

Financing for development: the case of Least Developed Countries (LDCs)

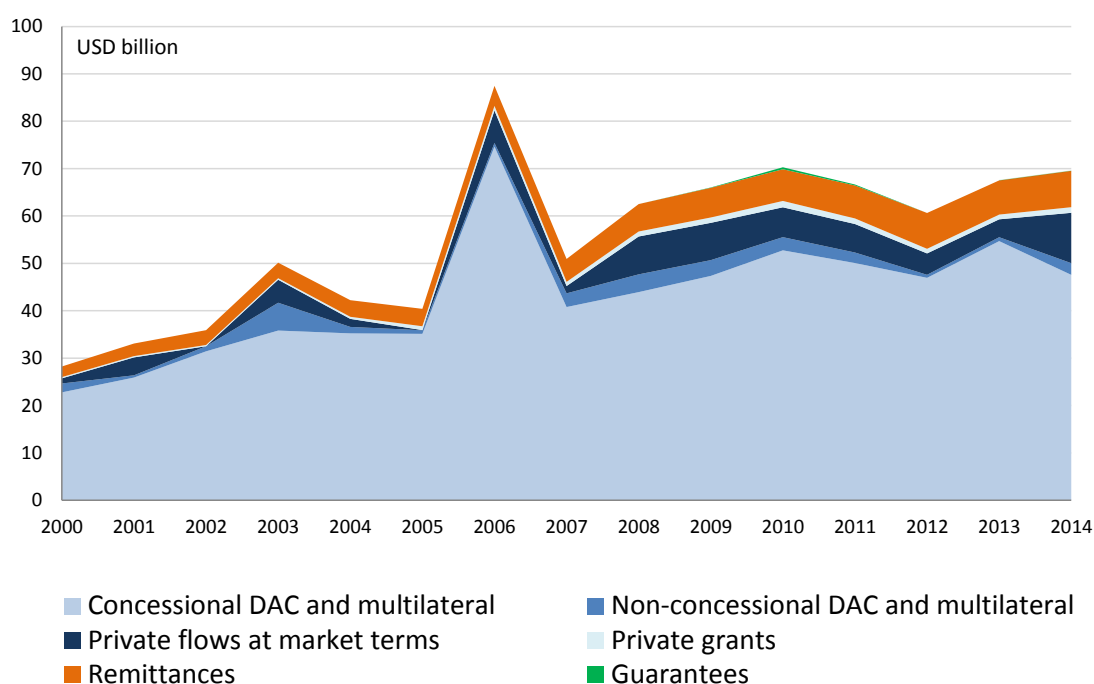
Key facts

- **LDCs remain strongly dependent on concessional finance from bilateral and multilateral partners: these flows continue to represent the bulk of external finance to LDCs (68% in 2014).**
- **While concessional finance to LDCs decreased by 3% per year in 2010-14, preliminary figures for 2015 suggest that this figure will increase by around 2% from 2014 data to USD 41.9 billion.**
- **The proportion of climate-related development finance to LDCs has been increasing, reaching an average of 14% of total ODA in 2012-14.**
- **Both bilateral and multilateral donors focused about half of their support for climate-related activities on infrastructure – primarily in the energy, water and transport sectors.**

LDCs are heavily dependent on aid

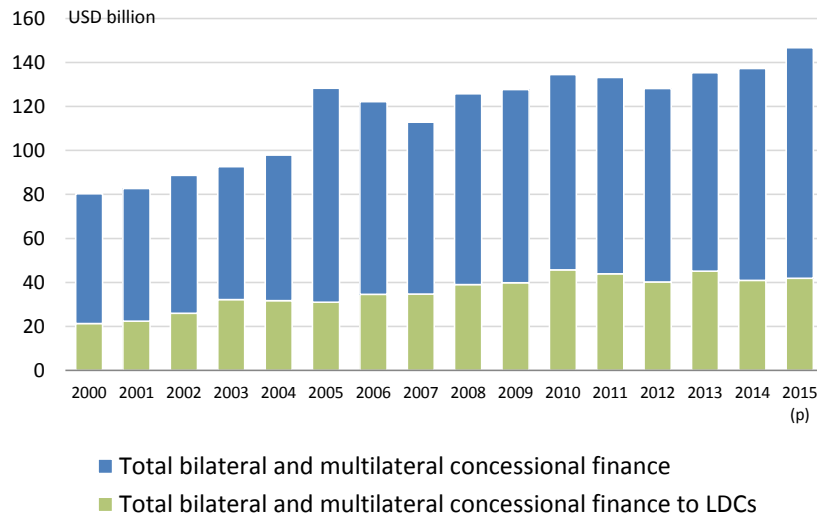
Concessional finance to LDCs¹, from both bilateral and multilateral sources, represented the bulk (68%) of total external finance received in 2014 (Figure 1). Concessional finance decreased both in volume and as a share of other external financial flows in the period 2010-14 (-3% per year on average). Preliminary data for 2015 suggest that this figure will increase by 2% compared to 2014, reaching USD 41.9 billion in 2015.

Figure 1. External finance in LDCs



¹ There are three criteria for being classified as a Least Developed Country (LDC): low per capita gross national income (GNI), low level of human capital and high structural vulnerability to exogenous economic and environmental shocks. Today there are 48 countries classified as LDCs.

Figure 2. Global net ODA to LDCs



Climate-related development finance to LDCs is increasing

Bilateral ODA targeting climate-related interventions in LDCs has been significantly rising since 2002-05, increasing from USD 131 million on average per year (equal to 1% of the aid received) to USD 4.4 billion in 2012-14 (14% of aid received). (Figure 3).

Both bilateral and multilateral sources of concessional finance increased their aid financing in support of climate-related activities in LDCs. While bilateral providers concentrate their financing on activities targeting climate adaptation (43% in 2013-14 compared to 39% for mitigation and 18% targeting both objectives), allocations from multilateral donors partners focused on climate mitigation-related activities and climate adaptation-related ones to a similar extent (49% and 48%, respectively). Both bilateral and multilateral providers prioritised the energy sector when allocating their climate-related development finance: this accounted for 31% and 41% respectively in 2013-14. Water supply and sanitation is next (12% and 10% respectively).

Figure 3. Bilateral climate-related ODA to LDCs
3-year average commitments, USD million, constant 2014 prices

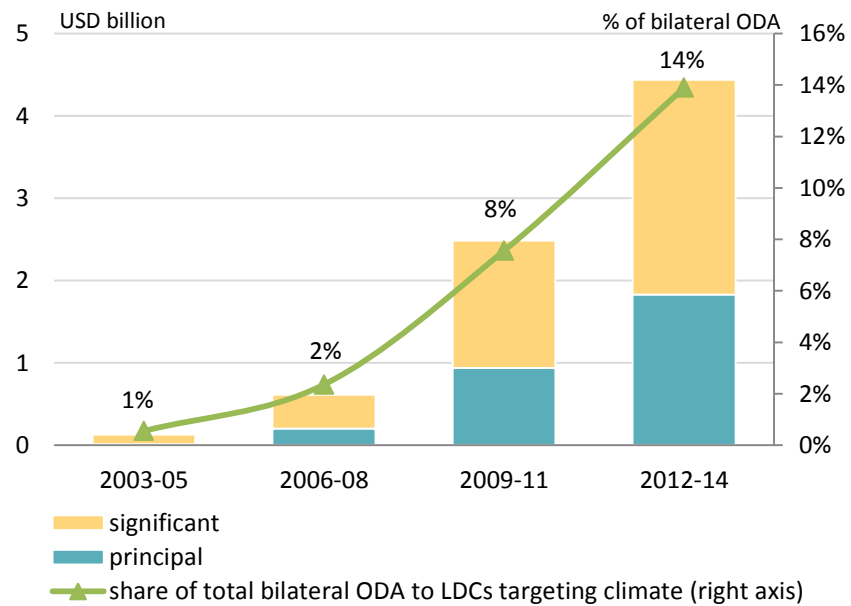


Figure 4. Climate-related bilateral ODA and multilateral outflows to LDCs
USD million commitments, 2014 prices

