

Asia-Pacific Regional Meeting on the Implementation of the IPoA

Siem Reap, Cambodia
17-19 December 2012

Siem Reap Outcome Document

I. Introduction

1. UNESCAP, in cooperation with the Royal Government of Cambodia, National Committee for ESCAP, organized the Asia-Pacific Regional Meeting on the Implementation of the Istanbul Programme of Action (IPoA) in Siem Reap, Cambodia during 17-19 December 2012. The meeting was attended by key stakeholders of the IPoA, including senior officials from the Asia-Pacific LDCs who are directly involved with the implementation of the IPoA. Member governments, experts dealing with LDC issues, the UN system, relevant regional organizations, development partners and a broad spectrum of civil society representatives from Asia and the Pacific also attended the meeting. The list of participants is given as Annex 1.

2. The main objective of the Regional Meeting was to: (i) review the progress made by the Asia-Pacific LDCs in implementing the IPoA since its adoption in May 2011, especially the Asia-Pacific Regional Road Map which was adopted by the Regional Meeting in December 2011; (ii) identify challenges encountered and way forward in priority areas of action for Asia-Pacific LDCs at the country level; and (iii) develop an Outcome Document to be submitted to the Special Body on LDCs and LLDCs at the 69th ESCAP Commission Session.

II. The Istanbul Programme of Action

3. The UN LDC IV Conference in Istanbul in May 2011 adopted the IPoA for LDCs for the decade 2011-2020 having eight priority areas of action, each supported by concrete deliverables and commitments. These eight development priorities include: (i) productive capacity; (ii) agriculture, food security and rural development; (iii) trade; (iv) commodities; (v) human and social development; (vi) multiple crises and other emerging challenges; (vii) mobilizing financial resources for development and capacity-building; and (viii) governance at all levels. The IPoA represents the enhanced commitments of the LDCs and their development partners to a renewed and strengthened global partnership.

4. The overarching goal of the IPoA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals, and enable graduation from the LDC category. The aim of IPoA is to enable at least half the number of LDCs to meet the criteria for graduation by 2020.

5. Under the IPoA, the agreement is that the national policies of the LDCs and international support measures during the decade 2011-2020 will focus on the following five core objectives:

- Achieve sustained, equitable and inclusive economic growth in LDCs at least at the level of 7 percent per annum;
- Build human capacities by fostering sustained, equitable and inclusive human and social development, gender equality and empowerment of women;
- Reduce the vulnerability of LDCs to economic, natural and environmental shocks and disasters, as well as climate change;
- Ensure enhanced financial resources and their effective use for LDCs' development ;
- Enhance good governance at all levels.

6. Both the LDCs and the development partners also agreed to adopt eight fundamental principles which will guide the implementation of the IPoA based on a strengthened framework of partnership. These are: (i) country ownership and leadership; (ii) an integrated approach; (iii) genuine partnership; (iv) result orientation; (v) peace and security, development and human rights; (vi) equity; (vii) voice and representation; and (viii) balanced role of the State and market considerations.

III. Review of Progress in Implementing the IPoA

7. The meeting participants agreed that the Asia-Pacific LDCs have made good progress in implementing the IPoA pursuing the national level actions as identified in the Regional Road Map covering four broad areas e.g. mainstreaming the IPoA into national development plans and strategies, ensuring effective implementation of the national strategies and programmes in line and consistent with the priorities of IPoA, promoting the private sector's contribution to the implementation of IPoA, and promoting civil society's awareness and contribution to the implementation of IPoA. While the need for the countries is to further deepen these efforts in the coming years, reaching the graduation goal of the Asia-Pacific LDCs would require effective and timely delivery of several key products and services within the regional partnership framework covering knowledge and capacity development, expertise, resources, advocacy, and regional cooperation in delivering regional public goods.

8. Most of the Asia-Pacific LDCs are rich in natural and human resources; however, they differ significantly in terms of their economic size and stages of development. Moreover, the countries experienced differing GDP growth rates in recent years. In terms of purchasing power, the LDCs display a wide range of per capita income which is rising at healthy rates except for some minor exceptions. In terms of structure, most LDC economies are undergoing rapid transformations with rising significance of industry and services sectors. The savings and investment rates are relatively low indicating significant potential for improvement which could stimulate high growth in these economies.

9. Overall, the macroeconomic contexts of the LDCs point out that these countries have tremendous potentials for development through better macroeconomic management, more prudent policies, and greater trade and FDI integration. The trade structure of most of these countries is characterized by export baskets which are highly dominated by primary commodities showing what may be called a 'production-export mismatch'. The external sector of the Asia-Pacific LDCs shows relatively high trade openness but the absolute level of trade is low compared with their potentials. The import basket, on the other hand, is dominated by manufactured goods indicating the need for creating diversified

manufacturing base in these countries for which regional cooperation in the areas of trade and FDI can play a critical role. It is important therefore for the LDCs to launch and strengthen various initiatives of regional economic integration for which these economies are quite amenable in terms of their economic structures and development gains. The health, education and social development related indicators suggest that most of these countries have achieved relatively high levels of social development.

A. Productive capacity

10. The participants observed that the limited productive capacities constrain the ability of the Asia-Pacific LDCs to produce efficiently and effectively and diversify their economies resulting in weak export and economic potentials and limited employment generation and social development. More efforts are needed to significantly increase the value addition in natural resource-based industries, diversifying local productive and export capability, accessing the global value chain in order to maximise benefits from globalisation, increasing access to significantly increase ICT services, increasing total primary energy supply per capita, and improving the transport and communication networks. The participants also agreed that increase in productive capacity and productivity, especially growth in labour productivity and total factor productivity with diversified and decent jobs, is critical for these countries for addressing vulnerability, building resilience and promoting broad-based, inclusive, equitable and sustainable growth and development.

11. It has been agreed that the Asia-Pacific LDCs need to focus more on enhancing productive capacities, including potential indicators of the productive capacity, to benefit from the region's dynamism and produce new and more value added goods and services; undertaking strategic diversification; creating strengthened policy framework that ensures stable investment and environmental friendly policies; broad-based industrial policy; and rapid infrastructure development supported by increased domestic resource mobilization and technological upgrading; taking measures to benefit from supportive global partnership with priority focus on greater FDI and ODA, increased preferential foreign market access and aid for trade, and more effective South-South, triangular and regional cooperation; using lessons learned from countries transforming their economies even in the absence of resource-based comparative advantages; and creating rapidly growing manufacturing sectors.

12. To facilitate rapid movement along these directions, the countries need to focus on creating supportive, development-centered macroeconomic policy framework; harnessing remittances to build productive capacities, vocational training and entrepreneurship development; enhancing functional literacy and creating productive work for the youth; adopting measures for value chain development for climbing the ladder of local, regional and global value chains; improving supply chain management through supplier development and enterprise upgrading; promoting effective networking aiming to ensure profitable supplier-buyer matchmaking; raising the pace of export drive and industrial diversification through industrial upgrading; developing quality infrastructure and compliance services development for enhancing trade capacity building; and creating effective platforms for facilitating investment flows.

B. Agriculture, food security and rural development

13. Agriculture and marine resources have a crucial role in Asia-Pacific LDCs for ensuring food security as well as livelihood for much of the population which contribute significantly to poverty reduction, rural development, exports, production diversification, gender equality and empowerment of women.

14. There has been a renewed focus on agriculture, food security, and rural development issues in the Asia-Pacific LDCs especially after the global food crisis erupted in 2007-08. The LDCs have formulated policies relating to national food and nutrition security and agricultural and rural development with focus on comprehensive development of the rural economy covering both farm and nonfarm sectors. The policies also encourage the farmers to change from the production of low-value to high-value products, taking into account specialization, market demand and infrastructural development conditions transforming traditional agriculture to commercial services. In all these efforts, emphasis is on promoting the empowerment of rural women as agents for enhancing agricultural and rural development and food and nutrition security.

15. The participants opined that agriculture in the Asia-Pacific LDCs faces huge challenges owing to lack of adequate investment in physical infrastructure, scientific and technological development, research and agricultural extension services. Furthermore, agriculture development has been suffering from 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 degrading water quality.

16. The participants observed that the Asia-Pacific LDCs, which are disproportionately vulnerable to the consequences of climate change, do not have the financial resources and expertise to develop appropriate and new technologies. They stressed that the developed countries need to provide support to these countries based on the principle of common but differentiated responsibilities. It is observed that the new and sustainable sources of growth for the Asia-Pacific LDCs are the new green industries that emphasize environmentally sustainable economic growth to foster socially inclusive development.

C. Trade

17. It has been observed that despite some increase in participation, the share of the Asia-Pacific LDCs 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 their vulnerability inhibiting greater participation in global trade.

18. The removal of trade restrictions for facilitation of exports of the LDCs has the potential to make significant contribution to raising incomes, boosting long-term economic growth, increasing financial flows and trade by which these countries can grow more sustainably, reducing their dependence on aid and debt relief. For achieving this, trade liberalization policies must be supported by a range of other complementary policies and aid that will build up supply-side capacity and create productive potential so that foreign market access can be more effectively utilized. It also needs to be recognized that the Asia-Pacific LDCs are characterized by important differences with respect to the

composition and destinations of exports. Some are mainly exporters of manufactures, others of services, while for some the focus is primary commodities. The challenges of these countries have to be tackled before any market-opening process can deliver the desired results in a sustainable manner. Hence, additional development assistance in these areas needs to be prioritized to enable the LDCs to realize the positive effects that trade promises for growth and development. The focus needs to be on supply-side development in priority areas such as improved agricultural productivity, physical infrastructure and the provision of basic public services. For harnessing international support, the countries need to concretize the deliverables, devise effective and efficient monitoring system at different levels, and align IPoA with other development frameworks and processes.

19. Another important area where the Asia-Pacific LDCs can derive significant benefits is enhanced labour market access for their migrant workers. This is more important for low-skilled workers. After merchandise exports, remittances are proving to be the second largest source of private financial flows in many of these countries providing an additional means of tackling development challenges. The countries need to focus on encouraging formal transfer of remittances by reducing costs through competition and removing other bottlenecks and mobilize the diaspora by building reliable database and organizing into knowledge network to leverage engagement.

D. Commodities

20. Many of the Asia-Pacific LDCs are commodity-dependent, with a high dependence on agriculture, extraction of few natural resources, exclusive dependence on specific products (e.g. readymade garments) or tourism for exports and foreign exchange earnings. This makes these countries significantly vulnerable to external trade and economic shocks. One important aspect of these countries' policy 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.

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

22. The policies of the Asia-Pacific LDCs need to be oriented towards stimulating productive investment, building technological capacities, and strengthening linkages within and across sectors and between different enterprises. Strengthening domestic productive capacities should also be aimed at producing a wider range of more sophisticated products and services. The Island LDCs need to focus more on telecommunication and IT sector development to diversify the economy and reduce dependence on tourism only. The small and medium enterprises (SMEs) development could be another priority for the Asia-Pacific LDCs to enhance export capacities and diversifying the export basket. The focus of policies needs to be on creating enabling environment for domestic investment and trade to facilitate the emergence of new economic activities driven by diversification towards more productive and remunerative pursuits.

E. Human and social development

23. The Asia-Pacific LDCs face serious human and social development challenges especially due to significant burden of poverty and deprivations which constrains the progress in human and social development due to their inability to access essential services such as education, health, water and sanitation, shelter and productive resources to effectively participate in social and economic life.

24. The Asia-Pacific LDCs need to implement appropriate strategies and programmes for national education, technical and vocational education and training along with ensuring the quality of education. The priority needs to be on progression through the education system especially for women and girls. There should be more emphasis on equity by enhancing access to education for the most disadvantaged, and increasing access to education through introducing or strengthening social protection systems and incentives. In the case of population and primary health, the Asia-Pacific LDCs need to focus more on effective, multi-sectoral and integrated approaches for the provision of universal access to reproductive health, including integrating family planning, sexual health and health-care services. For ensuring gender equality and empowerment of women, the national development plans should take into account the needs of women and girls, and other disadvantaged groups and provide them full access to education and training, basic services, health care and economic opportunities, including access to land and ownership of property, inheritance, financial services and social protection. The countries need to adopt development policy which will address growth with distributive justice along with strengthening the employment nexus between economic growth and poverty reduction. The participants agreed that social protection is an important investment in human development and the countries need to create the right balance between social insurance, social assistance and labour market programmes. It was also observed that the countries should focus on creating nationally defined social protection floors providing universal minimal guarantees in which regional cooperation can contribute towards strengthening national social protection systems.

F. Multiple crises and other emerging challenges

25. The Asia-Pacific LDCs, like most other low income countries, are extremely vulnerable to a variety of shocks including various global shocks such as food, fuel, financial and economic crises, natural disasters and climate change consequences. These countries are also subject to significant challenges posed by climate change that may erode some of the development gains of the past. For ensuring equitable, inclusive, and sustainable development of these countries, a priority need is to build their resilience to withstand crises and emerging challenges and the impact of climate change.

26. The need for the Asia-Pacific LDCs is to strengthen their national risk mitigation strategies to reduce their vulnerabilities to economic shocks and climate change consequences and set up national crisis resilience, mitigation and adaptation facilities. It is important that the development partners' priority is to provide financial and technical support to strengthen their capacity to respond to the effects of economic shocks. Moreover, the Asia-Pacific LDCs lack a viable and effective social protection system to

address such adversities. The fragmented social safety nets that exist in these countries, in most cases lack the framework of institutionalized welfare systems, these are not adequately funded, and are not coherent and do not provide coverage to protect the majority of the vulnerable populations. Along with reprioritizing public expenditures, significant efficiency gains can be realized through right set of reforms within the existing safety net system in these countries which would allow the countries to consolidate existing programmes and expand scope and coverage of the social protection system. The countries need to effectively mainstream disaster risk reduction into national policies, plans, programmes and budgets at all levels; integrate disaster risk reduction and climate change adaptation into public and private investments; and undertake comprehensive risk assessments and strengthen disaster risk reduction instruments.

G. Mobilizing financial resources for development and capacity-building

27. The Asia-Pacific LDCs suffer from a serious lack of financial resources to achieving sustained growth and progress towards graduation from the LDC status. The low levels of per capita income is due to low domestic savings and investment, a small tax base as well as burden of high debt limit the availability of domestic resources. As such, the countries have a high reliance on external resources including ODA, FDI, concessional lending and private flows such as remittances.

28. Along with increasing ODA, there is a need to bring about a fundamental restructuring and refocusing of aid flows to the Asia-Pacific LDCs. At the same time, it will be important to improve the quality of aid and increase its development impact by building on the fundamental principles of national ownership, harmonization, mutual accountability and managing for results. This also requires aligning aid by sector with internationally agreed development goals and country priorities. For making ODA more effective, these countries need to address the gaps in existing institutions and governance structures while the donors need to increase the predictability of their support, reduce fragmentation, and invest keeping long term national goals in view.

29. The Asia-Pacific LDCs need to strengthen their roles in South-South cooperation and triangular cooperation try to get special consideration where appropriate e.g. special and differential treatment to them in trade and other areas. Under the vastly changed conditions of today's globalized world, the future development of these countries depends on creating enabling domestic environment as well as on success in expanding productive capacities and trade diversification. While the countries need to make efforts on a sustained basis to strengthen their own national governance and build up resources for proper institutional capacity, they require an enabling international environment to overcome their structural, socioeconomic and institutional constraints in order to successfully graduate from the LDC status.

H. Good governance at all levels

30. Good governance at the local, national, regional and global levels are essential for sustained growth and development of all countries including the Asia-Pacific LDCs. This is also closely linked to peace and security. Conflict-affected LDCs require context specific approaches to address security and governance in an integrated manner to promote confidence building and conflict prevention.

31. The Asia-Pacific LDCs have made good progress over the last decade in strengthening good governance, protection and promotion of human rights, and democratic participation. For accelerating progress, there is a need to provide support from all levels to develop human and institutional capacities for good governance in these countries. Effective coordination of international financial, trade and development institutions and creating platforms for instituting effective voice and participation of these countries in international dialogue and action on sustainable development and in decision making in all areas affecting their development are priority areas for action. The countries need to ratify/accede UN Convention against Corruption and implement appropriate anti-corruption laws and regulations and support efforts to strengthen institutional capacity and regulatory frameworks for preventing corruption, bribery, money laundering, illegal transfer of funds, and other illegal activities by public and private entities. Assistance is also needed to help prevention and resolution of conflict and strengthen support to conflict-affected countries to address country-specific needs and situations.

IV. Post-2015 Development Agenda

32. The participants observed that the MDGs had provided a powerful tool to consolidate national, regional, and global efforts around clear, concise and measurable development objectives for the countries as well as the global community. In the Asia-Pacific LDCs, the progress towards the MDGs has not only been considerably varied across different goals and indicators, but the achievement of the MDGs has also been unequally distributed across regions, subregions and countries as well as different population groups in a nation. The meeting expressed its strong opinion to build on the MDGs along with an explicit focus on inequalities and disparities in the post-2015 development agenda. It was also agreed that several critical gaps including policy gap, strategy gap, growth gap, resource gap and implementation gap need to be explicitly addressed in the post-2015 agenda to achieve the stipulated goals.

33. The participants emphasized that economic growth is vital for realizing any post-2015 development goals but growth must be inclusive and sustainable and it must address inequalities and disparities. It is also recognized that growth in the Asia-Pacific region in the past has come at a high price of environmental degradation and hence there is a need to focus on promoting green growth. Several other areas also need renewed emphasis including productive capacity development, poverty and hunger, gender equality and empowerment of women, health related outcomes including non communicable diseases, education goals with more emphasis on quality dimensions, decent and productive employment, and demographic dynamics including urbanization. Other areas that also deserve priority attention include social protection, water management, food and nutrition security, energy security, natural disasters and climate change, peace and security, human rights, capacity building of institutions at all levels, greater policy coherence and systemic change, well-defined accountability framework, governance at all levels including development cooperation and a more equitable sharing of responsibilities between the national governments and the international community. Recognizing that development cooperation has acquired a multi -dimensional character, the participants highlighted the increased role of different stakeholders such as CSOs, private sector, media, centers of excellence in realizing the post-2015 development agenda. The importance of south-south cooperation and triangular cooperation was also highlighted.

V. Concluding Remarks

34. The meeting participants agreed that the Asia-Pacific LDCs have made good progress so far in implementing the IPoA through pursuing the national level actions as identified in the Regional Road Map. It was suggested that, while the need for the countries is to further deepen these efforts in the coming years, reaching the graduation goal of the Asia-Pacific LDCs would require effective and timely delivery of several key products and services within the regional partnership framework such as knowledge and capacity development, expertise, resources, advocacy, and regional cooperation in delivering regional public goods.

35. Most of the Asia-Pacific LDCs have already entered into different initiatives of regional economic integration. While these are steps in the right direction, the focus of such initiatives needs to go beyond tariff liberalization to cover issues like clear articulation on rules of origin focusing on developmental role and trade augmenting effects, adoption of a comprehensive coverage including trade in services and investment in addition to trade in goods to take into cognizance their inter-linkages within an integrative approach, and fuller exploitation of trade complementarities among the LDCs and their regional partners to tap significant welfare and trade inducing gains for all the partners. For deriving the potential benefits, the Asia-Pacific LDCs need to address the barriers that currently constrain their rapid trade and investment integration which cover trade-related barriers, trade facilitation and procedural bottlenecks, lack of connectivity, insensitive banking and financial infrastructure, inadequate investment climate, macroeconomic instability and similar other barriers. The countries which are yet to become members of WTO need to expedite the process since the adoption of a uniform WTO-consistent policy framework helps to augment trade and provides a useful guide to regional trade negotiations.

36. The participants observed that the nature of existing fragilities in the Asia-Pacific LDCs suggests that a reversal of favourable global cyclical conditions could pose serious difficulties, not only for external sustainability but also for fiscal sustainability of these countries. In many LDCs, domestic debt is now emerging as the larger share of total public debt. Many of these countries are accumulating larger international reserves; by contrast, domestic debt servicing is increasingly becoming a pressing issue for the LDCs. 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 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. These would certainly pose greater challenges to the governments of the LDCs in debt management since restructuring the domestic debt is often more difficult than restructuring external debt.

37. In view of the present circumstances, the meeting participants observed that the Asia-Pacific LDCs need to actively consider the role of ‘functional finance’ in managing the macroeconomic balances in their economies. The general proposition relating to ‘functional finance’ is that the governments should use the budget to secure a high level of economic activity in conditions where otherwise there would be a lower level of economic activity indicating that budget deficits (or surpluses) should occur as and when

required to ensure high levels of economic activity. The participants observed that higher growth requires not only macroeconomic stability, but also pro-growth labour market, incomes and other sectoral policies. The inherent tendency towards financial instability also needs to be addressed through the regulatory and supervisory responsibilities of the central banks. It was also agreed that the effectiveness of macroeconomic policy, even when based on the principles of functional finance, critically rests on the quality of the institutions relevant to the formulation and implementation of the underlying policy framework.

38. The participants further observed that the Asia-Pacific LDCs need to overcome their structural challenges in order to graduate from the LDC status within the decade. For the development partners, providing all necessary support to these countries 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 internalization of the role of all stakeholders including civil society and the media is needed such that a truly coordinated and coherent partnership for development in planning, policy making and implementation of the development agenda as enshrined in the IPOA can be ensured at all levels – local/national, regional and global.