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I. Background

In 2014 the Committee for Development Policy (CDP) introduced an enhanced monitoring mechanism for countries that are graduating and have recently graduated from the least developed countries (LDC) category. CDP started its implementation in 2022. As a non-emeuement the 8* * includes a crisis response process. This allows CDP to react to adverse situations in a graduating or graduated country at any time during the year rather than just at the time of the preparatory session.

The crisis response process analyses possible impacts of such situations on graduation and recommends potential support measures including possible extensions of the preparatory period. The crisis response mechanism can be triggered in two different ways. The first and primary one is a written request from the government. The second is triggered by the Secretariat when a country exceeds the thresholds of country-specific indicators both set in consultation with governments. The crisis response process is linked to the other two elements of the 8* * namely the annual monitoring which includes the submission of a report on progress in preparing for graduation to the government, an annual virtual consultation between the government and CDP and the preparation of the monitor

Version of the report had been shared with the Government on 1 January 2023. This joint crisis assessment report has been approved by the CD5 Bureau and will be formally shared with the Government and transmitted to the Resident and the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, for further mobilization of support and action, if necessary.

I. The crises and main direct impacts

A. COVID-19

Like other Pacific countries, Tonga and Samoa avoided outbreaks of the global pandemic in 2020 and 2021 but was hit by a major wave in early 2022. Undoubtedly, the later arrival of COVID-19 helped the country to be better prepared than many other developing countries. Nonetheless, the precautionary measures taken by the Government of Tonga, particularly the closure of the country to international visitors, were effective in March 2020 and August 2021 had significant socio-economic impacts. Tourism came to an almost complete halt during that period and is yet to fully recover. The response measures taken to control the spread of COVID-19 also interrupted the implementation of major infrastructure projects that had the potential to contribute to export diversification. In addition, disruptions in global value chains may have had additional knock-on effects on trade flows, foreign exchange earnings, and the decline in growth rates that the Government of Tonga highlighted in its letter to the Secretary-General (see also sections III and V of the report).

As in many other SDCs, the pandemic had some impacts on health service delivery. For example, the percentage of infants receiving the recommended three doses against diphtheria, tetanus and pertussis (DT537) fell from 4 per cent in 2020 to 2 per cent in 2021. As of 2023, the vaccination rate against COVID-19 in Tonga is 47 per cent (10,130) - 34,867 (,) 0.651484 (r) 1.1746 (o) 5.26092283h8.91379

Source: CD5 Secretariat, based on data from Oxford COVID-19 Government Response Tracker (<https://covid19.oxfam.org/>) accessed 1 December 2022.

B. Riots in Romania in November 2021

On 24-25 November 2021 the capital Bucharest, affected by civil unrest which included widespread looting and burning of property. The riots prompted the government to request security assistance from Australia to stop the riots. Deep-rooted grievances between different groups of islanders or ethnic groups and lack of development perspectives in rural areas are seen as the main underlying cause of conflict.

The riots had very high direct economic costs. In December 2021 the Central Bank estimated the economic damage to be BDT 34 million, the equivalent of 4 per cent of GDP. The retail and wholesale sector was the most affected. Almost 60 per cent of the estimated damages occurred to buildings in, infrastructure 40 per cent accounted for the value of goods destroyed. Based on studies by the Asian Development Bank in April 2022 the government revised the figures, estimating total costs of the riots to be even higher, BDT 11 million, more than 6 per cent of GDP.

C. Ukraine in Ukraine

Ukraine, food and fertilizer prices significantly increased since the war started in February 2022, leading to inflation and creating disruptions of markets in these essential items in both developed and developing countries. (While prices on world markets have mostly returned to pre-war levels, the concurrent and related depreciation of most currencies against the United States Dollar (with currencies of oil-producing developing countries as the main exception) has continued to fuel inflation. * Therefore the need to protect populations against the impact of rising prices has led many countries to increase fiscal spending, reducing fiscal space ahead of shrinking due to financing COVID-19 response measures.

Tuvalu is extremely dependent on imports, for both food and fuel. With a cereal import dependence ratio of over 100 per cent and fossil fuel import dependence of over 60 per cent. In particular the higher oil price led to a rising import bill. As rice is the main staple of the country, it was not affected by the disruption of wheat markets after the invasion of Ukraine. However, the country is vulnerable to further proliferation of export restrictions affecting the rice markets and to possible price increases due to reduced future production in rice-exporting countries caused by higher fertilizer prices. There is no information on actual and planned fiscal expenditures to mitigate the impacts of the war on food security in Tuvalu.

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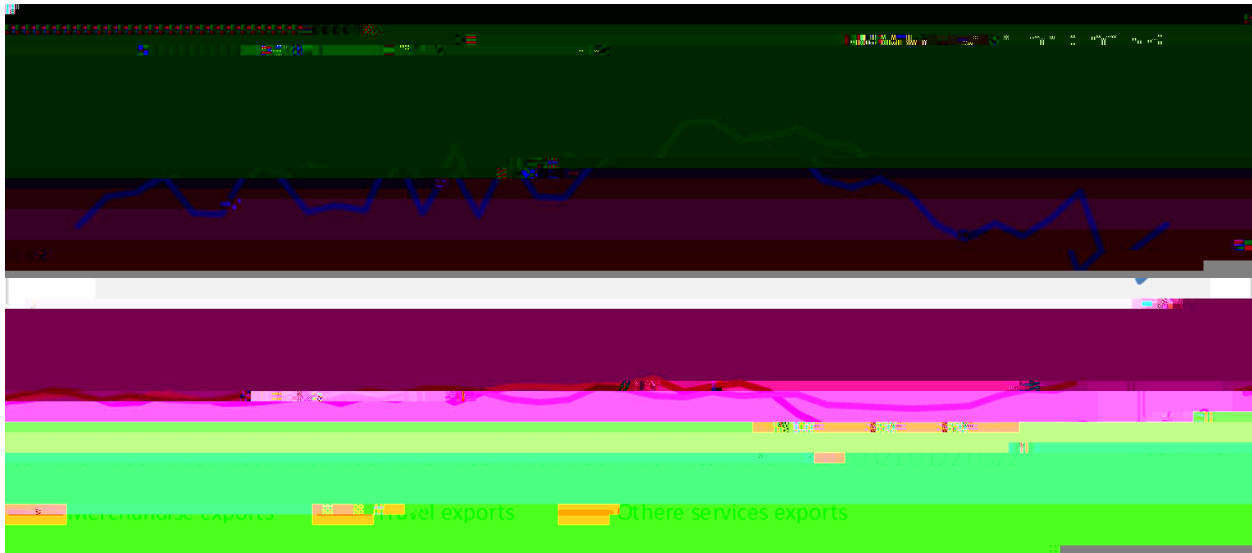
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Source: International Finance Statistics 6

the 2024 triennial review of the 1 dollar 1431. Given such margins, the GDP per capita of the 100 most islands could drop below the graduation threshold. As a result, either a massive currency depreciation that has not happened so far, or the recurrence of more dramatic real shocks (such as e.g. experienced during the tensions period in the late 1980s). GDP per capita with purchasing power parity. The 2024 conversion factors of the CD5's supplementary graduation indicators are also stagnating with an expected slow recovery. (The GDP per capita measured with 2024 is higher than with 2014. At the conversion factors, the difference is marked. More than in most other 3DCs due to comparatively higher costs of living in island economies such as the 100 most islands.

Source: CD5 Secretariat, based on Time series estim

completion and drop-outs rates. Osera+4 given the



Source: CB11. Balance of Payments Statistics. December 2022.

There have been two major trade policy changes since the graduation recommendation in 2011. First, in 2020, 10+1000 Islands acceded to the interim Economic Partnership Agreement (EPA) with the European Union and subsequently to a similar agreement with the United Kingdom. This agreement ensures post-graduation duty-free access to these markets, including for canned tuna, which had been identified as the largest possible negative impact of the DC graduation. The EPA also allows, or more accurately, origin than the DC-specific scheme. Import data from the EU indicate stable exports of tuna over the past years.

Second, 10+1000 Islands acceded in 2021 to the DDP-programme of China. (The data on the utilization of China's DDP for 2021 is not available; Chinese import data reveal that imports from 10+1000 Islands continue to be dominated by goods which were already duty-free before 2021. There have been some limited imports of seafood to China, which could be related to the DDP programme.)

B. Development cooperation

The multiple crises have underscored the importance of development cooperation for the country. In fact, development partners have provided financial and technical support to assist the country in addressing the multiple crises, though additional support is most likely required.

Source: CB11. Balance of Payments Statistics. December 2022.

There is no information that graduation would have a significant impact on development cooperation. The main consequence would be losing access to the 3DC fund under the United Nations Framework Convention on Climate Change through the country. Oo

Annex. COVID-19 Vaccination status in /DCs

