
CONCESSIONAL FINANCE FOR LDCS: *CHALLENGES AND PROSPECTS IN THE PRESENT TURMOIL*

03.07.2025

Sevilla

Patrick Guillaumont, Ferdi



FONDATION POUR LES ÉTUDES
ET RECHERCHES
SUR LE DÉVELOPPEMENT
INTERNATIONAL

LDC-V Monitor



Critical issue in the present context

- **Outcome document:**

- “*the needs and challenges faced by countries in special situations*”,
- The text quotes LDCs, SIDS and LDCs, but without specific proposals for LDCs, except 0.15-0.20% target
- No other mention of allocation issues between countries in the document

In front of that we are facing

- Medium-long term relative decline in ODA to LDCs
- A recent absolute decline with the aid cuts of the main bilateral donors, as it will be stressed by OECD

Recap of these crucial trends

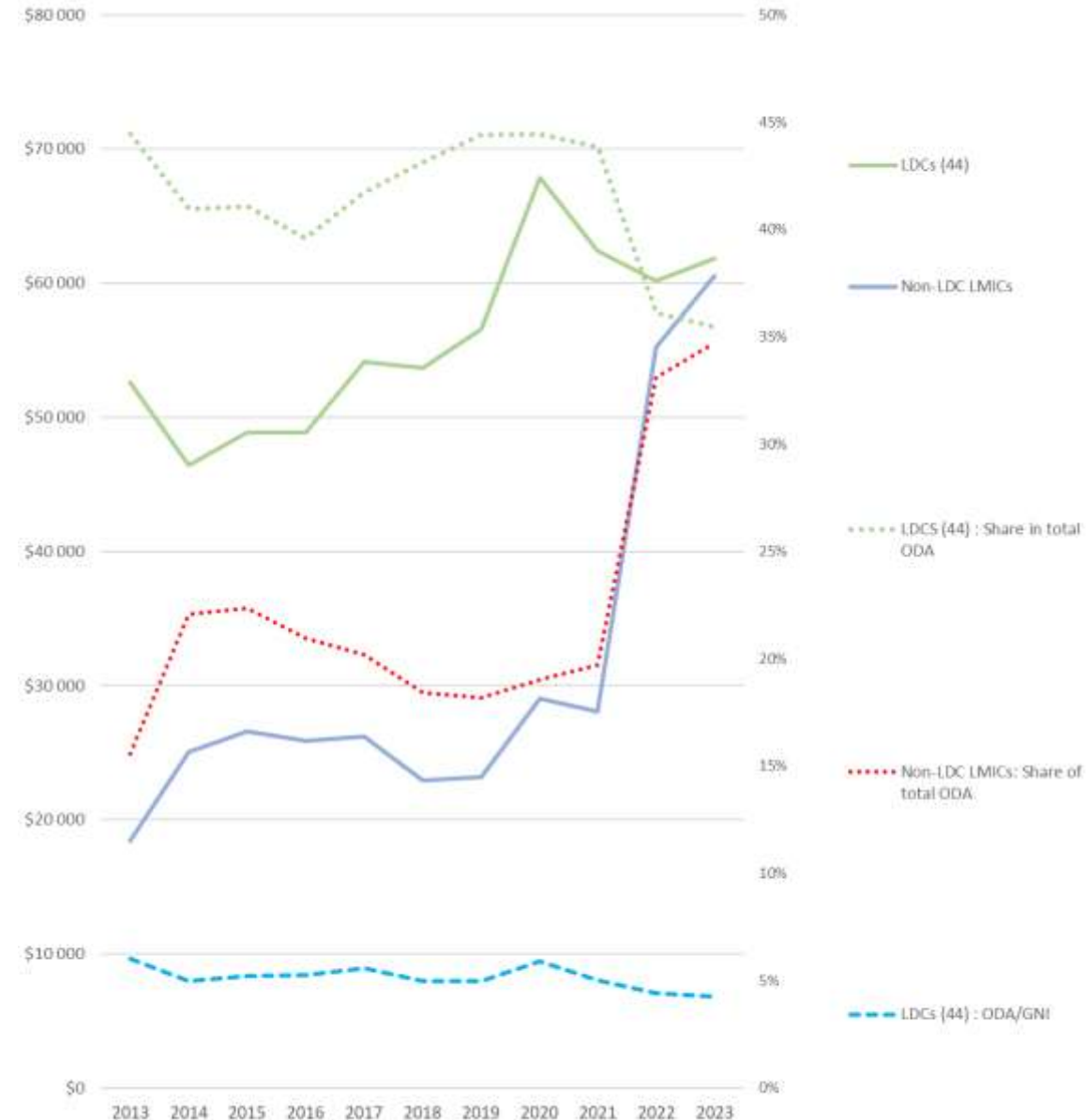
- **Long-medium trend (graph) LDCs:**

What is the Impact of Covid and the War in Ukraine?

- Covid : Increase of the international support
BUT
- War in Ukraine:
 - Sharp drop in the volume of ODA to LDCs
 - Sharp drop in the LDCs share in global ODA
 - With a strong increase of ODA to LMICs (Ukraine)
 - If we exclude aid to Ukraine from the analysis:
 - The share of ODA to LDCs still falls,
 - while ODA to LMICs nevertheless rises

→ Slight shift in support from LDCs to LMICs

→ **Strong crowding-out effect of ODA to Ukraine on ODA to LDCs**



Recap of these crucial trends

- **The recently graduating ones:**
 - More threatened than other groups of countries by the aid cuts,
 - Why?
 - They are more dependent on ODA than other developing countries,
 - while, being more vulnerable to the global economic shock, they are penalized twice,
 - and would require more development finance.
- **Possible dramatic consequences of these cuts (revealing the actual effectiveness of the debated ODA)**

What possible responses beyond Sevilla?

- **Easy to say:**
 - Strong incentive to accelerate domestic policy reforms for domestic resource mobilisation, not enough, even if it should be said and done
- **Priority reallocation by bilateral donors for LDCs and vulnerable countries**
- **Redesigning the rules of allocation by multilaterals,**
 - Making the 3 identification criteria of LDCs (*GNlpc*, *HAI*, *EVI*) used as allocation criteria for concessional finance, as recommended by UNGA in 2012, for the benefit of graduating countries

The importance of a fair recognition of multi vulnerability in that context through an appropriate index

- For the MDBs that do not recognize the LDC category as such,
- It can be done by a revision of the PBA, including a vulnerability index
- It is a way to address the needs of LDCs as well of other vulnerable countries
- And to make that the impact of vulnerability is greater the lower the per capita income.
- Need to stick to the principles of the MVI rather than to the details of the HLP MVI and to use an index better reflecting the structural vulnerability of present or graduated LDCs