

Economic and Social Council
Coordination and Management Meeting

**Presentation to ECOSOC
2016 Report of the Committee for Development Policy (CDP)**

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Mr. President, Distinguished Delegates, Ladies and Gentlemen,

It is a great honour for me to present the Report of the 18th Session of the Committee for Development Policy held in March this year. I am also pleased to inform you that the CDP has a revolving membership and the term 2016 to 2018 includes some new members. As in the past, this year's CDP Report examines several sustainable development issues of relevance for the Council's current and future deliberations.

This year's work program included analysis of three issues: first, the challenge of expanding productive capacity in least developed countries (LDCs); second, official support for sustainable development in the context of the 2030 Agenda; and third, issues regarding the classification of LDCs, such as the monitoring of graduated and graduating countries, and the development of a toolkit to assist graduating countries in the transition out of the LDC status.

During the CDP plenary in March, we organized a briefing session on promoting productive capacity for sustainable development and had the opportunity to discuss with some of you our ideas and recommendations. The discussion was very helpful in further refining our recommendations.

At the Council's high level segment session in July, the CDP will have the opportunity to exchange views with you on our recommendations on this issue. Therefore today's presentation will address the other two issues, namely development finance and LDC classification. I will elaborate on our key conclusions and highlight the recommendations put forward for your consideration.

Mr. President,

As you are aware, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) has initiated a process of reviewing the definitions and reporting criteria for development finance. The main objective of this initiative is to modernize the definition of ODA and improve accuracy and comparability of reporting, as well as to introduce new measures of broader financing sources to monitor important new trends in development finance. The resulting data would facilitate efforts to improve the impact of development cooperation particularly through better leveraging of public and private resources. New reporting criteria for

ODA were adopted in 2014 and 2016, to become a standard starting in 2018. Discussions are underway – expected to be completed by the end of this year - on a new measure of development financing, separate and complementary to the ODA, provisionally named “Total Official Support for Sustainable Development (TOSSD)”.

It should be recalled that in the Addis Ababa Action Agenda the Member States affirmed that they would hold open, inclusive and transparent discussion on ODA measurement and on the proposed TOSSD, and the United Nations has not endorsed TOSSD as a metric for monitoring implementation of the 2030 Agenda.

Against this background, and while the discussions are on-going, I would like to highlight some of the key developments to date.

First, the calculation methodology for ODA was modified: i) in loans only the grant equivalent would be considered; ii) for estimating the grant equivalent a new procedure was defined with differentiated discount rates; and iii) new differentiated thresholds were defined.

Second, ODA reporting directives on peace and security expenditures were updated, in order to clarify the inclusion of expenditures involving the military and the police as well as activities aimed at preventing violent extremism.

Third, the official provision of private sector instruments, such as equity, credit enhancements and guarantees, are to be counted as ODA, while the flows generated by such effort are to be counted as TOSSD.

TOSSD would provide a measure that would reflect the broadening of the global development agenda and financing sources that extend beyond the historical concept and definition of ODA, including non-concessional official funds, and expenditures in areas related to climate change, environment sustainability and other public goods, such as peace and security, as well as, those mechanisms oriented to mobilize private sector resources.

The CDP welcomes the effort by the DAC to enhance the mobilization of more resources for the implementation of the 2030 Agenda. However, the Committee is also concerned about the risks and uncertainties that developing a new metric of development cooperation would entail. The Committee is particularly concerned with the risk of the new measure leading to a dilution of commitments already made for development.

The OECD and UN member states need to be on the same page on several critical issues. For example, why a new measurement is needed, rather than an improvement of the existing metrics? How the participation of emerging development partners and other stakeholders can be operationalized? How can the perspectives of both providers and recipients be reflected in the definition of development aid?

The CDP report elaborates on a number of key principles which should form the basis for any new framework for financing for development. These include, first and foremost, to preserve the development purpose of its components, and to account for cross-border flows only. Moreover, it should be clearly understood that the framework would be a complement to and not a substitute for existing ODA commitments.

In this regard, the Committee makes two recommendations for consideration by the Council: i) that the Council reiterates the call to donors to meet their ODA commitments and for ODA to be reported separately from other flows; and ii) that Member States, particularly developing countries and new providers, be involved in all deliberations on any new framework for financing for development under conditions of full transparency and inclusivity. The Committee is of the view that ECOSOC should be the organ to facilitate the process of developing a new financing for development framework, through the Development Cooperation Forum.

Mr. President,

Please allow me to briefly go over the issues related to LDCs examined in the CDP Report.

The CDP reviewed development progress made by two graduating countries, Equatorial Guinea and Vanuatu, and one graduated country, Samoa.

Equatorial Guinea is earmarked for graduation one year from now, in June 2017. Our analysis finds significant and persistent imbalance between an exceptionally high per-capita income and a low level of human assets in this country. We advise Equatorial Guinea to formulate and implement a transition strategy that would proactively address the need to strengthen human assets and reduce economic vulnerability.

We welcome the adoption of General Assembly resolution 70/78 on the extension of the preparatory period preceding the graduation of Vanuatu from the LDC category following the impact of cyclone Pam which hit the country in 2015. While Vanuatu is recovering from the cyclone and is expected to return to its sustainable development path, the Committee expresses concern about the country's susceptibility to recurring natural disasters.

We also reviewed the development progress of Samoa, which graduated in 2014 and is implementing its transition strategy. The Committee noted that Samoa continued to achieve steady development progress, despite its high vulnerability to economic and environmental shocks.

We reiterate the importance of the international community providing vulnerable countries with concessional financing for climate change adaptation. In this regard, we are particularly concerned that climate-vulnerable countries graduating from the LDC category may lose priority access to climate finance, if such priority is defined on the

basis of LDC status. We therefore recommend again that the economic vulnerability index be used for the allocation of climate finance, independent of LDC status.

Additionally, some graduating and graduated countries face significant challenges and uncertainties in addressing the consequences of the loss of preferential market access. In our view, trading partners should facilitate the phasing out of LDC-specific trade preferences for a period appropriate for the development situation of graduated countries, in accordance with the General Assembly resolution on smooth transition from the LDC category.

As the number of LDCs that become eligible for graduation increases, improving their understanding of LDC-specific support to which they have access and the policy implications of the possible reduction of such support after graduation has become a critical matter. During the plenary session, the Committee reviewed a proposal from its secretariat for developing a toolkit to assist LDCs in better preparing for graduation, including through facilitating the gathering and sharing of information among national and international stakeholders and assessing the importance of the support measures for these countries' development progress.

In collaboration with the CDP secretariat, we would like to be proactive in finding a way to assist graduating LDCs in preparing a graduation road map by using a toolkit which enables them to gain a better understanding of the LDC-specific support that is being utilized. The toolkit should facilitate LDCs' efforts to understand and address the possible reduction of international support, and reduce the uncertainty surrounding graduation, and therefore keep their development trajectory on a sustainable path.

The Committee proposed that the secretariat further develop the toolkit concept by taking into account the inputs from and the needs expressed by LDCs. Last week, the concept of the toolkit was presented during the mid-term review of the Istanbul Programme of Action for LDCs, in Antalya. The proposal was well received, both by LDCs and development partners.

Mr. President,

The CDP is fully committed to do its utmost to assist the Council in achieving its mandates and will continue to align our work to the priorities of the Council.

I thank you for your attention.