

LDC5 ASIA-PACIFIC REGIONAL REVIEW (APRR)

SESSION 3: Support Sustainable Graduation: Making Graduation irreversible and a Steppingstone to achieve the SDGs, Tuesday 31 August, 11:10 am – 1:15 pm (Geneva)

Intervention by

H.E. MR. Anouparb VONGNORKEO, Ambassador and Permanent Representative of the LAO PDR to the UNITED NATIONS in New York

Under the question: *“Many graduation countries have introduced policy and institutional reforms aimed at generating more inclusive growth and making their countries attraction to foreign investors in the post-Covid-19 recovery phase. In this context, how can a Sustainable Graduation Support Facility (SGSF) assist Lao PDR in pursuing the growth agenda and attracting quality FDI”*

Distinguished Co-chairs,

Mr. Moderator,

1. It's is a great honor for me to join this session on behalf of my Foreign Minister.
2. In its 2021 triennial review, the CDP recommended that the Lao PDR met the thresholds for the LDC graduation for the second time, by meeting all three criteria for graduation (GNI, HAI and EVI). As the country has been impacted by COVID19 pandemic, it is also recommended that extended preparatory period of five years with careful monitoring and analysis be put in place with specific smooth transition support. For the Lao PDR, being both LDC and LLDC, the sustainable and irreversible graduation from LDC is the ultimate goal. In recent years, the government has concentrated its efforts on achieving these expectations through the implementation of periodic 5-year the National Socio-Economic Development Plans (NSEDP) and achieved many successful outcomes. However, the recommendation for graduation does not mean that all challenges the country has encountered will end and the Lao PDR may inevitably continue to face more numerous challenges after graduation.
3. As an LDC, the Lao PDR has significantly relied on official development assistance (ODA) for socio-economic development. The declining ODA in recent years has further posed additional concerns for the country to redefine other sources to mobilize funding and to maximize strategic allocations of development finance including from foreign and domestic private investment as well as from financial institutions, to support for the implementation of each NSEDP and sectoral development plans. Previously, Lao PDR has enjoyed an access to concessional loans from bilateral and multilateral sources as well as part of the preferences for LDCs. Given this, LDC graduation might affect access to grants and concessional loans.

4. Moreover, the debt situation has posed a threat to smooth and sustainable graduation. Hence, Lao PDR is working with its creditors on long-term debt rescheduling. As outlined in the new 9th NSEDP, the Government is also determined to adopt policies that reduce the debt burden and ensure macroeconomic stability. External debt remains a major concern and the impact of the pandemic further worsened the existing financial constraints. As a result, it has created unfavorable effect on our financial situation, from losing revenue to wider budget deficit and increasing pressure on debt sustainability. These uncertainties will definitely continue at least in the next few years which is implied a setback in all three dimensions correspond to the review for LDC graduation.
5. The EVI indicator on Natural Disasters clearly showed that the country did not perform well when it comes to dealing with natural shocks such as storms, floods and droughts. Lao PDR and the development partners are working to advance alternative development patterns to build the country's resilience to a broad range of disasters and to reverse environmental degradation, restoring and preserving natural resources and rural livelihoods.
6. Apart from the existing challenges, the ongoing unprecedented health crisis has further imposed a serious threat to revert our decade-long progress and increased our country's vulnerability. Despite strong growth recorded over the last decade leading to significant poverty reduction, inequalities have grown. Against this backdrop, inequality is likely to have further increased as has been the case globally, a strong emphasis is given to the elaboration and adoption of fiscal and development policies aimed at reducing existing inequalities between rural and urban areas. Like many countries stringent lockdown has severely disrupted social and economic activities. The pandemic has caused volatile commodity price shocks, supply chain disruption, loss of export earning, reduced investment and remittances, and higher unemployment, among others. Service sector, especially tourism, has been one of the key sectors that generate significant sources for income and employment. To compare, the number of tourist arrival during the pre-COVID-19 was at the average at 4.5 million per year, but in 2020 the country has received only around 800 thousand tourists at the first few months before the lockdown, about 80 per cent decline, resulting in USD 700-800 million loss. Export was drastically affected, with consequences of 15 per cent declining in the first 7 months of 2020 in comparison with the same period in 2019 due to the decreased market demand, limit on export and transportation, and lack of productive capacity. Regarding external financing, foreign investments in mega projects, such as hydropower and mining, have been halted for some time by the lack of labors and strict measure imposed on travel. Remittances have been severely declining since a large number of around 300 thousand migrant workers returned to the country, and the unemployment rate abruptly rises from 9.4 per cent to 23.4 per cent.
7. Against this backdrop, it is crucial to bear in mind that, graduation from LDC status should not be an end goal. We are of the view that quality and smooth graduation must be ensured so that the graduating country will not slip back to LDC after graduation. It, therefore, raises some serious concerns and questions that whether it can ensure a smooth graduation; and whether under these circumstances, graduation of these countries will not compromise their development prospects, and whether a

graduating country will be able to maintain its development progress while addressing huge COVID-19 impacts and working towards its graduation and its achievement of SDGs unless international support measures are enhanced.

8. Towards this end, the establishment of a LDC Sustainable Graduation Support Facility (SGSF) is of great importance to support graduating and graduated countries in the next decade to ensure the progress towards long-term sustainable development. The SGSF will provide capacity-building support and technical advisory services across six specific areas namely addressing the loss of existing LDC-specific international support measures (ISMs); improving the ability of graduating and graduated LDCs to access non-LDC specific support; preparing and implementing smooth transition strategy (STS); assistance in accessing financing transition and beyond; facilitating South-South Cooperation, dialogue and sharing country as well as region-specific; knowledge and experience; ensuring effective participation in the monitoring process of the CDP.
9. We call on international community and development partners to honor their commitments in order to realize the afore-mentioned objectives and enhance necessary support to graduating countries to ensure a smooth graduation and attain the SDGs.

Thank You.