



HIGH-LEVEL POLITICAL FORUM 2021 SIDE EVENT

Vulnerability Indices in Development Financing: Why is there resistance to formal use?

I. Background

The COVID-19 pandemic has re-energised debate over use of vulnerability indices in access to concessional financing. This is because COVID-19 has laid bare the vulnerability of SIDS, who continue to be excluded from IFIs and MDBs concessional financing initiatives despite suffering the brunt of effects unleashed by the pandemic. Some major donors, most IFIs and a number of MDBs continue to hold the view that GDP per capita, which excludes the majority of SIDS from development financing, is still the most effective criterion for making eligibility decisions and financing allocations. Additionally, the World Bank via their technical note on the issue in 2018, argued that the lack of uniformity amongst vulnerability indices makes use of these indices in financing criteria impractical. The Commonwealth and UN in response have called for a globally agreed multidimensional vulnerability index (MVI), raising separate debate on the vulnerability index of choice.

However, there is one key element missing from both debates which should feature more prominently - and that is existing vulnerability indices as imperfect as they are, are actually being consulted by regional and multilateral agencies when making allocation decisions, albeit informally. The Asian Development Bank, for example, refers to its Economic Vulnerability Index (EVI) in development financing allocations, and so does the Caribbean Development Bank. The European Union (EU) Development Fund VFLEX instrument is disbursed against vulnerability and so the EU also consults some form of vulnerability framework in allocating their financing. In terms of formal use, there is only the UN Committee for Development Policy (CDP) who uses their EVI within a set of criteria to determine LDC eligibility and graduation from the LDC category.

So another relevant question for discussion by countries is why there is reluctance to formally use vulnerability indices in development financing, and why do providers of development financing prefer to consult vulnerability indices only informally?

Clearly, there is relevance of vulnerability indices to development financing allocations, and the divergence in indices does not seem to affect their application at least at the regional and sub-group levels. So this raises further questions on whether there is a case for use of



vulnerability indices by MDBs, and exactly how does informal use of vulnerability indices impact financing decisions?

II. Objectives

The objective of the joint side event is to discuss the informal use of vulnerability indices in development financing decisions, and to achieve clarity as to why development financing institutions do not find it appropriate to use vulnerability indices formally. The discussion is important for understanding how vulnerability indices influence the decisions of regional development banks like the ADB and CDB, as well as how does it determine the flow of financing from the EU.

Expected Outcomes

The side event will advance current discussions in two ways:

- Shed light on whether there is need for a single agreed vulnerability index or whether several vulnerability indices adapted for specific purposes, would suffice, if enabled and used formally
- Inform on whether the informal use of vulnerability indices have a substantive impact on allocation decisions, and if so, is there a case for use of vulnerability indices by MDBs and IFIs, even if only informally

Participants

The side event is relevant for Ministers and senior officials of member governments. Panellists and discussants will be from RDBs, MDBs and IFIs, such as the UN, Commonwealth, ADB, CDB, EU, World Bank and IMF.

Contact Persons

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Connection Details

Topic: UN High Level Political Forum: Vulnerability in Development Financing
Time: 9 July, 2021 06:00 PM London

Join Zoom Meeting

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Vulnerability Indices in Development Financing

UN High-Level Political Forum
9, July 2021 | 13.00hrs - 14.30hrs EST

| FINAL AGENDA | |
|---------------|---|
| Time | Session |
| 1:00 - 1:10pm | <p>Welcome and Introductory Remarks</p> <ul style="list-style-type: none"> • Rt Hon Patricia Scotland QC, Secretary-General, Commonwealth Secretariat • Hon Paul Chet Greene, Minister of Foreign Affairs, Antigua and Barbuda |
| 1:10-1:20pm | <p>Scene Setting</p> <ul style="list-style-type: none"> • Mr Elliot Harris, Assistant Secretary-General for Economic Development, United Nations Department of Economic and Social Affairs |
| 1:20 - 2:20pm | <p>Moderator: HE Walton Webson, Permanent Representative to the United Nations of Antigua and Barbuda; Chair of AOSIS</p> <p>Presentation and General Discussion</p> <ul style="list-style-type: none"> • Dr Stuart Davies, Senior Economics Affairs Officer, United Nations Resident Coordinators Office, Barbados and the OECS <ul style="list-style-type: none"> ➢ How are vulnerability indices used informally? ➢ What impact does it have on eligibility and allocation? ➢ Why are they not used formally? ➢ Is there potential for formal use? |
| 2:20-2:30 | <p>Wrap Up</p> <ul style="list-style-type: none"> • Dr Ruth Kattumuri, Senior Director, Economics Youth and Sustainable Development, Commonwealth Secretariat |