

## **MVI TALKING POINTS TO SERVE AS INPUTS INTO STATEMENTS FROM SIDS MEMBER STATES [UNGA HIGH LEVEL WEEK 2022]**

### **WHAT IS AN MVI AND WHY IS IT NEEDED?**

- **Small Island Developing States are the frontline of multiple world crises** – including climate change and debt. Everything is more expensive for SIDS because they are remote and have less economies of scale.
- **A Multidimensional Vulnerability Index is a vital tool to help them gain access to the concessional financing that they need** to survive the climate catastrophe, to improve their long-term national planning, service their debts, and sign up to insurance and compensation schemes that may be their last hope when the waters rise.
- The crises they face are becoming more intense and interconnected. **Climate-related disasters have almost doubled over the last 20 years** and they affect SIDS like no other countries.
- **SIDS rely on external financing to help prepare and recover from these crises.** The Climate Crisis is more expensive for SIDS. Debt is more expensive for SIDS. Infrastructure is more expensive. So finance doesn't stretch as far.
- **But SIDS' relative income makes them ineligible for the cheaper finance set aside for lowest income countries.** And how that external financing is apportioned by International Financial Institutions like the World Bank does not take into account their vulnerability to these very crises. They are caught in a Catch-22.
- **Traditional measures of development insufficiently capture their vulnerabilities.** For example, GNI per capita measures the income of a country but that does not tell us how much it costs to handle major threats like catastrophic sudden weather events or the cost of servicing old debts.
- And since Gross National Income (GNI) is the primary measurement for the allocation of concessional financing for developing countries, **it is the wrong tool for the job.**
- **Moving beyond GNI demands we build better ways to measure a country's vulnerability to shocks** – and that the entire international community gets on board with this new measurement so that SIDS can consistently and uniformly define their needs.

### **IN THESE VOLATILE TIMES WE NEED AN EMPIRICAL APPROACH TO VULNERABILITY**

- **SIDS have the smallest carbon footprint but find themselves in the biggest trouble when it comes to the climate crisis.** SIDS are responsible for only 0.2% of the global carbon emission and yet suffer most from the impact of climate change. The constant cycle of disaster and recovery leaves SIDS weakened and unable to build resilience.
- SIDS have been leading calls for the formulation of a form of measurement that truly recognises their vulnerability for three decades. A measurement with global buy-in to give us more data, and a better understanding of the climate puzzle we are all scrambling to solve.
- In an increasingly volatile and unpredictable world, what future do these islands have without measures that do not fully recognise and respond to competing and growing vulnerabilities? **Without an MVI that shows in a data-driven manner how some**

**countries are more vulnerable than others, SIDS' ability to withstand pandemics, economic shocks, disasters, and climate change will be lost.**

#### **ARE WE SAYING GOODBYE TO GNI?**

- **No – we need an index that is complementary to existing measures. But one that adds the necessary complexity that GNI alone cannot.**
- **We must urgently find measures of progress that complement GNI** – not replace it – but ones which account for human well-being, planetary sustainability and the unequal ways in which different communities are able to handle massive shocks like climate change and pandemics.
- For example, Hurricane Dorian hit the Bahamas in 2019 causing damage and losses of US\$3.4 billion, equivalent to a quarter of the country's GDP. However, the **Bahamas was not eligible to access enough concessional resources because of the GNI per capita criterion used by the Multilateral Development Banks.** This has to change.
- Despite their sometimes relatively healthy income levels, **confronted with perpetual shocks, SIDS can lose everything overnight.**
- **SIDS economies shrank by an average of more than 10% in 2020 due to the huge shock of the COVID-19 pandemic.** But other more dramatic losses have been recorded: Haiti lost 120% of its GDP after the 2010 earthquake. And when Hurricane Maria hit Dominica in 2017, it caused damage and losses worth 224% of GDP.
- As the SG notes, **it is absurd that our measure of a country's wealth rises when there is overfishing, cutting of forests or burning of fossil fuels. When we destroy nature count it as an increase in wealth.**
- The MVI is one solution to this problem – one that small island communities have been demanding for decades and for which they cannot wait any longer.

#### **ADDITIONAL CONTEXT TO ASSIST IN BILATERAL ENGAGEMENTS**

##### **MVI... WHAT ARE THE UNDERPINNING PRINCIPLES**

- For the MVI to work it must be truly **multidimensional**, addressing the environmental, economic and social dimensions of vulnerability
- Equally crucial, to ensure fairness, the MVI must assess the vulnerability of States to **exogenous** shocks i.e. events outside of our control/ making. We recognise that meeting this requirement is relatively straightforward for economic and environmental indicators, however for social indicators, care must be taken to ensure they are genuinely structural, and not unduly influenced by government policy (or lack thereof).
- Finally, for SIDS, the MVI must be **universal**; it is only through comparison with the rest of the world, the special circumstances of SIDS can be explicitly proven, justifying the adoption and practical utilisation of the MVI by the MDBs and IFIs in the real world.
- To satisfy universality, SIDS are advocating for only the inclusion of data indicators that are widely **available, reliable and readable**. We recognise that for the MVI to sit comfortably alongside GNI as a determinant of concessional financing and debt relief, the model must be similarly **simple and easy to understand**.
- Building resilience to vulnerability should be the ultimate purpose of any resource intervention that the MVI enables.

- However States should be strictly assessed on their actual state of vulnerability; it is unfair to penalise States on their perceived capacity for resilience due to governance structures in place relative to less stable countries.
- Ideally, a resilience mechanism should exist separately to help measure progress and the effectiveness of interventions over time. This will mitigate against perpetual dependency on fiscal support.

### **MVI... HOW SHOULD IT BE USED/ IMPLEMENTED?**

- The MVI cannot be just another academic exercise. It is only as useful as its actual implementation by the IFIs and MDBs. This index impacts real lives.
- **We see the MVI as a vital, potentially life-saving tool to help us gain access to the concessional financing that we need to survive the climate catastrophe, to improve our long-term national planning, service debts by providing debt sustainability, and spur the development of insurance and compensation schemes that may be our last hope when the waters rise.**
- The MVI should not publish individualised country rankings, rather countries should be categorised across bands of vulnerability. Depending on the band you fall into, will determine the interventions and assistance available to you.
- The MVI can also play a key role in mainstreaming and the scaling up of innovative financial instruments such as debt-climate swaps and blue bonds, which for SIDS are crucial to unlocking the full potential of the Blue Economy and building resilience.
- Finally the MVI can be used to justify improved, simplified access for the most vulnerable countries to existing funds designed to boost resilience across both environmental and socio-economic metrics (e.g. Adaptation Fund, GCF, GEF SDG Fund and funds created by the World Bank and IMF in an effort to respond to the pandemic such as the Special Drawing Rights).

### **OTHER SUPPORTING STATISTICS**

- SIDS make up two thirds of the countries that suffer the highest relative losses – between 1% and 9% of their Gross Domestic Product (GDP) each year, from climate and geological disasters.
- For example, Hurricane Maria in 2017 caused total damages estimated at 226% of Dominica's GDP; The Post-Disaster Needs Assessment (PDNA) conducted for Vanuatu (2020) following Cyclone Harold and COVID-19 shows that the overall physical damage and economic losses caused by both shocks correspond approximately to 61% of the country's GDP in 2020, with estimated total recovery and reconstructions costs amounting to 36% of the country's 2020 GDP.
- The 2019 Global Assessment Report on Disaster Risk Reduction points out that while Jamaica's economy has grown up to 0.8% annually over the past four decades, it would have grown by about 4% without the economic losses and damage caused by tropical cyclones.
- Other PDNA data from the World Bank also reveal gaps in available resources relative to needs. For example, the PDNAs for Fiji (2016) and Vanuatu (2020) show recovery needs amounting to \$1.9 billion and \$358 million, respectively. However, of the resources needed for recovery and reconstruction, only 8% for Fiji (2016), and 27.7 % for Vanuatu respectively have been mobilized.

- The case of Cabo Verde is also a clear example of the constant and complex challenges faced by SIDS dealing with multiple and interlinked crises at the same time. Between June and August 2022, the country, which depends heavily on tourism (60% of GDP) faced record-breaking levels of food insecurity impacting almost 10% of the population, as a result of years of drought, Covid-19 and global instability.
- Experts believe that global warming could drive a fivefold increase in strong hurricanes, suggesting that hits from Category 4 and 5 storms will become an annual near-certainty.
- Barbados, which in 2017 had the third-highest debt per capita of any country in the world, was spending 55 percent of its gross domestic product each year just to pay back debts, much of it to foreign banks and investors, while spending less than 5 percent on environmental programs and health care.
- According to the United Nations Conference on Trade and Development, external debt for SIDS, more than doubled between 2008 and 2021.
- The warming planet has turned this into a self-perpetuating cycle: Were it not for the disasters worsened by climate change, much of the region's debt might not exist in the first place. Jamaica's debt, for example, can be tied to the response to Hurricane Gilbert more than three decades ago. Grenada's is in part because of Hurricane Ivan in 2004. Dominica's 2017 loss, relative to its GDP, was the equivalent of a \$44 trillion hit to the U.S. economy.
- Since 1980, the cumulative cost of disasters has amounted to more than half of a year's worth of total economic product for 14 Caribbean nations. The costs have eclipsed average annual GDP growth in five of them.

## POTENTIAL MEDIA QUESTIONS

1. *Concessional and Grant Financing is a limited resource dependent on ODA contributions outside the control of the IFIs and MDBs. Are you saying that resources should be taken away from the poorest countries and reallocated to those identified by the MVI as the most vulnerable, which will invariably include middle income and possibly upper middle income countries? Is this justifiable?*

The MVI exposes a gap, no more no less. There are vulnerable countries out there with no safety net, literally drowning in debt, largely due to a confluence of global events beyond their control and catastrophes they bear the least responsibility for.

We have no control over how the global community will ultimately choose to address this gap in a fair, equitable manner, but we will no longer stand behind a system that wilfully obfuscates this reality. The MVI is the first necessary step in acknowledging and validating the problem and we will not be drawn into a futile game of who is the more 'deserving victim'.

What we can say however is that if it's one thing the pandemic has shown and other current global crises, is that our developed countries partners are able to generate huge amounts of money, both publicly and privately, in a remarkably short time period once the political will is there.

Trillions and trillions of dollars have been mobilised, some of which have even gone on to subsidise and protect harmful industries that contribute to fuelling the climate crisis. Now this is their prerogative, sovereign decisions made in an effort to protect their citizenry from bearing the full brunt of the socio-economic fallout of Covid-19 and other crises, and should not be judged.

But it shows that there is money available to increase ODA contributions even nominally, or at the very least meet existing unmet climate financing commitments which are a source of additional financing that should be better prioritised for the most vulnerable countries.

To be clear, developed partners combined are yet to meet their ODA commitment of 0.7% of their GNI, if this target is met yearly, this could very well address the deficiencies in global financing.

A final point is that concessional finance is not 'free money'. This is money that will ultimately be paid back in full, but provides vital breathing room States to manoeuvre in times of humanitarian crises and would lessen the amount of money needed in times of natural disasters for SIDS.

2. *[Insert IFI here] already has [insert initiative here] in place to assist vulnerable countries/ SIDS. The problem is being addressed and is accounted for. Why do we need the MVI?*

Many of the mechanisms that the IFIs have enacted in response to the pandemic have short-term time horizons, are ad-hoc in nature, and feature arbitrary rules that in one way or another exclude deserving vulnerable SIDS. Added to this, they are also often not well publicised. A universal MVI adopted by the UN General Assembly, complete with guidelines on how it is to be utilised changes all that by providing a principal reference point for the harmonisation of action in this space by all the IFIs in a standardised way that is inclusive, simplified and equitable.