

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

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**SUPPORTING COUNTRIES DEVELOPMENT PATHWAYS IN THE SDG ERA:
UPDATE AND EMERGING ISSUES**

**DAC Meeting, 22 May 2017
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SUPPORTING COUNTRIES DEVELOPMENT PATHWAYS IN THE SDG ERA: UPDATE AND EMERGING ISSUES

Overview of the paper

The current development landscape and the objectives of the 2030 Agenda for Sustainable Development call for adopting a more ‘fit for purpose’ approach for identifying where ODA is needed and for shaping more effectively policies and practices to support countries in need of ODA. While eligibility for concessional finance from both bilateral and multilateral providers critically hinges on income per capita measures, the considerable vulnerabilities and large financing needs that SIDS and other developing countries face go beyond what simple income per capita measures would suggest. These considerations are sparking international reflections and initiatives.

The DAC has a role to play to ensure that the global development co-operation architecture is geared to respond to the new realities of poverty and development. To support the DAC in this effort, the DAC Secretariat will continue the work on ‘countries most in need’ and complement PWB intermediate output result 1.4 with work to develop a broader understanding of what tools are available as countries transition through the development continuum and what could be the appropriate mix of development cooperation policies, instruments and approaches to better support developing countries. While the criteria for ODA graduation remain unchanged, the DAC Secretariat will also make improvements in the management of the regular process of revising the DAC List of ODA Recipients, to ensure greater clarity and predictability about the process and to address data challenges.

DAC members are invited to:

- Discuss the scope of ongoing work on countries most in need and provide suggestions to deepen analytical work to support DAC efforts to enhance the policy dialogue on financing needs and development co-operation policies and approaches in the SDG era;
- Provide suggestions elements on how to facilitate pre and post ODA graduation processes, including the review of the DAC List of Recipients.

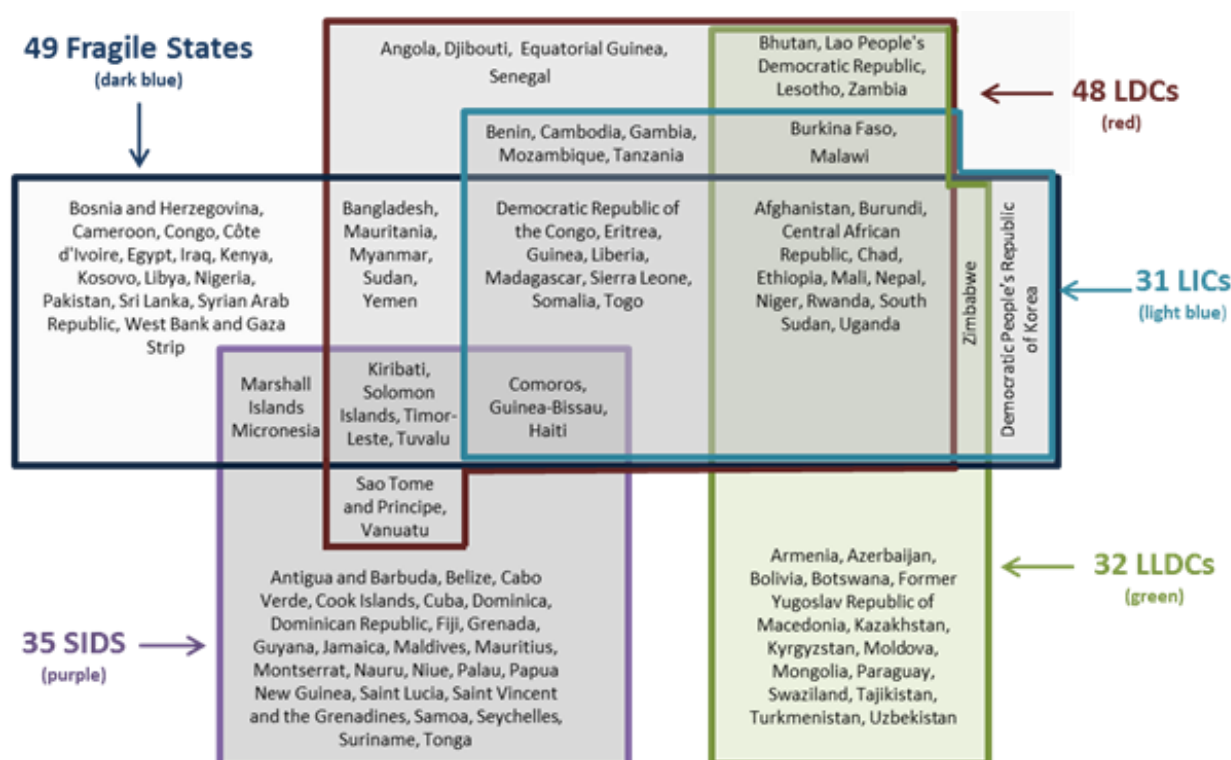
Introduction

1. **The DAC is committed to ensuring that scarce ODA resources are focused where they are needed the most.** Although more sources of development finance have become available globally, these are not equally accessible to all developing countries and many remain critically dependent on ODA for financing their development. The need to better target concessional finance was acknowledged in the 2014 DAC High Level Meeting (HLM), where DAC Ministers agreed to “allocate more of total ODA to ‘countries most in need’, including least developed countries (LDCs), low-income countries, SIDS, land-locked developing countries and fragile and conflict-affected states”. The DAC reaffirmed this commitment at the 2016 DAC High Level Meeting, where it also acknowledged the need to better tailor development co-operation instruments and approaches to different country circumstances and needs.

2. **The group of ‘countries most in need’ constitutes an important focus of ODA prioritisation and continued efforts are needed to monitor concessional resources to them.** These countries comprise about two-thirds of ODA-eligible countries (see Figure 1), including country groups towards which specific international commitments exist (e.g. LDCs - the 0.15-0.20% of ODA/GNI) and countries whose

special development challenges have also been recognised internationally (e.g. SIDS and LLDCs in the 2030 Agenda, Addis Ababa Agenda for Action, etc.). These commitments generated positive momentum and increases in ODA to LDCs in 2015. Yet, preliminary ODA figures for 2016 point to a 3.9% decrease in support to LDCs, reaffirming the need to maintain momentum with regards to the support to these countries.

Figure 1. Countries most in need, as specified in the 2014 DAC HLM agreement



3. **Determining where concessional resources are needed the most is more complex today than it has been before.** While the group of 'countries most in need' is a strong starting point, the complexity of the development challenges countries face and the evolution in the geography of global poverty in recent years challenge common notions of where resources are most critically needed and how they can be spent most effectively. To mention a few examples: the latest OECD States of Fragility report shows that 29 middle-income countries are fragile. Conflicts and political unrest in the Middle East and North Africa region have led to over 15 million displaced people over the past few years, with large impacts on other middle-income countries (e.g. Jordan, Lebanon, Pakistan and Turkey). More and more frequent severe climate events and natural disasters threaten sustainable development in many countries, and in SIDS endanger their very existence. The impacts of climate change also risk creating large flows of climate migrants globally. Overall, even within the same income country category¹, countries display a large differentiation in terms of their income per capita, size, economic structures, degrees of resilience to shocks, and access to financing sources.

4. The 2030 Agenda calls for a universal reach. It aims to uplift the lives of the most vulnerable people, calling for special attention to be focused on 'countries most in need' as well as for 'many middle-

¹ These income groups are identified by the World Bank through income thresholds updated yearly

income countries that face serious challenges'. Reaching the most vulnerable is in line with the DAC objective to direct scarce ODA resources where they are most needed. Tailoring financial instruments to different country circumstances and needs was also at the heart of concerns expressed at the 2016 DAC HLM. In this regard it is essential to adopt an **approach that would improve the appraisal of countries' financing needs and the deployment of the appropriate mix of development co-operation policies, instruments and approaches to support them.**

5. The aim of this paper is therefore to present recent and ongoing work on countries most in need focusing on SIDS (Part I). It also outlines emerging work and issues on adapting development co-operation approaches and instruments to evolving developing countries' circumstances and needs (Part II). The paper also covers a number of issues related to the upcoming regular process of revising the DAC List of ODA Recipients, to ensure greater clarity and predictability about the process and to address data challenges (Part III). The body of evidence will support DAC efforts to enhance the policy dialogue on financing needs and policies in the SDG era.

PART I: Recent and ongoing work on countries most in need: focus on SIDS

6. In the 2017-18 biennium, **the DAC Secretariat is monitoring DAC members' development co-operation policies and ODA allocations to specific groups of countries most in need** namely **LDCs, LLDCs, fragile states, and SIDS**. This work is feeding international accountability and monitoring processes, including the follow-up on the Addis Ababa Agenda for Action, the High-level Reviews of the Istanbul Programme of Action for LDCs and the Vienna Programme of Action for landlocked developing countries (LLDCs).

7. As part of the work on countries most in need, an analytical dive-in is ongoing to assess the special development case of SIDS. A strong body of evidence has been collated to document their specific financing challenges and opportunities. This work has fostered international dialogue on evidence among development stakeholders, including the DAC, leading to emerging good practices to support this group of countries.

8. The work highlighted that **SIDS' needs and vulnerabilities are far greater than what simple income per capita measures suggest**. SIDS are highly exposed to severe climate events and other external shocks and among the most vulnerable developing countries. Their highly constrained financial situation (limited domestic revenues because of narrow tax base and insufficient levels of domestic credit, high debt levels and limited access to international capital markets) results in a narrow resource base for recovery after exogenous shocks and limited investment capacity to tackle drivers of vulnerability and to foster resilient and sustainable development. Thus, despite these countries' middle-income status, they are in high need of concessional finance to achieve resilience and meet the goals of the Paris and 2030 agendas.

9. This is, however, at odds with the ineligibility of several SIDS to a number of major sources of concessional finance (see Annex 2). For example, while a large increase in the financing to SIDS was decided during the 18th replenishment of the International Development Association (IDA, the concessional window of the World Bank Group), many SIDS are left out from this positive development: only 21² out of the 35 ODA-eligible SIDS are eligible for receiving concessional finance from IDA. In

² While low-income status (i.e. per capita income below USD 1 215 in fiscal year 2016) is the main criterion for eligibility to financing from the International Development Association (IDA, the soft-window of the World Bank Group) and most other multilateral financing institutions, In recognition of the limitation of the income classifications, the World Bank has introduced a number of "exceptions" that allow countries exceeding the income threshold for eligibility to concessional finance to remain eligible for financing from IDA. 14 SIDS with income per capita exceeding the low income threshold can access IDA financing under the Small Islands Economies Exception.

addition, on current economic growth trajectories³ almost one in four SIDS could lose ODA eligibility by 2030.

10. **Among DAC members**, this work has led to a broader recognition of the acute financing challenges facing SIDS and of the need for more effective and collective action to support them. At the 2016 DAC Senior Level Meeting members supported policy recommendations to promote a more effective use of existing financing options and explore innovative approaches that would lead to more coherent and sustainable financing in support of resilience in SIDS. These recommendations include:

- Facilitating access to funding from global climate funds through simplified application and management procedures;
- Supporting countries in integrating climate and disaster risk into national planning and budgeting;
- Increasing the use of financing mechanisms that enhance capacity and coordination;
- Providing predictable and more programmatic funding; and
- Using financing instruments that can help countries at risk of debt distress improve their debt situation.

11. **Internationally, this work has positioned the DAC strategically as a key partner in the global agenda on SIDS** including in the context of COP22, the UN process in Support the Implementation of Sustainable Development Goal 14 and the World Bank Small States Forum. The DAC Secretariat has also intensified collaboration and dialogue with other development partners, including the United Nations Development Programme (UNDP), the World Bank Small States Forum Secretariat and Small Island States Resilience Initiative (SISRI), the Commonwealth Secretariat and UN-OHRLLS. More recently in the context of the Small States Forum, the DAC Secretariat contributed to the development of its 2017-18 Roadmap and is participating in the Inter-Agency Task Force on Vulnerability of Small States and Access to Concessional Finance.

12. The Secretariat has also **brought SIDS to the centre of its analytical and outreach activities**, working closely with SIDS representatives to incorporate their views and concerns as well as to support their national policy making through expert advice. In particular, the DAC Secretariat worked closely with the Government of Seychelles in the context of the Report on Climate and Disaster Resilience Financing in Small Island Developing States and is currently working with Grenada, jointly with UNDP, to identify financing options to crowd in private sector resources, diversify the economic base and unlock the potential of the blue economy. The policy discussions in the context the 2016 High Level Breakfast co-convened by the DAC Chair and Mary Robinson⁴ and other policy discussions organised by the Secretariat⁵ have also provided a space for SIDS to exchange views and lessons learnt with other development partners.

13. **The Secretariat has mobilised OECD-wide expertise and fostered horizontal collaboration and synergies within the OECD in support of this work.** The Climate and Disaster Resilience Financing in Small Island Developing States Report drew on expertise on climate (ENV), disaster risk management (GOV), and financial policies (DAF) in other parts of the Secretariat. The upcoming *Report on 'Financing options for SIDS: state of play and a way forward'* is also fostering horizontal collaboration with OECD experts on blended finance (DCD), triangular cooperation (DCD), fisheries (TAD), the ocean economy (STI), and statistical capacity development (STD). The report is expected to be launched in the fall 2017.

³ OECD Development Cooperation Directorate estimates.

⁴ For example, representatives from Fiji, Grenada, Mauritius, Samoa, Seychelles, and Tonga participated in the High Level Breakfast co-convened by the DAC Chair and Mary Robinson at the 2016 DAC Senior Level Meeting, in a side-event organised at COP22 and a side-event at the High-level U.N. Conference to Support the Implementation of Sustainable Development Goal 14.

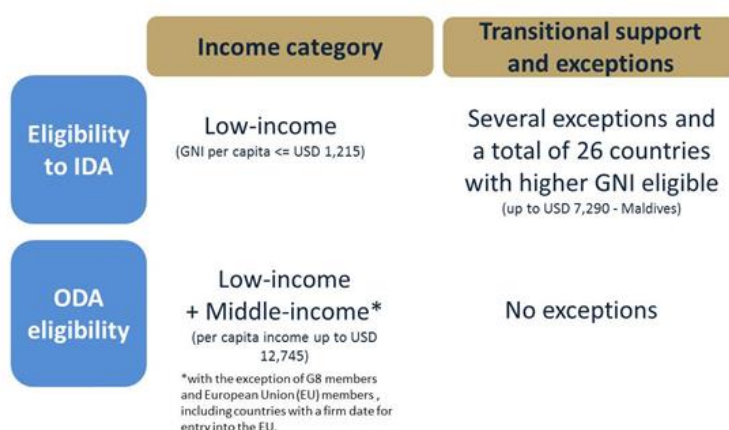
⁵ See Annex 1 for a list of events.

14. Key analytical products and outreach activities on SIDS conducted in 2016-17 are presented in Annex 1.

PART II: Emerging work on adapting development co-operation approaches and instruments to developing countries' evolving circumstances and needs

15. **The financing landscape available to developing countries can change significantly as they move through different stages of development.** For instance, when graduating from the LDC status, countries lose trade preferences as well as access to trade-related technical and financial support. At the same time they remain eligible for ODA and concessional financing from most multilateral development banks and institutions⁶, however in some cases with a hardening of terms. Countries lose access to concessional financing from most multilateral development banks, including IDA, when they exceed the middle-income threshold⁷ and they finally graduate from ODA when they exceed the high-income threshold for three consecutive years⁸. Eligibility for bilateral and multilateral concessional finance in terms of the country coverage, options for transition financing and exceptions are illustrated in Figure 2 below.

Figure 2. Eligibility practices for ODA and IDA



16. While it would seem reasonable that developing countries' access to concessional finance reduces and ultimately ends as they grow richer, the international community is discussing **prevailing approaches and the challenges they create**. Per capita income thresholds are not able to capture the richness and the complexity of the financing challenges that countries face. As presented in Part I, SIDS provide a striking example of how income per capita levels do not adequately reflect the financing challenges they face. Further, although countries lose access to IDA financing when they graduate from low-income status to middle income status, the middle income group comprises today 108 countries, 70% of the world population, and 75% of the poor. It includes countries on a wide spectrum of income per capita ranging from Cambodia and Kyrgyzstan, among the poorest to Brazil and Turkey among the richest.

⁶ Multilateral development banks do not use the LDC criteria to determine eligibility to their concessional financing. They rely critically on operational cut-offs in per capita income.

⁷ In recognition of the limitation of the income classifications, the World Bank has introduced a number of "exceptions" that allow countries exceeding the income threshold for eligibility to concessional finance to remain eligible for financing from IDA. Overall, 26 countries with per capita incomes above the USD 1 215 threshold and between USD 1 215 and USD 7 125 continue to access IDA financing (less than half of which are small islands) as well as Maldives at USD 7 290.

⁸ The income thresholds considered are those for the last three years at the time of the review of the DAC List of ODA Recipients which takes place every three years. G8 members and European Union (EU) members (including countries with a firm accession date for EU membership) are ODA-ineligible irrespective of their income status.

The middle-income country grouping also includes LDCs such as Bangladesh, Yemen and Zambia, SIDS such as Cabo Verde and Nauru, and several countries cutting across several classifications, for example fragile-LDC-SIDS middle-income countries such as: Kiribati, Solomon Islands and Tuvalu. Therefore a binary approach to concessional and non-concessional finance seems inadequate to account for the diverse financing needs of this group of largely diverse countries in terms of their income per capita, economic structures, degrees of resilience to shocks, and ability to mobilise domestic and external financing.

17. Concerns also exist regarding whether graduation leads to financing disruptions, causing setbacks in development. While there is no conclusive evidence of this, the high instance of countries falling in and out of different income categories is somehow illustrative. Since 2000, 15% of countries transitioning between income categories moved down⁹. In addition, even when graduation does not translate into sharp disruptions in the levels of external financing, there can be issue relating to the country's ability to manage its new financing options. For example, after graduating from LDC status in 2014, Samoa was able to sustain financial support from its main bilateral donors, but the increase in loans from emerging economies particularly in combination with the shift to non-concessional lending from international financing institutions raised concerns about the level of the country's external debt. This is an issue of concern also given the increasing number of countries approaching LDC graduation, with ten LDCs expected to graduate within the coming years¹⁰.

18. **These issues are gaining international momentum and leading to several initiatives aiming at understanding country needs beyond per capita income measures.** The “*Equitable Access Initiative*” was developed in 2015 by a coalition of multilateral organisations¹¹ to address two concerns: that the largest share of global disease burden is now concentrated in middle-income rather than low-income countries, and that several of those middle-income countries are approaching graduation from major global health funds. The initiative explored alternatives to GNI for assessing countries' needs for external financial support for health and to determining eligibility for and prioritisation of investments. A key recommendation from this initiative, which has however no direct impact on eligibility criteria, was to avoid thresholds and sharp cut-offs in assistance and to allow for eligibility in support of any development area where there are high levels of need across the income spectrum and limited domestic capacity to address it.

19. The World Bank Small States Secretariat has launched an *Inter-Agency Task Force on Vulnerability of Small States and Access to Concessional Finance* in which the OECD participates to “identify and operationalize metrics of vulnerability in order to propose more rigorous mechanisms that would complement existing income benchmarks and provide policy criteria for allocating concessional finance in a transparent and equitable manner”. This task force is now developing a programme of work over the next two years. Research institutions, such as Brookings, are exploring similar issues such as estimating the marginal cost of finance – and thus determining the need for concessional finance – based on factors beyond per capita income levels, e.g. developing countries' policies, vulnerability and resilience, their legacy of indebtedness, geography (e.g. small island, landlocked status), potential for leverage and mobilisation, etc.

⁹ See S. Mustapha et al (2015), Challenges with the World Bank's Income Classification System: A Review of the Literature and Policy Options.

¹⁰ Samoa graduated from least developed country status in January 2014. Equatorial Guinea and Vanuatu are scheduled to graduate in 2017. While Tuvalu was recommended for graduation by the Committee for Development Policy in 2012, the Economic and Social Council deferred a decision on its graduation until 2018. Angola and Kiribati met the graduation thresholds for the second time in 2015. A recommendation on the graduation of Kiribati was deferred by the Committee to the 2018 triennial review. The Council endorsed the recommendation of the Committee that Angola be graduated from the least developed country category. Five additional least developed countries met the graduation thresholds for the first time in 2015: Bhutan, Nepal, Sao Tome and Principe, Solomon Islands and Timor-Leste.

¹¹ World Health Organization; the World Bank; Gavi, The Vaccine Alliance; UNAIDS; UNICEF; UNDP; UNFPA; UNITAID; and the Global Fund, with support from the Bill & Melinda Gates Foundation and the Wellcome Trust

20. The OECD Development Centre is also fostering a dialogue with its member countries and other stakeholders on the consequences of countries' *transitions*, largely building on its work on economic policies to escape the 'middle-income trap'. To this end, the Centre convened a meeting in Paris on 13-14 December 2016 to which the DCD contributed by framing the discussions with evidence clarifying the different implications of graduation from ODA and graduation from multilateral windows such as IDA, as well as evidence on ODA patterns across country groups and the degrees of ODA dependence. The upcoming event in Brussels on 18 May 2017, co-hosted by the Directorate-General for International Cooperation and Development of the European Commission, the OECD Development Centre and the Economic Commission for Latin America & the Caribbean (ECLAC) will provide another policy space to discuss issues related to the implications for countries that move towards higher income levels. The DCD Director will be the lead speaker in the session on "rethinking international cooperation tools".

21. All this calls for **a prominent role of the DAC in fostering a global architecture of development finance that can effectively support countries as they transition through the development continuum**. The DAC has the opportunity to build on momentum and make its voice heard in international discussions on this topic by guiding an evidence based reflection on how to better adapt development co-operation approaches and instruments to developing countries' evolving circumstances and needs. This is why it will be important to deepen the analytical work on "targeting" by providing an overview of the global architecture of sources and instruments of concessional finance and more dynamically mapping the evolving financing landscape of countries transitioning through different stages of development.

22. A key objective of this work would be **identifying development co-operation policies and instruments that are adapted to the new realities of global poverty and that would ensure that effective support and a more appropriate mix of resources are available to countries as they transition through development**. This work would start by analysing the implications of graduation from LDC status and from IDA. It would examine whether countries face sudden breaks in assistance following LDC and IDA graduation, and how access to concessional finance is impacted overall at these two main junctures, in terms of its scope, nature, terms and distribution. It would assess whether and how the composition of the sources of financing changes and how different providers of concessional finance may complement each other or not (e.g. bilateral providers, multilateral development banks, global funds, and others). It would also scope the set of instruments that development partners continue to make available after specific graduation processes, exploring untapped sources of financing, including more private capital. This work would aim to highlight good practices – by development partners and recipient countries alike – that lead to smoother transitions and help recipient countries stay on a path of sustainable development. A first report on the implications of countries' transition through development junctures on their financing options and how donors are responding will be issued for DAC discussions in mid-2018.

23. Bringing evidence to the fore through **case studies** would provide concrete and sound examples of specific practices and policies, including how assistance from emerging providers takes shape in countries that are graduating from traditional sources of concessional finance. Cabo Verde and Samoa could be interesting cases, having graduated from LDC status (in 2007 and 2014 respectively) and remaining fairly dependent on ODA (with an ODA/GNI of 10% and 13%, respectively, in 2015), partly owing to their status as SIDS. Papua New Guinea, an ODA eligible lower-middle income country that fell back into IDA eligibility in 2003, could also provide a relevant case, as could a Latin American middle-income country.

24. **Policy discussions** with representatives from developing countries, as well as from other institutions and think tanks drawing on information developed through this work stream, will foster open, evidence-based discussions throughout this biennium.

PART III: Issues related to the upcoming regular process of revising the DAC List of ODA Recipients

Countries approaching graduation in 2017

25. Based on the latest available World Bank data and current growth patterns, about 25 countries are estimated to be graduating from the DAC List of ODA Recipients by 2030.¹² The following four countries have been identified for graduation in 2017, provided they remain in the high-income group another year: Antigua and Barbuda, Chile, Seychelles and Uruguay. Additional analysis is being conducted to determine if Cook Islands also will graduate from the list in 2017.¹³

26. Equatorial Guinea will graduate from the United Nations list of LDCs on 4 June 2017 and will then be removed from the LDC category on the DAC List. However, according to the latest revised World Bank GNI per capita figures, it has been above the high income threshold for several years. If it remains high income when it graduates from the LDC category, it will also graduate from the DAC List (applicable to flows in 2018).¹⁴

27. When looking at the countries that are approaching graduation from the DAC List of ODA Recipients in 2017, the following picture emerges:

- Reliance on ODA is minimal for five of these countries (Antigua and Barbuda, Chile, Equatorial Guinea, Seychelles and Uruguay) but pronounced for Cook Islands, for which ODA is estimated to represent 8% of its GNI.
- Most of these countries receive very small ODA volumes (below USD 50 million a year). However, these amounts can represent critical investments in otherwise underfunded areas. ODA eligibility also can allow for capacity building and technical support activities which, although not leading to large ODA spending, can translate into considerable economic and social gains for the recipient country.
- For some SIDS, especially those with populations below 200 000 (i.e. microstates), ODA volumes that can seem small by international standards may still be considerable and do translate into large per capita ODA receipts (over USD 1,000 per capita a year for Cook Islands).

Figure 3. Degrees of ODA dependency for countries under review

2015 data	Antigua and Barbuda	Chile	Cook Islands	Equatorial Guinea	Seychelles	Uruguay
Net ODA received (in USD millions)	1	50	24	8	7	19
Net ODA per capita (in USD)	16	3	1,164	9	73	6
Net ODA received as % of GNI (%)	0.12%	0.02%	8.25%	0.07%	0.49%	0.04%
For reference:						
Population (in thousands of inhabitants)	92	17,948	21	845	93	3,432
GNI (in USD millions)	1,219	253,054	294	10,835	1,371	53,929
GNI per capita (in USD)	13,270	14,100	14,119	12,820	14,680	15,720

¹² These estimates are highly sensitive to changes in income growth patterns.

¹³ Nauru was identified last fall for graduation in 2017, but according to World Bank figures published end April, it fell below the high income threshold in 2015.

¹⁴ When members were warned last fall of potential graduands in 2017, Equatorial Guinea was in the World Bank's upper-middle income category and well below the high income threshold in 2015. Figures have since been revised upwards substantially.

Source: OECD/DAC, World Bank/World Development Indicators (WDI) and United Nations Statistics Division/National Accounts Main Aggregates Database.

28. Recent discussions have revealed some areas where steps could be taken to facilitate the pre- and post-graduation process for developing countries and where the process of conducting the review of the DAC List of ODA Recipients could be improved.

Predictability of the review process

29. **The first issue concerns the retroactivity of decision on graduation and enhancing transparency and communication with partner countries.** The date upon which a country is removed from the DAC List of ODA Recipients is January 1 of the year of the review. In 2011, some DAC members expressed concern about the date of effect because aid budgets had already been agreed the year before on the assumption that disbursements to that country would qualify as ODA. In response, the Secretariat agreed to inform members early in the review cycle (about a year in advance) as to which countries may be liable to leave the List.¹⁵ This warning system has been implemented.¹⁶

30. Last year, partner countries raised concerns about upcoming graduation, also flagging the need to obtain information on this process well in advance so as to enable them to prepare for the halt of ODA funding and transition to finding alternative sources of financing and instruments. Although informing the developing countries concerned has never been part of the process in the Secretariat in the past, it could be done in the future.¹⁷ How to go about this remains to be determined, as the DAC Secretariat does not have contact persons in the partner countries. **Members with aid programmes in the partner countries are invited to suggest contacts.**

31. Transparency and communication with both members and partner countries through the possible “early warning system” mentioned above would enable some preparation by the countries concerned. However, the retroactive date of effect of the decision may still be problematic, especially for some regional projects and programmes which were already in place. The retroactive date of effect will also not enable advance preparation if figures are revised upwards, closer to the time of the review, for a country that was not on course to graduate according to per capita income figures available at the time of the early warning system. **Changing the date of effect of decisions on graduation, i.e. decisions taken in year X would take effect on ODA recording for year X+1, would help address these issues. However, this would be a change to the agreed procedure and would need to be approved by the DAC. Members’ comments are invited.**

Availability and robustness of data

32. **The second issue concerns availability and robustness of data.** For countries and territories for which data are not published by the World Bank, the Secretariat must find relevant data from other internationally recognised sources: the United Nations Statistics Division has been the source for such countries. This year, however, concerns have been raised about the robustness of GNI per capita figures for the Cook Islands and Nauru¹⁸. Note also that neither the World Bank nor the United Nations Statistics Division publish GNI figures for the following countries on the DAC List: Niue, Saint Helena, Tokelau, and Wallis and Futuna.

¹⁵ [DCD/DAC/STAT/M\(2011\)2/FINAL](#), paragraph 3.

¹⁶ E-mails sent to WP-STAT correspondents and DAC delegates: STAT(2013)52 and STAT(2016)51.

¹⁷ Often, however, partner countries are informed by DAC members which have development programmes in their countries.

¹⁸ Nauru became a member of the World Bank last year and, following the IMF’s Article IV consultations, the World Bank revised downwards the 2015 figures.

33. It is of course essential to ensure that decisions on graduation are based on correct per capita income figures. While the Secretariat cannot compensate for lack of reliable data from internationally recognised sources, if concerns over the robustness of World Bank or UN per capita income figures are raised, some process must be put in place to identify other possible data sources to ensure that reliable data are used in the review and as the basis for a decision on graduation. The Secretariat will explore options in this regard. **Members are invited to provide feedback on any other internationally recognised sources that could be used for this analysis.**

34. Finally, data are no longer collected in DAC statistics on countries which graduate from the DAC List of ODA Recipients. This hinders analyses on the impact of graduation on countries' access to finance. **A possible way forward in this area would be capturing assistance to countries no longer eligible for ODA in TOSSD.**

Annex 1. Key analytical products and outreach activities on SIDS conducted in 2016-17

Building evidence, fostering learning and knowledge

- **OECD-World Bank Report on Climate and Disaster Resilience Financing in Small Island Developing States**

This report documents the increasing climate and disaster challenges SIDS face, the complex financing landscape they are confronted with to finance resilience, and identifies priority actions for the international community to best support SIDS make their people, economies and ecosystems climate and disaster resilient, including through innovative financing solutions. In addition, this report was pioneering in providing a comprehensive and accurate quantification of the scope, nature and trends of concessional flows in support of climate and disaster resilience to SIDS, filling the gap of the lack of an internationally agreed methodology for assessing these flows¹⁹. It informed discussions at COP22 (November 2016) and provided a solid basis for international discussions on SIDS (see the points under “Engaging in dialogue and outreach activities within the DAC and in major international processes concerning SIDS”). The report is also referenced in the upcoming 2017 UN Inter-Agency Task Force on Financing for Development as a source of evidence on SIDS financing challenges.

- **OECD Report on Financing options for SIDS: state of play and a way forward.**

The DAC Secretariat is currently working on a report identifying the development co-operation policies and practices of DAC members and other providers vis-à-vis SIDS, quantifying the overall ODA flows to these countries, and highlighting good practices and lessons learnt to enhance the international support to the challenges faced by SIDS. This work is currently well advanced and a first draft will be circulated over the summer. Emerging findings are tentatively scheduled to be presented at the HLPF, during a side event organised by the UN Steering Committee of partnerships for SIDS (co-chaired by Italy and Maldives). The report builds on responses from a Survey conducted by the DAC Secretariat on donor policies and practices vis-à-vis SIDS, ample statistical analysis and desk research.

- **Case study: Grenada**

In Grenada, high debt levels and recent debt restructuring combined with an IMF-supported adjustment programme has resulted in strict limits on loan financing, which must be highly concessional. Subsequently, there is a high reliance on grant financing, and yet many challenges related to this, including donor fragmentation, challenges relating to project identification, alignment with national policy priorities and the need for technical, operational and financial capacities to leverage these funds, especially climate finance. The OECD is working closely with UNDP to help Grenada identify financing options to crowd in private sector resources, diversify the economic base and unlock the potential of the blue economy. The DCD blended finance team is also providing expertise for this work. Emerging findings will inform discussions at the UN High Level Meeting on SDG 14 in June 2017. A short publication will be released by end of 2017.

¹⁹ The statistical data considered in this report builds on climate finance data (e.g., as measured through climate markers and the 2014 Joint Report on MDBs’ Climate Finance) and disaster preparedness data¹⁹ to develop an ad hoc dataset. This approach allows for a more accurate picture of the breadth of concessional flows in support of climate and disaster resilience than the exclusive reliance on climate markers or preparedness purpose codes. For example, the methodology used allows for the inclusion of commitments in the education sector (e.g., drainage systems in schools) and in the research and scientific institutions (e.g., capacity development of meteorological services). Development investments that can positively affect resilience indirectly, such as investments in general institutional capacity development, were however not included in the dataset.

Engaging in dialogue and outreach activities within the DAC and in major international processes concerning SIDS

- **DAC Engagement: highlights from the DAC Senior Level Meeting Discussion on SIDS and DAC High Level Breakfast with Mary Robinson**

In October 2016, the DAC discussed the special development case of SIDS and the need for stronger collective action to support them at the DAC Senior Level Meeting. Discussions were centered around a solid and highly political paper ([DCD/DAC\(2016\)42](#)), which built on on-going research by the DAC Secretariat. The discussion was successful in coalescing DAC support for SIDS, in endorsing emerging recommendations to improve access to and impact of development finance for SIDS, and in providing the political backing for continued work on this agenda. In addition, the DAC Chair and Mary Robinson co-convened a High Level Breakfast on the financing to SIDS and other vulnerable countries. The event saw the participation of high level DAC representatives as well as representatives from Fiji, Grenada, and Ethiopia. This event further reinforced the case for enhanced donor support to SIDS and provided a space where the donor community and partner countries could exchange on the main challenges and opportunities lying ahead for this agenda.

- **COP22: Side event on Building Climate Resilience of Small Island Developing States**

This event was jointly organised by the DAC Secretariat, EU, World Bank and GFDRR, in co-operation with the ACP-SIDS Forum in November 2016. The objective was to highlight the increasing climate and disaster related challenges and the innovative solutions that SIDS and the international community are implementing to foster resilient development. The discussion built upon the findings from the OECD-World bank Climate and Disaster Resilience Financing in Small Island Developing States, launched during this event. The event provided a space for SIDS representatives and the international community to share experiences and publicly underscore the need to continue to strengthen partnerships and networks domestically and internationally, well as with the private sector. Pacific SIDS were represented in the discussion by Ambassador Deo Saran, Fiji, representing the ACP SIDS Forum, and Dr. Paula Ma'u, CEO Climate Change, Ministry of Meteorology, Energy, Information, Disaster Management, Climate Change and Communications, Tonga. Other participants in the panel were: Alain Wong Yen Cheon, Minister of Environment, Sustainable Development, Disaster and Beach Management, Republic of Mauritius, Dr. Angus Friday, Ambassador to the U.S., Grenada; Beatriz Yordi, Head of Adaptation Unit, EC; Francis Ghesquiere, Manager, GFDRR; Jorge Moreira da Silva, Director of DCD, and Suzanne Steensen, DCD.

- **Small States Forum Engagement: 2016 Small States Forum, Small States Forum Bahamas Meeting, and Small States Forum 2017 Update**

The DAC Secretariat has been able to position the DAC as a key partner in the Small States Forum, a platform which aims at identifying actions in support of SIDS, currently chaired by the World Bank and the Government of Grenada. The DAC Secretariat was invited to contribute in all key Small States Forum events (Small States Forum in October 2016; Small States Forum consultation in Bahamas in February 2017, and Small States Forum 2017 Update in April 2017). The role and work of the DAC on SIDS is also acknowledged in the Small States Forum Roadmap, a document the World Bank published in April 2017 delineating focus areas of World Bank work on SIDS, which the DAC Secretariat has helped drafting. The DAC Secretariat is collaborating with the Small States Forum Secretariat also on exploring effective uses of concessional finance for SIDS. It is also contributing to the [Inter-Agency Task Force](#) led by the Small States Forum Secretariat on Vulnerability of Small States and Access to Concessional Finance.

- **High-level U.N. Conference to Support the Implementation of Sustainable Development Goal 14 and other international events**

Although small in land area, SIDS possess vast ocean resources, which represent a huge opportunity for boosting growth and tackling some of the critical challenges faced by these economies, including high unemployment, food security and poverty. However, these resources need to be used sustainably and the right mix of investment need to be fostered to develop synergies across land-based, coastal and ocean-based sectors. The DAC Secretariat has been contributing to international efforts to support SIDS develop their oceans economies through the processes in connection to the UN High Level Meeting on SGD 14. In particular, the DAC Secretariat has:

- Contributed to shape the draft Outcome document of the Conference through its participation in the Working Group on SIDS;
- Submitted a voluntary commitment (Voluntary Commitment registered #15043; reference #106819) to support the efforts of SIDS to develop their economies through the sustainable use of their vast oceans resources through current OECD work quantifying overall concessional flows to SIDS and exploring financing approaches and mechanisms through which the international community can enhance the effective use of resources, catalyse new flows, and stimulate a more coordinated response to the financing needs to SIDS;
- Co-sponsoring with UNDP and Grenada a side event on “Financing for the Blue Economy in Small Island Developing States Small Island Developing States” that will take place on June 5th at 1100-1230, in Conference Room A in the UN Conference Building;
- Organised a side event on Small Island Developing States” at Preparatory Meeting for the High-level U.N. Conference to Support the Implementation of Sustainable Development Goal 14 (15th February). The side event in February saw the participation of Ambassador Odo Tevi, Permanent Representative of the Republic of Vanuatu to the United Nations; Ambassador Angus Friday, Permanent Representative of Grenada to the United States; Habiba Gitay, Lead of the Small Islands Resilience Initiative, World Bank; Marcos Bonturi, OECD Special Representative to the UN; Piera Tortora, Advisor, DCD.

The DAC Secretariat has championed the SIDS agenda in a number of other events, including: the biannual Commonwealth Secretariat Meeting on SIDS (Seychelles, May 2016) and the SIDS Symposium on Implementing the 2030 Agenda and the Samoa Pathway in the Small Island Developing States - SIDS – Equipping public institutions and mobilising partnerships (Bahamas, February 2017).

Annex 2. Complex web of eligibilities faced by Small Island Developing States

SIDS	ODA eligible	Global Fund	International Bank for Reconstruction and Development eligible	International Development Association (IDA) eligible	IDA - through the Small Island Economy exception	IDA - Blend Countries	IMF Poverty Reduction Growth Trust eligible	Poverty Reduction Growth Trust Small Country exception	Poverty Reduction Growth Trust Short-term vulnerabilities exception	Poverty Reduction Growth Trust Micro-state exception	Asian Development Bank	African Development Bank	Caribbean Development Bank	Inter-American Development Bank
Antigua and Barbuda														
Belize														
Cabo Verde														
Comoros														
Cook Islands														
Cuba														
Dominica														
Dominican Republic														
Fiji														
Grenada														
Guinea-Bissau														
Guyana														
Haiti														
Jamaica														
Kiribati														
Maldives														
Marshall Islands														

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Mauritius														
Micronesia, Fed. Sts.														
Montserrat														
Nauru														
Niue														
Palau														
Papua New Guinea														
Samoa														
Sao Tome and Principe														
Seychelles														
Solomon Islands														
St. Lucia														
St. Vincent and the Grenadines														
Suriname														
Timor-Leste														
Tonga														
Tuvalu														
Vanuatu														