

**Inputs of the Resident Coordinator System on the  
Interim Report of the High-Level Panel on the Multidimensional Vulnerability Index.  
October 2022**

## 1. Background

The development – and implementation – of a Multidimensional Vulnerability Index (MVI) with global buy-in will give the international community more data, and a better understanding of the climate and environmental vulnerabilities facing developing countries. The High-Level Panel on the MVI in complying with its mandate to finalize the design of an MVI, has benefited, at different stages from inputs provided by the **UN Resident Coordinator’s Offices (RCOs), particularly RCOs in SIDS**. The Panel has produced an interim report, which provides a summary of the deliberations undertaken to date and initial recommendations leading to the development of a Multidimensional Vulnerability Index (MVI).

This document compiles comments and recommendations provided by the RC System to further strengthen the findings of the interim report of the Panel with the goal to have a fully functional Multidimensional Vulnerability Index as a tool to enable access to, much needed, international development finance.

Particularly, this document collects the views and inputs of Resident Coordinators and their Offices (particularly RCO Economists) in **Cabo Verde, Multicounty Office El Salvador/Belize, Indonesia, Cambodia, Chad, MCO for Barbados and the Eastern Caribbean, Honduras, Cote d’Ivoire, Bangladesh, Togo, Brazil, Madagascar and Jordan**. Other inputs from the RC System might have been shared directly to the High-Level Panel in the context of the voluntary support provided by a selected group of RCO Economists conducting specific tasks contributing to the MVI development.

## 2. General Comments

Having reviewed the Interim Report produced by the High-Level Panel, the consulted **RCs/RCOs** welcomed it as an “excellent report” **and provided the following general comments:**

- The report is well written, and provides relevant background information and a strong rationale for the MVI, including the proposed structure of the MVI framework.
- It is comprehensive and provides relevant details regarding the structure of the MVI as a SIDS-led initiative that intends to build a universal evidence-based tool. It is also a good stock-taking document that pulls together information in a clear, summarized and harmonized way that is reader friendly.
- The report seeks to find the best ways to measure development complexity by introducing vulnerability and resilience criteria in addition to and complementing the commonly used per capita GDP, which has proven to be insufficient to capture vulnerability and to define the level of resilience, as well as inadequate since it hinders access to financing for countries with high GDP, which may face high structural vulnerabilities and limited resilience, including many SIDS.
- The MVI is a long-awaited response by SIDS and now, an opportunity to be realized. It has the potential to propitiate fairer and equalitarian terms on financial resource allocation not only to SIDS but to LDCs. The report could also serve non vulnerable countries to attract investors seeking stable macroeconomic and social environment before investing.

- The finalization and adoption of the MVI at the international level will make the Index an important tool and opportunity to facilitate eligibility and access to concessional finance, debt restructuring, and, based on vulnerability and resilience, to support and guide national and regional development policies. In this context, advocacy should be conducted to raise awareness on the operationalization of the Index at the various possible user levels, mainly related to financing and debt, both within and outside the UNDS, in particular with the IFIs/MDBs.
- One of the characteristics is that the report covers the major vulnerabilities with a clear distinction among the structural and non-structural factors of vulnerabilities and resilience, this contributes to a more effective distribution of resources for development cooperation (including concessional resources). The combination of resilience and vulnerability offers a wider landscape regarding the wellness of the population. Related to these important areas and the process of identifying indicators, the MVI should tap into the [World Risk Index](#), which can provide a good example of indicators that reflect economic, environmental, and social vulnerability.
- In any case, typically indices are controversial and the rankings they produce depend on choice of indicators, the weights assigned to them, and the methods of aggregation. If the index is going to be used to guide the provision of development finance, then the index will need to be quite robust to different specifications and weights. It will be worth considering a dashboard alongside a single aggregate index.
- In compliance with the first possible use of the MVI recommended by the Secretary General in Para 84-85 of A/76/211, the report should further consider the MVI for the purpose of development policies orientation, policy making to strengthen resilience.
- RCs/RCOs acknowledge the idea to edit national vulnerability- resilience profiles for vulnerable countries since this could help to consider the issue of non-structural factors of vulnerability and resilience not part of the MVI as such. The document doesn't make explicit reference to risk mitigation instruments as part of the options to strengthen the resilience in vulnerable countries.
- RCs/RCOs highlighted the risk of the MVI not appropriately capturing the role of the RC System for the finalization and implementation of the index, moreover, considering the important contributions provided by the RC System in designing the basis for the MVI and the support provided to the Panel itself for the development of this report. The Panel is encouraged to duly highlight the role of the RC System in subsequent iterations of the report.

### 3. Recommendations

- The report should be available in French which is also a working language of the UN.

#### **With regards to the focus/scope of the MVI framework:**

- It appears that the proposed MVI framework is at macro level, assessing a country's vulnerability to exogenous shocks. However, this should be clearly emphasized in the report.
- The Index is clear about the intended scope, including structural vulnerability which is defined as "...independent from current or recent policy choices and the will of policymakers". But it should consider complementary to the index, some indicators or index regarding the institutional and political stability which has important effects on the Government performance as a key actor for recovery. Special consideration should be given to the institutional dimension because it is recognized that institutional changes evolve slowly over time.

- Social protection and health coverage are important indicators of the capabilities to prevent, dampen and adapt to different kinds of shocks. For example, during pandemics, health coverage was essential to a rapid response, but related to an economic crisis unemployment coverage through social protection can be a strong tool to attend population's needs. This can be considered in the “Structural social resilience” component.
- One factor that RCs/RCO Economists believe would benefit from further discussion is corruption and its consideration as a social or structural vulnerability, as well as its respective measurement. RCs/RCO Economists are interested to know how it was addressed, if at all, by the panel.
- The security and political dimensions should be considered separately when identifying factors of vulnerability and resilience and not as part of the social dimension of vulnerability since many countries could be repeatedly affected by security issues that are not under their control, especially countries with neighboring countries facing huge security issues.
- As the proposed MVI is suggested to be applied universally for all countries, it is essential to provide an explanation of complementarity or trade-offs between the proposed MVI and SDGs. As the SDGs are the main compass of measuring progress of a country’s sustainable development, it is vitally important to explain how the proposed MVI is adding value to this overarching framework. Otherwise, the proposed MVI may dilute the attention from the achievement of SDGs.
- It is recommended to have a clearer, more direct reference to the SDGs. The Agenda for Resilience must be the SDGs and the UN should not create another framework, it would be confusing. To build resilience will require social protection systems in place, decent work, economic diversification, energy and food autonomy (and therefore energy transition and solid local food systems), equality, good governance, thriving natural ecosystems, strong partnerships... all of which are enshrined in the SDGs. Treating the concept of sustainable development and resilience separately can complicate things.
- Child level vulnerability and deprivations are not considered in the methodology. In this aspect, specialized UN entities could contribute to this by providing their approach.
- Trade openness cannot be referred to as an economic vulnerability. As countries gains from trade are expected to be fluctuating, trade openness should not be characterized as vulnerability.

**With regards to the principles of the MVI:**

- Definitions of Principles – The report mentions the guiding principles of the MVI based on the Secretary General’s report (A/76/211). These principles include multidimensionality, universality, exogeneity, availability, and readability. While these principles are mentioned, it would be useful to include a section which briefly defines each principle of the MVI to ensure a clearer and homogeneous understanding.
- Among the guiding principles for the elaboration of the MVI, Universality has been questioned, primarily because the mandate was to define an MVI for SIDS. The Panel considered that it would be more appropriate to have a universal index, that is, one that covers all developing countries and that through comparability could identify levels of vulnerability and even show that SIDS are among the most vulnerable. In this context, the availability of universal and sequenced data over several consecutive years is fundamental for the construction and use of indicators. On the one hand, SIDS argue that in order not to be penalized when universal data does not exist, "proxy" data can be used. On the other hand, cooperation for capacity building of National Statistical Institutions can be registered as a derived use of MVI.

- Even when the international community navigates between various country classifications, as well as eligibility criteria, which has a disorienting effect on small countries, including SIDS, MVI is not intended to establish or impose new country hierarchies or categories. However, by including countries in high, medium or low vulnerability bands, and defining support instruments according to these bands, it would facilitate and harmonize both eligibility and access to financing for countries, especially the most vulnerable ones.
- May be of value to specify the groupings of developing countries reflected, to make transparent how the MVI has approached universality. This is particularly important to show most marginalized groups (e.g. SIDS) that their special characteristics have been duly considered and included.
- Care must be taken to ensure that, in keeping with the principle of universality, the characteristics of all developing countries are reflected but also those of SIDS (and other groups) which have a specific, unique set of vulnerabilities. Finding a balance to reflect the needs of countries structurally exposed to economic, environmental and social shocks (high vulnerabilities), and with very low capacity to overcome them (resilience).
- RCs/RCOs acknowledge the urgent need for robust and consensual metrics that integrate vulnerability and resilience. Apart for determining access to development support, GNI alone is also insufficient to capture the complexity of the development challenges in a dynamic and long-term way, account for resilience and sustainability and foster strong and coherent national and sectoral sustainable development policy frameworks that are backed by strong national public institutions.

#### **With regards to the concept of vulnerability and resilience**

- Components of MVI framework: The proposed MVI framework has two components, namely 'vulnerability' and 'resilience.' Because vulnerability and resilience are basically two sides of the same coin (i.e., a country is more resilient or less vulnerable), this presents a critical challenge in terms of the focus of the measurement and interpretation. Moreover, the concept of 'vulnerability' reflects already both exposure of a country to shocks and the country's capability to respond or cope with shocks. Thus, the inclusion of resilience into the proposed MVI framework is likely to have an issue of unclarity of measurement (e.g., double counting).
- The report also unpacks vulnerability and resilience concepts by decomposing them into structural and non-structural components and mainly focusing on the structural dimension. Furthermore, the report also defines structural vulnerabilities and resilience. In this decomposition, it is assumed that determination of structural factors is universal and do not change geographically, culturally, and based on development status/levels of nations.
- In paragraph 25-27, vulnerability and structural vulnerability are defined as an exogenous shock; however, most of the MENA region countries suffer from endogenous shocks as well, and they result in structural changes and poor response from the government (impacting resilience). One example could be militant groups and corruption.
- In paragraph 36, economic vulnerability is only defined as external economic shocks. However, expectations and inflation, behavioral aspects, union strikes, quality of workforce and many other endogenous factors can also be considered. Because these factors can also bring long-term economic vulnerability.

- Among the components of structural vulnerability and of structural resilience, RCs/RCOs suggest adding that related to governance as a key component of sustainable development.
- Among the shocks, RCs/RCOs suggest adding technological ones. Countries with specific structural weaknesses are usually highly exposed to the downside of technological transformations with the related impacts of increasing technological divides across countries and regions.
- RCs/RCOs suggest considering the dual character of openness to international trade (point 47), i.e. the fact that countries that are open to trade are strongly affected by global trade and financial volatility and economic downturns, but at the same time, they profit from financial stability and economic upturns.
- There is an issue of – geographic and time – scales that should be kept in mind in the development of the MVI. For example, climate change and a flood are likely to have impact at different geographic scales, and again resilience (and the capacity of adaptation) can vary a lot in relation to time (Point 51: a country with large potential in terms of land and natural resources might not have the capacity to develop this potential in a reasonable time period).
- Social Vulnerability is still not clearly defined by the document. In paragraph 52, instead of dependency ratio it is better to have economic dependency here. Literacy rates are very broad, and should be age specific. Overall, social vulnerability needs to follow a more scientific approach and thorough consultation process.
- The idea of a systematic consideration of vulnerability (and resilience) in all the issues concerning sustainable development is absolutely key in today's world. Amongst other things RCs/RCOs consider (Point 58) these concepts can foster the concretization of the HDP nexus.
- With regards to social vulnerability, Brazil has a social vulnerability index (<http://ivs.ipea.gov.br/index.php/pt/sobre>) which yielded a social vulnerability atlas in Brazil's metropolitan areas ([http://ivs.ipea.gov.br/images/publicacoes/ivs/publicacao\\_atlas\\_ivs\\_rm.pdf](http://ivs.ipea.gov.br/images/publicacoes/ivs/publicacao_atlas_ivs_rm.pdf)). It is composed of three dimensions: urban infrastructure, human capital and income & labor, and RC System believes it could be very useful for enriching the definition of the MVI index (in its social dimension).
- Gender has been explicitly considered in the context of resilience; it could be explicitly mentioned in the context of vulnerability.
- With regards to economic vulnerability, it is defined as “the risk of a country being harmed by external economic shocks resulting from its exposure to such shocks” which in the views of RCs/RCOs appropriately reflects shocks. However, under a perspective of facilitating the attraction of development finance, arguably it fails to reflect the fact that some countries (e.g. SIDS, LLDCs, etc.) will never be able to attract as much foreign direct investment as others who may have bigger markets, etc. even in relative terms and even if there were no shocks. For instance, some SIDS may never attract similar relative levels of FDI as other countries even if they are not hit by environmental or economic shocks. To address this, traditionally some countries used to take measures such as lowering tax rates extremely (e.g. become a tax haven), but that is controversial and no longer encouraged. Yet, if nothing is done to help those countries, from an international public policy perspective it could be argued that it is not a level playing field. RCs/RCOs suggest the panel to think of some measure that can complement the shocks part and compensate inherent structural economic unevenness (regardless of shocks), that would then link with the resilience part.

- The definitions of structural vulnerability and resilience need to be refined. Particularly, to distinguish between inherent characteristics and those that can be influenced by policy actions. It also needs to reflect structural factors which cannot be changed quickly (evolve slowly over time) and what timeframe is used for this determination by specific indicators.
- Scopes could be explored to cover potential risks of (especially economic) vulnerabilities due to graduation from LDC status.
- It is important to consider Economic and social vulnerabilities due to the digital divide
- Addressing vulnerabilities and supporting resilience are key to reduce shocks. Prevention should therefore be highly recommended to countries and all development partners in the countries.
- There has been some concern re the inclusion of resilience being beyond the mandate of the Panel. The inclusion should be explicitly addressed.
- The report cites the need to develop national vulnerability-resilience profiles as an operational part of the MVI Framework. It also shares that to date; the development of country vulnerability-resilience profiles has been done on an ad-hoc basis. However, it does not make reference to any specific cases in SIDS where a vulnerability-resilience profile was developed. While it is understood that the Panel continues to define the indicators of the parameters under the MVI, it would be useful to include some short case studies or references to vulnerability-resilience profiles that have been developed, including the contents that are usually included in those profiles to broaden an understanding of such profiles.
- For the purposes of independence in the analysis and matters of comparability between countries, it's suggested however that the UN system also envisage to develop national profiles or at least regional and regional profiles to mainstream vulnerability and resilience in a more systematic manner into UN programmes at global, regional and national levels.
- RCs/RCOs highlighted the idea to have systematic and in-depth vulnerability country profiles that complement the assessment of the MVI as this will strengthen the capacity of a country and its partners to mainstream vulnerability and resilience into planning and action.
- RCs/RCOs also recommend changing the title of these documents from "Vulnerability Resilience Country Profile" to "Resilience building plan/strategy", as this is only one of the two main "deliverables" under the MVI (the other being the global assessment that will issue the Index).
- Internal consistency within country profiles needs to be checked based on three dimensions, namely economic, environmental, and social aspects. This consistency check should also be done between global dashboard and country profiles. In this consistency check, grouping similar countries should also be used as a control variable.

**With regards to the methodological approach and selection of MVI indicators:**

- RCs/RCOs acknowledge the challenging task of the High-Level Panel to find the best possible compromise between the need to have an MVI capturing the extremely complex nature of vulnerability and resilience and the necessity to keep it sufficiently simple to avoid major data challenges that several countries would not be able to overcome in the short term.
- The proposed MVI framework provides a sketch of three dimensions, namely economic, social and environmental, to be included in the 'vulnerability' and 'resilience' components. But it does not have specific indicators yet. Thus, there is a need for an explanation of what indicators are included and why they are included.

- There is a need for an elaboration of how the MVI index is constructed (e.g., how each component is defined, measured, weighted and how these indicators are combined or aggregated to produce a single MVI index value). Furthermore, to determine whether a country is vulnerable, it is essential to define the cut-off value or threshold value of the MVI index (e.g., if a country is below the threshold value, it is vulnerable). As such, a justification/elaboration on the threshold is required.
- It is essential to provide a systematic review of various methods or approaches used in developing an MVI. This shall be documented and presented as an annex to the report.
- The report has introduced alongside the measure of vulnerability the measure of resilience; however, only one set of indicators is introduced, namely under the social resilience component. All the others go in one direction: challenges not linked to policy making or governance, and that however addressed by SIDS, remain challenges that justify, among other, better access to finance. Under this social resilience component though, we suddenly measure education outcomes, gender equality, health services. These indicators seem to be on the other side of the spectrum as they are not something that a government addresses through its policies, but rather the results of these policies. RCs/RCOs consider it would make more sense, if for instance the MVI would measure the limited share of the budget that CAN be allocated to education, health, social protection system because of the higher-than-average overhead costs of administration and social systems for SIDS. Another example could be the cost of infrastructure and equipment, as SIDS need to multiply the infrastructures by the number of islands in their archipelagos, because public transport cannot lead students to classes, or ill to health centers across islands.
- Another critical point is that national profiles should be determined consistently with country's needs. For instance, if access to finance is one of topics that countries are asking for, then there needs to be defined several indicators that would examine this topic, but these indicators need to be selected in a coherent way. As mentioned above, selection of these indicators can be done with respect to country groups rather than country by country.
- As highlighted in the report, there are many reasons to construct such an index, however, this index and its subcomponents should be statistically consistent, robust, and predictable. On the other side, it should be emphasized that country profiles would require disaggregated data/information on various thematic topics and these topics may differ among countries. Therefore, the assumption on universality of indicators at country level needs to be flexible depending on countries initial endowments (capacities) and characteristics of structural vulnerability dimensions. In that context, "clustering approach" can be used for countries which have similar initial endowments and structural vulnerabilities. This approach would make possible to group similar countries and make easier to make comparative analysis and to interlink them with global dashboard. This suggestion is very similar to the "convergence clubs" idea which is led by Dan Ben-David.
- A number of statistical challenges remain. It could be useful to have a statistical appendix on critical issues for the sake of transparency.
- Even though the classification is done theoretically consistently, the most critical point would be how this methodology would be empirically valid when required data is available. According to the proposed methodology, global dashboard would be established based on macro indicators. However, national profiles would require more detailed, disaggregated country-specific data and these data should be consistent with international norms and standards to be compatible,

comprehensive, and robust policy analysis. This is one of challenge that needs to be clearly addressed in the next phases as a kind of roadmap. Otherwise, most challenging issue would be interlinking global dashboard with country specific profiles in an analytical framework.

- As another point, in the methodological classification, there is a risk of multicollinearity which would create statistical problems when aggregate and/or composite index is calculated. More specifically, economic, environmental, and social dimensions for both vulnerability and resilience would have interconnections which is inherently coming from sustainable development concept. In that context, statistical tests/procedures should be implemented to minimize this multicollinearity. As alternative, thematic indices can also be used rather than aggregating all indices in one compose and/or aggregated index.
- RCs/RCOs suggest the Panel to ensure consultations with various stakeholder groups are held in a timely manner to finalize and have country ownership on key elements of the MVI, especially on the indicators to ensure a general consensus on the inputs before the MVI is constructed.