Impacts of graduation and vulnerabilities

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Joint Government-UN Meeting on Myanmar’s LDC Graduation Process  
6 January 2021
Expected impacts of graduation
- Trade
- Development cooperation
- UN Budget/travel support

Uncertainties and vulnerabilities
- The 5 Ps
Impacts of graduation 1: Trade

**Preferential market access**
- Most of Myanmar’s exports not affected (do not benefit from LDC treatment; MFN 0; or can be exported under other scheme)
- Main impact in EU – DFQF Everything But Arms ends 3-years after graduation
- Garment industry expected to be most affected – COVID-19 additional pressure; employment

**Other trade-related impacts**
- Services waiver: no evidence of significant benefit
- Regional agreements: most S&D provisions not dependent on LDC status
- WTO S&D:
  - limited practical impact (most provisions time-bound; not used by Myanmar, e.g. Exemptions from prohibitions on export subsidies)
  - LDC Group at WTO seeking smooth transition period
- Trade-related capacity-building:
  - Enhanced Integrated Framework: 5 years (current rules)
  - Advisory Centre on WTO Law: will require membership fee
  - Standards and Trade Development Facility: change in co-financing requirement
  - Fewer capacity-building/training activities with WTO
Impacts of graduation 2: Development cooperation

**NOT impacted**
- World Bank
- Most ODA from OECD countries
- Most regional/South-South
- Most UN
- GAVI, Global Fund

*Assistance could change in the coming years whether or not Myanmar graduates from the LDC category, depending on performance on criteria used by each institution.

**Relatively small impacts**
- LDC Fund (climate change): finance approved projects to completion
- Technology Bank for LDCs and Investment Support Programme for LDCs: 5-year smooth transition
- UNCDF – smooth transition “3+2”
- Grants to loans by some OECD (Germany) but some maintained
- Small increase in interest rates in concessional loans by Japan, Rep. of Korea (grants, technical assistance not affected)
- Other minor

Possible, depending on other factors
- ADB: reclassification into blend financing; not automatic; access to additional semi-concessional funding
- UNDP: small share of core resources
- No longer in the category of countries automatically considered vulnerable under Green Climate Fund
### Impacts of graduation 3: UN budgets, travel support, etc.

<table>
<thead>
<tr>
<th>Budget mandatory contributions</th>
<th>Travel</th>
<th>Other support to participation in international forums</th>
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</thead>
<tbody>
<tr>
<td>• Depends on Myanmar’s relative performance on capacity-to-pay criteria used in assessments and on budgets</td>
<td>• No longer eligible for LDC-specific travel support (see un.org/ldcportal)</td>
<td>• Reporting requirements under the UNFCCC</td>
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<td>• UNOFFICIAL estimate based on current situation, recent budgets: increase of the order of 1.2 million dollars per year</td>
<td>• Meetings of the General Assembly: smooth transition period of 3 years, if requested.</td>
<td>• Diplomatic training</td>
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<td></td>
<td>• Others: un.org/ldcportal</td>
<td>• Subsidy for operational costs of diplomatic offices in Geneva</td>
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<td></td>
<td>• Others at un.org/ldcportal</td>
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Key areas of vulnerability

1. Prosperity
2. Partnership
3. People
4. Peace
5. Planet
1. Prosperity: Structural economic transformation

i. Labour productivity
   a. Growth slowed since 2010
   b. Low labour productivity levels
   c. Manufacturing failing to create massive jobs
   d. Half of labour force still active in low-productivity agriculture
   e. Most jobs being created of low quality

ii. High reliance on natural resources

iii. National imbalances
2. Partnership: Foreign trade

i. Exports from $1.6 billion in 2000 \( \uparrow \uparrow \uparrow \) to $18.1 billion in 2019, but continued concentration on products and markets

ii. Export growth not (adequately) translating into improving living standards

iii. Country’s future position in global value chains in electronics uncertain (risk being increasingly tech-intensive and concentrated)

iv. Consequences of loss of preferential market access: LDC-specific ISMs, but also preferential trade agreements concluded by competitors (e.g. Viet Nam)
3. People: Challenges in human capital

i. 30% of production workers are low-skilled (> average in developing Asia / Pacific), 58% of labour force in vulnerable employment
   • Lingering poverty (25% in 2017)

ii. Education
   • 1 out of 4 children do not complete primary school (esp. in rural areas)
   • <1 out of 3 students complete secondary school
   • Concern with quality of teaching

iii. Low coverage of health services
   • Still low life expectation

iv. Social investments necessary to foster an inclusive society
   • Challenge: fiscal situation
4. Peace: security and institutional development

i. Peace (absence of violence) and strong institutions are needed to drive economic transformation

ii. Weak political integration and displacements put strain on social development
5. Planet: Environmental vulnerability

i. Generated on two fronts:
   - Natural-resource-based projects jeopardize forest and water resources
   - Country is ranked 2nd on the Global Climate Risk Index of countries most affected by extreme weather events (climate change risk)

ii. Need to accelerate investment in infrastructure
   - Country's infrastructure is lagging that of neighbouring countries, e.g. energy and transport
<table>
<thead>
<tr>
<th><strong>Regular budget</strong></th>
<th><strong>Rules</strong></th>
<th><strong>After graduation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scale of assessments</strong></td>
<td>every 3 years based on indicators of gross national income, debt-burden, and per capita income, others that reflect capacity to pay. Each Member State is assigned an “assessment rate”</td>
<td>The 0.01 % cap no longer applies. Today, Myanmar rate would be 0.023 per cent. Based on 2019 budget, contribution would be 400,000 dollars higher.</td>
</tr>
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<td><strong>Minimum</strong></td>
<td>0.001 %</td>
<td>Today, Myanmar rate would be 0.023 per cent.</td>
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<td><strong>Maximum</strong></td>
<td>22 %</td>
<td>Based on 2019 budget, contribution would be 400,000 dollars higher.</td>
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<td><strong>Maximum for LDCs</strong></td>
<td>0.01 %</td>
<td>The 0.01 % cap no longer applies. For UNIDO, the waiver on the application of the coefficient no longer applies after graduation. Sum of expected increases in contributions based on current budgets: of the order of 555,000 dollars.</td>
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| **Peacekeeping operations** | **Scale of assessments** adjusted by a premium for permanent members of the Security Council and discounts in the case of all countries with per capita gross national product below the Member State average. Member States grouped into levels based on per capita GNI, with larger discounts applying for the levels of countries with lower incomes. LDCs are entitled to the greatest discount, of 90 per cent. | Today, applicable discount rate for Myanmar would be reduced to 80 per cent. Applied to the 2017-2018 budget, contribution would be 235,000 dollars higher. |

| **CTBTO, FAO, IAEA, ICC, ILO, IOM, UNESCO, UNIDO, WMO, WHO, ISA, ITLOS, OPCW, UNFCCC** | **Same as regular budget, in some cases adjusted for more restricted membership with a coefficient. Same LDC cap. UNIDO does not apply the coefficient to LDCs whose rate exceeds 0.01 per cent.** | Myanmar contributes 1/8. After graduation, would contribute 1/4. Contribution would increase 40,000 dollars. ITU Council can authorize a graduated country to continue to contribute at the lower rate. |

| **ITU** | **Voluntary selection of class of contribution based on shares of an annual unit of contribution of CHF 318,000. Only LDCs can contribute 1/8 or 1/16 of a unit of contribution.** | Myanmar contributes 1/8. After graduation, would contribute 1/4. Contribution would increase 40,000 dollars. ITU Council can authorize a graduated country to continue to contribute at the lower rate. |

| **WIPO** | **Voluntary selection of classes of contribution, unit of contribution determined for every biennium. Only LDCs can contribute at the lowest level (1/32).** | Myanmar would contribute a minimum of 1/8. At current budget, increase of 4300 dollars a year. |

| **UPU** | **Voluntary selection of class of contribution. Unit is currently CHF 43,526. Only LDCs can contribute at ½ of a unit of contribution. Myanmar already contributes 1 unit.** | Graduated countries contribute at least 1 full unit of contribution. Myanmar already contributes 1 full unit |