UN-OHRLLS

LDC Access to Finance

UN-OHRLLS Roundtables Summary

December 2022

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Background

UN-OHRLLS, with the support of Canada, has launched an initiative that takes stock of Least Developed Countries' (LDCs) access to multilateral sources of funding. It also aims to facilitate knowledge sharing amongst LDCs to increase access to international financial resources. To this end, UN-OHRLLS hosted two virtual regional roundtables to ask questions, explore barriers, and build a better understanding of LDCs’ access to finance.

The roundtables were organized into two sessions, organized relative to geography/time zones: Monday, 28th - Wednesday 30th of November 2022 for Africa and Haiti LDCs, and Tuesday, 6th - Thursday 8th of December 2022 for Asia Pacific LDCs. These roundtables featured knowledge sharing presentations from multilaterals, climate funds and UN agencies to provide LDC attendees a better understanding of accessing finance that is available to them.

The main objectives of the roundtables were to convene LDC representatives to achieve the following:

Building on a questionnaire launched in October and a mapping of multilateral financing sources, the roundtables will:

1. further expand on and share experiences of LDCs in accessing international finance (concessional loans, grants and climate finance) to reveal solutions that improve LDCs’ ability to access all sources of finance
2. engage the primary providers of finance to improve understanding and sharing ways to overcome impediments facing LDCs in accessing these sources of finance
3. contribute to the synthesis of recommendations for both providers and LDCs recipients on how to improve the process of applying for and accessing funding accessing international finance. *The report will be presented at the LDC5 Conference in Doha, Qatar from 5-9 March, 2023.*

UN-OHRLLS

African + Haiti Roundtables

28th –30th November, 2022

Day 1

UN Bodies and IMF

UN-OHRLLS

Agenda

- Welcome and Introduction by Ms. Susanna Wolf, Senior Programme Management Officer, Team Lead of LDCs Unit, UN-OHRLLS
- Opening remarks by Mr. Andrew Hurst, Director of Economic Growth and the International Financial Institutions of Global Affairs Canada
- Mr. Tim Strawson, SDG Finance Specialist, UNDP, Q+A
- Mr. Olivier Cattaneo, Head of Policy Analysis and Strategy Unit, Development Co-operation Directorate, OECD, Q+A
- Mr. Xavier Michon, Deputy Executive Secretary, UNCDF, Q+A
- Debriefing roundtable
- Closing of First Day

Key Presentation: Mr. Tim Strawson, UNDP, on Integrated National Financing Strategies

Presentation Summary

- At the national level, many countries have a national sustainable development plan, medium term plan and the aspirations for economic, social, and sustainable development; that is often where SDGs are mainstreamed at national planning and institutions.
- There is often a gap between the aspirations outlined in a national sustainable development plan— what the country aims to achieve in the medium and long term—and the policy tools the government uses to mobilize and influence investments that are necessary to make these aspirations a reality.
  - Policy tools may not be aligned to the objectives of a national sustainable development plan as a whole, or may not be well correlated with one another.
  - The **Integrated National Financing Framework (INFF)** is designed to bridge this gap. It is the strategic integration of a Sustainable Development Plan and financing policies.
- In the last four years, over 85 countries have been using the INFF approach worldwide, across all region and different levels of development.
  - It is a process that is being embedded in national institutions and connects planning functions with financing policy functions; in most contexts it is primarily led by the ministry of finance and the ministry of planning.
- A study done in 2019 for 100 counties worldwide, found that less than 30% of them have any kind of financing strategy.
  - Even if they did have a financing strategy for their national development plan, it was primarily focused on public finance.
  - 39 countries are using this INFF approach to develop their financing strategy and the other 25 are using it to strengthen and broaden the approach beyond public finance.
- 33 LDCs are using the INFF approach; among these, 13 are developing financing strategies for the first time and 8 countries have financing strategies already in place.
  - LDC governments are using INFFs to advance more than 250 financing reforms
- Examples of financing strategies under development include: Tanzania and Djibouti.

Key Presentation: Mr. Tim Strawson, UNDP on Integrated National Financing Strategies (Cont.)

Discussion points

Q. Can you give us more information about how LCDS can access INFF facilities? Who are the best people to reach out to whether it is country officer or other organization?
A. It is a facility that can be accessed by any LDC. The LDCs can reach out to the UNDP country office.

Q. When you have an LDC that is newly embarking on the process of implementing or exploring the INFF, how much additional capacity do you think is required to build out the INFF and how much capacity is required to implement the reforms that are outlined in the framework?
A. The INFF is about bringing together the functions and structures the government planning systems together with its financing policy system, rather than adding additional capacity. The aim is to better use the capacity that is already there.

Q. I suspect you have anecdotal or formal evidence that moving towards an INFF unlocks more access to financing for most of the LDCs because it fulfils more the criteria, monitoring, processes in the implementation of donor resources, is that true?
A. Yes, it can help to unlock some financing but to be clear, there are no conditions for using the INFF or that a country must have an INFF to access finance.

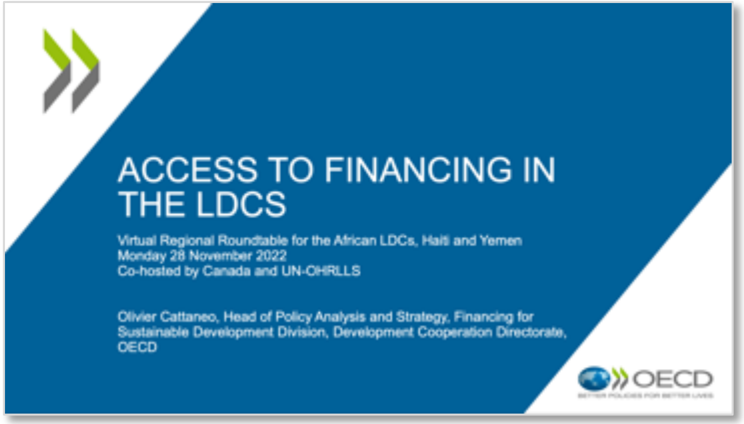
Q. For the countries that were successful in strengthening the existing INFF and setting up the new one, what institutions or members of the technical committee and how was this committees created?
A. It is specific to each country. The INFF approach that is led at the country level by national institutions. In most cases, it is the Ministry of Finance/Economy/Planning overseeing it. In some cases, it is the executive, the prime minister’s office, or presidential office. In almost all cases, it is one or some combination of those ministries.

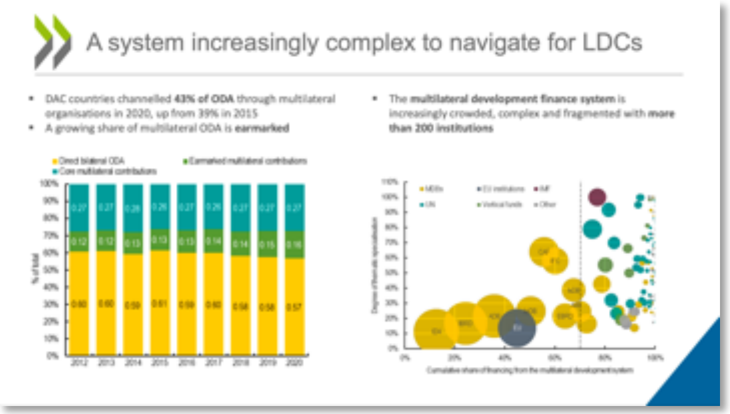
Q. How long does it take to implement an INFF, you mentioned it was medium term?
A. Timing varies. An initial assessment can be completed quickly. Often there is evidence and knowledge at the country level. Bringing these together, it can be done in a few months. But the bigger picture is how to embed it into the planning cycle and the discussion of the country level, in this case, it takes a bit of time.

Key Presentation: Mr. Olivier Cattaneo, OECD, on Access to Financing in the LDCs

Presentation Summary

- Multilateral development banks have a growing focus on middle income countries and are asked to increasingly capitalize on their unique access to global financial markets.
- An overhaul of the global financial system is needed to restore equity, including in financial markets
- The onus to act is on all actors; this includes incentives and regulations in OECD countries, behaviour of intermediaries, and reforms in LDCs.
- There is no access to finance without access to technical assistance.
    - Recent work in SIDS shows that technical assistance/capacity building is needed to access green funds – at all stages of the project cycle, from inception to administration, monitoring and evaluation.
- The International Financing Facility for Sustainable Development was launched on April 2, 2022 at the Financing for Development forum as a way to help make access to finance more equitable amongst countries
- There is a need to combat "greenwashing" of SDGs to make sustainable finance more accessible to LDCs
- Broader access to sustainable finance in poorer countries will require support for the implementation of new regulations, standards, and norms





Key Presentation: Mr. Olivier Cattaneo, OECD, on Access to Financing in the LDCs (Cont.)

Discussion points

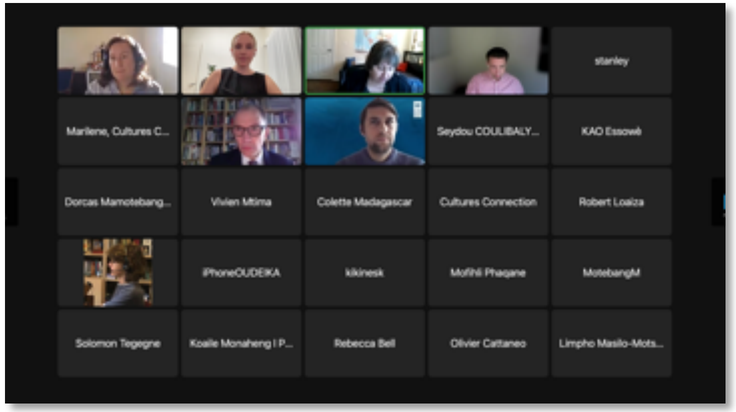
Q. Is data available about success stories that you have seen among the LDCs in accessing financing or is the trend flat across the LDCs?
A. LDCs have had success in the development and deployment of the sustainable finance, however specific data points remain anecdotal in terms of numbers or quantifiable results.

Q. Is there any interest to overhaul the global financial systems since it is more of politics than reasoning?
A. It is political, but the IMF is optimistic as they have seen many trends showing that changes are occurring within political attitudes towards the global financial system.

Key Presentation: Mr. Xavier Michon, UNCDF, on the role of UNCDF in supporting LDCs access finance

Presentation Summary

- The UNCDF launched 6 years ago with a mandate to provide capital as an enabler for development as part of the economic growth of the LDCs.
  - Today, UNCDF has about 400 staff; this growth shows that there is an increasing interest to work in the space of structured capital in such a way that it has a development purpose in developing economies they are there to serve.
- Now UNCDF aims to join forces with private entities and acknowledge that these entities have small elements of profitability.
- UNCDF works on the digital spectrum going from digital finance to provision of services and social services.
  - It has also launched climate finance and food system finance initiatives
- UNCDF is working on projects with a primary focus on gender, which is often mainstreamed but rarely has its own dedicated space
- UNCDF provides technical assistance, such as support for policy-making and market intelligence, and assists ministries of finance, central banks, and investment agencies in boosting their capacity in specific areas
  - It also finances or assists private actors and provides "first loss" coverage
- In order to seek financing, applicants need to identify the value proposition and the channels that financing structures are used through



Key Presentation: Mr. Xavier Michon, UNCDF, on the role of UNCDF in supporting LDCs access finance (Cont.)

Discussion points

Q. How does the UNCDF like to be engaged by an LDC's national government and what type of discussions/planning or coordination happens at that level?

A. To begin with, with any UN partner, they do not operate in the void. It is a partnership, and they are available to serve the countries they have been mandated to work with. The strategy is endorsed by the overall board that constitutes all the countries that connects with the UNCDF and with the rest of the UN family all this at the local level.

At the national level, they work with the ministry of finance, ministry of economy, and central banks. The digital dimension is becoming more apparent in different forms like the ministry of communication. Prior to the conversation, in addition to the market strategy, they do a market analysis or sub sector analysis to figure out what is the demand so they can structure the solution. There is no one best approach, but usually it is best done through a dialogue which is led by the national institutions and whereby UNCDF helps to identify a value proposition.

Day 1 Debriefing Discussions

Discussion points

- The general purpose of this roundtable is to support the mobilization of finance in the LDCs, primarily focused increasing revenues however, a key message heard from UNDP and from OECD is that private sector flows play a critical in meeting the overall business targets.

- Some initial findings from the questionnaires and surveys conducted so far indicate that different countries have had very different experiences with grants. The perceptions of challenges and access to grants varied greatly among respondents.
    - Some respondents reported that program and management capacity was a major challenge in securing and using grants from donors, while others had opposite experiences.
    - One area that was particularly challenging for some respondents was dealing with donors' procurement procedures.
    - However, there were also positive responses from countries that had success in accessing grants, often because they had developed a systematic approach to working with donors in priority areas. Another significant challenge was the ability to mobilize grants to supplement government funding.

- Initial findings from the surveys suggest that confusion surrounding the requirements and terms of loans, is one of the most common barriers to accessing finance.

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Day 2

Traditional Multilateral Finance

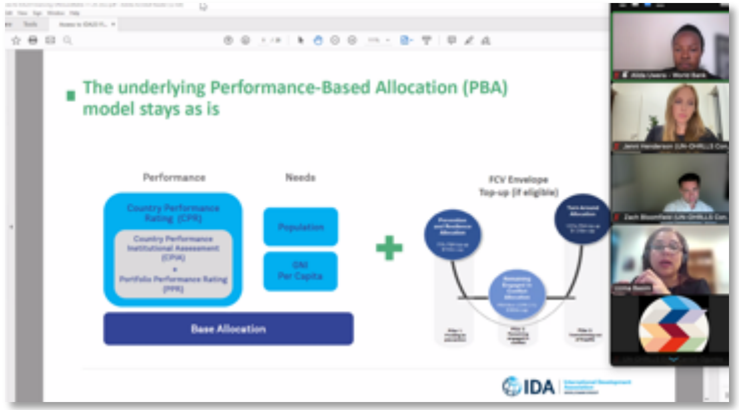
Agenda and participants

- Welcome and Introduction by Facilitators and UN-OHRLLS
- Ms. Uzma Basim and Ms. Alida Uwera, World Bank/IDA, and Q+A
- Mr. O'Neil Rane, African Development Bank, and Q+A
- Debriefing roundtable
- Closing of Day 2

Key Presentation: Uzma Basim and Ms. Alida Uwera on World Bank/IDA

Presentation Summary

- Uzma Basim presented the IDA replenishment process and cyclical nature of IDA support, including partner engagement and consultations during the replenishment process; the process usually starts in November and finishes in December the following year, when a replenishment is underway
- IDA20 is the latest replenishment cycle completed, and it had a heavy focus on building back better from the COVID pandemic and related economic downturn
    - Total fundraising from the replenishment was USD 93 billion, which is significantly higher than previous IDA allocations
- Alida Uwera then provided more details on the breakdown of the IDA20, including:
    - USD 54 billion allocated via the Peformance Based Allocations (PBAs)
    - USD 8.8 billion to FCV envelope
    - Remaining amount split between thematic windows, including the regional projects window, host communities and refugee window, crisis response window, scale-up window and private sector window
- She also outlined the new instruments available, including shorter-term maturity loans (SMLs), which are still concessional but provide more flexibility than long-term concessional loans
- The sustainable development finance policy (SDFP) continues to be a key element in the IDA agenda: SDFP was introduced last year in July, and it uses a system of incentives to help IDA countries move forward towards sustainable financing and is based on two pillars which are debt sustainability and enhancement program (DSEP) and the program for credit outreach (PCO).
    - Countries with elevated debt risk are required to country specific performance policy action (PPAs).
    - Countries unsatisfactory implementation of PPAs will affect the size of IDA allocations.
    - For severe or repeated breaches of PPAs, IDA financing terms may be hardened for the first pillar.
    - For the second pillar, the program for credit outreach (PCO) facilitates information sharing, dialogue, and coordination amongst creditors on Country, regional and global level.



Key Presentation: Uzma Basim and Ms. Alida Uwera on World Bank/IDA

Discussion points

Q. What are the mechanisms the LDCs would go through to access funding?
A. Each one of the windows IDA 20 provides has specific criteria depending on the key priority that suits the problem. For example, the regional window operations need to have a certain number of regional participants and criteria. Right now, the regional window requires about two countries where at least one is IDA eligible.

Q. Can one country qualify for all the windows if they meet all criteria?
A. Yes, there are several countries that qualify for all windows.

Key Presentation: O'Neil Rane, AfDB, on the African Development Fund

Presentation Summary

- Mr. Rane provided an overall summary of the ADF and the ADF Project Preparation Facility (ADF-PPF); he confirmed that the ADF is functionally similar to IDA and provides similar terms of loans, and would therefore prioritize presenting on the ADF-PPF.
- The objective of the ADF-PPF is to promote government ownership and engagement in project preparation by providing targeted support to Regional Member Countrises (RMCs), including LDCs, for preparatory activities of priority projects and programs with high probability of implementation and promote the quality of entry of projects and programs
- The maximum ceiling per project/proposal is UA 5 million (around USD 7 million) to support technical development of a project
    - ADF-PPF can support PPPs and non-sovereign operations with recipient government support, but the request for funding must be originated from the Ministry of Finance or Planning of the government and not from the private sector.
    - The minimum threshold is UA 200,000
    - ADF-PPF support can pay 100% of studies (i.e. no co-financing requirement is enforced)
- In ADF-PPF can support prefeasibility, feasibility, and detailed design including technical studies, ESIA, gender and studies on other cross cutting issues, pre-contract services, purchase of goods, financial and legal structuring of PPPs and concessions, climate proofing of projects, institutional support, capacity development and HR development during preparatory phase and other related project preparation works and activities.
- ADF-PPF support is reimbursable via future ADF allocations or through project financing proceeds, but with 0% interest charged

Key Presentation: O’Neil Rane, AfDB, on the African Development Fund

Discussion points

Q. You mentioned that about 20% of the ADF and PPF has been utilized, can you give some examples of countries you supported?
A. Yes, we have supported seven proposals across Africa. To begin with, we have a few proposals in Madagascar in the agriculture sector which was funded by the PPF with about USD 3 million. Guinea, which is fragile country, was also supported with about USD 3 million. There is also another project proposal in Gambia supported by the PPF, and there are a couple of proposals in Ivory Coast which are again in agriculture and development projects. There has also been support from the government in Canada for a blue economy proposal and a road facility project study in Somalia which is currently in progress, as well as many other proposals under review.

Day 2 Debriefing Discussions

Discussion points

- Because of climate events in Saudi Arabia, the Islamic Development bank was not able to participate
- No other discussion

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Day 3

Climate Finance

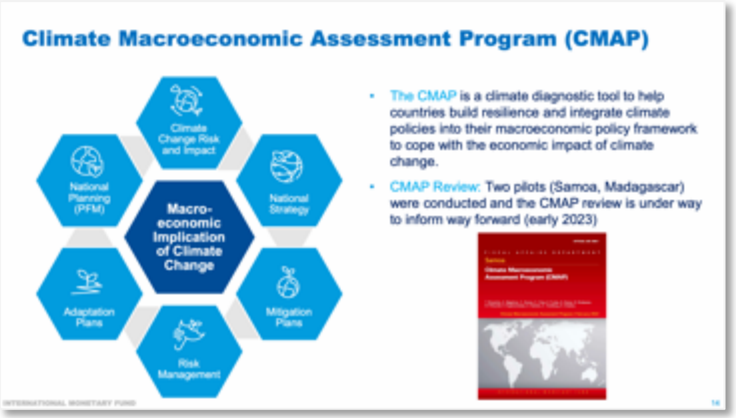
Agenda and participants

- Welcome and Introduction by Facilitators and UN-OHRLLS
- Mr. William Oman, Monetary and Capital Markets, International Monetary Fund (IMF) and Q+A
- Mr. Kabishi Tshilumba, Regional Manager, Africa, Division of Country Programming, Green Climate Fund (GCF) and Q+A
- Mr. Tshewang Dorji, Climate Change Specialist, Global Environment Facility (GEF) and Q+A
- Nyasha L. Nyagwambo, International Waters Specialist, Global Environment Facility (GEF) Environment and Climate Finance Division (PECG1), African Development Bank Group (AfDB)
- Debriefing roundtable
- Closing of Day 3

Key Presentation: William Oman, IMF, on Climate Finance and support from IMF for Climate Finance

Presentation Summary

- Reducing the cost of climate finance for developing economies and especially LDCs has two main components: reducing risk and reducing the cost of finance
- Developing country and especially LDC investments are considered high risk because of credit issues, country risk, forex risk, macroeconomic conditions and governance; these are not new problems, so financiers are working several instruments to manage and deal with these risks (insurance, liquidity support, etc.)
  - Structured vehicles and blended finance mechanism are relatively new instruments that are also trying to innovate through finance to overcome these challenges
  - These approaches also are attempting to mobilize more private/commercial capital to LDCs and developing economies by making them risk/return competitive with other jurisdictions
- The IMF climate finance team is working with eligible countries to design climate strategies, innovative domestic finance instruments (e.g. blue/green bonds), and engage with multilateral platforms (MDBs, intermediaries, climate funds, etc.)
  - Green bonds are less applicable in LDCS because of sovereign risk issues, but these instruments can increase funding for climate adaptation projects
  - Catastrophic bonds are a mechanism to ensure access to capital in the wake of a disaster
  - Debt-rate bonds can be used to create overhead in national budgets and free up debt capacity
- The IMF is actively encouraging stakeholders to identify and adopt potential tools for de-risking climate investments



Key Presentation: William Oman, IMF, on Climate Finance and support from IMF for Climate Finance (Cont.)

Discussion points

Q. If we had to prepare for financing related to climate change, especially for infrastructure, because of excessive rains and floods, how do you build the financial and infrastructure resilience and how can countries apply for financing for these kinds of situations to build the resilience?

A. The two main types of finance are public and private finance. For countries that are at risk, the advice would be to attract finance through project preparation and demonstration. Having a clear idea of the infrastructure project from the stakeholders to who will be affected, who stands to lose or gain from certain infrastructural projects, and the social dialogue should be well organized or well defined in a project plan. Increasing the efficiency of public spending and the quality of public financial management is also critical. Overall, low-income countries and fragile states are of small economic size and are less likely to attract international investors, so introducing more official aid and channelling it to government budgets while improving public expenditure efficiency could be a safer way of investing in infrastructure could be a best response. The resilience of a system depends on networks. Poor countries may not be able to afford adaptation projects through traditional financing structures.

Q. You mentioned Rwanda and two other countries have accessed the Resilience Sustainability Test (RST) and you are working with them, so how do LDCs or other LDCs show interest or access that?

A. The country would have to check if its eligible. It is eligible if it is annual, per capita, national income does not exceed 10 times the 2020 IDA limit.

Key Presentation: Kabishi Tshilumba, GCF on accessing finance from GCF

Presentation Summary

- The Green Climate Fund (GCF) is the world's largest climate fund, set up by the UNFCCC, and serving the Paris Agreement in supporting developing countries to transition to low-emission and climate- resilient societies.
  - It was established at COP16 in 2010 and had its first operational approval in 2015; around USD 10bn was pledged for GCF-1 from donor countries
  - It serves as the operating entity of the UNFCCC financial mechanism, and specifically aims to foster a paradigm shift to low-emission and climate-resilient development pathways for developing counties
- Current portfolio of GCF includes 209 projects worth around USD 11.4 billion, 163 of which are currently under implementation
  - Around USD 3.4 bn is committed to projects in African LDCs
- GCF operates exclusively through Nationally Designated Authorities (NDAs) at the country level (in 128 countries) or Accredited Entities for semi-private and private sector projects (114 AEs currently)
  - GCF Actively engages with other funds and multilateral partners, including the Global Environment Facility (GEF), the Climate Investment Funds (CIFs), the MDBs, the Adaptation Fund and bilateral donors to synergizefinancing flows
- At the country level, they work in partnership with developing country governments through a readiness programme that supports country planning and institutional capacity
  - GCF has approved around USD 88 million in readiness grants to prepare future GCF programming
- Kabishi outlined a case study for a direct access project to combat seawater intrusion of mangroves in coastal Guinea-Bissau; the project aims to enhance food security, improve water ad soil quality and better protect around 200,000 vulnerable people.
  - The financing provided was around USD 10mn in adaptation grant funding.

Key Presentation: Kabishi Tshilumba, GCF on accessing finance from GCF (Cont.)

Discussion points

Q. Can you show from your data how much money goes to LDCs? the presentation shows the GCF portfolio in Africa, but maybe other countries perceive more than LDCs. Can we find out projects that are funded only by grants?

A. Yes there are projects fully funded by grants. He said he would have to go to the data base to do some filtering to get the projects funded by grants. Further explained that if we look at the examples that he gave, on the Guinea Bissau, that is a pure grant project but there was a little bit of co-financing in there of less than USD 200,000, and from the GCF, they received almost USD 10 mn purely in grants.

As for the disbursements, LDCs have majority of the disbursement but more filtering will be done to figure them out as some projects are multi-country so the count may not always be very clear.

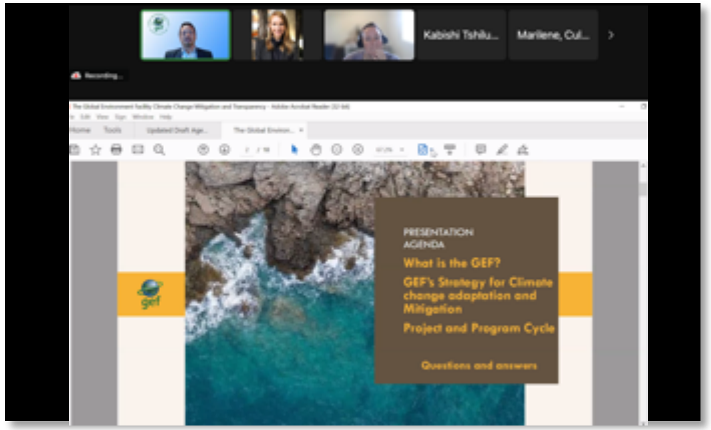
Q. What procedures do you have to assist the LDCs to increase their access to climate finance funding?

A. As for what is done specifically for LDCs, he said they do not have specific trust funds just for LDCs, so the access depends a lot on the capacity of each country to develop its pipeline and submit it, so they make sure countries develop that capacity to submit both projects and request for preparatory support. GCF engages with LDCs and next year they will be developing a strategy for LDCs then hopefully that would enable them to make some suggestions for some assistance that would be targeted specifically for LDCs.

Key Presentation: Tshewang Dorji, GEF, on accessing finance from GEF

Presentation Summary

- GEF is one of the largest and longest-running multilateral funder for dedicated support to address issues related to the environment and climate; it was established in 1991 after the Rio summit
    - Works through 18 implementing agencies
    - Works through specialized strategies, including a dedicated strategy for the LDCs which is rolled into the Least Developed Countries Fund (LDCF that is exclusively dedicated to environment and particularly climate resilience for the LDCs
    - There is also the Special Climate Change Fund (SCCF) and the Capacity Building Initiative for Transparency (CBIT), for which LDCs may be eligible
- LCDF support currently comprises 87 projects with a little more than USD 500 mn approved, spread across all 47 LDCs; the utilization rate for LDCF resources for national projects in the GEF-7 period is 97.2%, showing high relevance for the LCDF
- Priority themes for the LCDF from 2022-26 include:
    - Agriculture, food security and health/community wellbeing
    - Water storage, capture, conservation and access
    - Early warning and climate information systems
    - Nature-based solutions to delivery adaptation and resilience benefits
    - Outreach and capacity support for LDCs and SIDS to support and enhance planning and programming capacity
- GEF is replenished every four years



Key Presentation: Tshewang Dorji, GEF, on accessing finance from GEF (Cont.)

Discussion points

None – transitioned directly to following presentation

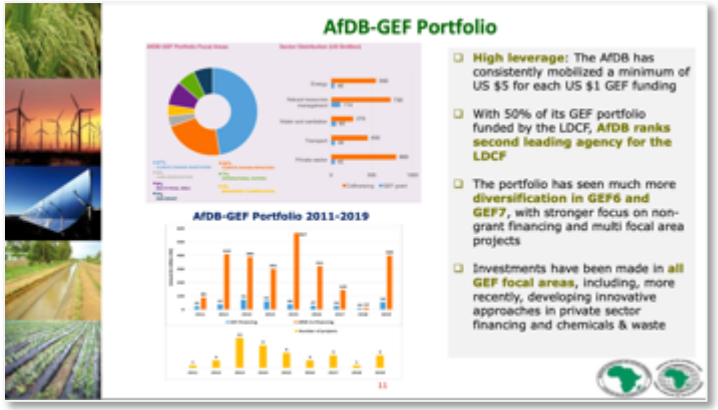
Key Presentation: Nyasha L. Nyagwambo, AfDB, on accessing GEF climate finance through AfDB

Presentation Summary

- AfDB serves as one of the implementing agencies for GEF in Africa, and the AfDB works to channel GEF resources to RMCs through blended finance, grants and small grants
- Clarified GEF approval process through the AfDB as implementing agency:
  - A GEF project must be jointly approved by GEF and also approved through the AfDB internal process, and it generally must follow AfDB rules and procedures related to disbursement, financial management, procurement and other policies
  - From the country perspective, the transaction may appear to be the same as a normal AfDB sovereign loan or grant, even though GEF is providing the capital
  - This is because of the agency agreements that GEF signs with each implementing agency, which are required for accreditation as an implementing agency

- AfDB has been a GEF implementing agency since 2007; AfDB-GEF portfolio includes 41 projects in 33 countries for a total of USD 356 mn in GEF grants; this spans all six of the following thematic areas (from past GET programming cycle):
  - Biodiversity (BD) - reducing and preventing global biodiversity loss.
  - Climate Change (mitigation & adaptation)
  - Land Degradation (LD) - reversing and preventing desertification/land degradation and mitigating the effects of drought for poverty reduction and environmental sustainability.
  - Chemicals & Waste (CW) - eliminating the production and use of specific POPs.
  - International Waters (IW) - overcoming tensions in water systems and collectively manage transboundary water basins (surface, groundwater, coastal and marine systems).
  - Sustainable Forest Management - Reducing emissions from deforestation and forest degradation.

- GEF Project development and preparation cycle consist of 1. Endorsement by stakeholders, 2. GEF Council approval, 3. CEO endorsement and Bank approval, and 4. Project Implementation (M&E)
  - Developing a project can take up to a year and LDCs can request technical expertise to do this.
  - The GEF projects that the AFDB has handled ranges from USD 3 to 10 million.



Key Presentation: Nyasha L. Nyagwambo, AfDB, on accessing GEF climate finance through AfDB (Cont.)

Discussion points

- The GEF is an organization that assists countries in developing resilience to the impacts of climate change. In addition to infrastructure projects, the GEF offers support through its Adaptation Least Developed Countries Fund and Adaptation Small Grants Programme. These initiatives aim to help LDCs achieve the goals of the SDGs and build more resilient infrastructure.

- The AfDB also emphasized the importance of coordination when working with countries. It is important for countries to consider how to coordinate their various sectors, rather than just individual departments or ministries, in order to effectively address problems and approach the GEF for assistance.

Day 3 Debriefing Discussions

Discussion points

- Ms. Erica Carroll-Ogunka, thanked the government of Canada for their generous support for this project, which is only part of a way done, she reiterated that surveys and questionnaires had been sent out to get a sense of where everyone is at in terms of knowledge and around the area of accessing finance.

- The next step will be for Mr. Zach Bloomfield and Ms. Jenni Henderson to put all this information together and they would be writing a report with recommendations on how both countries and providers of finance can improve processes and communicate better around implementing projects and that will be presented at the LDC5 conference in Doha in March and hopes all participants are aware of and many are going to be participating there. Information and presentations would be sent around for discussions of the last few days.

- She hopes everyone as well investigates the Doha program of action and the LDC5 conference happening in March. She thanked all the participants for their time and particularly to Zach and Jenni for the work they did to facilitate the meeting during the few days and settled all of it up.

Asia + Pacific Roundtables

5th – 7th December, 2022

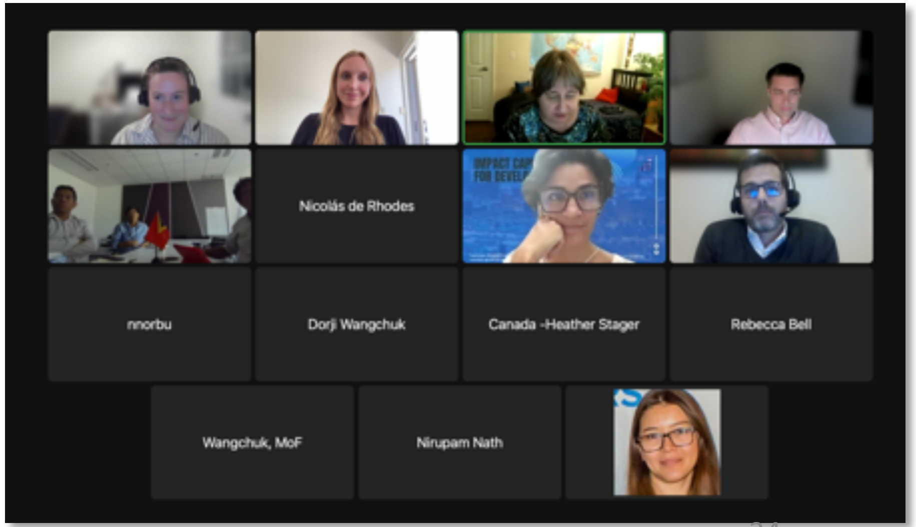
UN-OHRLLS

Day 1

UN Bodies and IMF

Agenda

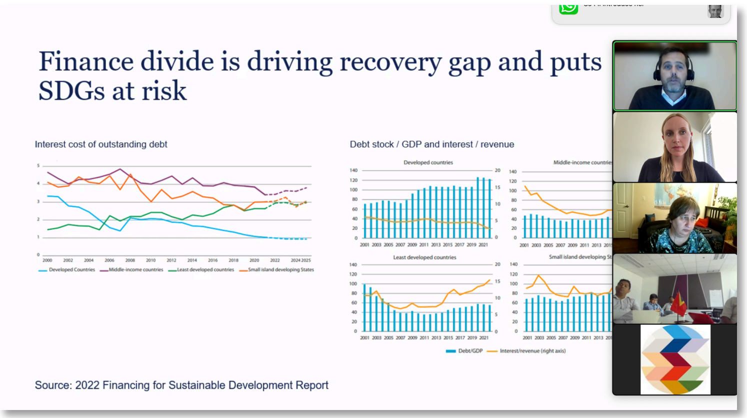
- Welcome and Introduction by Ms. Susanna Wolf, Senior Programme Management Officer, Team Lead of LDCs Unit, UN-OHRLLS
- Opening remarks by Ms. Heather Stager, Deputy Director of Climate Finance, Global Affairs Canada
- Mr. Oliver Schwank, Senior Economic Affairs Officer, UN DESA and Ms. Diyora Kabulova, Policy Specialist on SDG Finance, UNDP, and Q+A
- Mr. Nyingtob Norbu, Economic Affairs Officer, UN ESCAP and Q+A
- Ms. Maria Perdomo, Regional Coordinator UNCDF Asia and Q+A
- Debriefing roundtable
- Closing of First Day

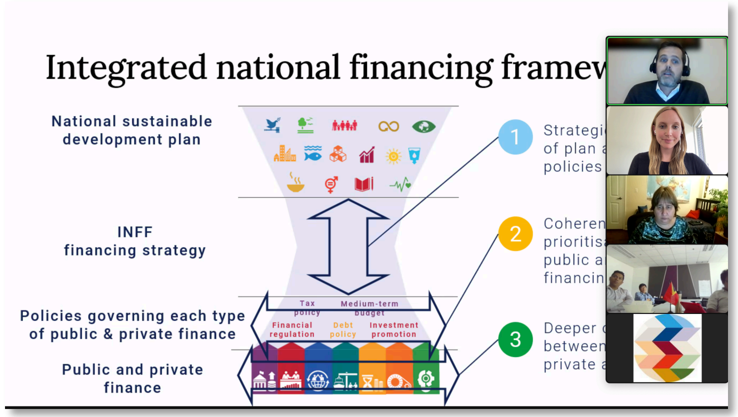


Key Presentation: Oliver Schwank, UNDESA, on Integrated National Financing Strategies

Presentation Summary

- Developed countries average interest cost for debt fell from 3% in 2000 to 1% in 2020, allowing developed countries to borrow during the pandemic on a massive scale.
  - However, for LDCs, the average interest rate rose from just above 1% in 2000 to about 3% in 2020, mostly due to a shift in their borrowing mix towards commercial funding sources, which charge higher rates.
- This difference in borrowing costs translates into very different fiscal space and ability to invest in response to a crisis, allowing developed countries to mitigate the socioeconomic impact of the pandemic more than LDCs; the architecture of the global financial system is a major contributor to this global finance divide.
- In response to this divide, the Secretary General recently proposed an SDG Stimulus Plan in a letter to the G20 in October; the plan aims to close the finance gap and has four main components:
  - Expansion of public lending by multilateral development banks
  - Addressing debt overhang challenges
  - Expansion of access to liquidity for countries in crisis
  - Alignment of financing with the SDGs and climate action
- INFFs (Integrated Financing Frameworks) could be one of the vehicles used to implement the plan.
  - INFFs were introduced in the Addis Ababa agenda and seek to improve the link between national planning processes and financing policies.
  - INFFs aim to enhance coherence and bring all relevant actors together, helping countries to better manage risk in a complex finance landscape.
- There are significant challenges faced by LDCs with high debt burdens, low domestic revenues, and shallow private finance markets, which make them heavily dependent on external finance, particularly concessional public finance.
- LDCs are highly reliant on grant financing, which can create financial gaps for transitioning countries as their income grows and reduces their access to grant finance; the donor community needs to act to avoid these gaps and to think about forward-looking scenarios so that countries can plan ahead.
- The INFF Facility was launched in April this year in partnership with UNDP and OEDC; the facility serves as a way to formalize their collaboration and respond to the demand for technical assistance, as well as strengthen collaborations at the country level.

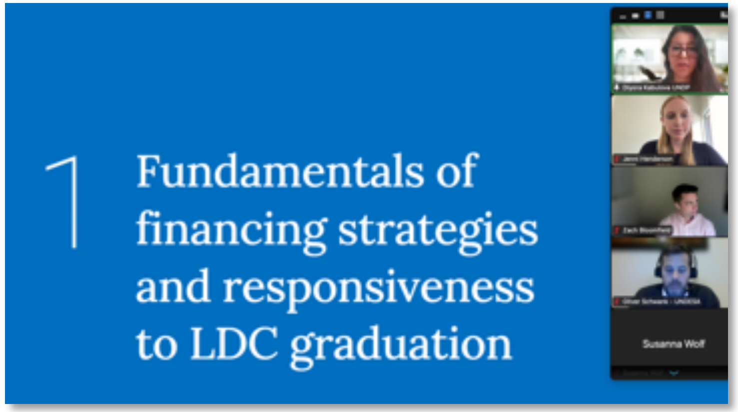


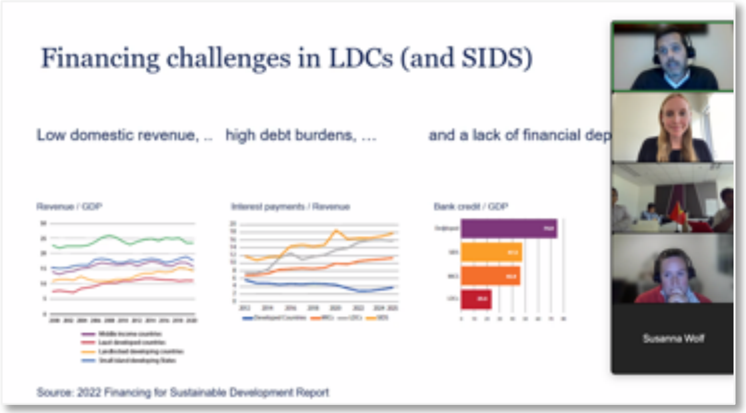


Key Presentation: Ms. Diyora Kabulov, UNDP, on Integrated National Financing Strategies

Presentation Summary (Cont.)

- There are 11 LDCs in the Asia-Pacific region, 10 of which are in various stages of the graduation process.
    - However, many issues remain, including those related to productive capacities, diversification, and the structural transformation of their economies.
    - Progress towards achieving the SDGs has been slow and global financing needs have been growing in response to external shocks.
- LDC countries need to think more about how to increase efficiency and mobilize domestic financing, while not losing focus on external financing.
- INFFs and financing strategies can help countries to strengthen resource mobilization, build new competitive advantages, and diversify investment flows.
    - In terms of governance, INFFs provide institutional frameworks, either by building them from scratch or strengthening existing mechanisms.
    - As of today, 9% of LDCs are working on developing INFFs that are aligned with their graduation strategies.
- Bangladesh has been a pioneer in INFF development, completing several analytical works that will help the country to develop SDG financing strategies.
- The INFF is meant to be a living document that can be updated and upgraded as countries develop, and can be applied at national and sub-national levels, as well as sectoral levels.
    - Coordination and institutional transformation are important for the success of the INFF exercise.
    - Private sector engagement is key for the success of the INFF exercise.





Key Presentation: Oliver Schwank, UNDESA, and Ms. Diyora Kabulov, UNDP on Integrated National Financing Strategies (Cont.)

Discussion points

Q. How can countries can best access support to implement INFF, and to what extend have they seen countries needing to revise the implementation over the past few years because of the pandemic?
A1. Only very few countries started before Covid. In terms of support provided, countries have received support primarily from UNDP and other UN Facilities, but moving forward, the INFF facility can provide additional support if needed.
A2. Regarding the second part of the question, many countries had to revise their development finance assessments, which is important to understand the re-focus on development financing.

Q. Can the presenters to provide some information on the possibility to engage in public private partnership, particularly as an instrument for infrastructure development?
A. Public private partnerships are an important tool particularly in the infrastructure sector, helping to mobilise finance in any area where investments are not attractive enough to attract private investment without any public support or where the technical capacities of private actors can be of benefit.

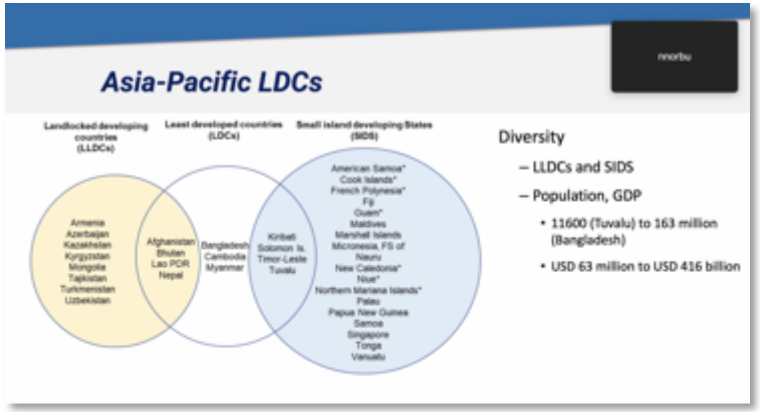
Q. Timor Leste has suffered greatly from the impact of climate change, against this backdrop, how do they access climate financing?
A. In terms of financing strategies, some of the countries have chosen to focus on climate finance, so all the financing strategy is focused on this issue. How to channel public and private finance towards climate is something that requires separate substantial work.

Q. Could presenters share some of the few experiences where they were successful in the mobilising of resources through INFF, especially from private financing or blended financing?
A. On the slides there is a link which summarises the country progress in all of the INFF countries, including a range of country examples of priorities that countries had set within the processes, as well as some initial results. Currently, it is not so easy to point to specific outcomes of mobilised financing, but there will be plenty of examples of the priorities that countries are setting through this process, including priorities around mobilising private finance and investments.

Key Presentation: Nyingtob Norbu, UNESCAP, on Asia Pacific LDC's access to finance

Presentation Summary

- LDCs in the Asia-Pacific region achieved high levels of economic growth, but still lag behind other countries in the region; they require significant investments to end poverty and hunger, provide social protection, and improve public health and education.
    - The pandemic increased the global finance divide, and LDCs' tax revenues as a percentage of GDP are inadequate to fund development needs.
    - Expanding tax collection is the most enduring form of financing.
- LDCs in the Asia-Pacific region have relatively moderate levels of external debt, but being undiversified economies makes them susceptible to external shocks.
    - Foreign debt composition is shifting towards more commercial creditors, and some LDCs are at high risk of external debt distress.
- Traditional sources of financing are inadequate for post-pandemic recovery and achieving the SDGs, so LDCs should explore innovative financing instruments, such as thematic bonds and social impact bonds; few LDCs have been able to issue thematic bonds due to underdeveloped capital markets and capacity constraints.
- Additional criteria and frameworks need to be established to address challenges in issuing thematic bonds, such as a taxonomy and linkages to environmental policies; it would be practical to align frameworks with regional or global standards and pursue a multi-stakeholder engagement approach.
- Challenges such as maintaining national ownership of projects and effective data collection and reporting need to be addressed.
    - The international community should promote interoperability and harmonisation of laws, regulations, and standards in digital finance.
    - Comprehensive debt relief programmes and strengthened commitments for climate finance and climate finance instruments are also needed.
- ESCAP is engaged in initiatives such as collaboration with the Pacific Islands Forum Secretariat, technical support and capacity building for bond issuances, and engagement with the private sector through debt recall and the sustainable business network.
    - ESCAP coordinates the infrastructure financing and PPP network of Asia and the Pacific, providing a platform to bring together different parts of the economy and capacity building support.



Key Presentation: Nyingtob Norbu, UNESCAP, on Asia Pacific LDC's access to finance (Cont.)

Discussion points

Q. What would need to be done in order to secure some of the support offered by UNESCAP, and what kind of support would be provided?
A. The process is very straightforward, requiring a request from the member state. UNESCAP are obliged to respond to any request that member states submit to them. After that UNESCAP would start with a scoping mission to understand the level of readiness and assess whether the institutional requirements were already in place. They would look at what else would need to be developed, and test the appetite of institutional investors in the country – providing the perfect starting point for bond issuance. Following that, UNESCAP would organise a few capacity building events and conduct some more background research.

Q. Can you provide further information on the FDI, investment policies, and the knowledge products?
A. Digital FDI knowledge products are seen as a potential area for offering technical assistance, especially for countries in special situations such as the LDCs. UNESCAP drafted a digital FDI guidebook that synthesises some of the key requirements to take off and attract investment in the digital economy.

Q. Do you have any suggestions for LDCs who might be in a high debt situation?
A1. The natural starting point would be for the country to submit a request to show they are interested in pursuing bonds or other financial options, UNESCAP would then undertake a background study to assess the debt position and the particular type of financing instrument that could be explored.
A2. The lessons learned from the blue bonds in Barbados are very interesting, as one of the things that made the deal happen was that they were able to buy the old debt and cash out the investors together with the IADB - using the new credit rating to issue the blue bond.

Key Presentation: Maria Perdomo, UNCDF, on UNCDF's support for Asia Pacific LDCs

Presentation Summary

- UNCDF has a mandate to make capital investments in developing countries, and they do this by developing and building innovative financing mechanisms for SDG achievement and private sector co-creation.
- Their strategic framework focuses on three areas: women's economic empowerment, energy and biodiversity, and sustainable finance systems - which are at the core of the development needs of LDCs in the Asia-Pacific region.
- While they do not do equity investments, they can do blended finance funds in order to fill gaps in the international finance architecture where development finance has has reached or where commercial finance is not interested in LDCs.
- UNCDF support the creditworthiness of countries, as this is one of the major obstacles to accessing international finance.
  - As an example, UNCDF built market development facilities in the financial sector in Myanmar and despite the coup, they have been able to continue their support to 7 different microfinance institutions in Myanmar.
  - Through positional lending, UNCDF have been able to restructure the loans and even lower the terms that were originally given, as well as provide some flexibility in terms of loan repayment.
- UNCDF incubates sustainable blue projects, for example in the Pacific, and support the development of bankable projects in the blue economy.
- Through the Build Fund, UNCDF perform loans and guarantees and make direct investments in SMEs. The International Municipal Fund is well-suited for Public-Private Partnerships and addressing LDC financing challenges.
- In terms of climate financing, some things are being done at the local level, most notably the local adaptive living facility, serving as a country wide financing mechanism that supports local governments to access different sources of climate finance.
  - This mechanism was born in Bhutan and Cambodia, and that they are looking forward to expanding it and bringing it to the Pacific.

Key Presentation: Maria Perdomo, UNCDF, on UNCDF's support for Asia Pacific LDCs (Cont.)

Discussion points

Q. What about the upcoming digital shift of financing, especially for LDCs, how do they face the challenges? The shift from Libor to SOFR in financial transactions are also very crucial for LDCs?
A. Digital technologies represent a huge opportunity to help us speed up the pace at which finance is mobilised and bring other sources of finance, yet LDCs have many challenges in participating in these digital economies. This is why a lot of UNCDF work has focused on building this basic infrastructure so LDCs can participate in the digital economy. Once those frameworks are built, that is when innovation process can speed up and enhance the digital economy. It is important to support women-owned SMEs—digital solutions can help us to create new sorts of credit scoring systems to bring increased access to finance. Digital skills are also important, we cannot maximise the use of digital tools without technical skills.

Q. What could other countries that are interested in receiving support from the UNCDF do?
A. UNCDF have people on the ground in most LDCs; interested countries can get in contact with these people. UNCDF also work very closely with UNDP, so they can be contacted through there as well.

Day 1 Debriefing Discussions

Discussion points

- Jennifer Henderson mentioned that there has been a survey circulated in the leadup to these roundtables, and proceeded to share some of the key highlights found in these responses. There has been a very diverse range of experiences, some of the main challenges for countries have been those associated to navigating the requirements of different donors and funds as well as in preparing project concept notes or funding proposals.

- Zach Bloomfield outlined that climate adds a layer of complexity in the access to finance, and that while there are many great success stories, we have come short to achieving what has actually been promised. The surveys show that receiving money from multilateral platforms is often not as easy as advertised.

- The speakers concluded the session by encouraging participants to share their experience and feedback – which will be useful for the report that they are putting together, and that this will be beneficial to help in unlocking greater access to finance in LDCs.

Day 2

Traditional Multilateral Finance

Agenda

- Welcome and Introduction by Facilitators and UN-OHRLLS
- Ms. Uzma Basim and Ms. Alida Uwera, World Bank/IDA, and Q+A
- Mr. Jan Hansen, Senior Planning and Policy Economist, Strategy, Policy and Partnerships Department, Asian Development Bank and Q+A
- Debriefing roundtable
- Closing of Day 2

Key Presentation: Uzma Basim and Ms. Alida Uwera on World Bank/IDA

Presentation Summary

- The IDA Replenishment Process is usually launched in November and concludes the following December. The process involves consultation and consensus-building with donors, client countries, and CSOs.
- IDA 20 was advanced by a year to provide additional resources in the context of the pandemic and other crises.
  - The overarching theme of IDA 20 is "building back better from the crises towards a green, resilient and inclusive future”.
  - There are 5 cross-cutting themes: human capital, climate change, gender and development, conflict and violence, and economic transformation.
  - IDA 20 is expected to achieve significant results.
- Two thirds of the IDA 20 envelope will be allocated automatically to the 74 active IDA countries, and a third of the resources will be channelled through five thematic windows to address strategic priorities; the performance-based allocation network and portfolio performance rating remain the centrepiece of country resource allocation.
- IDA 20 introduces two new financing terms to provide additional resources, which depend on countries' lending group, risk of debt distress, and size.
  - The majority of countries receive shorter maturity loans, while IDA only countries at moderate risk of debt distress will receive 50-year credits.
  - For IDA 21, WB expects the continuation of the SMLs introduced in IDA 20.
- The thematic windows are as follows:
  - The regional window has an envelope of USD7.9 billion to encourage regional solutions, and each window has its own eligibility criteria.
  - The crisis response window has an envelope of USD3.3 billion to assist IDA eligible countries to cope with disasters and crises, with the introduction of early response financing in IDA 19.
  - The window for host communities and refugees has an envelope of USD2.4 billion to support IDA countries in creating longer term development opportunities for refugees and their host communities.
  - The scale up window provides healthy debt outlook countries with the opportunity to pursue high-impact, transformational operations.
  - The private sector window has an envelope of USD2.5 billion to support the mobilization of private sector investments in IDA only countries and IDA eligible FCS countries.
- Because of the pandemic, some countries were given exceptions to access the crisis response window and scale up window without having to meet all of the eligibility criteria.

Key Presentation: Uzma Basim and Ms. Alida Uwera on World Bank/IDA (Cont.)

Discussion points

Q. Can you share an example of an LDC in the Asia Pacific region that has been really successful in accessing one of these thematic windows?
A1. The crisis response window has proven to be quite popular, especially for Pacific countries, and countries such as Tonga and Solomon Islands have been able repeatedly tap the crisis response window as they are highly susceptible to natural disasters. When it comes to regional operations, there is a lot of coordination across countries which are at the same level in the implementation of policies and need the similar resources to tap into the window.

A2. The regional window is becoming more flexible in the IDA 20, as they formerly required three countries to come together for a regional project, but now they have come down to two countries – providing more opportunities and lessening coordination issues.

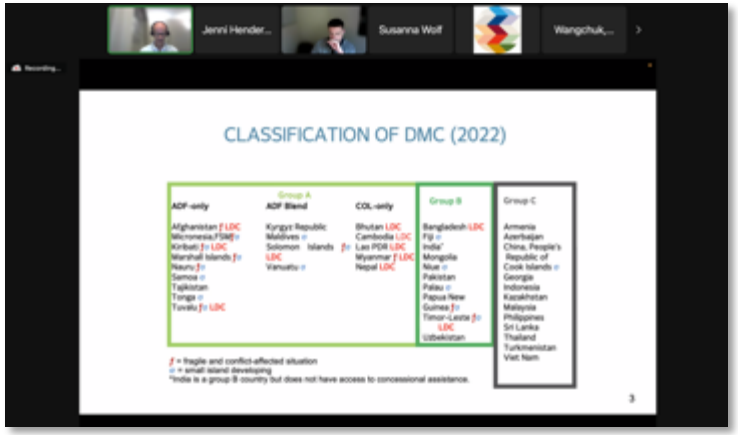
Q. Are there limits for countries to qualify for different windows?
A. There is no limit to the number of windows that countries can apply to. Countries should tap as many windows as possible. However, some windows come with certain commitments that countries need to deliver, while differences in country contexts might make some ineligible for particular windows – such as the lack of hosting refugees for the host community and refugee window, or high debt vulnerability and debt distress to the non-concessional resources of the scale up window.

Q. What are the best ways for participants to access funding?
A. At the beginning of each fiscal year, they inform their counterparts that work in the country offices, and they in turn inform the governments the resources that are available for them and the windows that they can tap into. Therefore, close engagement with country teams on the ground is the best way for countries to explore what they can deliver.

Key Presentation: Jan Hansen, ADB, on the Asian Development Fund

Presentation Summary

- The Asian Development Fund (ADF) is a special fund within the Asian Development Bank (ADB) that provides grants to the poorest and most vulnerable countries in the region.
- Since 2017, the ADF has become a pure grant fund, while concessional lending operations are financed from ADB's ordinary capital resources.
- The ADF is funded largely by donor contributions and is the largest special fund within the ADB. In 2021, 27 Developing Member Countries (DMCs) have access to ADF's concessional resources.
- The majority of ADF 13 allocations are country allocations, with smaller shares for thematic windows and contingencies.
    - Indicative ADF 13 country allocations show that the volume of ADF grants for countries in the Asian Forum for the Centers of Agricultural Science and Technology (AFCAS) is 12% higher under ADF 13 compared to previous ADF cycles, while allocations for Small Island Developing States (SIDS) have increased by nearly 50%.
    - A Thematic pool represents 21% of total ADF 13 grant resources and supports projects on a selective basis in group A countries. Selection criteria includes a weighted bonus point for projects in AFCAS and SIDS.
    - The private sector window is on a pilot basis to support private sector operations in group A countries, and aims to increase access to finance and lower the cost of actual and perceived high-risk financing.
    - Crisis response window is a mechanism for providing additional resources on top of country allocations.
    - Disaster Response Fund + (DRF+) is allocated 8% of overall ADF 13 resources and can be added to group B countries when they experience significant displaced people crossings.
- ADF also has a comprehensive package to enhance debt sustainability. for concessional lending during the ADF 13 period, Asian Development Bank have introduced a more flexible demand-based allocation system based on historical commitments and future expected commitments.



Key Presentation: Jan Hansen, ADB, on the Asian Development Fund (Cont.)

Discussion points

Q. Can you give a rundown of how the PBA is assessed, and what determines what a country's performance-based assessment would come out to be, and whether there are any resources available for countries to improve institutional capacity?
A. The performance-based allocation is the foundation for the allocation of concessional resources, and it is formula-based, which has the advantage in that it is very transparent – and it is composed by the variables of: a country's performance, GNI per capita, and population. Regarding technical assistance, there is a special fund that is part of the ADF framework, representing 7-8% of the total grant volume, and it provides support for capacity building and policy development with a view to improve country performance.

Q. What is the process for accessing the TA special fund resources?
A. The allocation process is different from ADF grants, being an internal process where resources are allocated to regional departments or on a country basis, with a very strong focus on AFCAS and SIDS. It is largely based on demand and is allocated on an annual basis.

Q. Given the economic vulnerability in the context of the SIDS, and the index that is used for the identification of LDCs, should it include graduation, as most of the LDC in the region are somewhere on the path towards graduation – with concerns that these countries will lose access to finance?
A. The SIDS have very small country allocations, largely because of low population sizes, which is why the PBA system does not work well for them in the provision of development resources in a meaningful way to meet their development needs. For this reason, ADF resources have been supplemented by minimum allocations or by base allocation on top the PBA. Under ADF 13, ADB have replaced these previous mechanisms with the economic vulnerability premium, which is more tailored towards the vulnerability of the SIDS compared to a base allocation, which is more on-size-fits-all.

Day 2 Debriefing Discussions

Discussion points

- There were no further comments or questions from participants.
- Ms. Jenni Henderson thanked the speakers and participants for their inputs.

Annex

Presentation Links and Resources

Presentation links and resources

		Links
Africa + Haiti Roundtables	Day 1	
	Day 2	
	Day 3	
Asia + Pacific Roundtables	Day 1	
	Day 2	

PLACEHOLDER – PENDING UN-OHRRLS WEBSITE POSTING OF OTHER PRESENTATIONS

UN-OHRLLS

Prepared by Zach Bloomfield and Jenni Henderson