

Annex I

Written submission of the Like-Minded Group of Countries in support of Middle-income countries (LMG-MICs) to the "Interim Report of the High-Level Expert Panel on the Development of a Multidimensional Vulnerability Index (MVI)

August 31st, 2022

This written submission has been prepared by the LMG-MICs in response to the Interim Report produced by the High-Level Panel on the Development of an MVI. The submission is divided in four sections: i) general comments of the LMG-MICs on the process followed by the High-Level Expert Panel to produce their interim report and towards the preparation of the final report; ii) general comments of the LMG-MICs on the content of the Interim Report; and iii) specific text suggestions of the LMG-MICs on the Interim Report.

- I. General comments of the LMG-MICs on the process followed by the High-Level Expert Panel to produce their interim report and towards the preparation of the final report:
 - The LMG-MICs appreciates the work of the High-Level Expert Panel towards the preparation of an MVI and particularly the consultation with Members States along the process. The Group is convinced that the MVI has the potential to increase the effectiveness in the allocation of international financial flows and complement GDP as criteria for development cooperation. Reaching such ambition requires an inclusive and transparent process that recognizes the concerns of all delegations in the final outcome to enable consensus and the acknowledgement of the MVI by all International Financial Institutions, Multilateral Development Banks and development partners as a useful tool to inform access of developing countries, including Small Islands and Developing States, to concessional finance.
 - Due to the relevance and complexity of the process, including the technical and political implications of the final outcome, it is important that Member States are able to provide their views on updated versions of the report before the final version is prepared. After a thorough review of the interim report with national entities of the Member States of the LMG-MICs, including ministries of finance, development planning offices, national statistics offices and development cooperation agencies, it is clear that more detailed information on the methodology, the proposed indicators, the thresholds (and the criteria to define them), the proposed dashboard, among other technical details, is required to do a proper assessment of the framework proposed by the High-Level Expert Panel. Thus, despite the fact that the circulated Interim Report is conceived as a political document, we invite the High-Level Expert Panel to share more technical

documents to ensure an in-depth understanding by national entities and to adequately inform the process of establishment of national positions.

- The Group acknowledges and commends the efforts of the High-Level Expert Panel to engage with relevant stakeholders to produce a robust and applicable MVI, including International Financial Institutions and Multilateral Development Banks. The rationale shared by these stakeholders is of paramount importance because it represents a realistic approach on how the criteria to allow access to concessional finance for development cooperation is currently applied and how it could be accommodated if the MVI was introduced. This information is therefore critical for Member States to properly prepare for intergovernmental discussions on the index. We therefore kindly invite the High-Level Expert Panel to share with Member States the views and contributions that have been expressed by these relevant stakeholders, as well as those to come.
- The Group further underscores the relevance of the experience of entities and agencies within and outside the United Nations that can substantially contribute to the process, considering their expertise designing and applying measures that go beyond GDP, as well as identifying and closing data collection gaps for indexes to work at the global and national levels. In this regard, the LMG-MICs kindly suggests:
 - a. To engage with all Regional Commissions along the process, capitalizing on their expertise in tackling multidimensional vulnerabilities and designing relevant indexes, which is highly needed to cover this issue from the perspective of all regions. For instance, the LMG-MICs has formally requested the views of ECLAC on the Interim Report, considering that Latin American and the Caribbean is a developing countries' region, including low and middle-income countries, as well as small islands and developing states. Without endorsing all the messages provided by the Commission, the LMG-MICs considers there is merit in taking them into account in the discussion.
 - b. To further consult with the United Nations Development System, particularly the United Nations Development Program, to consider the developments associated with the multidimensional poverty index in the elaboration of the MVI to ensure a universal application that is relevant for all developing countries. With the same purpose, the Group suggests to further consult with technical institutions, such as the Multidimensional Poverty Peer Network of the Oxford Poverty & Human Development Initiative.
 - c. To enhance articulation with the United Nations Statistical Division to incorporate the statistical standards and framework for the elaboration and compilation of the MVI. This will be critical for the selection of individual indicators, and it is in line with A/76/211, which establishes that "data that is of the highest quality must be available for the

selected indicators and it must be widely available with long time series for all developing countries”.

II. General comments of the LMG-MICs on the content of the Interim Report:

- The LMG-MICs appreciate the preparation of the Interim Report. We believe it provides relevant ideas to keep discussing and developing the MVI. In this section, the Group provides substantive comments on issues of crosscutting relevance to the overall design, functionality and application of the MVI.

On universal application:

- For the LMG-MICs, the universal application of the MVI is essential for its success. Although the Group recognizes that the Interim Report clearly states that the MVI should be universal, we consider this universality cannot be limited to ensure credibility and comparability. The universal application of the MVI is also essential to allow a more effective allocation of financial resources among all developing countries, going beyond the availability of data in all countries to measure the index. Universality should further imply that access to required concessional finance is available for all developing countries, if the defined criteria is met by any of them, despite categorizations. We therefore argue that universality should also be understood from the effectiveness in the allocation of international financial flows and usefulness to access concessional finance perspectives.
- It is critical to indicate that the LMG-MICs recognize and sympathize with the complex and particular challenges faced by Small Islands and Developing States to reach sustainable development, and even more, to face existential threats linked to the implications of climate change. The Group is convinced that a genuine universal application of the MVI will be in benefit of all developing countries, including Small Islands and Developing States. An effective MVI must be able to reflect all developing countries structural economic, environmental and social vulnerabilities, in which case, the needs of SIDS to access concessional finance to address natural disasters, debt sustainability, among other challenges, should become evident. This is not exclusive with the identification of the particular structural vulnerabilities faced by other developing countries, e.g. middle-income countries, to face similar challenges or others related to the fulfillment of the SDGs or to sustain hard-won development gains. An effective MVI should be able to communicate where the international support is needed the most, without the need of country categorizations, and at what proportion to complement national efforts, considering national needs and circumstances.

Going beyond external shocks:

- For the MVI to serve as an effective complement of GNI, it will be important to enhance the narrative in the report of its relevance to support developing countries to reach sustainable development, and not to focus only on the need to handle external shocks. Developing countries, despite their categorization, require

effective, timely and predictable international cooperation. The MVI cannot be applied solely under the occurrence of external shocks because the need to complement national efforts to overcome structural vulnerabilities related to the SDGs and to sustain development gains persists in their absence. Therefore, the MVI must be used constantly by the relevant stakeholders to inform access to concessional finance. The structural vulnerabilities and the structural resilience indicators and performances should be periodically reviewed and updated. Otherwise, the index will not be at the same level of relevance of the GDP criteria.

- The LMG-MICs considers that the MVI should be conceived as a tool able to revamp development cooperation dynamics and to provide better and sustainable support, not to be limited to the mobilization of resources required to face the consequences of unexpected events, which would be a palliative approach in the context of the achievement of sustainable development.

On “structural vulnerabilities” and “structural resilience”:

- The definitions of “structural vulnerabilities” and “structural resilience”, which will substantially define the methodology of the MVI, require further reflection to ensure that these genuinely allow all developing countries to reflect their structural vulnerabilities and access concessional finance if the criteria are met. As proposed, the LMG-MICs has concerns regarding the implications of excluding endogenous factors from the identification process of structural vulnerabilities.
- As it has been widely argued by the Group in different multilateral discussions and processes, based on different reports by the Secretary General, middle-income countries still face major development challenges in relation to poverty eradication, social and economic inequalities, external debt, environmental vulnerabilities decent and formal job creation, diversification of the economy, access to international markets, access to financial and banking systems, health systems, reducing hunger, forced displacement, the empowerment of women, addressing climate change and disaster risk reduction, reversing the loss of biodiversity and preventing desertification, land degradation and drought, fostering sustainable infrastructure, promoting science, technology and innovation, as well as sharing technologies and experiences, among others.
- Many of these challenges are linked to structural gaps of endogenous nature that require international support to complement national efforts. It is the sense of the Group that, by limiting the “structural vulnerabilities” term to exclusively exogenous factors, these issues, which are critical to achieve the SDGs or to sustain development gains, would remain unattended and therefore the MVI would not accurately reflect the multidimensional vulnerabilities of a wide portion of developing countries. It would not be, as consequence, genuinely universal.
- The Group would therefore appreciate the inclusion of endogenous factors to define structural vulnerabilities in a way that allow the MVI to remain operational. We would also appreciate the views of the High-Level Expert Panel on how to address this concern.

- In addition, it should be considered that, in small economies, short-term fluctuations can have a lasting effect on development. For example, fluctuations in the terms of trade or the flow of capitals.
- On structural economic vulnerability, dimensions related to the pillars of economic development: infrastructure, human capital, institutions and macro-fiscal order should be considered.
- Regarding the term “structural resilience”, in the same vein, the Group would like to raise its concern by the approach of the High-Level Expert Panel to deal with the endogenous factors. Although the performance in the implementation of public policies is important to define resilience, good performance of public policies does not necessarily suggest that there is no need of international support to respond to a given challenge. There are also socio-economic challenges of endogenous nature of long-lasting occurrence, linked to cultural, political and/or historical national circumstances, that remain unsolved despite the implementation of public policies. Those might be considered an structural vulnerability from the national perspective of a given country, and might be left out of the current proposed framework. The Group would welcome the views of the High-Level Expert Panel on how to address such circumstances.
- On structural economic resilience, in particular fiscal stability, it should be considered that improved debt sustainability may cause undesired potential long-term incentives that may contribute to further indebtedness.

On Indicators:

- The interim report suggests that selected indicators should not be heavily correlated with GNI. The Group would like to flag that there are correlated indicators to the GNI that can provide very relevant information on multidimensional vulnerabilities, particularly in the economic and social dimensions, such as those related to poverty and inequality. Those are particularly important for middle-income countries.
- Indicators should be the result of an evidence-based exercise. However, the current proposal does not present what will be components of each indicator and the source for each one of them. The proposal seems to present a risk of creating a burden for developing countries to produce new indicators that seem to compete with Sustainable Development Goals measurement. As such, it is required to indicate the sources of information for each indicator that will be proposed, and to classify each country in tiers regarding the availability of data (similar as for SDGs). It is important to highlight the importance of the relation between data availability and reporting burden, which might be difficult for some developing countries.
- It is important that the proposal to be developed includes a section regarding the “statistical foundations” under which existing frameworks and initiatives to measure vulnerabilities are listed and taken into account to address emerging

challenges, such as data availability, and the coverage of the indicator. Some possible criteria for the selection of indicators could include:

- a. Relevance from the perspective of capturing the four priorities of the recovery.
 - b. International comparability and accuracy of data, drawing from existing datasets.
 - c. Timeliness and frequency of information as well as the ability to capture dynamics through growth rates as compared to levels; particularly relevant to the indicators that monitor short-term movements.
 - d. Interpretability, ease of visualization and communication for multiple users
 - e. Measurability, whereby data availability is not a necessary condition for inclusion in the dashboard.
 - f. Consistency and complementarity with existing measurement frameworks of vulnerability.
- Moreover, it is important to be clear on the number of indicators that are going to be included under each dimension, as well as to prioritize/identify indicators that showcase the linkage among dimensions.
 - The Group would therefore invite the panel to present the list of considered indicators with the relevant technical information for further review before presenting the final outcome.

On the two levels framework:

- As stated before, a proper assessment of the proposed framework requires further information on how the threshold to define the structural vulnerability and structural resilience is going to be established. The numeric correlation between risk, vulnerability, threat, exposition, and any other relevant variant should be analyzed and discussed to conclude if the two levels approach is appropriate in terms of allocating more effectively international financial flows, rather than creating competition among developing countries to access concessional finance.
- The Group considers interesting the proposal to develop dashboards at the national level to inform the granularity of the development cooperation needed to address structural vulnerabilities. We look forward to hearing more details on this proposal for further discussion since international cooperation should effectively address recipient countries priorities and main needs. As preliminary comments, such a proposal should consider: i) the need to balance the creation of reporting burdens vs. the available data and the needs of capacity development; ii) the need to ensure that the content of the dashboard is led and validated by the developing country involved; iii) the need to use official statistics.

On statistics:

- So far, there is not any clear distinction among data, statistics, and “official statistics”. It is important to recall resolution A/RES/68/261 (2014) which refers to the fundamental principles of official statistics, and to take into account both its preambulatory clauses, the principles and strive to draw indicators from the best

quality possible-official statistics. Engagement with the United Nations Statistical Division is therefore suggested, as explained before.

- Recognizing that the availability of information is fundamental for implementing the MVI, the final document should identify mechanisms that allow countries to evaluate and potentially overcome information gaps for the preparation of the MVI.

III. Specific text suggestions of the LMG-MICs on the Interim Report:

- In this section, the Groups provide some text suggestions of preliminary nature to the Interim Report, these are not exhaustive and do not address all the issues raised in section ii), which we trust the High-Level Expert Panel to address in an adequate manner.

On the call for a more systematic consideration of vulnerabilities:

- The Group kindly requests the inclusion of middle-income countries in para 3. We further highlight the relevance of the rationale in both paras 5 and 6. However, on para 6, as stated in section ii) of this submission, the MVI should not be limited to external shocks.

On the possible use of the MVI:

- The LMG-MICs considers that the following purposes should be included in the use of the MVI:
 - a. To complement GDP and drive the action of MDBs, IFIs and development partners in the provision of concessional financing, technical cooperation and credits.
 - b. To enhance country ownership in the allocation of international financial flows and to allow them to sustain development gains in critical issues under their national circumstances.