



# **Scaling up Development Assistance for LDCs and Vulnerable Countries**

By

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***Making LDCs count in the count down to the post 2015 Agenda:  
What challenges and possible responses in Financing for Development***

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## Scaling up, a decade after

- Scaling up ODA was an important matter of debate ten year ago, when discussing the « big push vs absorptive capacity » issue
- Apparently given up after the 2008-09 crisis
- But again on the agenda in the context of post-2015...mainly about LDCs, what was not clear at the beginning of the process of preparation of the Agenda
- 5 groups of remarks presented in this context

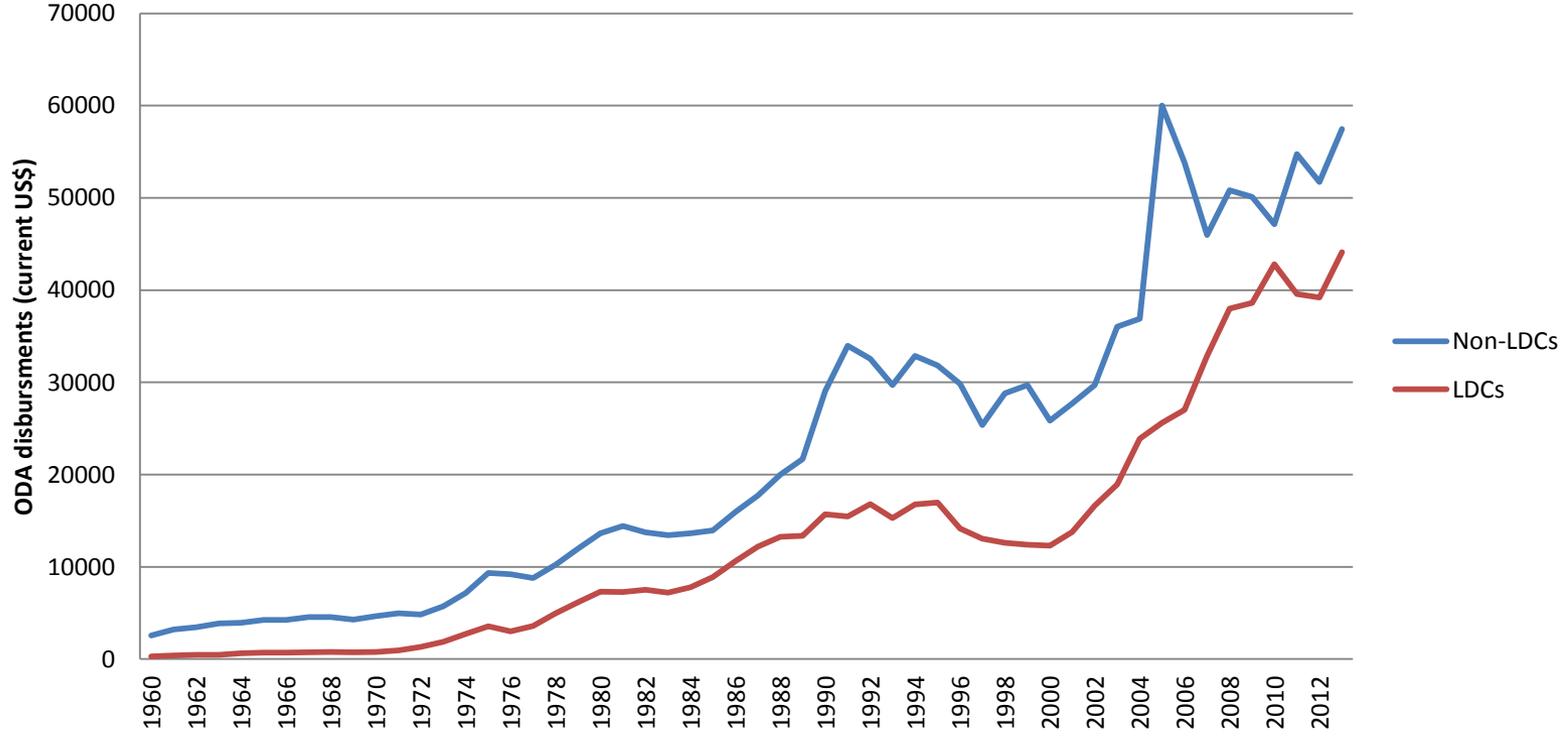
## Outline: 5 points

- Ambiguous trends in ODA to LDCs
- Reversal of attitudes towards LDCs in the Agenda preparation
- New focus on LDCs in designing and measuring ODA
- Criteria beyond the category, another way of scaling up
- Scaling up beyond ODA: adaptation resources for LDCs
- Scaling up in fragile LDCs (absorptive capacity of fragile states)

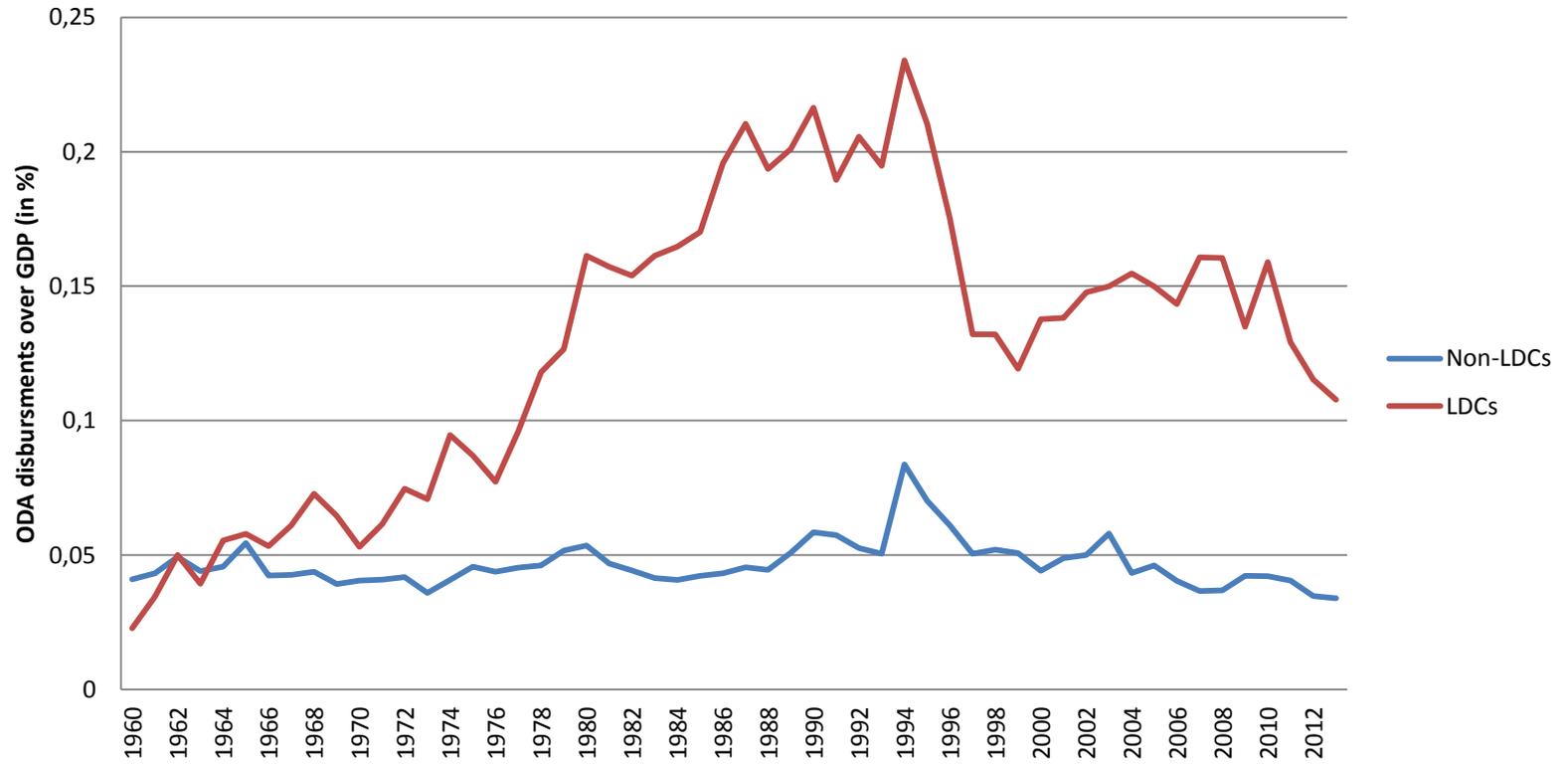
## Ambiguous trends in ODA to LDCs

- 4 graphs to illustrate this ambiguity
- 1) rapidly rising trend from 2000 to 2009, less clear since 2010
- 2) rising average ODA/GDP ratio until 1994, decline since that date
- 3) Share of total ODA allocated to LDCs fluctuating, but not significantly higher in 2007- 2013 than in 1997
- 4) and high heterogeneity of this ratio among LDCs

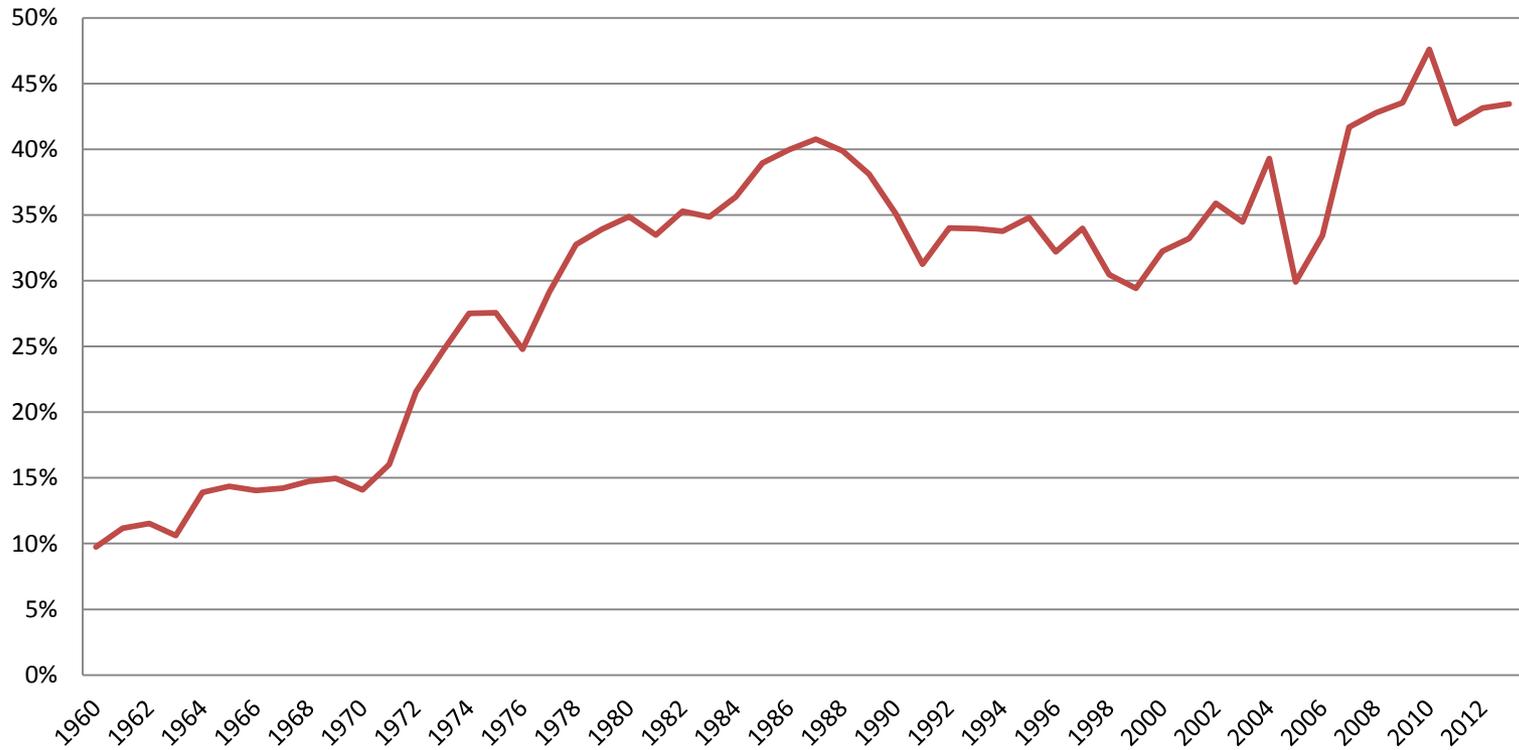
### ODA disbursements, 1960-2013



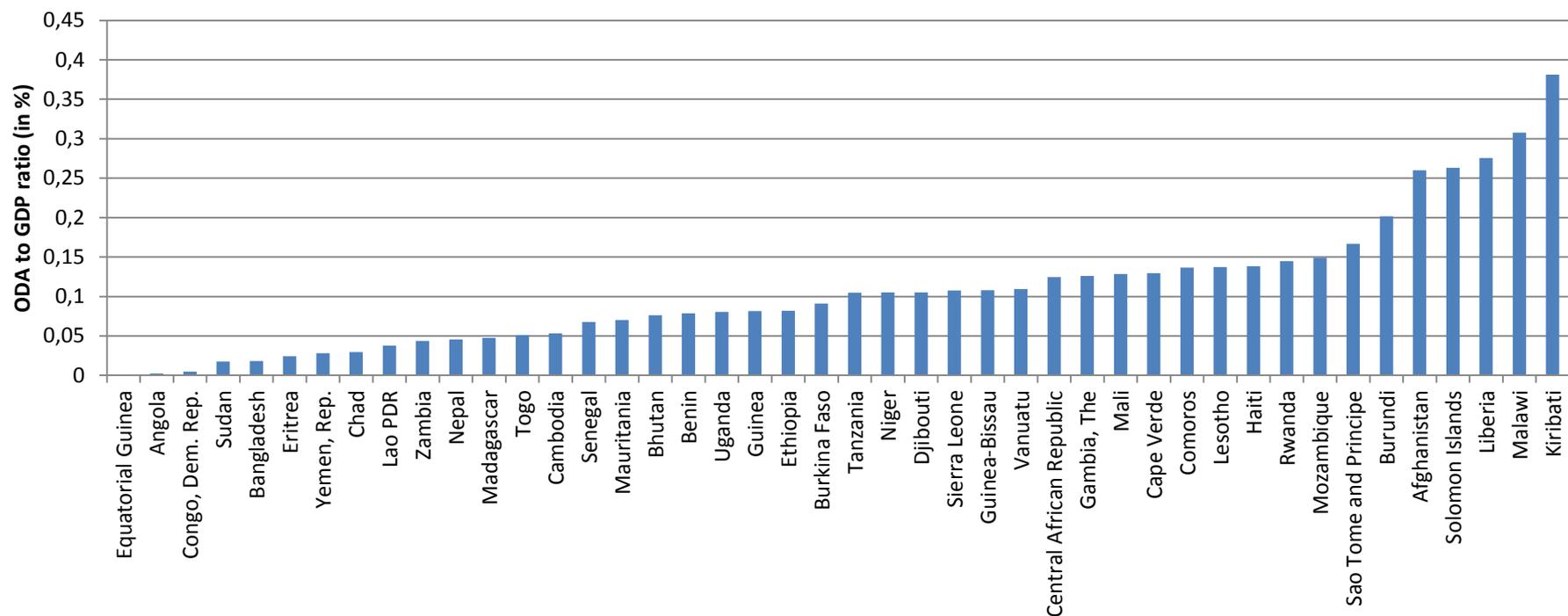
### ODA disbursements over GDP, 1960-2013



### Share of total ODA allocated to LDCs, 1960-2013



## ODA to GDP ratio in LDCs in 2013 (in %)





## II

### **Reversal of attitudes towards LDCs during the preparation of the Post-2015 Agenda: the initial issue**

- Initially difficult to push the consideration of the LDCs in the Agenda: the « universality » of the agenda seemed not consistent with the need of « differentiation »...
- ...and the focus on people or world citizens was drawing attention on MICs where the majority of the poor was located
- But a consistency was found in the principle of equal opportunities for people to move out of poverty, opportunities depending on structural characteristics of the country



## Reminder: Universalism, consistent with LDCs differentiation

- Agreement on the *universality* of goals and on the concern of promoting equity or justice among the citizen of the world
- *Equity* means equality of opportunities : the citizen opportunities differ according the country where they are located, because development opportunities differ among countries
- In poor countries facing *structural handicaps* to growth, in particular structural vulnerabilities, the *probability for a citizen not to be poor in the future* is lower than in other countries
- LDCs have precisely been designed as poor countries facing structural handicaps to growth and as such more likely to stay poor
- Landlocked and small island developing countries are also facing significant and structural vulnerabilities.



## **Reversal of attitudes towards LDCs during the preparation of the Post-2015 Agenda: the present situation**

- In Busan Declaration (few months after Istanbul), LDCs vanish
- In the report of the High Level Panel, LDCs quoted 1 time.....
- In report of the SDSN, 1 time again, but « vulnerable countries » 9 times
- In the 2013 report of the UNSG on SDGs, 5 times
- In the Intergovernmental Committee of Experts on Sustainable Development Financing: 26 times
- In the present state of the document on SDGs: 26 occurrences of « LDCs » (indeed among 169 targets...)
- . vulnerable countries?



### III

## **New focus on LDCs in targetting and redefining ODA a factor of scaling up?**

- Historical specific UN target: 0.15%-0.20% of GNI as ODA to LDCs, within the overall 0.7% target (not reached)
- Debated, not agreed: a target of 50% of total net ODA to LDCs, a good signal, but would be a poor substitute to the 0.15% target, for a total ODA/GNI ratio below 0.3%...
- Agreed: 2 innovations related to LDCs in the new ODA measurement adopted by DAC at the Dec 2014 HLM



## **New focus on LDCs in redefining ODA**

- Discount rates for the calculation of the grant equivalent of ODA loans = 9% for LDCs and others LICs, 7% for LMICs, 6% for UMICs (10% before for all)
- Required concessionality: to ensure that loans to LDCs and other LICs are provided at highly concessional terms, only loans with a grant element of at least 45% will be reportable as ODA. (for loans to LMICs it is of at least 15%, and those to UMICs of at least 10%): the need for concessionality reduces as countries become richer
- Expected: a comparatively better quality of the aid to LDCs and a higher volume, however difficult to assess and simulate



## IV

### **Criteria beyond the category: a way for scaling up ODA to LDCs?**

- LDCs are not the only countries needing international support with regard to their vulnerability and other structural handicaps: case made for former LDCs graduated countries
- Referring to the rationale of the category (poor countries suffering from structural handicaps to development), the
- Criteria used for the identification of the LDCs are also relevant criteria for aid allocation, offering a continuous treatment (instead of binary measures used in other areas)
- Adoption of such criteria of aid allocation would increase the share of ODA allocated to LDCs, and not only to graduating countries
- And would meet the principles of equity, effectiveness and transparency

## Criteria beyond the category: a way for scaling up ODA to LDCs? Towards improvements

- Progress in that direction made by the GA in its 2012 Resolution on smooth transition, §23 : *inviting* development partners to consider least developed country indicators, gross national income per capita, the human assets index and the economic vulnerability index as part of their criteria for allocating official development assistance
- Already done by EC for the new EDF and DCI cycles
- More debated within the MDBs, now more considered too
- Possible and may be needed to improve or adapt the index of structural economic vulnerability...or « build your own index » (ferdi)

## V

### **Scaling up beyond ODA: adaptation resources and the LDCs**

- Equitable to allocate the expected resources for adaptation to climate change not only according to the level of income per capita and possibly governance, but first according to the vulnerability (to climate change) for which the country is not responsible
- Need to use an indicator such as the physical PVCCI, set up at Ferdi
- Since the LDCs evidence a high average level of vulnerability to climate change (by the PVCCI), they should normally receive a large share of (concessional) adaptation resources
- Need to agree on the principles of allocation and a relevant index

## VI

### Scaling up in LDCs that are also fragile states

- LDCs and Fragile states, two competing and overlapping groups
- LDC category, based on structural handicaps (vulnerability)
- FS groupings, based on policy assessments (fragility)
- LDC category and related (structural) criteria are relevant for aid allocation, while state fragilities matter for aid modalities
- Does not clearly correspond to the current practice of MDBs
- Since many LDCs are also FS, scaling up may face absorptive capacity problems: aid modalities are key to overcome them.

FWDi

thanks