



**Mobilising more and better resources in support of financing  
for sustainable development and reducing vulnerabilities**

*OECD and FERDI side event*  
**ECOSOC Forum on Financing for development**  
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**remarks**

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## Back to the origin of the event

- To link AAAA with the preparation of the MTR of the IPoA
- AAAA underlines the need to pay a special attention to LDCs and other vulnerable countries in development finance
- Ferdi advocacy for a development finance addressing the various vulnerabilities faced by poor countries in order to make development sustainable
- Supported by the publication of the book (MB &PG Edrs)  
*Financing Sustainable Development. Addressing Vulnerabilities*
- Concerns mainly, but not exclusively LDCs, initially LICs suffering from weak human capital and high economic vulnerability
- Now 1/3 (17/48) of LDCs are no longer low income, but most of them, as well as some graduating ones, are still highly vulnerable



## The message of the book in a nutshell

- What is at stake is financing a sustainable development, in the 3 dimensions of sustainability, economic, social and environmental (mainly climatic)
- Vulnerability is threatening the sustainability of development and has itself 3 corresponding dimensions economic, social and environmental (which can be easily identified)
- So, financing a sustainable development involves to address the various sources of vulnerability by appropriate methods of finance, in a comprehensive framework
- In the book, a number of well known experts (45), from the North and the South, expose their views on the way to address a specific issue on financing sustainability
- Need of monitoring



## Three kinds of issue, and related examples

- *Financing economic sustainability*, including issues such as debt management when shocks occur, increase in tax effort, financing regional integration, role of guarantees,...
- *Financing social and political sustainability*, including issues such as how donors can help FS, how to support risk management by the poor, how financial deepening can reduce vulnerability of the poor, how aid for trade can also do it, ...how impact investment can become a major tool to change development pattern
- *Financing environmental sustainability*, including issues such as optimal mining taxation, various kinds of innovative finance, possibility to mobilize SDRs, reinforcement of REDD+, ...and the issue of additionality with ODA



**Taking into account vulnerability in the allocation of public concessional resources between countries is a part of the strategy**

- Important matter of discussion for multilateral assistance
- Ferdi proposal: LDCs identification criteria, because they refer to poverty and structural handicaps to development, in particular vulnerability (EVI), are logical criteria for aid allocation
- Reflected in the UNGA resolution 67/221 on « smooth transition » of graduating LDCs (and in EC new EDF and DCI)
- Dampens possible decrease in ODA received by an LDC after its graduation
- Channels ODA towards the LDCs, not only as a whole, but also towards the least developed ones, and the other most vulnerable
- What is valid for ODA allocation is even more so for the allocation of concessional resources for adaptation...



- ...high legitimacy of taking into account the vulnerability to climate change in the allocation of concessional resources for adaptation
- This vulnerability should be a physical, exogeneous, vulnerability to climate change, measured by an appropriate index, other than EVI
- Would supplement the (limited) principle of 50% of the Green Fund for LDCs and vulnerable countries
- LDCs, on average highly vulnerable to climate change, and would benefit from this allocation, without substitution to ODA
- Whatever the fungibility in the use of resources for poverty reduction and adaptation



## How these issues are addressed calls for monitoring

- Great effort done to monitor the implementation of AAAA
- Need to also monitor how the vulnerabilities are addressed in the development finance
- Not only through the modalities of development finance, but also through the volume of public finance and its country allocation
- The volume of development finance available for LDCs is an important issue, with the recent decrease of ODA to LDCs, deviating from official targets, with no clear future impact of the new definition of ODA
- Important to see what the new TOSSD concept will involve for LDCs,
- Once the definition agreed, should new targets be designed, global and/or for the LDCs?