



**Addressing the specificity of vulnerable developing
countries, in particular the LDCs,
in the post-2015 universal agenda,**

by

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A double consensus

- Three main reports produced for the preparation of the post-2015 agenda, from:
 - High Level Panel: *A New Global Partnership: Eradicate Poverty and Transform economies through Sustainable Development*
 - Sustainable development solutions network: *An Action Agenda for Sustainable Development*
 - UNSG : *Une vie de dignité pour tous*
- From these reports a double consensus has emerged about the post-2015 agenda: it will be universal, concerning all countries and world citizens , and it will merge former (modified) MDGs and Rio+20 SDGs
- This double consensus, while it is a significant progress, raises a double challenge for vulnerable countries, in particular the LDCs



The challenge of the double consensus

- Consensus for the 2015 agenda to be *universal*, meaning concerning not only all countries, but all citizens in each country, i.e. all citizens of the world
- At the same time strong demand of *differentiation* between developing countries, coming from several parts of the international community , in particular for aid and trade policies
- Consensus for merging previous *MDGs*, possibly augmented, and post Rio+20 *SDGs* in a general agenda
- At the same time will to avoid a dilution of the *priority* previously given to the reduction of the poverty in countries still far to have reached the goals and the most in need of support
- The double challenge should be addressed, by giving a special attention to vulnerable countries , in particular the LDCs



How often the three reports refer to vulnerable *countries* and *LDCs*

Word occurrence	HLP	SDSN	UNSG
<i>LDCs</i>			
text	1	0	5
<i>goals</i>	1	1	<i>no</i>
<i>Vulnerable countries</i>			
text	0	8	2
<i>goals</i>	0	1	<i>no</i>
<i>Vulnerable people</i>			
text	8	5	6



Vulnerable countries and vulnerable people

- Above all, people matter, but the vulnerability of people to a large extent depends on the vulnerability of countries,
- As the poverty ratio first depends on the average income per capita (even if there is a higher number of poor people in MICs, due to population size and income distribution)
- Partnership is mainly with independent countries, with their own responsibility (for domestic policy)
- Country vulnerability has three components: size of the recurrent shocks (natural or external), exposure to these shocks, resilience
- Structural vulnerability results from long term factors, independent of the present will of countries
- The concept of vulnerability may differ according to time horizon and kinds of shocks



Why and how the consistency of the agenda may be enhanced by a special treatment of the vulnerable countries and in particular the LDCs

- 1) *Universalism* is consistent with *differentiation* according to country structural features, mainly structural vulnerability
- 2) When broadening the goals to *sustainability*, it is consistent to pay a special attention to vulnerable countries
- 3) A special treatment to vulnerable countries will insure an *intertemporal consistency* in the UN agenda
- 4) The implementation of a special treatment would rely not only on country *categories*, but also and even more on vulnerability and handicap *criteria*, and on different instruments accordingly

Universalism, consistent with differentiation between countries

- Agreement on the *universality* of goals and on the concern of promoting equity or justice among the citizen of the world
- *Equity* means equality of opportunities : the citizen opportunities differ according the country where they are located, because development opportunities differ among countries
- In poor countries facing *structural handicaps* to growth, in particular structural vulnerabilities, the *probability for a citizen not to be poor in the future* is lower than in other countries
- LDCs have precisely been designed as poor countries facing structural handicaps to growth and as such more likely to stay poor
- Landlocked and small island developing countries are also facing significant and structural vulnerabilities.

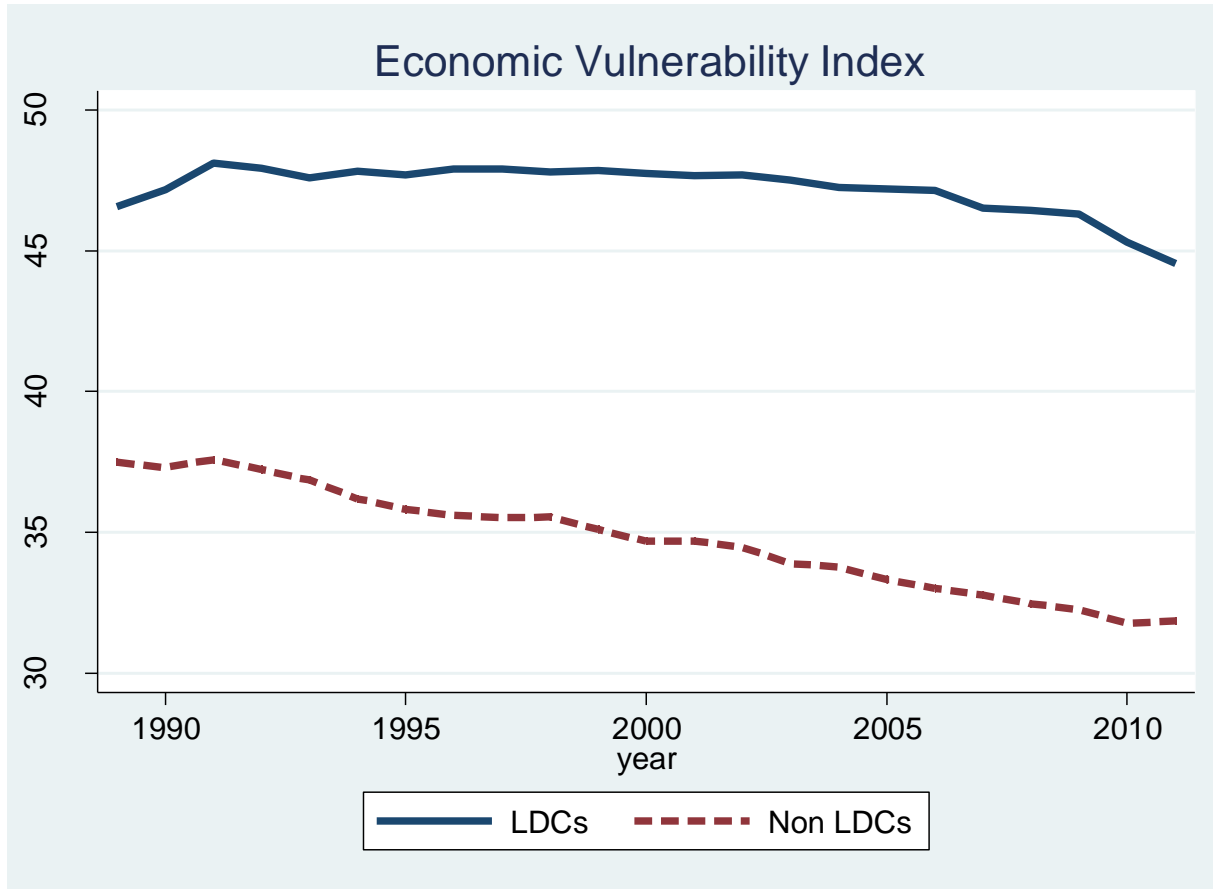


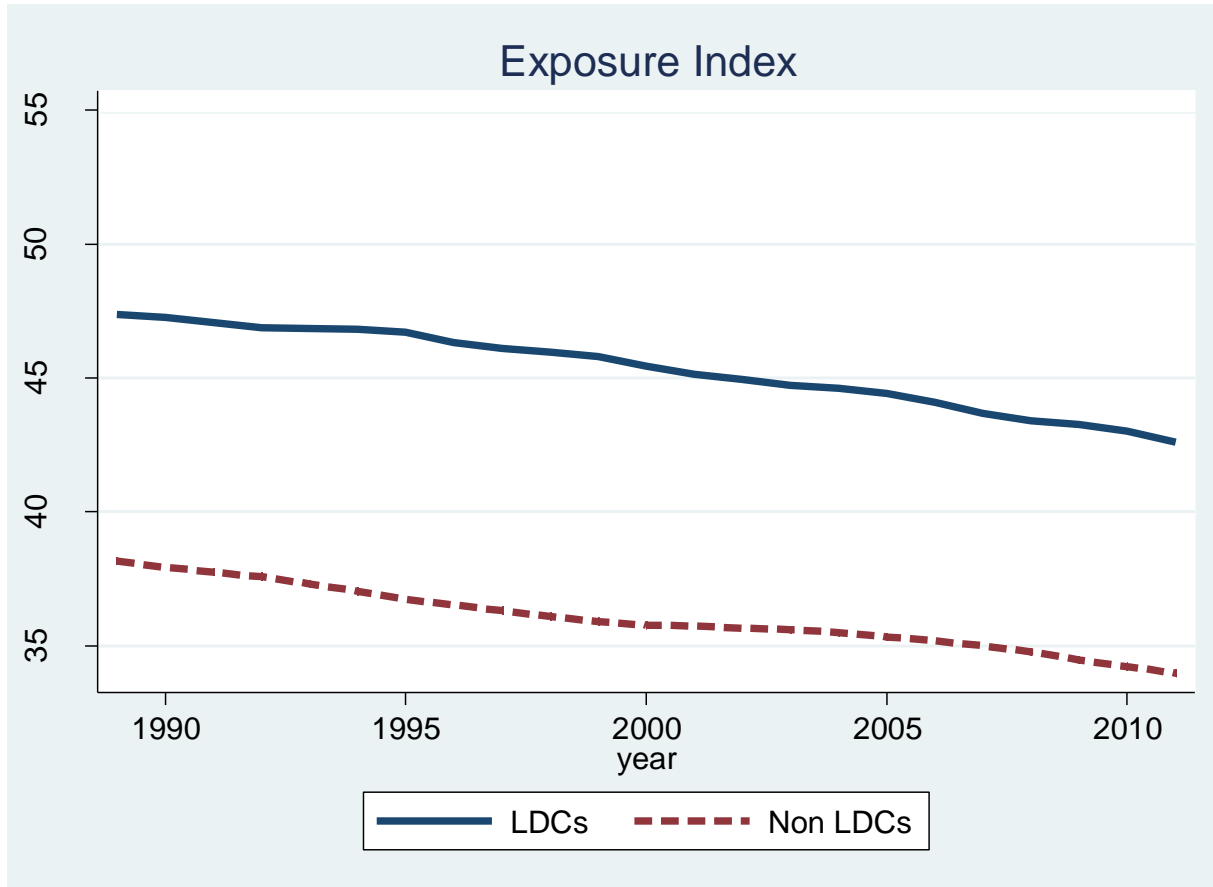
High and lasting structural vulnerability in LDCs, according to EVI

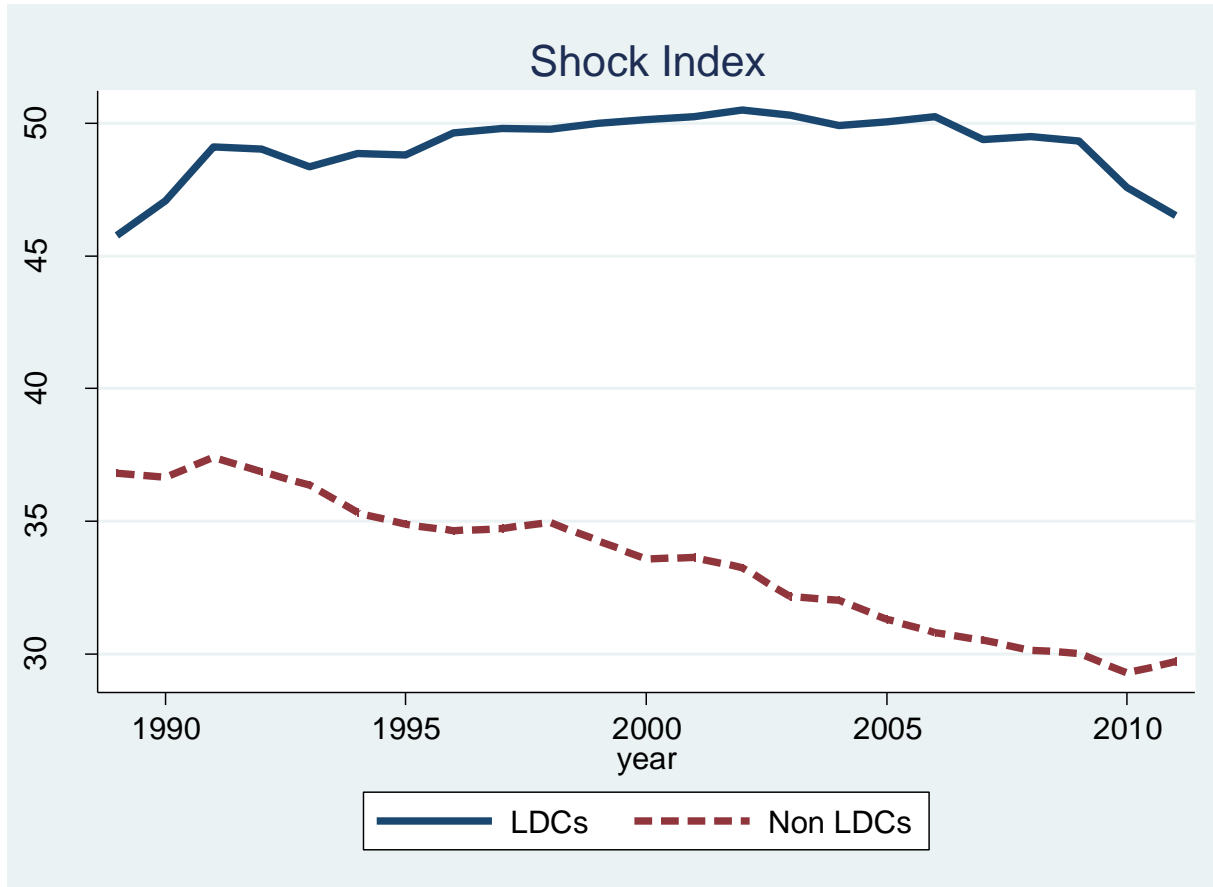
- The *Economic Vulnerability Index* (EVI), progressively set up by the CDP in 2000- 2005 for the identification of LDCs, slightly revised in 2011, balancing shock and exposure components, naturally evidences the high vulnerability of the LDCs
- According to the figures used for the 2012 review of LDCs list,

	EVI	Exposure I.	Shock I.
LDCs	45.7	42.3	49.2
ODCs	33	34.9	31.1
SIDS non LDCs	42.1	48.7	35.4
SIDS	46.2	52.5	39.8

- According to a *Retrospective EVI*, set up at Ferdi, *less decline* in LDCs than in ODCs and in other LICs, and due more to the shock components than to the exposure components



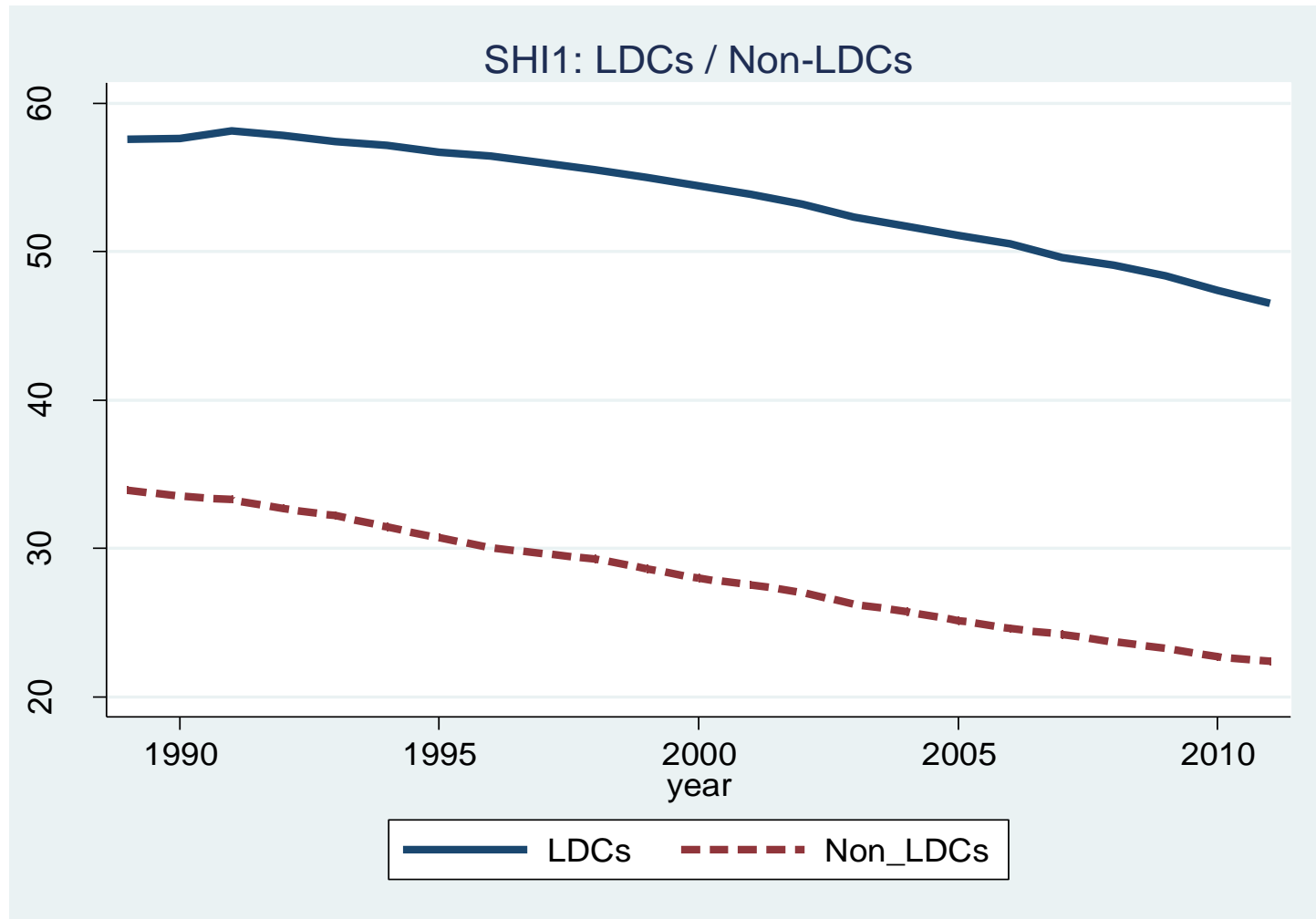


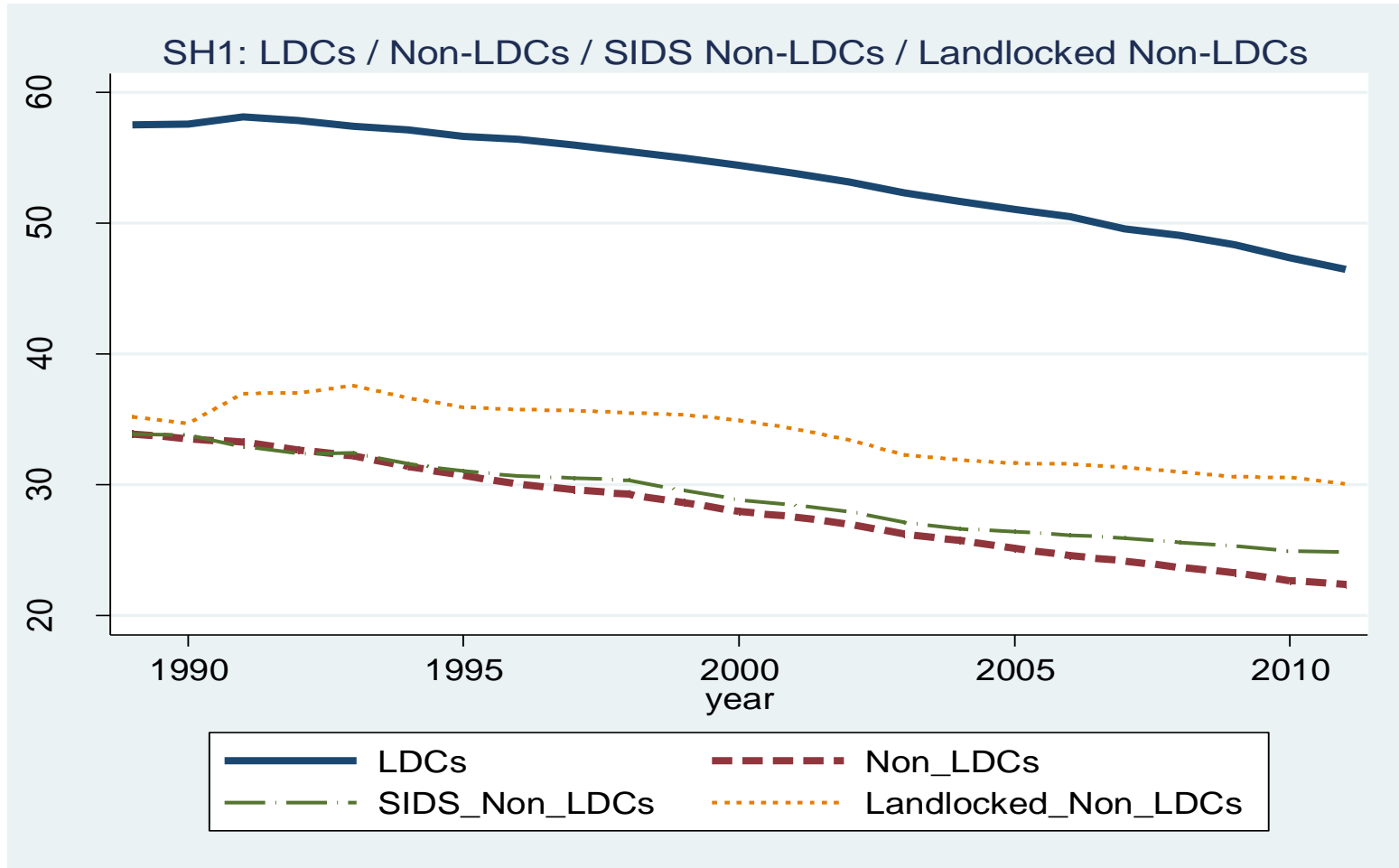




Beyond EVI, strong structural handicaps (SHI)

- EVI is only one of the two indicators of structural handicap used, with the GNIpc, to identify LDCs, the other one being the *Human Assets Index (HAI)*
- HAI can also be viewed as reflecting an important aspect of the structural resilience to shocks, so that the combining HAI and EVI leads to an enlarged assessment of structural vulnerability , called « *structural handicap index* » (SHI)
- A SHI assessment of vulnerability even more evidences the specific situation of LDCs, due to the low average level of their HAI, compared with any other group of DCs, including the SIDS







Resulting lag in MDGs attainment (3 ex.)

- Comparison between LDCs, LLDCs, SIDS and other DCs progress towards MDGs, depending on data availability, from 1990 to 2010 (Ferd draft document)
- *MDG1 (T1), decrease the % of people below the poverty line (weighted):*
 - **(target: -50%): LDCs -29% , ODCs -48%**
 - absolute: LDCs -20 pts, ODCs -26 pts
 - number of poor: LDCs +16% > ODCs -45% (-22% without China)
- *MDG1 (T3), decrease the % of people who suffer from hunger*
 - **relative (target: - 50%): LDCs - 29% , ODCs - 41%**
 - absolute: LDCs -12pts (from 40 to 28%), ODCs -9 pts (from 21 to 13%)
 - number: LDCs +17%, ODCs -23%
- *MDG 4 (T4A), decrease by 2/3 the under-five mortality rate*
 - **relative (rate): LDCs - 39 % , ODCs - 46 %**
 - absolute : LDCs -63pts (161 to 98) , ODCs -27 pts (58 to 31)



Also revealing inadequacy in goals design when no attention to the initial level

- MDGs have been designed independently of their initial level, so that the meaning of the indicator is undermined by the « normal » evolution path
- Many targets are measured as a % of change in an indicator of « bad » (poverty, undernourishment, child mortality,...) , making achievement of a given % of change more difficult to obtain from a high initial level
- It is the reverse if the goal is expressed as a change in the corresponding indicator of « good » (for instance child survival, enrollment ratio,...), initially low
- In the new goals a solution for differentiating according to initial levels would be to express the target as an average of the relative change in the indicators of « good » and « bad » (logit change), eg average of change in child mortality and child survival



Taking into account the growth elasticity of poverty in LDCs

- Resumed growth in LDCs during the 2000's
- But limited impact on poverty reduction
- Due to a lower elasticity of poverty to income in LDCs: one additional point of growth results in a lower *relative* decline of poverty ratio in LDCs compared to ODCs, while it results in a higher *absolute* decline
- Means that a higher rate of economic growth was needed in LDCs to meet the MDG1
- However after the 2000's growth resumption, LDC growth has again fallen behind that of ODCs, with a risk of an increasing lag in poverty reduction, and postponement of graduation prospects as well



II

When broadening the goals to SDGs, consistent to focus on vulnerable countries

- Sustainability issues cannot be addressed without taking into account corresponding vulnerabilities
- The SDGs added to the previous and probably modified MDGs should not fundamentally change the location of the main vulnerabilities
- The LDCs, as well as the SIDS, have relatively high levels of *vulnerability to climate change*
- They are also particularly affected by *security and state fragility* issues
- So they are clearly the countries facing the most structural (or physical) obstacles to sustainable development



Sustainability and vulnerability

- Goals of sustainable development cannot be designed and pursued without considering the corresponding vulnerabilities (vulnerability is a risk on sustainability)
- Easier to have indicators of vulnerability than indicators of sustainability
- Consistent with a universal agenda of sustainable development: taking into account vulnerability in its various dimensions (economic, social, environmental), and paying special attention to countries vulnerable for these various reasons, such as LDCs, LLDCs and SIDS
- Economic vulnerability threatens the sustainability of economic growth and its *inclusiveness*, as does political or state fragility, itself to a large extent an outcome of structural economic vulnerability



Structural economic vulnerability and state fragility

- Structural economic vulnerability, distinct from *state fragility*,
- Leads to clearly separate LDCs and fragile states (FS)
- State fragility designed and identified only from present policy and institutional factors: in principle lack of state capacity, political will and legitimacy (many changing definitions)..., but for operational use at ransitory assessment of policies and institutions
- Structural economic vulnerability designed from factors (exogenous shocks and exposure) independent of policy
- But structural vulnerability influences state fragility,
- So that many LDCs are also FS (most are or have been so)



The physical vulnerability of LDCs and SIDS to climate change

- For environment, vulnerability is the opposite of environmental sustainability, as it clearly appears with climate change
- As with the EVI, vulnerability to climate change can be assessed at the country level as a structural vulnerability, not depending on present or future policy, but only on components reflecting both the likely size of the climatic shock and the exposure to these shocks
- Such an index set up at Ferdi, the *Physical Vulnerability to Climate Change Index (PVCCI)*, with components reflecting both the impact of progressive shocks (sea level rise and desertification) and of the intensification of recurrent shocks (in rainfall and temperature)
- According to this index, the LDCs appear to be significantly more vulnerable than ODCs, , as are SIDS: for LDCs, PVCCI= 38; for ODCs, 35; for SIDS, 38 (SIDS non LDCs, 36)



A retrospective look at progress towards environmental MDGs in vulnerable countries

- MDG 7, although limited in scope, was to insure environmental sustainability
- Progress in LDCs have been significant, but weaker than in the ODCs, with regard to the quantitative targets, as illustrated by target 7.C « Halve the % of people without access to safe drinking water and basic sanitation »
- Improved water source, *population without*
 - 1)- relative rate of change (target -50%): LDCs -33%; ODCs -45%
 - 2)- absolute change: LDCs 48%-32%= 16pts; ODCs 18%-10%= 8pts
- Useful also for SDGs to assess progress with regard to initial levels



III

**Intertemporal consistency:
linking the post-2015 agenda to the previous and next meetings
and commitments**



From Istanbul to post 2015

- May 2011: UN LDC IV adopts the IPoA, reviewing the 2001 BPoA and including a large set of « Priorities areas for action » in a « Renewed and strengthened partnership for development »
- December 2011: Busan new partnership with no mention of LDCs (« LDC vanishes »), alternative attention given to « fragile states »
- Even if some objectives may not seem realistic (enabling half of LDCs to meet the criteria for graduation in 2020), IPoA is gathering a set of actions to be taken by LDCs as well as their development partners during the next 10 years
- Need of a consistency over time, without which there is a lack of credibility of new commitments



Other commitments with regard to vulnerable countries

- Scheduled in 2014: UN (OHRLLS) Conference on Landlocked Developing Countries (LLDCs) and UN Conference on SIDS
- And the MDGs 8A (ODA and market access for LDCs) and 8B (for SIDS and LLDCs) are still valid
- In particular for ODA, the target of 0.15% (0.2%) to LDCs is likely to gain more importance with the debate about the ODA global target of 0.7% and « beyond aid »
- A more focused role is expected from ODA in the post-2015 agenda : vulnerable countries are those countries for which ODA will remain the more relevant (besides other sources of finance)
- However, unstable trends: from 2005 to 2011 the ODA to LDCs ratio improved, while the global target ratio deteriorated, but in 2012 the ODA to LDCs is estimated to have decreased (-13%), more than the total amount of ODA (-4%)



IV

**Implementation of a special treatment in the agenda:
focus on criteria, not only on categories**



Three main kinds of measures for addressing vulnerability

- Targetting at the three components of vulnerability
- Enhancing resilience: through allocation according to structural vulnerability and compensatory finance, and human and institutional development to make efficient domestic policy in various areas (flexible macromanagement as well as lowering risks at the micro level)
- Lowering exposure to shocks: through diversification, regional integration, improvement of infrastructure, ...
- Narrowing down the size of the shocks, natural (mitigation) or external (higher world macro stability, and international prices as well)



From principles to criteria, not only to country categories

- Country categories are expected to lead to support measures linked to category membership
- Underlining the need to take into account the specificity of vulnerable countries in the post-2015 agenda is not a defense of « categories » (only LDC is an official one), but of principles: global equity involves addressing the countries structural handicaps to sustainable development
- Categories needed only for the eligibility to binary measures
- Most often, *continuous criteria* can be used for policy purposes, instead of ad hoc and possibly arbitrary categories



Application to ODA allocation

- Progress in that direction made by the GA in December Resolution on the *Follow-up to the 4th UN Conference on the LDCs, §23* :
« *Invites* development partners to consider least developed country indicators, gross national income per capita, the human assets index and the economic vulnerability index as part of their criteria for allocating official development assistance »
- The application of such a principle, in particular by the Multilateral Development Banks, would be a significant progress in ODA allocation, which would then rely on uniform criteria and not on ad hoc categories
- Attempt of application by EU



Extension to the allocation of adaptation resources

- Similar principle may be applied to other sources of public external finance, in particular the resources for *adaptation to climate change*
- For adaptation, relevant to consider the physical vulnerability to climate change as part (may be a main part) of the criteria for allocating official resources devoted to the adaptation to a climate change for which the poor and vulnerable countries are not responsible.



Categories, consistent with criteria, still needed for binary measures

- Legitimacy of the LDC category comes not only from its status, as the only UN official sub- category of developing countries, but also from its rationale, relying on identification criteria
- Possible redesigning of criteria through a composite index of structural handicap (EVI and HAI) or of least development (EVI, HAI and GNIpc)
- Most handicapped SIDS and LLDCs are generally LDCs...or their specific handicaps (vulnerability to climate change, remoteness,...) may be captured by appropriate indices, guiding international support
- For binary measures, as those benefitting to LDCs(EBA), always possible to come back to thresholds put on specific indicators and criteria
- But the legitimacy comes from the principles behind the criteria, the structural handicaps to sustainable development



Thanks



Annex slides

(I)

Designing indices of structural vulnerability

- To be used for the allocation of resources, indicators should not depend on present policy
- They should primarily reflect both the likely size of the shocks and the exposure to these shocks
- They should capture either an economic medium-term vulnerability or a long term physical vulnerability to climate change
- Focus on two indicators already calculated as indices
 - EVI: the economic vulnerability index (UN CPD)
 - PVCCI: a physical vulnerability to climate change index (Ferdì)



The structural economic vulnerability as measured by the Economic Vulnerability Index (EVI)

- Designed by the UN CDP for featuring LDCs, EVI has been set up first in 2000, then revised, mainly in 2005, then slightly in 2011
- Captures only structural components of vulnerability, chosen with regard to their expected (or evidenced) effect on economic growth
- Transparent and parsimonious, EVI relies on
 - 4 main (structural) exposure components (ex ante vulnerability)
 - and 3 (exogenous) shock components, measuring past recurrent shocks, likely to re-occur in the future and to already hamper future economic growth



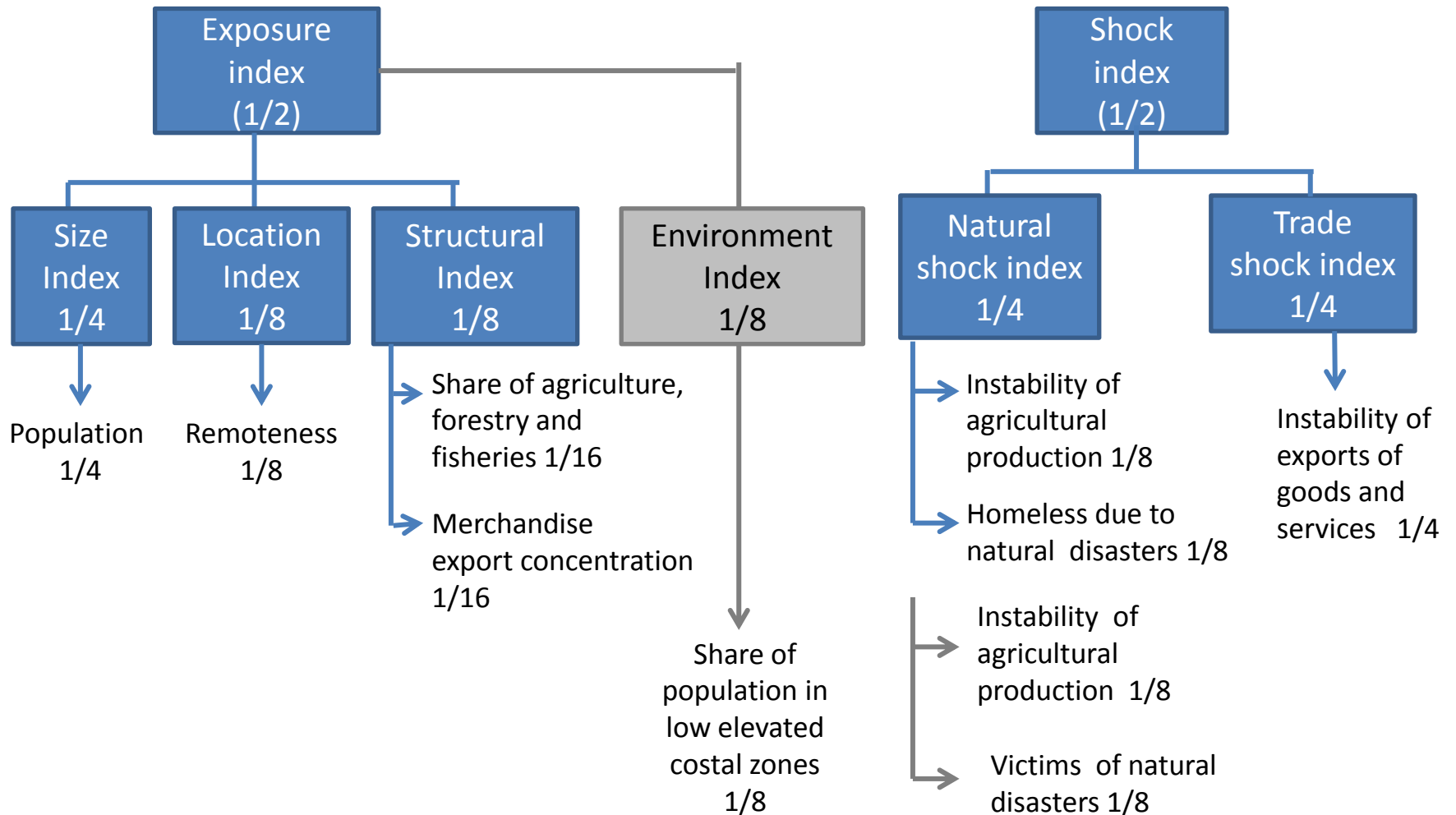
Changes recently brought in EVI ...and challenges

- Changes brought in 2011 for the 2012 review
- Same structure, but
- Among shocks components, homeless population due to natural disasters replaced by population affected...
- And a new exposure component added ,
the % of population living in low coastal area,
same weight now given to each of the new 4 sub-components
- Means a small move to make LDCs countries meeting structural obstacles for sustainable development, rather than only for growth
- Relevance of the distinction between economic vulnerability and climatic vulnerability, besides another one
between economic vulnerability and state fragility



Economic Vulnerability Index (EVI)

2005
2011





Structural resilience kept aside

- General vulnerability also depends on the capacity to react, indeed dependent on present policy (main part), but also (a minor part?) on structural factors, the structural resilience
- These structural factors of resilience are broad factors, to a large extent captured by GNIpc and the Human Assets Index (HAI), that with EVI are used as complementary criteria for the identification of LDCs
- Including them in the vulnerability index would have blurred the specificity of the vulnerability concept



Structural economic vulnerability and state fragility

- Structural economic vulnerability, distinct from *state fragility*,
- Leads to clearly separate LDCs and fragile states (FS)
- State fragility designed and identified only from present policy and institutional factors: lack of state capacity, political will and legitimacy (many changing definitions)
- Structural economic vulnerability designed from factors (exogenous shocks and exposure) independent of policy
- But structural vulnerability influences state fragility,
- And many LDCs are also FS (most are or have been so)

Economic vulnerability and vulnerability to climate change

- Vulnerability to climate already taken into account through several components of EVI (population affected by natural disasters, instability of agricultural production), and now more specifically by the risk to be flooded due to the sea level rise (an exposure component of vulnerability to climate *change*)
- But vulnerability to climate change differs from the economic vulnerability by its nature (more physical) and time horizon (longer) : it reflects a long term *risk of change in geo-physical conditions*, not a structural handicap to economic growth in medium term
- And vulnerability to only one (major) environmental factor



Which vulnerability to climate change index is needed

- Depends on the goal pursued (many indices available), here an index likely to be used (among others) to allocate resources for adaptation, with the idea to give more to the most vulnerable
- Should be independent not only of the current policy (as EVI), but also of future policy: countries more vulnerable because of a poor present or expected policy/resilience should not be rewarded for that
- Since vulnerability to CC is a quite long term one, it should preferably be captured through *physical* components
- This is the main feature of the recent Ferdi *Physical Vulnerability to Climate Change Index* (PVCCI), as such differing from other attempts (CGD 2011, Barr et al. 2010)



A physical vulnerability to climate change index: main features

- Forward-looking and likely to capture long term risks
- Relies only on geo-physical components, without any debatable socio-economic component
- So does not include components reflecting the adaptive capacity
- Makes a distinction between two kinds of risks due to climate change
 - risks related to *progressive shocks* (such as sea level rise) and
 - risks related to the *intensification of recurrent shocks* (in rainfall or temperature)
- Makes another distinction between the shocks and the exposure to the shocks, and, because the impact of the shocks depends on the initial exposure, uses a geometric averaging
- ...but still tentative



Adaptive capacity and resilience, again kept aside

- Adaptive capacity often considered as a part of climate vulnerability indicators
- As economic resilience, it depends on various structural factors, and is not determined only by present policy factors
- But again these structural factors are very broad: including them would lower the specificity of the vulnerability concept
- Better to take them into account separately through indicators such as income pc or human assets index
- Indeed the same as for economic resilience with EVI



Physical Vulnerability to Climate Change Index
PVCCI

Risks related to progressive shocks

Risks related to the intensification
of recurrent shocks

Flooding due to sea level
rise
(1/4)

Increasing aridity
(1/4)

Rainfall
(1/4)

Temperature
(1/4)

*Share of flood
areas*
(1/8)

*Share of dry
lands*
(1/8)

*Rainfall
instability*
(1/8)

*Temperature
Instability*
(1/8)

Size of likely rise
in sea level
(1/8)

Trend in
- temperature *(1/16)*
- rainfall *(1/16)*

Trend in rainfall
instability
(1/8)

Trend in
temperature
instability *(1/8)*

NB. The boxes corresponding to the two last rows of the graph respectively refer to exposure components (*in italics*) and to size of the shocks components



Mixing the two indices?

- There is a rationale for keeping two separate indices:
 - difference of time horizon
 - difference of scope (economic vs geo-physical impacts)
- But *fusion* in an extended structural vulnerability index, combining the two indices is conceivable (only one redundant component in EVI, where it could be deleted)
- The relative weight then given to each of the two indices would reflect the time preference of users, as well as their relative concern about economic growth and environment stability.
- The relevance of a fusion depends on the use of the indices for international policies



EVI, by group of countries, from 2006 LDC review

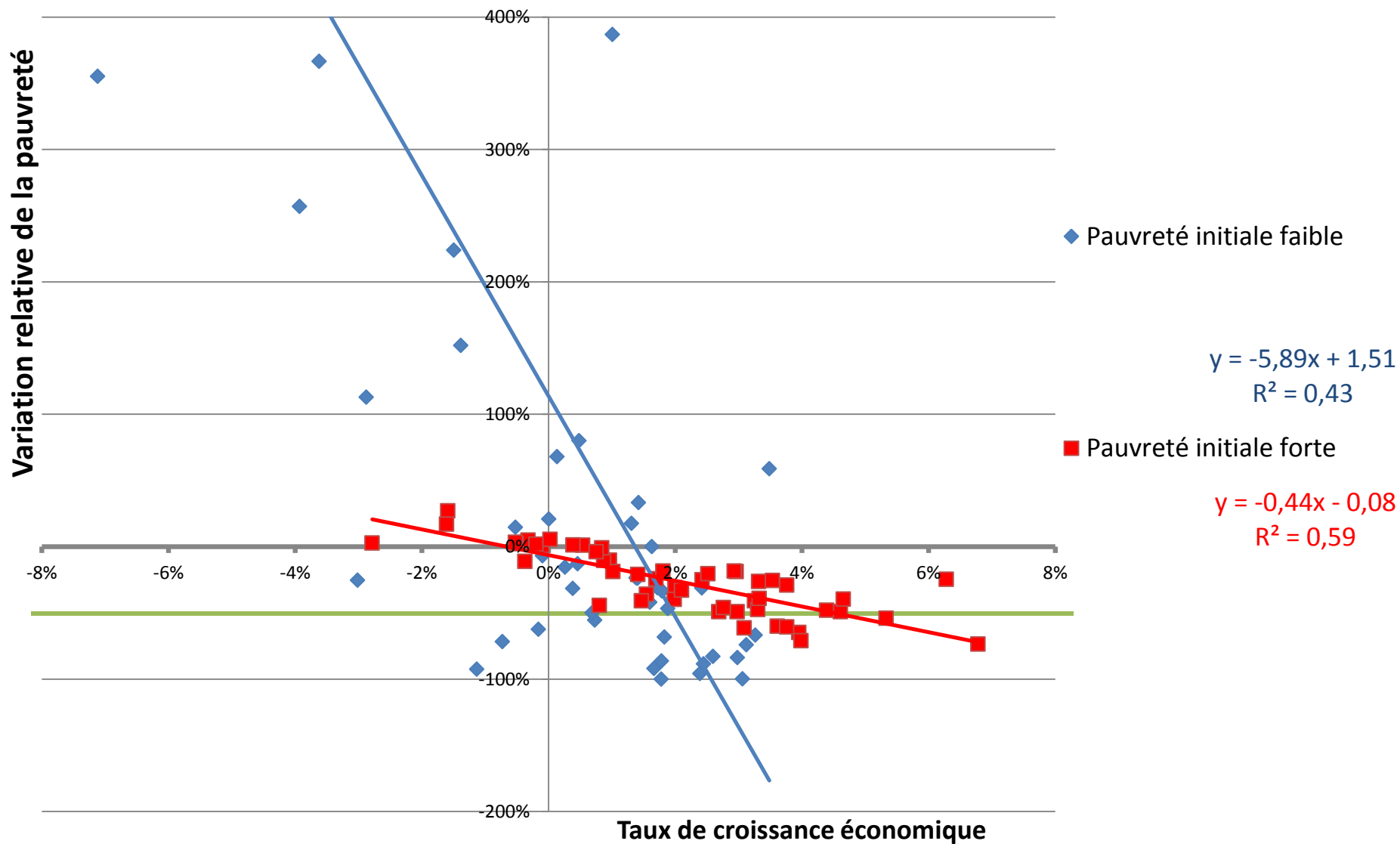
Group of countries	Number of countries	Mean EVI	Median PVCCI	Standard Deviation
All Developing countries non-LDCs	70	39.1	38.7	11.4
Least Developed Countries (LDCs)	50	53.4	51.4	12.6
Low-Income Countries	58	47.4	46.7	12.1
Non-Low-Income Countries	62	42.8	39.8	15.0
Low-Income LDCs	43	51.1	50.0	10.7
Low-Income non-LDCs	15	37.0	40.2	9.8
Small Islands Developing States (SIDS)	29	56.9	56.8	12.3
SIDS non-LDCs	17	51.2	49.7	9.2
Non-SIDS LDCs	38	49.7	48.1	10.5
SIDS-LDCs	12	65.0	63.9	11.8



PVCCI for several groups of developing countries

Group of countries	Number of countries	Mean PVCCI	Median PVCCI	Standard Deviation
All Developing countries non-LDCs	72	35.48	34.77	6.30
Least Developed Countries (LDCs)	46	38.28	38.38	8.04
Low and Lower Middle Income countries	84	37.64	37.21	7.13
Low and LMI countries non-LDCs	39	36.66	36.72	5.92
Small Islands Developing States (SIDS)	29	38.00	34.60	9.42
SIDS non-LDCs	18	35.98	34.29	7.51
SIDS LDCs	11	40.19	38.67	11.85
Landlocked Developing Countries (LLDCs)	27	37.14	36.87	6.24
LLDC non-LDCs	11	39.43	40.09	4.96
LLDC LDCs	16	35.56	33.52	6.67

Variation relative de la pauvreté en fonction du taux de croissance 1990-2005





MDGs and economic growth: the risk of misunderstanding for LDCs

- MDGs should not be opposed to growth of income per capita, in particular in LDCs. Growth particularly needed in LDCs to durably reach the MDGs
- Main exemple: the impact of growth on poverty reduction
- One additional point of growth leads to a lower *relative* decline of poverty in LDCs (lower income elasticity of poverty): more growth is needed to reach MDG1
- At the same time this point of growth results in a higher absolute decrease of the poverty ratio
- The same holds for most of other MDGs

F&D*i*