FONDATION POUR LES ÉTUDES ET RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL

CHAIR
International Architecture
of Development Finance

Designing a List of "Priority" Countries for Bilateral Aid

Methodological Note with Reference to French Aid

Sosso Feindouno, Patrick Guillaumont

Sosso Feindouno, Researcher at FERDI

Patrick Guillaumont, President of FERDI

LA FERDI EST UNE FONDATION RECONNUE D'UTILITÉ PUBLIQUE.
CETTE PUBLICATION A BÉNÉFICIÉ D'UNE AIDE DE L'ÉTAT FRANCAIS AU TITRE
DU PLAN D'INVESTISSEMENT FRANCE 2030 PORTANT LA RÉFÉRENCE ANR-16-IDEX-0001.

The aim of this note is to provide an analytical framework for a bilateral donor, in this case France, wishing to draw up a list of priority countries for its aid in a rational way, based on transparent political choices. Drawing up a list of priority countries for French aid, intended to complement in a coherent way the 44 least developed countries (LDCs) which have already been officially selected, is based on choices that are both technical and political. The principle is to add a certain number of vulnerable countries, with the aim of eventually obtaining a round number such as 16 or 26, among the small and medium-sized countries that are particularly vulnerable. It is proposed that the simulations be carried out using the structural vulnerability index (FSVI) developed by FERDI's Observatory of Vulnerability and Resilience.

policy brief
279
March
2025
note brève

.../... This index, which is based on the same principles as the United Nations' Multidimensional Vulnerability Index (MVI), while correcting certain methodological shortcomings, has been supplemented and adjusted according to two major criteria: low per capita income, to give priority to the poorest countries, and small demographic size, to give priority to small countries, many of which are Small Island Developing States (SIDS). A more donor- specific adjustment margin was also considered. In the case of France, the possibility of giving a certain preference to French-speaking countries was thus examined.

Two main options emerge from the many simulations carried out, each based on a distinct logic, with the choice between them remaining fundamentally political. The first option, which corresponds to simulations that differ only in the maximum per capita income threshold used for this variable (either that of the Development Assistance Committee (DAC) or 1.5 times its value), sets a population ceiling of 100 million, in line with the criterion used to identify LDCs. The second option limits eligibility to countries with a population of less than 10 million. The first option leads to a list that is more consistent with the group of LDCs.

The Context of the Study

The starting point for this study the desire of one country, in this case France, to draw up a list of priority countries for the allocation of its official development assistance, which would explicitly take into account the vulnerability of recipient countries and replace a previous system.

At its meeting on 18 July 2023, the French government's Interministerial Committee for Cooperation and Development (CICID) adopted the following resolution, made public in August 2023:

"A target for the concentration of the State's financial effort has been introduced to enable a gradual increase in French ODA devoted to the LDCs over the period 2024-2027:

- *As far as bilateral aid is concerned, the government will ensure that at least 50% of the State's financial effort goes to the LDCs from 2024, on the basis of a forecast of appropriate use of the various instruments (loans, grants, etc.). As regards multilateral aid, France will also defend in the relevant fora a financial effort benefiting the LDCs of at least 50%.*
- *In line with international discussions and work, the government will update the indicator for the concentration of the State's financial effort if the definition of vulnerable and fiscally fragile countries is revised from 2025. This definition could already include certain member countries of the SIDS (Small Island Developing States) group".*[1]

In short, the CICID called for a list of countries for which at least 50% of official concessional financing for development would be reserved. The principle adopted for this list was that it should include all LDCs and a complementary list of other particularly vulnerable countries, defined in an appropriate manner.

This request provided an excellent example of the use that could be made of an internationally recognised vulnerability index such as the MVI by a bilateral donor. This is why FERDI took the initiative of drawing up this methodological note, which was its sole responsibility. Its possible use by the French government and the simulations which were then carried out by FERDI at its request are of a different order and naturally remain confidential since they are intended to inform the government with a view to a political decision. However, the method described has a more general scope, illustrating the possible use of an indicator such as the MVI in the context of bilateral aid.

1. Cf. CICID, 2023. See the full document: https://www.diplomatie.gouv.fr/IMG/pdf/orientations_cle017322.pdf.

On the General Principle of a List of Priority Countries

Drawing up a list of priority countries for concessional financing (in other words, a list of countries eligible for such financing) without clearly defining the criteria on which it is based cannot lead to a political consensus. In the absence of explicit criteria, such a list may even weaken the scope of the priority it is supposed to express by erasing the differences between the countries included or not in it. On the other hand, a list drawn up and ordered according to transparent criteria makes it possible not only to distinguish between countries according to their position with regard to these criteria, but also to choose a threshold for closing the list (eligibility condition) at a level that depends on the number of countries that is wished to include. The use of continuous criteria is preferable to categories, the latter being justified only in relation to the criteria on which they are based (Guillaumont, 2023).[2]

Moreover, consensus between countries is only really necessary in the case of multilateral aid, which justifies the use of a formula to express it. In the case of bilateral aid, while the donor's preferences may be discretionary, they can also be summarised in a transparent formula, possibly aligned with those of international institutions. It is also legitimate for bilateral aid to openly take into account, alongside universal criteria, other specific criteria linked to the history and geography of the donor, for example linguistic or cultural links.

A list of priority countries is the expression of a policy. This policy must be able to be expressed in simple terms, even in a line or a sentence, which can then relatively easily correspond to a formula, giving it a rigorous foundation.

2. See Guillaumont, 2023a.

The Principle Adopted by the French Authorities

Let us start from the principle, apparently shared by the French authorities, that a list of priority countries for French aid includes the 44 LDCs[3], supplemented by a list of other "particularly vulnerable" countries. The reference to the LDC category is in itself a significant recognition of a United Nations governance, or at least a recognition of the validity of this category for development financing (not currently shared by the Bretton Woods institutions). The supplementary list, the number of which is subject to discretionary choice, should make it possible to include countries which, although not on the list of LDCs, have comparable needs for concessional financing. The target of particularly vulnerable countries should logically mark a continuity with the category of LDCs, which have themselves been designed as poor countries facing strong structural handicaps to growth and development, notably because of their vulnerability. It should be remembered, however, that a high level of vulnerability does not prevent a country from "graduating" from this category, if its levels of per capita income and human capital are no longer deemed to be low. Extending the list of priority countries beyond the LDCs thus opens up access to concessional financing to countries that are not or are no longer LDCs, but are still fairly highly vulnerable. It is therefore relevant to check the consistency between the list of LDCs and the supplementary list.

Choosing a Vulnerability Index

A clear choice must be made as to which vulnerability index to use. This should be an index of structural vulnerability, i.e., one that is relatively stable and clearly independent of the current political will of the countries concerned (also

3. Following the recent graduation of Sao Tome and Principe on 13 December 2024, the number of LDCs now stands at 44.

referred to as exogenous vulnerability), in order to avoid any moral hazard. Structural vulnerability differs from general vulnerability, which also includes elements linked to current policy. The indicator chosen must therefore meet three fundamental criteria[4,5]: (i) exogeneity: it should reflect characteristics that are independent of the countries' current political will; (ii) universality: it should be possible to apply it to all developing countries, and not just to a specific category; (iii) multidimensionality: it should cover the three main dimensions of vulnerability: economic, environmental and social (or societal).

Most of the available indices do not meet these conditions, particularly that of exogeneity, because they are not strictly structural, even though some can be interesting indicators of general vulnerability (such as the ND-Gain index).

As far as we know, only three composite indicators (to which FERDI has contributed) meet the three conditions mentioned above: the Economic Vulnerability Index (EVI)[6] used since 2000 by the United Nations Committee for Development Policy to identify LDCs, which has been modified several times, but which is only weakly multidimensional; the Universal Vulnerability Index (UVI) developed by the Commonwealth Secretariat[7] in 2021, and finally the Multidimensional Vulnerability Index (MVI) recently adopted by the United Nations.[8]

In line with the choice made by France to build a list starting from the list of LDCs - the official United Nations list - it is quite logical that the supplementary list should be based on the United Nations MVI[9] or on an index of its choice derived from it. However, a different view could arise if, in drawing up this supplementary list, France wanted to focus on one dimension of vulnerability, namely, as is sometimes suggested, vulnerability to climate change. FERDI has set up an indicator that can be used for this purpose, the PVCCI[10] , proposed as a useful criterion for allocating funds for adaptation to climate change, but not for drawing up a list of structurally vulnerable countries in the different dimensions. Moreover, following a FERDI recommendation, the MVI aggregates its components using a quadratic mean so as to give each country the greatest impact on the dimension(s) of vulnerability where it is strongest, which makes it possible to have a high vulnerability index for countries such as small island states that have a very high vulnerability to climate change, without having a high vulnerability in the other two dimensions.[11]

The calculations were based on a corrected version of the MVI, using preliminary data from the FSVI (FERDI Structural Vulnerability Index) developed by FERDI as part of its Vulnerability and Resilience Observatory. Based on the same fundamental principles as the United Nations MVI, the FSVI makes a number of improvements to the latter. These include better treatment of resilience, a more rigorous aggregation method, combined with a more parsimonious choice of the number of components, and the inclusion of both internal and regional exogenous violence. In addition, it removes some indicators deemed less relevant, such as the proportion of women in parliament, in order to reinforce its structural and exogenous character.

4. See Guillaumont and Wagner, 2022.
5. See United Nations, 2021.
6. See https://www.un.org/development/desa/dpad/least-developed-country-category/evi-indicators-ldc.html.
7. See: https://sdgs.un.org/sites/default/files/2021-09/The %20Commonwealth %20Universal %20Vulnerability %20Index.pdf.
8. To find out more about the MVI and its construction methodology, see: https://www.un.org/ohrlls/sites/www.un.org.ohrlls/files/final_mvi_report.pdf.
9. Before the MVI was officially available, simulations had been carried out using the Commonwealth's UVI, which is based on similar principles.
10. See Feindouno, Guillaumont and Simonet, 2020.
11. See Guillaumont, 2023b.

Drawing up a List of Other Vulnerable Countries

Once the vulnerability index has been chosen, there are two possible solutions for drawing up the list of vulnerable countries in addition to the LDCs. The first is to base the list exclusively on the vulnerability index selected, while the second also takes into account the countries' per capita income. The second solution has been chosen to take better account of countries' structural handicaps and needs.

Indeed, the first solution, in which membership of the LDC category and the vulnerability index are two independent and complementary eligibility criteria for inclusion on the list of priority countries, leads to the inclusion of vulnerable countries regardless of their level of per capita income (or their level of human development), and therefore regardless of the factors other than vulnerability which determine the need for support to these countries. These factors are taken into account, albeit imperfectly, in the identification of LDCs.

This is why it seemed preferable, for the classification of vulnerable non-LDCs, to set out various formulations combining in a single index both the low level of per capita income (or human development) and the structural vulnerability of countries, both of which are themselves included in the criteria for identifying LDCs.

To these two variables has been added a variable representing the small demographic size of the countries, in order to give preference to small countries, small size being itself a source of vulnerability, not necessarily fully taken into account in the available indices.

Finally, as a priority list of countries eligible for French aid, a "cultural" preference may be given to French-speaking countries, the degree of which is itself adjustable. More generally, a donor specific preference may be explicitly recognised, depending on the policy choices of the donor, besides the more universal criteria such as income per capita and structural vulnerability. In this more general framework, the French-speaking preference would be only one of the donor specific preferences, among other possible ones, indeed a quite natural one in the case of French aid.

The index used to classify countries will therefore be a function of the three variables of low per capita income, structural vulnerability and small population, plus a donor specific adjustment parameter. There are several possible formulations: LDC+ other poorest and most vulnerable countries; LDC+ other poorest and most vulnerable countries of small or medium size; LDC+ other poorest and most vulnerable countries of small or medium size, with a "discretionary" preference for a specific group of countries, such as French-speaking countries. In addition to the LDCs, the countries included in these latter formulations are then classified according to an "adjusted vulnerability index" (based on income level, demographic size and possibly a donor- specific preference, e.g for French-speaking countries).

These expressions correspond to formulas containing the following variables and parameters: low per capita income Y (expressed as an index), V the structural vulnerability index, low population P (itself expressed as an index[12]), belonging to the group of "preferred" countries, such as French-speaking countries (introduced in the form of a specific weighting). As the per capita income and vulnerability variables (as well as the small population size variable) should be considered as interactive (multiplicative), with the impact of vulnerability increasing as income decreases, a geometric form should be used.

12. This index is the complement to 100 of the population log index, whose figure has itself been limited to between 1 million and successively 10 and 100 million.

$$\textit{Adjusted Vulnerability Index} = \sqrt[3]{Y * V * P} \quad (1)$$

$$\textit{Adjusted Vulnerability Index, supplemented by a specific preference coefficient (e.g. French-speaking)} = \alpha * \textit{Adjusted Vulnerability Index} + \beta * \textit{specific preference coefficient} \quad \textit{With } \alpha + \beta = 1 \quad (2)$$

This formulation is consistent with and complements the definition of LDCs, as the criteria for identifying LDCs are complementary and not substitutable, contrary to what an arithmetic average would imply.

The result of these formulas is an *adjusted vulnerability index that serves as a "priority status" index*. The ranking of countries according to this index reflects their relative need for concessional financing, but in no way provides an estimate of the absolute value of this need.[13]

It is then possible to select the number of countries for the complementary list of 44 LDCs, depending on the target set.

Indices Other Than Vulnerability Used for Simulations

Per capita income is preferred to the UNDP Human Development Index (HDI)[14] , which includes per capita income and the level of human capital (education and health)[15] . In fact, the vulnerability index used, the FSVI, like the MVI, includes elements corresponding to the level of human capital in its structural component, and more specifically in its part relating to the lack of structural resilience. Per capita income must be expressed in log and the corresponding index established using the max-min method. The maximum initially used corresponds to the threshold established for a country to move out of the group of middle-income countries into the group of high-income countries, a threshold used by the OECD's Development Assistance Committee (DAC) for a developing country no longer to be considered an ODA recipient[16] (set for fiscal year 2024 at $13,845). However, in response to the desire of some high-income but highly vulnerable countries to still be considered eligible for ODA, the per capita income index can also be calculated using a maximum equivalent to one and a half times the previous threshold, i.e., $20,767. The data on per capita income comes from the World Bank and are calculated using the Atlas method. They correspond to a three-year average (2021-2023).

The population figure, i.e., the size of the country, must also be expressed in logs (because of the wide dispersion of the variable) and by taking the complement to 100 of the log population index as a low population index. This index has itself been calculated by successively taking a population of 100 million and a population of 10 million as the maximum. The first threshold is justified by the desire to exclude from the list large countries with a population of more than 100 million, in line with the practice of the CDP[17], which since 1991 has excluded countries with a population of more than 100 million from inclusion in the LDC category (with an exception initially made for Bangladesh). The second threshold, of 10 million, might be justified if, on the contrary, the government's choice was to give absolute priority to small countries below this threshold.[18] The population data suggested to be used correspond to a three-year average (2021-2023) calculated on the basis of statistics from the Population Division of the United Nations Department of Economic and Social Affairs (DESA).

13. A graph can illustrate the consistency of the supplementary list thus established with the list of LDCs by ranking the countries (LDCs as well as non-LDCs) according to their index in descending order..
14. UNDP: United Nations Development Programme.
15. Simulations were also carried out using the Commonwealth Secretariat's UVI, alternating between per capita income and the human development index, and adapting the composition of the UVI index for each country accordingly.
16. ODA: Official Development Assistance.
17. CDP: Committee for Development Policy.
18. Remember that because of the multiplicative nature of the formula, a country that reaches 10 million has a zero value for its smallness index, which in turn leads to a zero value for the adjusted composite vulnerability index.

As for the donor specific preference, such as the French-speaking preference, which the French government may legitimately wish to introduce, it has not been included as a fourth variable in the formula (which uses a geometric mean), but as a coefficient applied to it for all the countries concerned, in an additive manner. Several coefficients can be used, for example 15%, 20% and 25%...[19]

It is then possible to carry out a number of simulations combining the different hypotheses indicated above, giving preference of course to those for which political preferences have been expressed by the State.

To check the consistency between the list of non-LDCs selected in this way and that of the 44 LDCs, it is possible to compare the distribution of the index between the LDCs and the non-LDCs selected, according to one or other formula, and to see the extent to which they significantly differ.

Annex

How does FSVI differ from MVI?

Before discussing the differences between these two indices, it is worth highlighting what they have in common. The MVI and the FSVI are structural vulnerability indices based on the common principles of exogeneity of components, multidimensionality and universality. Both aim to capture the structural vulnerability of countries independently of their current policies. Due to their characteristics, these indices are intended to guide the allocation of resources to the most vulnerable countries. They are based on quantitative data from reliable and recognised sources. Unlike many other indices, the MVI and the FSVI adopt a transparent calculation methodology, facilitating their replication. The overall results of the two indices are similar: the Least Developed Countries (LDCs) and the Small Island Developing States (SIDS) are among the most vulnerable countries. However, differences appear in the country rankings, where the FSVI offers consistent, more robust and less questionable results.

Despite these similarities, the MVI has certain technical and methodological limitations that the FSVI corrects. These adjustments relate to several aspects. First of all, the MVI adopts a symmetry between vulnerability and resilience, which raises a methodological problem: the elements of resilience, whether structural or not, have a cross-cutting character, making it possible to mitigate or absorb various kinds of shocks. The FSVI adopts a more parsimonious approach by using a reduced number of components, facilitated by the removal of the symmetry between vulnerability and resilience.

Furthermore, while the MVI systematically uses the quadratic average, the FSVI combines several types of averages according to their relevance in each case. It uses the quadratic average for the measurement of vulnerability in order to better reflect the dimension in which each country is most vulnerable (as well as its components), the geometric average for resilience components, due to their cross-cutting nature, and the arithmetic average for the overall combination, guaranteeing consistency between the pillars.

As for the environmental dimension of vulnerability, the FSVI incorporates specific risks such as glacial lake outburst floods (GLOF), which are absent from the MVI, in addition to the risks present in the MVI. This inclusion reinforces the universality of the index. As for social and societal vulnerability, while the MVI is limited to regional or neighbourhood violence, the FSVI also takes recurrent internal violence into account, recognising its structural nature[20]. Moreover, with regard to economic vulnerability, unlike the MVI, which only considers the concentration of export products, the FSVI also incorporates market concentration,

19. The Francophonie criterion may includes the (56) full members of the OIF. Or all countries where the share or the population speaking French is above a given threshold.

20. As shown in Feindouno & Wagner, 2020.

thus offering a more comprehensive assessment of economic risks.

Finally, for the sake of parsimony and in order to fully respect the principle of exogeneity of the components, the FSVI excludes the indicator of women's representation in parliament. This indicator, although important in itself, does not directly reflect structural vulnerability and could introduce a risk of moral hazard or perverse incentives in the allocation of resources.

In short, the FSVI[21] corrects some limitations of the MVI by proposing a more robust approach that is better adapted to the structural characteristics of vulnerable countries. It introduces methodological and conceptual improvements that strengthen the consistency of the index and its relevance for the allocation of international resources.

References

- **CICID** (2023) « Orientations de la politique de coopération internationale et de l'aide publique au développement ». Online: https://www.diplomatie.gouv.fr/IMG/pdf/orientations_cleo17322.pdf.
- **Commonwealth Secretariat** (2021) *The Commonwealth Universal Vulnerability Index. For a Global Consensus on the Definition and Measurement of Vulnerability*, 80p.
- **Feindouno S., Guillaumont P., Simonet C.** (2020) "The physical vulnerability to climate change index: An index to be used for international policy", *Ecological Economics*, vol. 176, 106752.
- **Feindouno S., Wagner L.** (2020) *The determinants of internal conflict in the world: How to estimate the risks and better target prevention efforts?*, FERDI, Fondation Prospective et Innovation (FPI), 96 p.
- **Guillaumont P.** (2023a) "Why creating a general category of vulnerable countries is not suitable", FERDI *Policy Brief* B247, April.
- **Guillaumont P.** (2023b) *Towards a Multidimensional Vulnerability Index. Six supporting notes*, FERDI, 38 p.
- **Guillaumont P., Wagner L.** (2022) "Three criteria that a multidimensional vulnerability index should meet to be used effectively", FERDI *Policy Brief* B234, May.
- **United Nations** (2021) *Possible Development and Uses of Multidimensional Vulnerability Indices, Analysis and Recommendations*, prepared by UN-OHRLLS under the direction of Tishka Francis and Sai Navoti, with Patrick Guillaumont and Laurent Wagner as lead authors.
- **United Nations** (2024) *High-level panel on the development of a multidimensional vulnerability indices: final report*, United Nations, 120 p.

21. The FSVI will be presented in detail as part of FERDI's Observatory of Vulnerability and Resilience, which is currently being finalized.

FERDI

Created in 2003 , the **Fondation pour les études et recherches sur le développement international** aims to promote a fuller understanding of international economic development and the factors that influence it.

Contact

www.ferdi.fr

contact@ferdi.fr

+33 (0)4 43 97 64 60

n° ISSN : 2275-5055

Publication director: Patrick Guillaumont

policy brief 279 March 2025 note brève