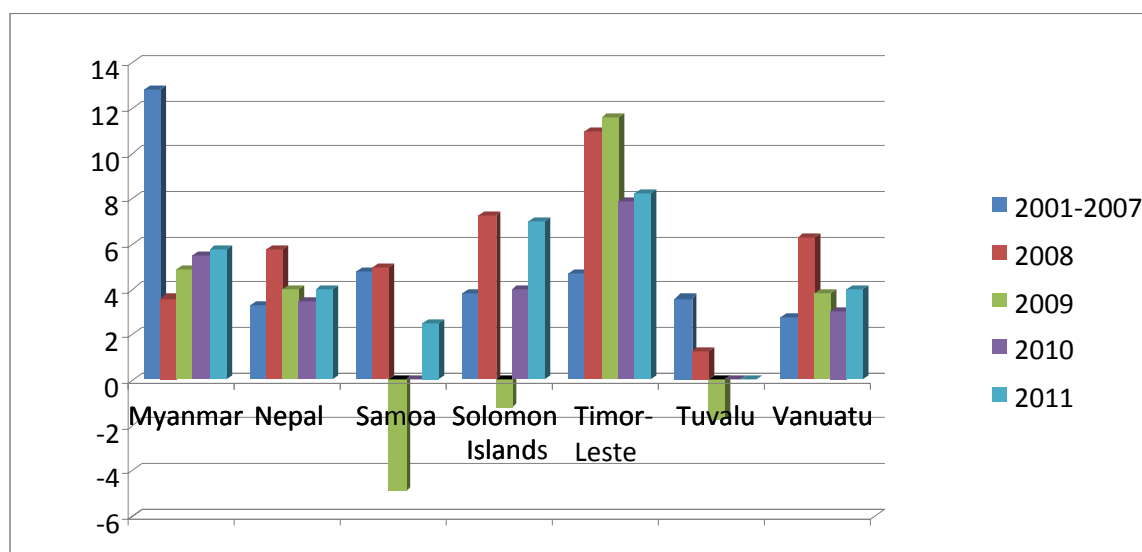
(Percentage)



Source: *Economic and Social Survey of Asia and the Pacific 2011: Sustaining Dynamism and Inclusive Development – Connectivity in the Region and Productive Capacity in Least Developed Countries* (United Nations publication, Sales No. E.11.II.F.2).

² For details of the Programme of Action for the Sustainable Development of Small Island Developing States (Barbados Programme of Action), see *Report of the Global Conference on the Sustainable Development of Small Island Developing States, Bridgetown, Barbados, 25 April–6 May 1994* (United Nations publication, Sales No. E.94.I.18 and corrigenda), chap. I, resolution 1, annex II.

Figure 1b
GDP growth in selected Asia-Pacific least developed countries
 (Percentage)



Source: *Economic and Social Survey of Asia and the Pacific 2011: Sustaining Dynamism and Inclusive Development – Connectivity in the Region and Productive Capacity in Least Developed Countries* (United Nations publication, Sales No. E.11.II.F.2).

12. Many development gaps in the Asia-Pacific least developed countries arise from high and rising levels of inequality in assets, opportunities, social networks and participation. High inequality reduces the impact of economic growth on poverty that hinders sustainable and inclusive growth. In this context, gender issues are an important dimension of inequality. They need to adopt a mix of policies that address both growth and distributional concerns, strengthen empowerment and deal with gender, ethnicity and other biases.

Table 2
Selected macroeconomic indicators in Asia-Pacific least developed countries
(Percentage)

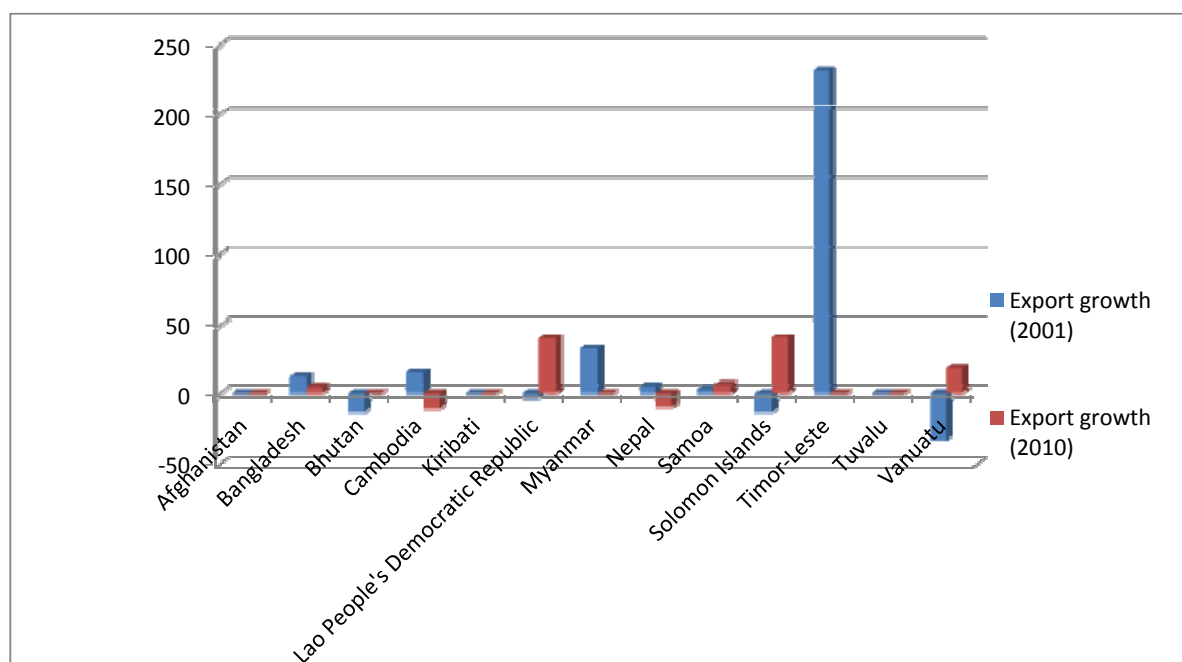
Country	Investment-GDP ratio (percentage)		Gross domestic savings-GDP ratio (percentage)		Inflation (percentage)		Export growth rate (percentage)		Official development assistance received (millions of United States dollars)	
	2001	2010	2001	2010	2001	2010	2001	2010	2000	2009
Afghanistan	...	...	...	...	...	0.4	...	...	136	1 010
Bangladesh	23.1	23.8	18.0	19.2	1.9	7.3	12.4	4.1	1 172	381
Bhutan	59.2	39.5	33.9	41.4	3.4	6.1	-12.9	-23.7 ^a	56	57
Cambodia	18.5	21.8	11.6	...	-0.6	4.1	15.4	-10.2	396	193
Kiribati	49.7	83.3 ^a	4.8	-59.4 ^a	6.0	0.8	...	...	18	6
Lao People's Democratic Republic	21.0	...	17.9	17.9 ^a	7.8	5.4	-4.0	39.2	281	123
Myanmar	11.6	15.5	11.5	17.2	34.5	7.9	32.6	-21.9 ^a	106	52
Nepal	22.3	38.2	11.7	9.4	2.4	10.7	4.5	-8.9	386	268
Samoa	14.3	9.2 ^a	-14.1	-13.7 ^a	1.9	1.0	2.6	5.5	27	13
Solomon Islands	6.8	13.9 ^a	-12.7	...	7.4	3.0	-12.9	40.1	68	27
Timor-Leste	...	...	...	...	3.6	6.5	230.8	-28.6 ^a	231	28
Tuvalu	77.3	8.2 ^a	5.2	-72.8 ^a	1.3	-1.9	...	...	4	1
Vanuatu	20.0	21.2	17.9	23.7 ^a	3.5	3.4	-33.6	18.7	46	15

Source: *Economic and Social Survey of Asia and the Pacific 2011: Sustaining Dynamism and Inclusive Development – Connectivity in the Region and Productive Capacity in Least Developed Countries* (United Nations publication, Sales No. E.11.II.F.2).

^a Refers to data for 2009.

Figure 2

Export growth in selected Asia-Pacific least developed countries
(Percentage)



13. It is well recognized that improving and maintaining transport infrastructure can contribute significantly to the development of Asia-Pacific least developed countries by enhancing their competitiveness through improved access to new or existing markets and by facilitating regional economic integration. In the case of infrastructure, the challenges for these countries are significant, as can be seen from the cross-country comparisons of logistics professionals. According to World Bank data for 2012, despite improvement in the quality of trade and transport-related infrastructure during the last several years, they are ranked at the bottom in international comparisons.³

14. The level of infrastructure development is also not uniform across these countries in the region. For example, substantial differences exist in terms of improvements and intrinsic development in the case of road networks. Although data are not available for all these countries, the share of paved roads in total roads is less than 15 per cent in most least developed countries, including Afghanistan, Bangladesh, Cambodia, Myanmar and Solomon Islands. This low level of achievement, however, should not be viewed negatively. Considerable efforts have been made by these countries in recent decades to extend national road and railway systems and, in some cases, inland waterways, and to connect to their neighbours.

³ See World Bank Logistic Performance Indicators 2012. Available from <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:23188613~pagePK:210058~piPK:210062~theSitePK:239071,00.html>. The assessment is based on six key areas of logistics performance: (a) efficiency of the clearance process (speed, simplicity and predictability of formalities) by border control agencies, including customs; (b) quality of trade and transport-related infrastructure (e.g. ports, railroads, roads, information technology); (c) ease of arranging competitively priced shipments; (d) competence and quality of logistics services (e.g. transport operators, customs brokers); (e) ability to track and trace consignments; and (f) timeliness of shipments in reaching destination within the scheduled or expected delivery time.

15. Financing is another obvious challenge given the considerable amount of resources that would be required to expand and maintain the transport infrastructure of the least developed countries. Against this backdrop, developing innovative financing solutions might be necessary to complement public investments in the area. One of the innovative financing solutions might be to further develop public-private partnership (PPP) opportunities in these countries through implementation of adequate regulatory, legislative and governance measures. Other financial mechanisms should also be explored. For example, dedicated national institutions can be created for financing infrastructure, such as the Infrastructure Development Company Limited in Bangladesh, the India Infrastructure Finance Company Limited in India and the PT Sarana Multi Infrastruktur (Persero) in Indonesia. Similarly, subregional infrastructure funds could be set up for the use of these countries.

16. In addition to mobilizing the necessary resources to develop and upgrade transport networks, there is a need to streamline the mechanisms for maintaining existing facilities. For ensuring adequate funding for road maintenance, the countries may establish dedicated road funds with revenue collected from several sources, such as levies on consumables (mainly fuel), tolls, annual vehicle licence fees, supplementary fees for heavy vehicles and fines for overloading. Several least developed countries, including the Lao People's Democratic Republic and Nepal, have established road funds as an effective means of mobilizing finances for road maintenance.

B. Agriculture, food security and rural development

17. Agriculture has a crucial role to play in ensuring food security in Asia-Pacific least developed countries, as well as in securing a livelihood for much of the population in order to contribute to poverty reduction, rural development, exports, production diversification, gender equality and the empowerment of women.

1. Progress

18. There has been renewed focus on agriculture, food security and rural development issues in Asia-Pacific least developed countries, especially after the global food crisis in 2007/08. These countries have drawn up plans and programmes to strengthen institutions, including cooperatives, and boost small-holder food production, agricultural productivity and sustainable agricultural practices. The countries have also been taking measures to address deficiencies in the supply of critical inputs, such as improved seeds, fertilizers and other services, and enhance land tenure security, access to irrigation systems, credit, other farm inputs and markets for small-holder farmers. Moreover, measures have been taken for the rehabilitation and expansion of rural and agricultural infrastructure, reducing post-harvest losses and improving village-level storage capacities.

19. The least developed countries have formulated policies relating to national food and nutritional security and agricultural and rural development. The policies also encourage farmers to change from the production of low-value to high-value products, taking into account specialization, market demand and infrastructural conditions. In all these efforts, emphasis is placed on promoting the empowerment of rural women as agents for enhancing agricultural and rural development and food and nutritional security.

2. Obstacles and challenges

20. Agriculture in these countries in the region faces huge challenges owing to lack of adequate investment in physical infrastructure, scientific and technological development, research and agricultural extension services. Furthermore, agricultural development has been suffering from the adverse impacts of climate change, environmental degradation, desertification, land and soil degradation, extreme weather events, floods, droughts and cyclones, deforestation and loss of biodiversity, declining water availability and degraded water quality.

21. The adverse consequence of climate change is one of the most important challenges to agriculture in these countries. The agricultural production system and the livelihoods of the large majority of the people living in rural and fragile areas especially are also adversely affected because of the increased frequency of droughts and other extreme weather events. Thus, as ensuring food security becomes increasingly more important with the growth of population, measures are needed to protect natural capital and address ecological imbalances.

22. It should be emphasized that the least developed countries in the region are disproportionately vulnerable to the consequences of climate change, and they lack the financial resources and expertise to develop appropriate and new technologies. Under the United Nations Framework Convention on Climate Change,⁴ these constraints are recognized by stressing that the developed countries need to provide the least developed countries with support based on the principle of common but differentiated responsibilities. So far, not much progress has been made both in terms of providing these countries with financing on preferential terms and in enhancing their opportunities to access green markets.

C. Trade

23. With a little more than 1 per cent of the collective share of the least developed countries being in global merchandise trade and a high concentration of a few export products, much of the potential of trade has yet to be harnessed in these countries. Despite some increase in participation, the share of Asia-Pacific least developed countries in global trade remains marginal. Moreover, multiple global economic and financial crises, rising and fluctuating food, energy and other commodity prices and global instability during the last decade have increased the vulnerability of those countries by inhibiting their greater participation in global trade.

1. Progress

24. The Asia-Pacific least developed countries are working together towards creating favourable market access conditions for all export products, including through the reduction or elimination of arbitrary or unjustified non-tariff barriers and other trade-distorting measures. Regional cooperation is being promoted to facilitate the beneficial integration of these countries into the global economy by increasing the size of markets, improving their competitiveness and enhancing regional connectivity and other trade-promoting measures. Efforts are also being made to address supply-side constraints by enhancing productive capacities and reducing constraints to export development, as well as building and diversifying their export base. The

⁴ United Nations, *Treaty Series*, vol. 1771, No. 30822.

countries are taking measures to integrate trade and trade capacity-building policies into their national development strategies. Their efforts are also directed towards strengthening human, institutional and regulatory capacities in trade policy and trade negotiations in such areas as market entry and access, tariffs, customs, competition, investment and technology, and regional integration.

2. Obstacles and challenges

25. While duty-free and quota-free access is important, attention also needs to be given to non-tariff and non-border measures, which frequently restrict exports from least developed countries in the region, especially with regard to agricultural products and industrial goods. More transparency is needed to determine the number and extent of non-tariff barriers used by developed countries to limit imports from these countries. So far, despite the improved market access provided by developed countries, the share of these countries' exports in global exports remains flat, indicating that these countries have made few actual gains in global markets. This trend may be explained in part by the increasing competition from other developing countries that some of them now face for their main exports, such as ready-made garments. In addition, the global economic crisis and recovery have highlighted the vulnerability of these economies, which rely heavily on a limited number of export items. The Aid for Trade initiative needs to be utilized to assist these countries in achieving greater stability through export diversification.

26. Slowing and uneven global activity, renewed financial instability and macroeconomic uncertainty in recent years, especially in the developed world, and a possible resurgence of restrictive trade interventions are major challenges that these countries in the region need to confront in order to derive greater benefits from trade for their development. The implementation of the Aid for Trade initiative builds on existing mechanisms for the delivery of assistance; however, greater involvement of the private sector could do much to enhance the effectiveness of the initiative in supporting trade and employment growth in them. Moreover, trade liberalization (market access and rules) alone is not enough to benefit these countries; assistance is also important to help them meet adjustment and implementation costs of trade agreements.

27. The framework for the global partnership remains weak with partial progress achieved in addressing their needs regarding financial and technical assistance, official development assistance (ODA), trade capacity, market access and debt relief. The absolute amount of ODA received by most of these countries has declined. The aggregate volume received by the 13 least developed countries in the region declined from \$2,924 million in 2000 to \$2,174 million in 2009 (see table 2). As a result, they face a huge financing gap despite having achieved some success in increasing domestic resource mobilization. Similarly, the commitments on duty-free, quota-free market access for products originating in least developed countries in conformity with the Hong Kong Ministerial Declaration⁵ adopted by WTO in December 2005 are yet to be realized.

D. Commodities

28. Many of the least developed countries in the region are commodity-dependent, with high dependence on agriculture, extraction of a few natural resources, exclusive dependence on such specific products as ready-made

⁵ World Trade Organization, document WT/MIN(05)/DEC. Available from <http://docsonline.wto.org>.

garments, or on tourism for export and foreign exchange earnings respectively. This situation makes these countries significantly vulnerable to external trade and economic shocks. One important aspect of the policies of these countries is to reduce commodity dependence, including through the diversification of their export base, and to mitigate and reduce the adverse effects of commodity price volatility.

1. Progress

29. In order to reduce commodity dependence, these countries have taken a number of measures to broaden their economic base, such as measures to enhance the benefits derived from their resource base, implementation of sector- and commodity-specific policies to increase productivity and diversification aimed at increasing value addition. The countries are also working to better mitigate and manage the risks associated with the volatility of commodity prices, strengthen their capacity to manage their natural resources and agriculture, and adopt better technologies.

2. Obstacles and challenges

30. While strategic use of commodity-specific measures would provide the necessary push, many of these countries are ill-equipped to take advantage of the opportunities created by such policies. Weak infrastructure, lack of productive capacity, inability to meet product specifications and increasingly stringent requirements in terms of quality and safety, and environmental and similar issues stand strongly against the successful expansion of productive capacities and diversification of these countries. This situation calls for a refocus of policy attention on developing productive capacities.

E. Human and social development

31. Asia-Pacific least developed countries face serious human and social development challenges, especially due to the significant burden of poverty and deprivation. Their lack of basic social services, such as education, health and water and sanitation, and to access productive resources are also significant barriers in that regard.

1. Progress

32. They have made notable progress in achieving the Millennium Development Goals, such as universal primary education and gender equality in school enrolment, as well as in several other areas. However, there are deficiencies in many areas, such as in reducing child mortality and improving maternal health. There also exists wide divergence in performance across countries and with respect to their overall status in terms of human and social development. Moreover, even in countries where good progress has been made, there are glaring disparities. In particular, several of the region's 13 least developed countries have made slow or no progress on most indicators (table 2).

33. In terms of 21 indicators of the Millennium Development Goals for which the status of the least developed countries has been reported in the *Asia-Pacific MDG Report 2010/11*⁶ using internationally comparable data until 2008, it is estimated that Asia-Pacific least developed countries are likely to

⁶ See *Asia-Pacific MDG Report 2010/11: Paths to 2015 – MDG Priorities in Asia and the Pacific*, United Nations, Economic and Social Commission for Asia and the Pacific, Asian Development Bank and United Nations Development Programme. Available from http://content.undp.org/go/cms-service/stream/asset/?asset_i=278969.

achieve only 8 of the 21 targets (7 early achievers and 1 on-track) in aggregate by 2015.

34. It should be noted however that the above-mentioned performance of the least developed countries refers to the period prior to the recent global economic slowdown; thus, the impact of the crisis has not been taken into account in the data. As mentioned previously, they have felt the adverse impact of the economic, food and fuel crises beginning from 2007 through lower economic growth, lower government revenues, higher debt burdens, decline in investments, increases in inflation and cost of living, job losses and reduced remittances.⁷ It has been estimated that this crisis has prevented some 21 million people in the region from escaping poverty, most of them in the least developed countries.⁸

2. Obstacles and challenges

35. In the case of education and training, although enrolment in primary education has improved, the quality of education and the completion rates need to be enhanced, and enrolment rates at the secondary and tertiary levels need to be increased. In addition, there are still millions of children of primary school age who are not in school. Although progress has been made towards eliminating gender inequality in primary education, the same has yet to be achieved at the secondary and tertiary levels. Lack of economic opportunities, coupled with low levels and poor quality of education and lack of appropriate training, are significant causes of youth unemployment in these countries.

36. Asia-Pacific least developed countries face major challenges in improving the health status of their populations: weak health systems with inadequate human resources, lack of adequate health-care facilities and equipment and supplies, inadequate domestic financing structures, inadequate supplies of medicine and essential drugs, and poor infrastructure.

37. Nearly 60 per cent of the population in these countries is under the age of 25 years, compared with 46 per cent in other developing countries. Such large youth populations could be an asset for these countries, but productive opportunities are needed so that youth can participate effectively in economic and social life. The potential of the youth population needs to be maximized, which would involve full access to education and productive employment.

38. In the case of shelter, a significantly large number of people lack access to decent and affordable housing, sufficient tenure security, including access to land and basic infrastructure, in rural and urban areas. The lack of basic services poses a continuous health threat for these people. Furnishing

⁷ See *Economic and Social Survey of Asia and the Pacific 2011: Sustaining Dynamism and Inclusive Development – Connectivity in the Region and Productive Capacity in Least Developed Countries* (United Nations publication, Sales No. E.11.II.F.2); and *Financing an Inclusive and Green Future: A Supportive Financial System and Green Growth for Achieving the Millennium Development Goals in Asia and the Pacific* (Sales No. E.10.II.F.4).

⁸ Using the historical relationship between economic growth and changes in Millennium Development Goal indicators, it has been estimated that the economic crisis in the Asia-Pacific region would result by the year 2015 in: (a) 35 million additional people in extreme income poverty; (b) a cumulative number of 900,000 additional children suffering from malnutrition from 2008 and 2015; (c) 1.7 million births not attended by skilled professionals; and (d) 70 million additional people without access to improved sanitation. See *Asia-Pacific MDG Report 2010/11* (footnote 6 above). Most of these deprivations will take place in the least developed countries.

shelter, especially to the poor people living in rural areas, is also one of the challenges faced by these countries in the region.

39. A significant share of the populations in these countries lack access to safe drinking water and basic sanitation, which are fundamental to growth and development. Increasing access to safe drinking water and basic sanitation through integrated water and sanitation strategies is a significant priority for these countries.

40. Gender equality and the empowerment of women are central to achieving human and social development and better development outcomes. Asia-Pacific least developed countries have made significant progress in several aspects of gender equality and empowerment of women, such as in primary education and women's representation in parliament. However, further efforts are needed to remove gender inequalities in the remaining aspects of economic and social life, including access to higher education, health care, water and sanitation, economic opportunities and social, political and household decision-making, as well as ending gender-based violence.

41. Social protection offers both short- and long-term benefits for sustainable economic growth, poverty reduction and social stability in Asia-Pacific least developed countries. Social protection systems, including cash transfers, public work programmes and unemployment benefits, protect the poor and support growth, employment and broader economic resilience. These systems act as stabilizers for the economy, enhance the resilience of the poor and help prevent people from falling into poverty. These countries need to adopt comprehensive social protection strategies in order to promote sustainable human and social development.

F. Multiple crises and other emerging challenges

42. As is the case in most other low-income countries, Asia-Pacific least developed countries are extremely vulnerable to a variety of shocks, including various global shocks, such as food, fuel, financial and economic crises, as well as natural disasters. These countries are also subject to significant challenges posed by climate change that may erode some of the development gains of the past. In order to ensure equitable, inclusive and sustainable development, these countries need to prioritize building resilience to crises, emerging challenges and the adverse impacts of climate change.

1. Progress

43. The recent food and fuel crises and the financial and economic crises have highlighted the vulnerabilities of Asia-Pacific least developed countries to external shocks. The financial crisis affected these countries through different channels, including trade in goods and services, foreign direct investment (FDI), remittances, ODA and financial markets. These effects, in turn, have reduced employment, capital inflows and government revenue, thus limiting the policy and fiscal space needed to address structural impediments to development.

44. Moreover, ecological imbalances in these countries are reflected in the degradation of key natural resources, such as forests and freshwater, and in the unsustainable use of energy. Although the impacts of these imbalances are not fully apparent in the short run, they pose formidable challenges for the sustainability of development in these countries, particularly in the long run. Production systems, especially in the agricultural sector, and the livelihoods of the large majority of people living in the rural and fragile areas of these

countries are also adversely affected because of the increased frequency of droughts and other extreme weather events associated with climate change.

45. Thus, as population growth has made food security increasingly important, these countries have adopted policies to protect natural capital and address ecological imbalances. Along with expanding the “new economy and green industries” through investments in renewable energy and energy-efficient technologies, addressing ecological imbalances of growth has also been directed at making a substantial contribution to poverty reduction since the poor usually live in ecologically vulnerable areas and depend more than others on natural resources for their livelihood.

46. The new and sustainable sources of growth for these countries are now considered the new green industries that emphasize environmentally sustainable growth to foster socially inclusive development. The pillars in this regard are: sustainable production and consumption; greening of businesses and markets; sustainable infrastructure; green tax and budget reforms; and investment in natural capital. Similarly, Asia-Pacific least developed countries plan to use the flexibilities provided in the TRIPS Agreement⁹ to facilitate the adoption of environmentally sound technologies. They also plan to use valuable opportunities for sharing development experiences and best practices among themselves and with other developing countries in the area of sustainable production and consumption. These countries plan to work more closely on biofuels, solar and wind power, waste management and other similar areas.

2. Obstacles and challenges

47. Asia-Pacific least developed countries have limited capacity to withstand economic shocks and to mitigate the adverse effects of such events; thus, their priorities are to strengthen their ability to withstand and overcome the adverse effects of climate change, enhance sustainable growth and protect biodiversity. They also need to build their resilience to natural hazards in order to reduce the risk of disasters. Similarly, the ongoing impact of the economic and financial crises demonstrates the need for appropriate regional and international support to complement their own efforts aimed at building resilience in the face of economic shocks and mitigating their effects. There is a need for using existing crisis mitigation facilities and measures for providing these countries with targeted and adequate support.

G. Mobilizing financial resources for development and capacity-building

48. Asia-Pacific least developed countries suffer from a serious lack of financial resources for sustained growth and progress towards graduation from least developed country status. The low levels of per capita income, low domestic savings and investment and small tax base limit the availability of domestic resources. As such, these countries are highly reliant on external resources, including ODA, FDI, concessional lending and private flows, such as remittances. Moreover, the adverse impact of the global economic and financial crises, combined with the food and fuel crises, has seriously undermined their development efforts.

⁹ See World Trade Organization, document WT/MIN(01)/DEC/2 on the Doha Declaration on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). Available from <http://docsonline.wto.org>.

1. Progress

49. Asia-Pacific least developed countries have been making concerted efforts to mobilize domestic resources effectively, build up financial infrastructure and capacity and put in place appropriate regulatory measures and institutions. They are doing so despite their limited scope for meeting multiple development finance requirements owing to their narrow economic bases, widespread poverty and underdeveloped private sector. As a result, domestic revenue earnings have been rising steadily in several least developed countries.

50. The volume of net FDI inflows into Asia-Pacific least developed countries has been much lower, until recently, than the amount of ODA received by these countries, indicating their high dependence on ODA. Total net FDI inflows to these countries remained almost the same in the 1990s and 2000s. Moreover, FDI inflows are highly concentrated and mostly efficiency- and quota-seeking. They have been making efforts to realize the potential positive impacts of FDI on knowledge accumulation, which hinges on a number of conditions, including structural characteristics of their economies, political and macroeconomic stability and the type of insertion of transnational corporations. Net FDI inflow is very small both in absolute amounts and in terms of the share of GDP in all least developed countries. The inflow also shows significant fluctuations over years (see table 3).

2. Obstacles and challenges

51. The evidence from Asia-Pacific least developed countries brings out the necessity of a fundamental restructuring of the earlier approach for their graduation, with more strategic, comprehensive and sustained strategies based on country-specific, focused and realistic commitments on the part of the countries and the international community. Rather than treating these countries as a group, the need is to adopt specific strategies, fully taking into account the individual constraints, vulnerabilities and potentials of each country. In view of the continued weakness and vulnerabilities of the global economy, there is a need to refocus ODA attention on structural transformation of these economies by complementing export-led growth with a strengthened role for domestic productive capacity, diversification of economic activities, improved technological capacity and effective measures to stimulate more inclusive and equitable economic growth. With regard to ODA efforts, more attention needs to be paid to agriculture and rural development, food and nutrition security, social protection and social services and environmental concerns.

Table 3
Net inflow of foreign direct investment in Asia-Pacific least developed countries

Country	Net inflow in United States dollars, 2009	Net inflow as a percentage of GDP			
		1991-1995	1996-2000	2001-2005	2006-2009
Afghanistan	185	0	0	2.3	2.3
Bangladesh	716	0.1	1.1	0.9	1.1
Bhutan	36	0.1	0.1	0.5	3.2
Cambodia	533	2.5	6.3	3.6	7.1
Kiribati	2	0.2	20.0	15.2	1.8
Lao People's Democratic Republic	157	3.0	4.5	1.1	4.9
Myanmar	323	2.8	7.1	2.3	1.9
Nepal	39	0.8	0.7	1.2	3.1
Samoa	1	2.6	2.1	0	1.3
Solomon Islands	173	3.9	1.3	0.5	14.6
Timor-Leste	18	5.8	0	5.4	3.6
Tuvalu	2	0.4	-1.2	28.4	8.3
Vanuatu	27	11.6	8.2	5.0	6.1

Source: *Economic and Social Survey of Asia and the Pacific 2012: Pursuing Shared Prosperity in an Era of Turbulence and High Commodity Prices* (United Nations publication, Sales No. E.12.II.F.9). Available from www.unescap.org/pdd/publications/survey2012/download/Survey_2012.pdf.

52. Asia-Pacific least developed countries need to strengthen their role in South-South cooperation and try to obtain special consideration, where appropriate, such as special and differential treatment in trade and other areas. Under the vastly changed conditions of today's globalized world, the future development of these countries depends critically on their success in expanding productive capacity and trade. While the countries need to make efforts on a sustained basis to strengthen their own governance and build up proper institutional capacity, they require an enabling international environment to overcome their structural and socioeconomic constraints in order to graduate from least developed country status.

H. Good governance at all levels

53. Good governance and the rule of law at the local, national and global levels are essential for sustained growth and development of all countries. This matter is also closely linked to peace and security. Conflict-affected least developed countries require context-specific approaches to address the issues of security and governance in an integrated manner in order to promote confidence-building and conflict prevention.

1. Progress

54. Asia-Pacific least developed countries have made good progress over the last decade in terms of good governance, rule of law, protection and promotion of human rights and democratic participation. That progress needs to be accelerated, and the governance issues should be given further priority. Many of them are working towards building strategic collaboration between the Government and the private sector with a view to facilitating the structural transformation of their economies from agrarian to post-agrarian stages. The

role of the Government would be to support the efficient functioning of markets. The challenge would be to design effective governance practices that enable the Government and the private sector to create new ways to promote national development in the emerging global context.

2. Obstacles and challenges

55. A major challenge for Asia-Pacific least developed countries is the limited human and institutional capacities for good governance and the inadequate availability of statistical information for effective planning and implementation of good governance at the national and subnational levels. For effective governance, there is a need to ensure policy coherence and coordination of international financial, trade and development institutions, processes and mechanisms. There is also a need to support strengthened and effective voice and participation of these countries in international dialogue and action on development and in decision- and rule-making and standard- and norm-setting in all areas affecting their development.

III. The way forward

56. The present review shows that Asia-Pacific least developed countries have made good progress in implementing the Istanbul Programme of Action as it concerns pursuing national-level actions as identified in the Regional Road Map for Implementing the Istanbul Programme of Action in the Asian and Pacific Region from 2011 to 2020,¹⁰ which covers four broad areas: (a) mainstreaming the Istanbul Programme of Action into national development plans and strategies; (b) ensuring effective implementation of national strategies and programmes in line and consistent with the priorities of the Istanbul Programme of Action; (c) promoting the private sector's contribution to the implementation of the Istanbul Programme of Action; and (d) promoting civil society's awareness and contribution to the implementation of the Istanbul Programme of Action. While the need for these countries is to intensify efforts in the coming years, reaching the graduation goal of the least developed countries in the region would require effective and timely delivery of several key products and services within the regional partnership framework, as indicated in the Regional Road Map, covering knowledge and capacity development, expertise, resources, advocacy and regional cooperation in delivering regional public goods.

57. Most Asia-Pacific least developed countries have already entered into different initiatives related to regional economic integration. While these are steps in the right direction, the focus of such initiatives needs to transcend tariff liberalization to cover such issues as: (a) clear articulation regarding rules of origin, focusing on the developmental role and trade-augmenting effects; (b) adoption of comprehensive coverage, including trade in services; (c) investment in addition to trade in goods to take into account their interlinkages within an integrative approach; and (d) fuller exploitation of trade complementarities among least developed countries and their regional partners to tap significant welfare and trade-inducing gains for all partners concerned.

58. Several sectors, such as textiles and clothing, livestock and meat products, processed food, the services sector and various other items/sectors/product groups, may be identified where significant trade complementarities could be tapped. In the case of FDI inflows, most least developed countries remain relatively unattractive destinations for global FDI inflows along with high

¹⁰ E/ESCAP/68/23, annex.

asymmetry and volatility among individual countries and differing dynamism of FDI inflows across countries. Least developed countries also need to emphasize exploiting the wide potential of vertical integration and horizontal specialization through FDI integration. Such efforts could cover, in addition to such traditional sectors as fruit processing, cotton and power generation, many other sectors based on industrial structure, service sector economies and potential for future trade integration among the least developed countries, including the dairy sector, sugar, fruits and vegetables, textiles and apparel, chemicals, automobiles, pharmaceuticals and electronics. For trade in services, the potential sectors may include telecommunications and information technology, professional services, education and health-related services, tourism and travel-related services, construction and related engineering services, and other professional and environmental services.

59. In order to derive the potential benefits, Asia-Pacific least developed countries need to address the barriers that currently constrain rapid integration of trade and investment, which covers trade-related barriers, trade facilitation and procedural bottlenecks, lack of connectivity, insensitive banking and financial infrastructure, inadequate investment climate, macroeconomic instability and other similar barriers. The countries that have yet to become members of WTO need to expedite the process of becoming members since the adoption of a uniform WTO-consistent policy framework would help to augment trade and provide a useful guide for regional trade negotiations.

60. The nature of existing fragilities in the Asia-Pacific least developed countries suggests that a reversal of favourable global cyclical conditions could pose serious difficulties, not only for external sustainability but also for fiscal sustainability. In many least developed countries, domestic debt is now emerging as the larger share of total public debt. Their current account positions, however, compare rather favourably. Many of these countries are accumulating larger international reserves and, by contrast, domestic debt servicing is increasingly becoming a pressing issue for the least developed countries. Not only does it carry a higher interest rate than external debt, but its maturities are also shorter. Many Governments are thus finding it difficult to generate an adequate primary surplus to stabilize their public debt ratios. A worsening of global financial conditions may thus create difficulties — especially for budgetary transfers — which may lead to a fiscal, rather than a balance-of-payments, crisis. A sudden stop in capital flows could also affect the corporate sector in many of these countries in view of the growing exposure of that sector to currency risks that generate deflationary impulses and make it more difficult for the public sector to mobilize budgetary resources. These would certainly pose greater challenges to the Governments of the least developed countries in terms of debt management since restructuring the domestic debt is often more difficult than the restructuring of external debt.

61. Many of the development challenges faced by Asia-Pacific least developed countries also emanate from the new contexts of development, with global developments creating new challenges and new opportunities, a technological revolution in information and communications technologies that brings in new dimensions of knowledge in development, and the increasing role of migration and remittances in domestic development of these countries. One important element of national action in these countries is to build and maintain a social compact in which the State is committed to reducing the risks faced by the poor by ensuring good governance at all levels, maintaining macroeconomic stability and providing basic services and institutions.

62. In order to move towards graduation, each Asia-Pacific least developed country will have to address its own specific needs and constraints and exploit

its opportunities for strengthening broad-based and inclusive growth. Obviously, this would require these countries to spend more on basic social services, social protection and basic infrastructure along with measures for boosting the incomes of the poor. It would also be important to boost intraregional trade and investment flows with more inclusive regional integration that would benefit these countries. For greater intraregional trade, measures are needed to promote integrated markets, to lower tariff and non-tariff barriers, to direct greater investments in physical infrastructure, to create robust transportation networks and information platforms and to install better regulatory structures. Currently, several least developed countries are in the process of formulating new national development plans and programmes that afford an opportunity to mainstream these priority issues at the national level along with the required focus on productive capacity.

63. The Asia-Pacific least developed countries need to make more effort in two major areas: first, enhancing the private sector's contribution to the development process; and second, promoting civil society's awareness of, and contribution to, the implementation of new policy regimes. In both these areas, interactions and discussions with relevant stakeholders, including the media, are needed in order to raise awareness and identify possible ways of making a contribution; and developing appropriate platforms to ensure continued engagement of all relevant stakeholders in implementation, follow-up, monitoring and review of progress.

64. Despite significant progress, these vulnerable and marginalized countries need to be at the forefront of development cooperation in order to make the process fully effective and meaningful. As suggested in the present document, in order to move forward, Asia-Pacific least developed countries need to address five major regional issues: (a) promoting more inclusive growth and technological innovation and expanding production capacity; (b) bridging infrastructure and social development gaps; (c) ensuring food security; (d) addressing ecological imbalances and enhancing green growth; and (e) ensuring social and financial inclusiveness.

65. Asia-Pacific least developed countries must overcome the above-mentioned challenges and related structural ones in order to graduate from least developed country status within the decade. For the development partners, providing these countries with the support required to overcome these challenges should be the guiding principle for genuine development cooperation and strengthening mutual accountability. The principle of country ownership and the use of the country systems need to be properly recognized not only to accelerate the achievement of the goals but also to strengthen the basic global accountability frameworks. Moreover, due to the internalization of the role of all stakeholders, including civil society and the media, a truly coordinated and coherent partnership for development in planning, policymaking and implementation of the development agenda, as enshrined in the Istanbul Programme of Action, needs to be ensured at all levels—local/national, regional and global.