

Country analysis by international organisations and regional development banks¹

Introduction

The purpose of this annex is to provide readers with an overview of the country analysis undertaken by international and regional organisations. It should assist readers in identifying the strengths and weaknesses of the various analyses and conduct a compare these analyses with the vulnerability and resilience profiling being proposed by the Commonwealth Secretariat. One of the strengths of the Commonwealth Secretariat's profiling exercise is that it is a framework focused on a particular category of countries – small states, and has therefore been tailored to the special challenges faced by these countries – moving away from the one-size-fits-all assessments conducted by other organisations.

The annex presents the work being undertaken by selected international organisations and regional development banks to assess the economic and social situation in countries. The focus is on:

- the IMF's vulnerability indicators, Article IV and Financial Sector Assessment Program (FSAP),
- the World Bank's reports such as the Country Economic Memorandum (CEM), Country Assistance Strategy (CAS) and Poverty Reduction Strategy Paper (PRSP),
- the UN's Common Country Assessment (CCA), UNCTAD's vulnerability profiles and its Economic Vulnerability Index (EVI),
- the WTO's Trade Policy Review Mechanism,
- the EC's Country Strategy Paper,
- regional development banks, including the AfDB's Country Strategy Paper, as well as the IADB's Prevalent Vulnerability Index (PVI), country strategy and Country Program Evaluation (CPE).

The annex outlines the purposes of the various country assessments that are prepared, the methodologies used to write these reports and the variables assessed. Most organisations focus on the economy, using widely available macro-economic data to assess how well an economy is doing. The general unavailability of environmental data means that only few environmental factors are considered and a small number of the organisations mainly the Commonwealth Secretariat, the World Bank and the UN consider environmental data in their assessment. Social data such as education and health indicators are considered by some organisations in their country assessment reports. However, the level of detail varies from organisation to organisation.

The International Monetary Fund

The IMF aims to play a key role in safeguarding the stability of the global economy and has a particular interest in monitoring and assessing the economic vulnerability and resilience of its 185 member states.

The IMF's mandate is to promote international monetary co-operation, facilitate the growth of world trade, promote exchange rate stability, and help to establish a multilateral system of payments. In order to comply with this role, the IMF undertakes continuous surveillance of the global economy and keeps a close watch at the status of member countries' economies.

The focus of the IMF is mainly on countries' macro-economic and financial vulnerability/resilience issues. These are monitored through a group of vulnerability indicators as well as two series of reports: the Article IV and the Financial Sector Assessment Program (FSAP).

Vulnerability indicators

In response to the currency crises that took place in the 1990s, the IMF has developed a series of vulnerability indicators to assess emerging markets' exposure to financial crises. However, due to the current ongoing global financial turmoil that originated in the developed world, the IMF is working to expand the coverage of the vulnerability indicators to developed countries as well. The IMF's vulnerability indicators focus mainly on the financial and macro-aggregate side of the economy, and can be grouped into four broad categories:

- Debt indicators (foreign and domestic);
- Reserves adequacy indicators;
- Financial soundness indicators; and
- Corporate sector indicators.

The *indicators of external and domestic debt* monitor mainly trends in debt and repayment capacity. Some basic indicators are: repayment schedules, interest rates, debt maturity profiles, the ratio of external debt to exports and GDP, currency composition, public sector borrowing, and debt over tax revenues.

The *indicators of reserves adequacy* measure the amount of reserves available to a country, and are given by the ratio of reserves to short-term debt. This ratio provides an indication of the degree of vulnerability of countries with significant access to capital markets. Indeed, a higher amount of reserves means a country's higher ability to offset the negative effects of financial crises.

Financial soundness indicators are used to assess strengths and weaknesses of the financial sector of a certain country. These indicators focus on capital adequacy of financial institutions, assets and off-balance sheet positions, credit growth, profitability and liquidity, market risk, etc.

The corporate sector indicators assess the vulnerability at the corporate level within a given

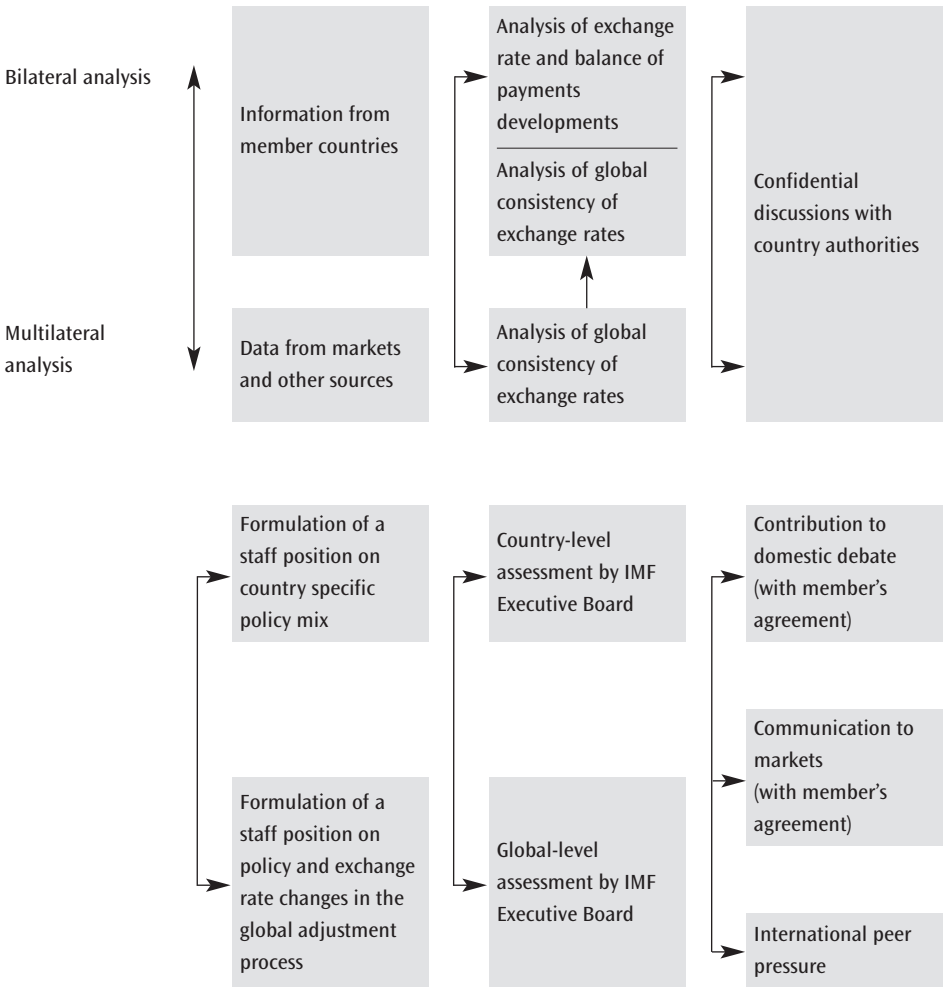
country. They measure corporate profitability, cash flows, leverage, and financial structure, and analyse corporate vulnerability to shifts in exchange rates and interest rates.

These indicators provide essential inputs for the Article IV and the Financial Sector Assessment Program.

Article IV

The Article IV is part of the IMF’s economic surveillance process, and in particular it refers to the so-called IMF’s country (or bilateral) surveillance, as opposed to multilateral surveillance. The IMF’s surveillance process is summarised in Figure A1.

Figure A1. IMF’s surveillance process



Source: IMF

Country surveillance consists of regular (usually annual) comprehensive consultations with individual member states. In other words, the representatives of the IMF go on a

regular basis on mission to each of the 185 member countries in order to collect information on countries' economic and financial situations and to discuss with policy-makers and central bank staff on countries' policies. The reports of the missions are then submitted to the IMF's Executive Board, whose views are afterwards transmitted to the member states. In order to enhance transparency, the results of these consultation processes are finally summarised in Public Information Notices.

The aim of the Article IV is twofold. On the one hand, it provides an appraisal of the economic situation and policies of each member state, highlighting possible risks to stability and growth. On the other hand, it also offers advice on policies that need to be launched in order to improve the economic resilience of member states.

According to the new policy framework introduced in June 2007, country surveillance should focus on a specific group of vulnerability and resilience indicators. The *vulnerability indicators* taken into account are those previously described:

- Indicators of external and domestic debt;
- Indicators of reserves adequacy;
- Financial soundness indicators; and
- Corporate sector indicators.

A country's *economic resilience* is assessed by looking at:

- Policies on exchange rates;
- Monetary policies;
- Fiscal policies; and
- Financial policies.

Financial Sector Assessment Program (FSAP)

The Financial Sector Assessment Program was launched in 1999 by the IMF jointly with the International Bank of Reconstruction and Development (IBRD) of the World Bank Group, with the objective of fostering the soundness of financial systems in member states, which is essential for sustained economic growth and poverty reduction. Participation in this program is voluntary, and about three-quarters of the member states have completed or requested an initial assessment, including developed countries, developing countries, small states and small island developing states. Priority for the FSAP is given, first, to countries systemically important and, second, to countries characterised by '[...] (i) external sector weakness or financial vulnerability; (ii) upcoming likelihood of major reform programs (as reflected, for example, in the Bank's Country Assistance Strategy (CAS)) that would suggest a benefit from a comprehensive financial sector assessment; and (iii) features of the exchange rate and monetary policy regime that make the financial system more vulnerable, such as inconsistency with other macro-economic policies'².

The FSAP provides an assessment of potential financial vulnerabilities as well as an analysis of development priorities in the financial sectors of member countries, through four different steps:

- Identification of strengths and vulnerabilities of a country's financial system by

means of financial soundness indicators (for banking, insurance, securities markets, and market-based), stress tests³, and methodologies for assessing the observance of the 12 internationally recognised standards and codes⁴;

- Analysis of the management of key sources of risk (systemic liquidity arrangements, governance and transparency framework, financial safety nets, insolvency regimes);
- Identification of a sector's developmental and technical assistance needs; and
- Prioritisation of policy responses.

Some would suggest including IMF's stand-by arrangements (SBAs), but we decided not to include it. The IMF's SBAs are not designed to assess or measure countries' vulnerability and resilience in the same way as the other assessments described in the paper. Of course, the SBA like many other facilities/programmes (e.g. the IMF's emergency assistance, the UN's Capacity 2015 SIDS, and others) may well be interpreted as a way through which international organisations may help countries to promote or enhance resilience building.

The World Bank

In contrast to the IMF, the World Bank's mandate is broader in range and scope. As part of its mission, the World Bank helps countries to reach the Millennium Development Goals (MDGs) by working with other partners to alleviate poverty. It provides loans and grants for a wide array of purposes that include investment in education, health, infrastructure, agriculture, as well as environmental and natural resources management.

Although the World Bank does not produce specific economic vulnerability/resilience profiles, it develops a series of country assessments that range from general to specific and provide, indirectly, information on economic, social as well as environmental vulnerability and resilience issues. For our purposes, these assessments can be classified into four main areas: (i) economic assessments; (ii) energy-environmental assessments; (iii) social assessments; and (iv) governance.

General economic assessments

Country Economic Memorandum (CEM). The CEM analyses a country's economic development looking at a number of variables such as its growth, trade, fiscal sector, labour markets, financial sector, etc. It also identifies policy frameworks to promote development.

Country Assistance Strategy (CAS). The CAS objective is to highlight the areas in which the World Bank should focus its efforts in providing country assistance to promote development and poverty reduction. This report stems from the collaboration between the World Bank and the country's government, on the basis of a number of consultations with stakeholders including civil society and development partners. The CAS comprises of four different sections: (i) a description of the country's development; (ii) an analysis of its development challenges; (iii) an analysis of development issues on which the Bank could intervene; and (iv) a proposal on Bank lending and non-lending activities.

Country Policy and Institutional Assessment (CPIA). The CPIA is produced every year with respect to all the World Bank's borrowing countries. For each of these countries, it provides

a country assessment looking at 16 criteria that may be grouped into four categories: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions.

Poverty Reduction Strategy Paper (PRSP). This report is produced every three years, and aims at proposing a number of macro-economic, structural and social policies and programmes directed to promote growth and reduce poverty. It further highlights the necessary external financing to implement these policies. Until now, the PRSP has been produced for about 66 countries.

Joint Staff Advisory Note (JSAN). The JSAN is produced by the World Bank's International Development Association (IDA) in collaboration with the IMF in order to shed light on the priority areas in which poverty reduction strategies should be strengthened and implemented.

Development Policy Review (DPR). This report reviews a country's policy agenda with the aim of reducing poverty and achieving sustainable economic growth.

Country Financial Accountability Assessment (CFA). This report focuses on a country's public financial management system. In particular, the CFA concentrates on budgeting, auditing, general accounting and public finances.

Country Procurement Assessment Review (CPA). This particular report provides a diagnosis of a country's procurement system.

Poverty Assessment (POR). In the Poverty Assessment, the World Bank monitors the evolution of poor people over time. In order to do so, the report uses as indicators general sources of income, wage composition, households head literacy, household size, location and other relevant indicators capable of providing an insight on the causes and consequences of poverty. Moreover, the POR analyses how certain policies such as social protection programmes may help to alleviate poverty within a member country.

Public Expenditure Review (PER). The PER is a report devoted to the analysis of a country's public spending. It analyses the efficiency, effectiveness and equity of government resource allocations looking at the country-specific macro-economic context and sector priorities, and highlights which reforms should be introduced in order to improve public spending.

Specific energy and environmental assessments

Country Environmental Analysis (CEA). In this document the World Bank evaluates environmental priorities and the implications of strategic macro and sector policies. It also assesses the institutional capacity of a country to address priority environmental issues.

Energy-Environment Review (EER). The EER deals with the global and local cross-sectoral environmental impacts due to energy production and consumption.

Mining/Oil and Gas (MOG). These reports provide a specific analysis and suggestions on special sector themes not covered by other documents.

Strategic Environmental Assessment/Analysis (SEA). By producing this type of document,

the World Bank identifies the environmental consequences stemming from policies and programmes before their implementation, and proposes alternatives in collaboration with stakeholders.

Specific social assessments

Social Analysis (SAR). The focus of SAR is on the organisation of social groups and the way their relationships affect their access to services, security and general opportunities to participate in the overall development process.

Women in Development and Gender Study (GDR). This report deals with the different women's participation topics related to development and progress.

Risk and Vulnerability Assessment (SOP). It studies the effects of the social sector on living standards, income generation and mobility. Its main aim is to provide recommendations on public expenditure in order to ensure access of the poor to the basic social services, and to enhance the project effects on health, population and education indicators.

Governance assessments

Institutional and Governance Review (IGR). This review focuses on the functioning of key public institutions and analyses performance failures in policy management, and the feasibility of reform by assessing the political realities and constraints to reform.

Legal and Judicial Sector Assessment (LJA). This is an assessment of a country's legal and judicial systems and institutions, which aims at identifying weaknesses and priority areas for action. It provides the basis for the development of reform frameworks taking into account the country's legal, economic, social, and political environment, as well as its resource and capacity constraints.

The above assessments are by no means exhaustive of all the reports produced by the World Bank. However, they are useful to provide an idea of the kind of work and structure that the Bank follows when assessing the soundness of a country's economy, as well as a means for measuring progress towards pre-established goals.

The United Nations

The United Nations was one of the pioneer institutions to assess economic vulnerability by creating a specific index. Since 1994, as a result of the Global Conference on the Sustainable Development of Small Island Developing States (Barbados, April–May 1994), the United Nations Conference on Trade and Development (UNCTAD) became the focal point within the UN system for analysing and monitoring small islands developing states' vulnerability. In 2000, the Committee for Development Policy (CDP) implemented the so-called Economic Vulnerability Index (EVI), which substituted the old composite Economic Diversification Index (EDI) among the criteria to identify the Least Developed Countries (LDCs) and to decide which countries are to be graduated from the LDCs' list. There are three criteria for being a LDC:

The income criterion. This criterion uses the three-year average gross national income per capita (GNI) and compares it against a standard threshold settled each year.

The human capital criterion. This criterion uses the Human Assets Index (HAI) in order to gather information regarding the level of human capital within a country. It consists of an average of two indicators:

- Health (measured by the percentage of undernourished population and the mortality rates of children under 5 years);
- Education (measured by the gross secondary enrolment and adult literacy rate).

According to the 2006 review of LDCs, the HAI threshold for including a country in the group of LDCs was set at 58, while the threshold for graduation was set at an HAI value of 64.

The economic vulnerability criterion. This criterion tries to assess economic vulnerability due to natural shocks and trade fluctuations. The Economic Vulnerability Index (EVI) was developed for this purpose and it consists of seven main indicators. In what follows, we explain this index in detail. The existence of a sound methodology to identify LDCs and at the same time to highlight their structural problems is particularly relevant for the UN, since it provides a series of preferential treatments in the allocation of external assistance as well as trading concessions to these countries. Besides the vulnerability profiles and the economic vulnerability index, the United Nations also prepares a number of country-specific assessments which provide, indirectly, information on countries' vulnerability and resilience. Among these, it is worth mentioning the Common Country Assessments (CCAs).

Vulnerability profiles

The vulnerability profiles are prepared for countries near the borderline of graduation from, or inclusion into, the list of LDCs, by the United Nations Conference on Trade and Development (UNCTAD)⁵. Such profiles are particularly important for small island developing states that have been found eligible for graduation for the first time. So far, these profiles have been developed for seven countries: Cape Verde, Equatorial Guinea, Kiribati, Maldives, Samoa, Tuvalu, and Vanuatu. The aim of the vulnerability profiles is to assess to what extent a country's overall economic performance and structure are exposed to external economic and natural shocks, in order to enable CDP to make well-founded recommendations for graduation or non-graduation.

The three building blocks of the vulnerability profiles are the following:

- 1 *External shocks:* natural and economic shocks, instability in the socio-economic performance;
- 2 *Exposure to external shocks:* degree of external dependence (openness), degree of economic concentration, changes in economic specialisation;
- 3 *Structural handicaps:* insularity and remoteness.

Economic Vulnerability Index (EVI)⁶

The EVI is an index that assesses structural economic vulnerability. In other words, it focuses on inherent factors rather than policy-induced ones. The main goal of the EVI is to

allow the identification of those countries that are the most disadvantaged by structural handicaps to growth. In 2006, the Economic Vulnerability Index was calculated for 65 LDCs and other low-income countries.

The EVI is a composite index that in its most recent version includes seven indices, which reflect the primary channels through which structural vulnerability affects a country's growth potential. These indices can be sub-divided into three shocks indices and four exposure indices.

Shocks indices

Instability of agricultural production. Although agricultural production depends to a certain extent on local policies, it is also exposed to natural climatic fluctuations. This explains the decision to use the trend values in agricultural production as proxies for quantifying the effects of adverse natural climatic events.

Homeless population as a result of natural disasters. Natural shocks are a source of concern and vulnerability for many developing countries. Earthquakes, floods, and hurricanes, for example, represent a threat for many of them. The EVI index captures these factors by looking at the average proportion of the population affected or displaced by these types of events.

Instability of exports of goods and services. This indicator attempts to capture external fluctuations in world prices, demand or any other foreign or domestic event (independent from local policies) able to disrupt trade flows.

Exposure indices

Primary activities as a percentage of GDP. This index measures the degree of diversification of the economy and its exposure to trade and natural shocks.

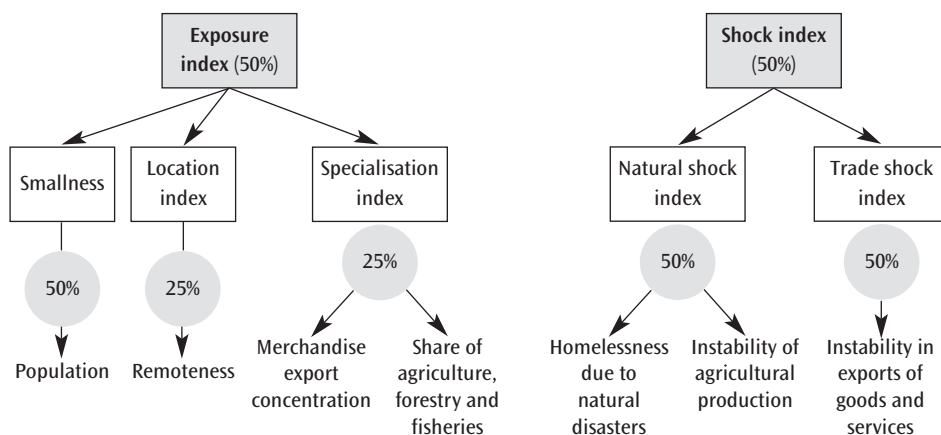
Merchandise export concentration. This indicator refers to the exports concentration coefficient. The less varied and more concentrated a country's exports, the bigger the exposure against sudden shifts in external demand or global markets.

Economic smallness. It measures the population size of a given country. The smaller a country's size, the higher its potential exposure to shocks.

Economic remoteness. This index captures the distance from the world markets.

Once each index is computed, they are aggregated into the two main sub-components (exposure and shocks) with equal weights. Within the shocks category, equal weight is given to natural (homelessness due to natural disasters and instability of agricultural production) and external (trade) shocks. On the other hand, within the exposure category, equal weight is given to the specialisation index (which is the simple average of indices 1) and 2) in the exposure indices) and the location index, while the weight of population size matches the sum of the previous two. Figure A2 clarifies the weighting process among indices.

Figure A2. The Economic Vulnerability Index (EVI)



Source: Guillaumont (2008)

Table A1 presents a ranking of the 20 most vulnerable LDCs and low-income countries according to the EVI. The scores come from the 2006 review of the list of LDCs, and were computed following the methodology described above. The degree of vulnerability is increasing the higher the score.

Table A1. The 20 most vulnerable countries according to the EVI⁷

Rank	Country	EVI
1	Tuvalu	91,85
2	Kiribati	83,65
3	Equatorial Guinea	70,71
4	Somalia	68,40
5	Liberia	67,95
6	Guinea-Bissau	66,18
7	Samoa	64,65
8	Vanuatu	64,25
9	Eritrea	63,99
10	Sierra Leone	63,74
11	Comoros	63,60
12	Chad	62,83
13	Timor-Leste	60,84
14	Afghanistan	60,33
15	Djibuti	60,16
16	Burundi	59,88
17	Rwanda	59,33
18	Sao Tome and Principe	58,15
19	Cape Verde	57,92
20	Laos	57,87

Sources: Guillaumont (2008) and authors' calculations.

Common Country Assessment (CCA)

The CCA is a country-specific report devoted to the analysis of the national development situation as well as to the identification of the key development issues.⁸ This document is structured around four main building blocks:

- the identification of the development problems;
- the analysis of their causes (immediate, underlying and root causes);
- the identification of those people or groups who should take action and the capacities they need; and
- the prioritisation of the analysed problems.

The CCA covers issues related to human rights, food security, environmental sustainability, population, gender equality, poverty eradication, governance, HIV/AIDS, the promotion and protection of children's rights, the disabled, integrated rural development, urban regeneration, human resource development, social partnerships and safety nets. It stems from the collaboration between the United Nations system and a number of different actors (i.e. civil society, private sector, donor community and Bretton Woods institutions), and is used for the formulation of policy responses to development challenges as well as for the United Nations Development Assistance Framework (UNDAF). Already, by January 2003, the CCA had been completed for 44 LDCs, 31 landlocked developing countries (LLDCs) and 12 SIDS (e.g. Mauritius, Samoa, Guyana, and Barbados).

The World Trade Organization

Surveillance of national trade policies is a fundamentally important activity running throughout the work of the World Trade Organization (WTO, 2010). At the centre of this work is the Trade Policy Review Mechanism (TPRM). All WTO members (150) are reviewed, the frequency of each country's review varying according to its share of world trade (between every two and six years). Seychelles and Vanuatu are observer governments (not full members) and no TPR is available for them.

The Trade Policy Review Mechanism was provisionally established in December 1988. The aims are (see WTO):

- to increase the transparency and understanding of countries' trade policies and practices, through regular monitoring;
- to improve the quality of public and intergovernmental debate on the issues; and
- to enable a multilateral assessment of the effects of policies on the world trading system.

The TPRs consist of detailed chapters examining the trade policies and practices of the member country and describes trade policy-making institutions and the macro-economic situation. They also take into account the countries' wider economic and developmental needs, their policies and objectives, and the external economic environment that they face. The 'peer reviews' by other WTO members encourage governments to follow more closely the WTO rules and disciplines, and to fulfil their commitments.

According to the WTO, in practice the reviews have two broad results: they enable outsiders to understand a country's policies and circumstances, and they provide feedback to the reviewed country on its performance in the system. The WTO Secretariat's report and the Member's policy statement are published after review. Variables included are trade in goods and services, balance of payments, basic social and economic variables, FDI, sectoral performance including services such as financial services and associated policies, trade policies and structural performance.

The European Commission

Country Strategy Papers (CSPs) produced by the European Commission (EC) are an instrument for guiding, managing and reviewing EC assistance programmes. The purpose of CSPs is to provide a framework for EU assistance programmes based on EU/EC objectives, the Partner Country government policy agenda, an analysis of the partner country's situation, and the activities of other major partners. CSPs are drawn up for all ACP, MEDA (except Cyprus, Malta and Turkey) and ALA countries. This includes small states⁹.

The Council requests the Commission to apply this standard framework to aid programming for all developing countries receiving assistance from the European Development Fund. Typical CSPs consist of a country diagnosis which includes:

- Political and institutional situation (Principles of Constitutional Democracy, Electoral Process, Human Rights, Fundamental Freedoms, Political Governance and Rule of Law, Control of Corruption, Institutional Capacities, Internal and External Security);
- Economic and commercial situation (Economic Situation, Structure and Performance, Structure and Management of Public Finance, Trade Policy and External Environment, Assessment of the Reform Process);
- Social situation, including decent work and employment (Population, Gender, Children, Education, Human Resources and Employment, Health);
- Environmental situation (Environmental Conditions, Environmental Challenges, Environment Policies and Institutional Framework, Vulnerability and Preparedness to Natural Disasters); and
- International context.

This profile then gives rise to a national indicative programme which is the basis for country-level EC assistance.

Regional Development Banks

African Development Bank

The African Development Bank (AfDB) produces a Country Strategy Paper (CSP) for each of its member countries, including small states. This document is prepared every three years and updated yearly. Typical CSPs include a description of the political, social and economic context of a specific country, followed by an analysis of its weaknesses and challenges, as well as strengths and opportunities. A description of the developments in

aid co-ordination and AfDB positioning is also included. The last part of the reports is devoted to an analysis of the objectives and priority areas of the AfDB group strategy as well as of the risks which may undermine its implementation and effectiveness.

Asian Development Bank

The Asian Development Bank (ADB) does not produce explicit vulnerability profiles for its member countries, which also include a number of small developing states such as islands in the Pacific. However, some information on countries' vulnerabilities is included in two types of documents published by the ADB: the Country Partnership Strategy (CPS) and the Country Economic Review (CER). The former is a document which has been introduced in 2006 as part of the reform to enhance Country Strategy and Programme (CSP) formulation, which provides the framework of co-operation between the ADB and member countries.

The CSP, produced every five years, reflects major country-specific development issues and constraints and it is based on an analysis of the country's development priorities and poverty reduction programmes. It specifies approaches towards removing constraints on country development. It is prepared with the member country's active participation through extensive in-country consultation and includes a midterm review report (after three years) focusing on the continued rationale and validity of the strategy.

The CER is not produced on a regular basis (for some countries, the latest available CER is ten years old). It describes the current economic situation in the country, assessing its economic performance and providing a detailed analysis of the secular macro-economic trends and of the management of structural change in the economy. It also analyses the country's short- and medium-term economic prospects.

Inter-American Development Bank

The Inter-American Development Bank (IADB) has developed the Prevalent Vulnerability Index (PVI) to estimate countries' predominant vulnerability conditions. The PVI is part of a broader system of indicators which aims to describe a series of risk factors that a country should reduce through public policies and actions in order to reduce its vulnerability and maximise the resilience and coping capacity of its population. This system includes, besides the Prevalent Vulnerability Index, the Disaster Deficit Index (DDI), the Local Disaster Index (LDI), and the Risk Management Index (RMI)¹⁰.

The PVI is computed as an average of three composite indicators:

- indicators of exposure and susceptibility;
- indicators of socio-economic fragility;
- indicators of (lack of) social resilience.

The indicators of exposure and susceptibility (e.g. population growth and density, urban growth, imports and exports as a percent of GDP, gross domestic fixed investment as a percent of GDP, etc.) reflect a country's susceptibility to dangerous events, whatever their nature or severity. The indicators of socio-economic fragility, instead, refer to conditions

that may increase the vulnerability of a country in the face of adverse phenomena, such as poverty, lack of personal safety, dependency, illiteracy, income inequality, unemployment, inflation, debt and environmental deterioration. Finally, the indicators of (lack of) social resilience assess to what extent a country is able to recover from, or absorb the impact of an exogenous shock given the degree of human development, human capital, economic redistribution, governance, financial protection, community awareness, preparedness to face crisis situations, and environmental protection.

According to the PVI, small countries such as, for example, Jamaica, El Salvador, Trinidad and Tobago, and Costa Rica are characterised by a higher degree of vulnerability than other countries.

In addition to the Prevalent Vulnerability Index, the IADB prepares institutional documents such as the country strategy papers and the Country Program Evaluations (CPEs), which offer, although indirectly, an overview on vulnerability and resilience issues of its borrowing member countries. Indeed, these reports provide information on the macro-economic, micro-economic, social, governance and environmental situation and challenges of specific countries, as well as on the past achievements and future objectives of the Bank's strategy.

Notes

- 1 This annex has been prepared by Isabella Massa, Dirk Willem te Velde and Massimiliano Cali from the Overseas Development Institute.
- 2 IMF and World Bank (2003), *Financial Sector Assessment Program – Review, Lessons, and Issues Going Forward*, 24 February 2003, Washington D.C.: International Monetary Fund and World Bank.
- 3 Stress tests analyse the impact of shocks to macro-economic variables on the soundness of the financial system.
- 4 The internationally recognised standards and codes are: accounting; auditing; anti-money laundering and countering the financing of terrorism (AML/CFT); banking supervision; corporate governance; data dissemination; fiscal transparency; insolvency and creditor rights; insurance supervision; monetary and financial policy transparency; payments systems; and securities regulation.
- 5 See http://www.un.org/esa/policy/devplan/profile/vulnerability_profiles.html
- 6 We refer interested readers to Guillaumont (2008) for a detailed review on the CDP economic vulnerability index.
- 7 We refer the reader to Guillaumont (2008) for a full list of the EVI levels for the 65 LDCs and other low-income countries.
- 8 See UN (2009). *Common Country Assessment and United Nations Development Assistance Framework. Guidelines for UN Country Teams on Preparing a CCA or UNDAF*, February 2009.
- 9 See http://ec.europa.eu/development/geographical/methodologies/strategypapers10_en.cfm
- 10 For a detailed description of these three indicators we refer the interested reader to <http://www.iadb.org/exr/disaster/index.cfm?language=en&parid=1>