

17 FEB 2021: UN DESA Briefing on a MVI for SIDS

Speaking notes by

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Greetings

Greetings to all and special thanks to the organizers and presenters for their useful insights.

1. Introduction: Moving from «unfinished» to finished business

From 1992 at the Earth Summit and since then, from conference to conference, until the last one that was the SAMOA Pathway Review Summit in 2019, the theme of SIDS vulnerabilities is recurring as an argument for the recognition of their specificities and, therefore, for the eligibility of these countries for differential treatment, in terms of support for financing development

The need is long due, to contemplate SIDS with an international agreed evaluation and eligibility criteria for financing, based on a Multidimensional Vulnerability Index (MVI) and not just on the limited indicator of GDP / capita.

COVID 19 introduced an emergency factor leading to the SIDS call on the SG to have a special “window” to meet the extreme challenges and the enormous impact they face because of the pandemic.

The need for a composite Index of vulnerabilities that takes into account the effective needs arising from the multidimensional challenges that SIDS face is valid both for the emergency situation that is now being experienced and also in the perspective of recovery and building forward better.

«Quantifying multidimensional vulnerability will help finance development to prioritize needs in the most effective way».

2. Let us build on past and ongoing works and assessments

The CDP (Committee for Policy Development) promoted and improved since 1991 three criteria for the inclusion of countries on and graduation out of LDCs, and to that end the CPD 2020 Report (22nd Session, Chapter IV, page 14 and following) clearly pointed out:

- 1) The income criteria measured by the average gross national income per capita over three years, in United States dollars, using conversion factors based on the World Bank Atlas methodology
- 2) HAI comprising, on the one hand, a health index (infant mortality indicators below 5, maternal mortality and stunting prevalence) and an educational index (secondary education level, adult literacy rate, gender parity in secondary schooling)
- 3) The EVI renamed EEVI (Economic and Environmental Vulnerability Index). In the economic index with measurement indicators for the share of agriculture, forests and fisheries in GDP, the degree of remoteness or obstruction, the degree of concentration of exports, the instability in the export of goods and services. The environmental index measures the share of the population in the high coastal zone, also in arid zones, the instability of agricultural production and victims of natural disasters.

UNDP (2017), appears to move towards an approach more similar to that used by the UN / CDP to classify LDCs, including:

- i) GNI per capita; ii) HDI (or human assets index); iii) Score on the Economic Vulnerability Index; iv) Domestic resource mobilization capabilities; v) access to external financing; vi) Purpose of the financing (for example, type of project being financed)

UN ECLAC in 2012 proposed a Structural Gap Approach (for the classification of countries, including MIC, based on the following indicators:

- i) per capita income; ii) inequality; iii) poverty; iv) investment and savings; v) productivity and innovation; vi) infrastructure; vii) education; viii) health; ix) tax policies and capacities; x) gender; xi) environment

Other suggestions made (ACP with OECD):

- a) Modernize ODA to extend the eligibility criteria beyond GDP per capita in order to take into account the strong economic and environmental vulnerability of these countries;
- b) Modernize ODA to focus more on development (excluding peace, security, refugees expenses), take into account a higher concessionality element, be an instrument to support the mobilization of private financing,
- c) Modernize ODA to include an appropriate financing instrument for MICs, mainly low-income, to address persistent vulnerabilities, the limited capacity to mobilize domestic and other sources, as well as the risk of indebtedness due to its exposure to less concessional financing

The Addis Ababa Action Agenda in 2015 (para 73) clearly proposed that “The level of concessionality of international public finance should take into account the level of development of each recipient, including income level, institutional capacity and vulnerability, as well as the nature of the project to be funded, including the commercial viability” .

The United Nations Joint Inspection Unit (JIU) reports for 2015 (/ 2) and 2016 (/ 7) on the «Comprehensive review of the United Nations System support for Small Island Developing States», call to review the eligibility criteria. Accordingly, SIDS would receive resources through quick procedures (and with multiannual predictability in the case of the United Nations), based on their economic and environmental specificities, and not solely based on their income. They also propose to consider positive experiences in progress at other institutions (“the exception of the World Bank's small island economy”, for example).

The OECD report (2018), entitled "Making development cooperation work for SIDS", assumes that this group of countries has vulnerabilities, but also development opportunities, if cooperation works better. Further, that concessional funding is the best for SIDS and that, while funding is available, many SIDS struggle to have access to it. In addition, other proposals regarding SIDS might consider:

- 1) Institutional capacity to increase the absorption and mobilization of financing from a wide range of sources of domestic and external flows.
- 2) A financing instrument with tangible eligibility criteria, based on an open approach to concessional flows and easy access to other mechanisms: innovative financing, climate finance ...
- 3) Debt sustainability policies and instruments to deal with the vulnerabilities of the short, medium and long term debt
- 4) Identification of new growth opportunities (blue economy), private sector investment and partnerships
- 5) Creation of Disaster Risk Mechanism to address long-term vulnerabilities affected by systemic environmental catastrophes;

3. The UN should take the lead

The diverse conditions, especially with regard to SIDS and countries simultaneously MIC and SIDS, does not favor a single referral by the international community based on common criteria allowing, upstream, to

integrate and justify categories of countries and, downstream, to determine the eligibility of each category to different support and partnership mechanisms and instruments.

The vulnerabilities of SIDS are not only economic and environmental; they also concern the institutional and human dimensions. Therefore, enabling SIDS to enhance economic growth, resilience and access to finance (including debt solutions and other innovative finance here) is critical for their sustainable development.

The definition and adoption of an MVI (Multidimensional Index of Vulnerabilities) must be an inclusive task (UNDP, DESA / CDP, World Bank... and the SIDS themselves) and a normative reference instrument for the qualification and financing of SIDS.

Time matters. The Decade of Action for the implementation of the SDGs is in progress and the 2030 horizon is less than 10 years away.

For all the precedent reasons it is important and urgent for the United Nations to lead and mobilize IFIs and other stakeholders within a clear mandate, to come with a consensual proposal for a MVI that can capture the diversity of SIDS according to the reality, specificities, needs, strategies and policies of each, considered individually.

4. The way forward

In the process of definition of a MVI, one cannot lose sight of the end, which is to bring support to SIDS in a practical and concrete way.

SAMOA Pathway 2014, as a 2030 Agenda for SIDS, has 26 areas of intervention that were subject to review in 2019, at the end of which, the Final Document adopted two series of "calls for action" that kept open how to implement them.

For that purpose, it is important to rely on four major drivers:

First to support SIDS economic competitiveness and diversification in areas where each one has opportunities for economic growth, overcoming small-scale and productivity constraints to attract investment and private credit to the service and productive sectors and empower their export potential.

Second to build and strengthen resilience to climate change (including drought, as for example in Cape Verde), extreme shocks (such as COVID now) and in social areas (health and social protection, among others)

Third, to mobilize finance, namely, access to sources of finance and liquidity, including ODA, concessional financing, debt relief and solutions, rapid access mechanisms to climate finance, disaster risk reduction,,

Fourth, capacity building to develop and implement program plans and responses in each of the three areas mentioned above.

I thank you.