Economic and Social Council
2011 Substantive Session

Coordination segment
Item 6 (a): Follow-up to the International Conference on Financing for Development

PANEL DISCUSSION

"Building on Istanbul: Financial support for development efforts of LDCs, including through South-South and triangular cooperation"

Tuesday, 12 July 2011, 10:00 a.m. – 1:00 p.m.
Geneva, Palais des Nations

Concept Note

BACKGROUND

The Istanbul Programme of Action adopted at the Fourth United Nations Conference on the Least Developed Countries calls on the international community to work towards more coherent, consistent and effective financial support for least developed countries (LDCs). More effective development financing for LDCs has become even more critical in light of the ongoing impact of the world financial and economic crisis, volatile energy and food prices, as well as the challenges posed by climate change. The major components of financial donor support to LDCs include Official Development Assistance, aid for trade and debt relief. There is considerable scope for further actions on all three fronts.

First, ODA continues to fall short of commitments made at major United Nations conferences and summits. OECD-DAC donors spend only 0.10 per cent of their aggregated gross national income on Official Development Assistance to least developed countries, which remained well below the United Nations target of 0.15-0.20 per cent of GNI, as set in the Brussels Programme of Action and reaffirmed in Istanbul. Moreover, its distribution has been highly skewed with the relative share of aid to production sectors, especially food agriculture and infrastructure on the decline.

Second, aid for trade can play an important role in helping countries develop the necessary infrastructure, institutions and technical capacity to harness the benefits and minimize the risks of trade liberalization. Aid for trade commitments to least developed countries reached almost US$ 12 billion in 2009 (the latest year for which comprehensive data are available) representing a growth of 13.8 per cent as compared with 2008. However, there is significant room to increase this share, since these commitments represent only 32.5 per cent of the total aid for trade for developing countries. Moreover, the distribution is skewed as two thirds of the assistance goes to only 10 LDCs at present.

Third, since 2007, the external debt stocks of least developed countries as a group increased by 12 per cent, reaching 160.9 billion in 2009. New debt restructuring mechanisms might have to be considered for some least developed countries, especially if the global economic recovery remains slow and fragile. In addition, there are limits to the resources available for official sector financing in bailing out countries in debt distress. The right balance between official sector financing, debt standstills, debt restructuring and debt write-offs has to be determined on a case-by-case basis.

The Istanbul Programme of Action also welcomes the efforts made by multilateral, regional and bilateral financial and development institutions to increase financial resources to promote South-South and Triangular cooperation. More effective cooperation in this field can complement the support received by LDCs from traditional donors through the exchange of resources, technology, knowledge and best practices between themselves and with other developing countries.

OBJECTIVE, FORMAT AND OUTCOME

The objective of the panel discussion is to explore how financial support mechanisms and South-South cooperation can contribute to the economic development challenges in least developed countries. The panel will pay special attention to development finance strategies that enhance productive capacities in LDCs and promote the development of human resources and basic infrastructure, while ensuring access to technology and adequate safety nets. This should include more effective official development assistance, aid for trade and debt relief measures, as well as South-South and triangular cooperation. The discussion will be chaired by the President of ECOSOC.

The panel discussion will consist of panel presentations by government representatives and academic experts followed by an interactive dialogue among all meeting participants, including representatives of Member States, institutional stakeholders, as well as civil society and the business sector. The panel will be chaired by the Vice-President of ECOSOC (Bangladesh).

The meeting will conclude with an informal summary by the Secretariat highlighting the main points of the discussions and specific proposals or ideas leading to action-oriented results. The summary will provide an important informal input into the Financing for Development process, including, in particular, the preparations for the High-level Dialogue on Financing for Development (New York, 7-8 December 2011).

SUGGESTED QUESTIONS FOR DISCUSSION

- How should the methods for aid allocation be reviewed to ensure aid flows to the neediest countries and finance investments in productive capacity?
- Should structural vulnerabilities be the basis for allocation of grants to least developed countries and assessments of their ability to repay debt?
- How can additionality, stability and sustainability of innovative financing and aid-for-trade flows be ensured?
- What are the possible options for new modalities for providing debt relief to least developed countries?
- How can policy coherence be ensured between development finance, aid for trade and debt relief?
- Which capacities need to be enhanced so that Governments of least developed countries can play an effective role in developing both their industrial and their agricultural sectors?
- How can least developed countries reshape their development strategies so that a greater proportion of growth translates into poverty reduction?