

ECOSOC Coordination Segment, Geneva, 11-14 July 2011

Follow-up to the International Conference on Financing for Development (item 6 (a))

Panel discussion on “Building on Istanbul: Financial support for the development efforts of LDCs, including through South-South and triangular cooperation” 12 July 2011

Informal summary by the Secretariat

1. The Economic and Social Council (ECOSOC) held a panel discussion on “Building on Istanbul: Financial support for the development efforts of LDCs, including through South-South and triangular cooperation” within its Coordination Segment in Geneva on 12 July 2011. The panel was chaired by H.E. Mr. Abulkalam Abdul Momen, Vice-President of ECOSOC and Permanent Representative of Bangladesh to the United Nations, New York.
2. The panel was moderated by Mr. Cheick Sidi Diarra, USG and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, and featured presentations by H.E. Mr. Gyan Chandra Acharya, Permanent Representative of Nepal to the United Nations, New York; Mr. Jeffrey D. Lewis, Director, Economic Policy and Debt Department, World Bank; Mr. Jean-Marie Paugam, ITC Deputy Executive Director; and Mr. Vicente Yu, Programme Coordinator, Global Governance for Development Programme, South Centre.
3. The chair, H.E. Mr. Abdul Momen, opening the panel, pointed out that the Istanbul Programme of Action, adopted at the Fourth United Nations Conference on the Least Developed Countries in May 2011, provided a sound framework for development cooperation with LDCs over the next decade. The challenge now rested with the speedy and full implementation of commitments made in Istanbul. H.E. Mr. Abdul Momen referred to the special high-level meeting of ECOSOC with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, held in New York on 10 and 11 March 2011, which featured a thematic debate on financial support for development efforts of the LDCs. The main findings of that debate included the common view that the international community needed to take a more holistic, targeted and integrated approach in their efforts to support LDCs. Particularly, international support mechanisms should focus on developing productive capacities of LDCs. Many speakers at the March meeting had highlighted the importance of domestic resource mobilization and of concluding the Doha Round of multilateral trade negotiations. It was also crucial to fully implement ODA commitments and to ensure debt sustainability of LDCs. Eventually, South-South and triangular cooperation had an important role to play.
4. In his remarks, the moderator, Mr. Diarra, referred to the Istanbul Conference on the LDCs as the most recent in a series of global events in support of LDC development. Mr Diarra stressed that it was challenging for LDCs to mobilize resources in a post-crisis environment, and that considerable additional resources for LDCs were necessary to close the resource gap and to

overcome structural impediments to economic growth and development. This involved official development assistance, but also other private flows such as foreign direct investment and remittances. Innovative sources of financing held a great potential for growth and development in LDCs, but needed to be additional to ODA. Besides the magnitude of the needed resources, the effectiveness of resources was equally important. Another challenge faced by LDCs was to ensure that growing trade and financial linkages led to structural change and growth in those countries. In the future, climate change adaptation and mitigation would require significant financing. Climate change financing was gaining traction, but only a small part of it was dedicated to LDCs. Moreover, Mr. Diarra emphasized the importance of South-South and triangular cooperation to further LDC development.

5. H.E. Mr. Acharya pointed to some major structural impediments faced by LDCs, such as limited productive capacities; infrastructure gaps; lack of human and social development; and prevalence of conflict or post-conflict situations in some LDCs. In addition, the recent financial and economic crisis and climate change represented new challenges for LDCs. Therefore, extensive national effort and strengthened international partnerships were necessary to help more LDCs graduate. The mobilization of domestic and external financial resources and their effective use was crucial. ODA would continue to play an important role for LDCs. ODA should be increasingly directed towards the productive sector and more in line with LDC priorities. Its disbursement needed to be more counter-cyclical. Resources raised by innovative financing mechanisms should be additional to ODA. Also other sources of financing, such as trade-related sources, debt relief and FDI remained very important. In addition to generating sufficient financing, governments' capacities and institutions needed to be enhanced.

6. Mr. Lewis emphasized that aid flows continued to fall short of international commitments. However, the overall number of donors was increasing. Mr. Lewis underscored that trade integration and facilitation remained key for inclusive growth and poverty reduction in LDCs. Therefore, continuing vigilance towards protectionism was needed. The World Bank's IDA facility remained the main vehicle of the Bank's assistance to LDCs, supporting 47 out of 48 LDCs. IDA had also established a new crisis response window designed to mitigate the impact of the economic crisis and protect the poor. Mr. Lewis informed that the Heavily Indebted Poor Countries (HIPC) initiative was largely implemented, with 32 countries out of 40 eligible countries receiving full debt relief after reaching their completion points. In the context of debt relief, it was also important not to limit debt relief to official debt, but also to address private commercial debt of LDCs. Mr. Lewis emphasized that the World Bank was the largest multilateral provider of aid for trade.

7. Mr. Paugam stressed the importance of aid for trade to help LDCs build supply-side capacities and trade-related infrastructure. Aid for trade was effective, provided innovative solutions for sharing the benefits of growth and contributed to the general consistency of development policies. In particular, aid for trade supported businesses and trade support institutions, such as chambers of commerce. It might also improve dialogue with the private sector. After the Istanbul Conference, it was important to consolidate aid for trade, to make procedures more effective and to strengthen the level of aid for trade for LDCs.

8. Mr. Yu underscored the continuing importance of international development cooperation for LDCs. At present, financing needs of LDCs were not fully met. In particular, fulfilling long-standing ODA commitments, directing ODA to productive capacities and establishing counter-cyclical assistance facilities were vital. At the multilateral level, it was important to address the management of potentially destabilizing capital flows and the establishment of a mechanism for sovereign debt restructuring. Moreover, Mr. Yu deemed South-South cooperation an important complementary means to mobilize resources for LDCs.

9. In the ensuing discussion, delegates supported the focus on the implementation of the Istanbul Programme of Action and the need to provide targeted and effective support to LDCs. The importance of strengthening domestic resource mobilization in LDCs was also emphasized. Private sector development, enhancing productive capacities and technology transfer were stressed by a number of speakers as action areas to achieve progress in LDCs. Also infrastructure gaps and agricultural development needed to be addressed. Delegates also pointed to the benefits of regional trade and investment integration. In addition, it was underscored that LDCs were particularly vulnerable to climate change and required specific support in that regard.
