

12 April 2021

Joint UN OECD Forum on Financing for Development

Remarks by the Rt Hon Patricia Scotland QC, Secretary-General of the Commonwealth

---

- Excellencies
- Representatives from the UN and the OECD
- Specially invited guests

It is a pleasure to be invited here today to speak on the issue of advancing financing for development for least developed and other vulnerable countries at this joint UN and OECD forum.

I am sure that many of you will be aware of the long-term engagement by the Commonwealth Secretariat in advocating for special assistance to vulnerable countries.

Indeed, since the 1960s, highlighting the issue of vulnerability and the need to recognise the special needs of small states has been a key programme of work for the Commonwealth Secretariat.

This is quite natural bearing in mind that over sixty-percent of our Commonwealth members - 32 countries - are small and vulnerable, with eight members also being classified as Least Developed Countries.

Although our emphasis has customarily been on concessional financial assistance to improve financing for development outcomes in small states, we also work very closely with the World Trade Organisation on the supply-side issues affecting least developed countries - in particular, those relating to their ability to overcome structural barriers which impede expansion of their trade.

We have recently seen clear instances of the harm such structural barriers cause to least developed countries as well as to small states.

Even through their COVID-19 controls and responses have generally been well managed, least developed and small vulnerable countries are among the hardest-hit

in terms of losses to potential GDP, impacts on jobs and livelihoods, and increases in poverty.

There should be no doubt now, if indeed there ever was, that these countries need very specific support if they are to achieve their targets as set out in their various development agendas, among them the 2030 Agenda for Sustainable Development Goals and SDGs, the Addis Ababa Third Conference on Financing for Development, the Istanbul Plan of Action, and the Samoa Pathway.

Commonwealth Foreign Ministers recognised this at their meeting in London in 2018, and directed the Commonwealth Secretariat to work towards achieving global agreement on the definition and measurement of vulnerability, noting that such agreement is crucial to expanding the criteria upon which concessional financing assistance is provided.

It has long been our Commonwealth understanding that per capita GDP as a single criterion does not accurately reflect the needs of the least developed or vulnerable.

While commendable progress has been made with provision of assistance for least developed countries, notably in terms of the LDC criteria created by the UN Committee for Development Policy, more appropriate criteria for access to concessional resources by small states are urgently needed.

In answering the call of our Commonwealth Foreign Ministers, we set out at the Commonwealth Secretariat to deliver for our members a methodology and means for defining and measuring vulnerability which could be globally accepted, and could possibly complement GDP per capita as a criterion for access to financing.

Accordingly, we have devised a Universal Vulnerability Index, developed in collaboration with our partner FERDI.

Our Commonwealth Universal Vulnerability Index is multidimensional, dynamic and inclusive, through its coverage of 138 developing countries.

In the UVI we derive a measurement of vulnerability consistent with that which could be used to describe any vulnerable country.

In particular, we consider not only countries' exposure to shocks, but also the impact of the frequency and intensity of past shocks, as well as the resilience factors which help to mitigate the impact of shocks on sustainable development.

Additionally, given the importance of understanding the source and nature of vulnerability and resilience, we divide the UVI into two very important components - namely, structural and non-structural factors.

These differentiate between factors which are exogenous and beyond the reach of governments, and those which are within the control of governments - particularly with regards to resilience to shocks.

It is my firm belief that this expression of vulnerability will lead to a transformation of our understanding of the impediments countries face - particularly by presenting vulnerability trends through time as well as by economic, environmental and social metrics.

Furthermore, understanding is deepened by the identification of both structural and non-structural impediments to resilience.

Insights emanating from our UVI framework are already fascinating and far-reaching.

So I welcome the opportunity to share these with you in brief today within the context of advancing financing for development for least developed and other vulnerable countries.

Our UVI confirms that least developed countries are the most vulnerable countries in the world, whilst small states or SIDs, make up the second most vulnerable group.

Probably the most striking conclusion from the 2018 assessment is that income is not a predeterminant of a nation's vulnerability but rather of resilience.

By using the median rankings of the UVI, we find that upper middle-income countries show higher vulnerability than lower middle-income countries.

We also find that the highest levels of vulnerability occur in Africa, closely followed by the Pacific and Caribbean regions.

A final point on the results and conclusions we draw, is that although small states are not the most vulnerable when factoring resilience, they are on a par with LDCs when assessing strictly structural vulnerabilities.

The index and these results have been welcomed by representatives of member countries on our Commonwealth Secretariat Board, and our expectation would be that at the Commonwealth Heads of Government Meeting in June this year, the UVI will be endorsed as the main barometer of vulnerability by the nations of the Commonwealth, representing a third of humanity.

My sincere hope is that all OECD countries will also endorse the UVI for the benefit of LDCs and Small States, and work to create a better system for aid allocation consisting of a per capita income and vulnerability criterion.

Indeed, a promising moment of opportunity is upon us.

Just four days ago, at the opening of the IMF-World Bank Spring Meetings, IMF Managing Director Kristalina Georgieva said though income level is the primary consideration for disbursing international assistance, we should look into other factors of vulnerability as we think of ways to support developing countries.

This statement was in relation to G20 agreement and support for upscaling national SDR allocations for support during COVID-19, which have so far included only low income countries and excluded other vulnerable countries, particularly small states.

With the IMF clearly considering ways and being open to ideas as to how other vulnerable countries might be supported, we shall be proposing that our comprehensive index could be a useful tool.

I would hope, too, that our participation in UN technical webinars this week in the context of the recent UN resolution to agree a globally accepted vulnerability index might lead to our UVI being regarded as a valuable global contribution worthy of General Assembly endorsement.

That new UN resolution aligns closely with the 2018 mandate from Commonwealth Foreign Ministers which has guided our work, and it also reflects our MOU with the

UN, which includes the objective of working together to achieve a commonly agreed vulnerability index.

So as you can see, the momentum is with us, and I hope that we can also join with the OECD in bringing to realisation the idea of a globally agreed vulnerability index.

My team will be available to brief you in detail on the UVI, and I am sure that we shall also be able to count on FERDI to continue providing excellent technical support.

I thank you again for the kind invitation to participate and speak at this forum, and look forward to continuing collaboration by the Commonwealth Secretariat with UN OHRLLS and the OECD on the important issue of vulnerability and financing for development.