

“Strengthening the Vulnerability Resilience of SIDS: International Monetary Fund Perspectives”

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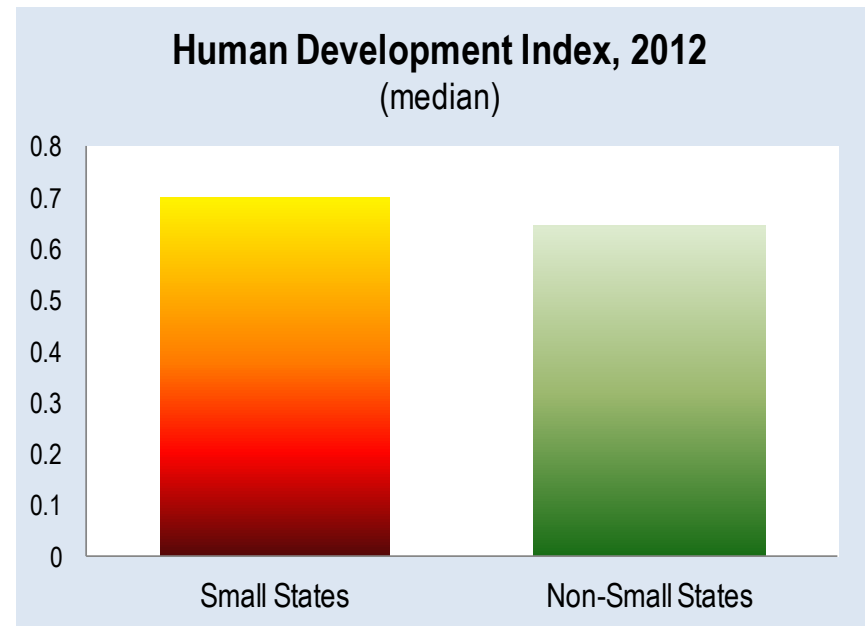
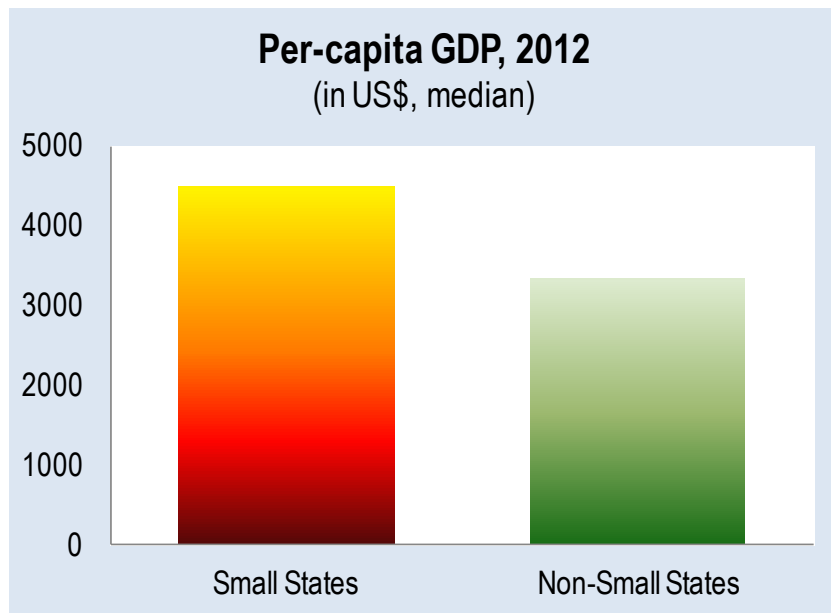
Coverage of presentation

1. SIDS recent macroeconomic performance
2. IMF engagement with SIDS
3. Policy recommendations for strengthening resilience

1. SIDS' recent macro performance:

The good news...

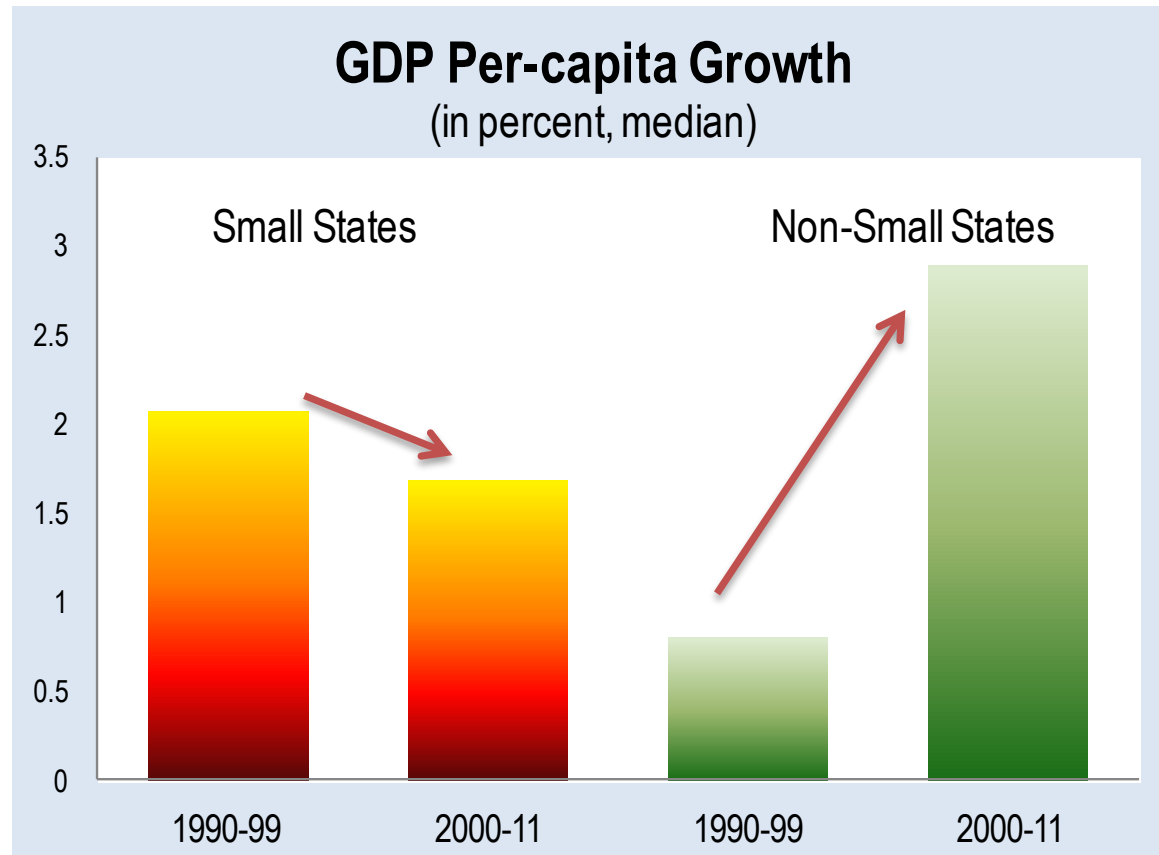
SIDS have higher per capita incomes and better development ratings than larger peers...



1. SIDS' recent macro performance:

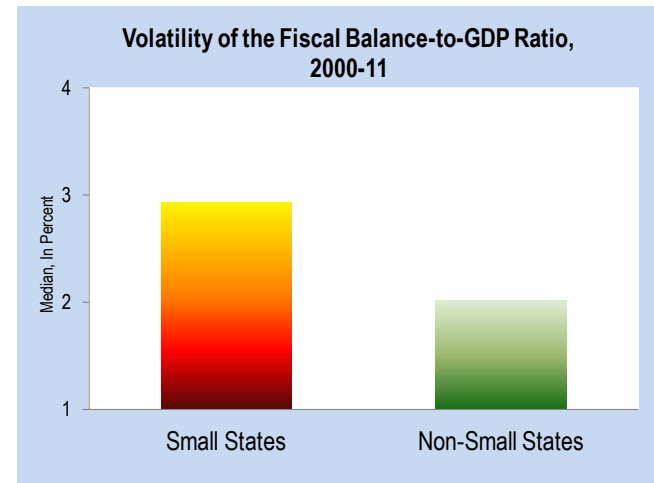
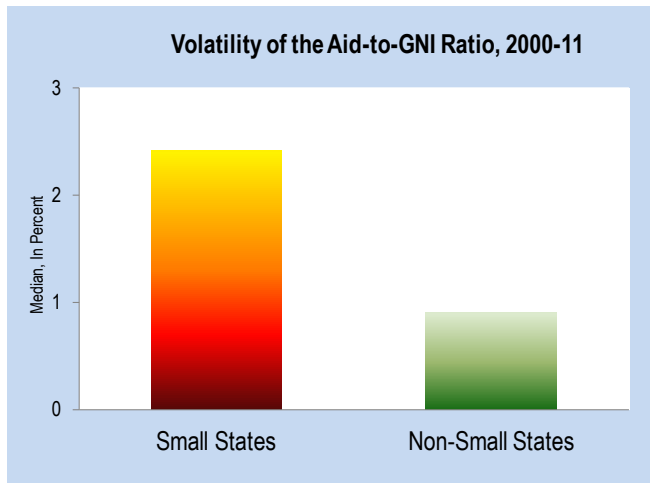
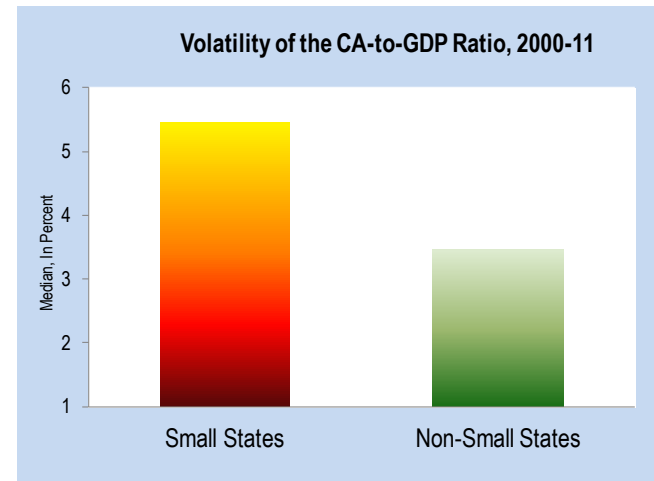
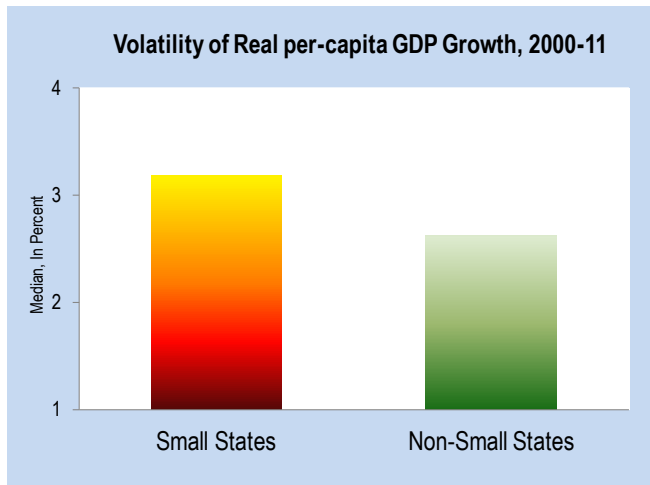
The bad news....

- **SIDS growth is slowing, just as larger peers are taking off...**



1. SIDS' recent macro performance:

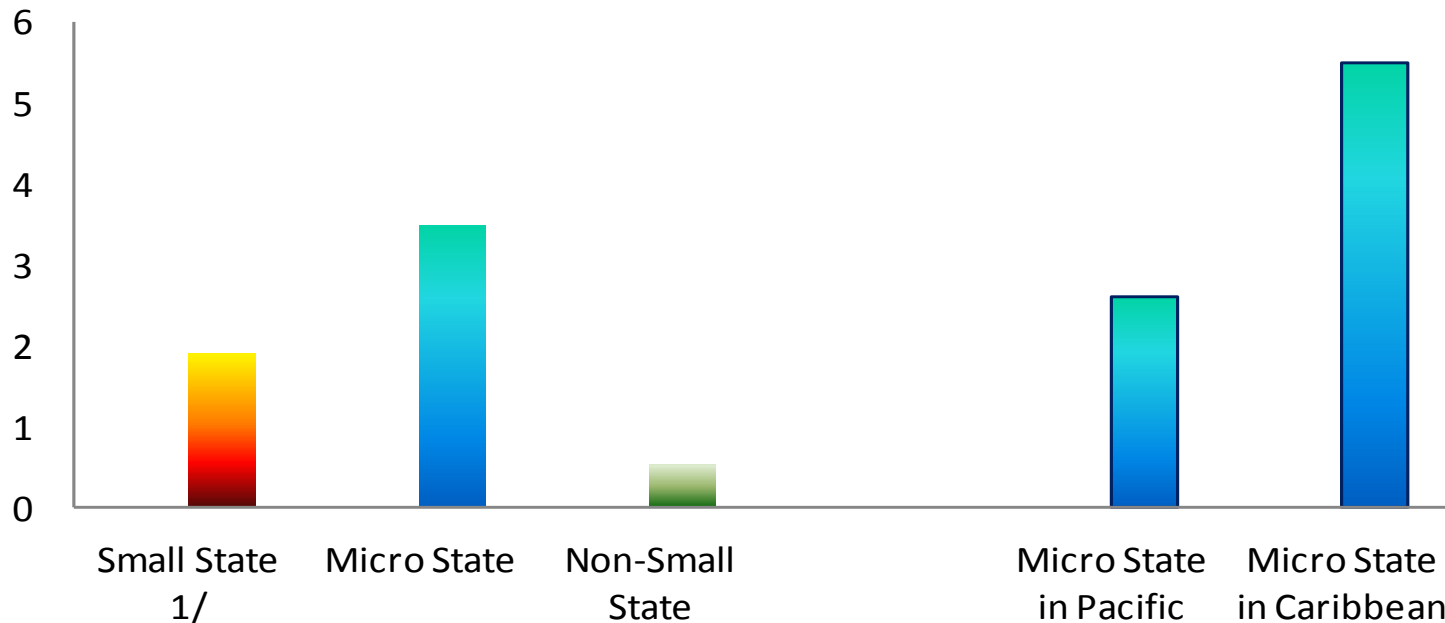
More economic volatility...



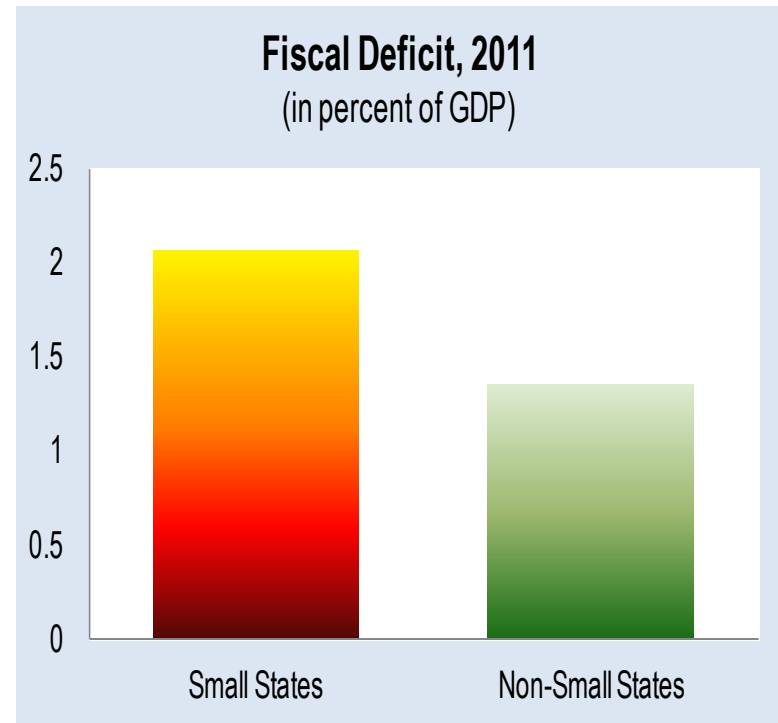
1. SIDS' recent macro performance:

Larger impact from natural disasters...

**Average Annual Cost-to-GDP Ratio
(mean, 1987-2011)**

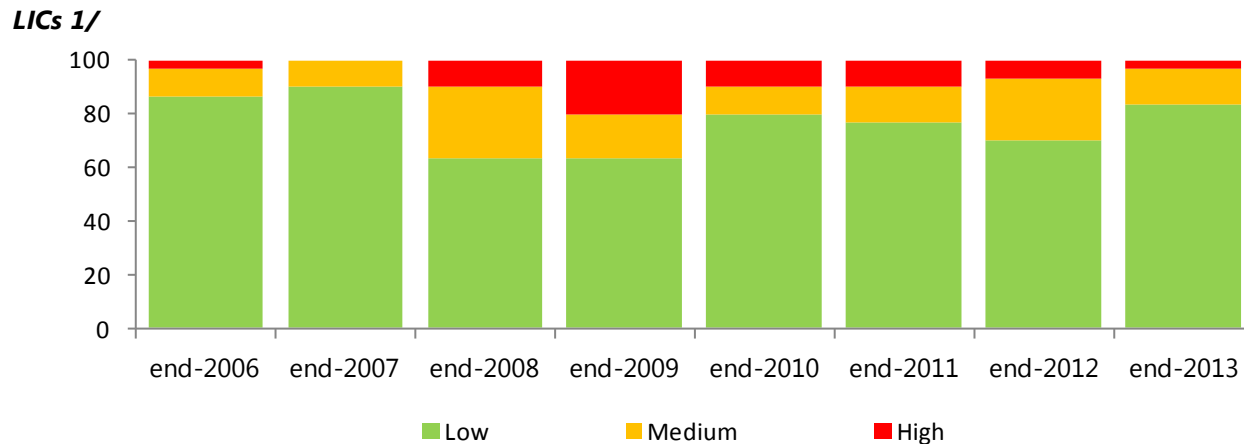


1. SIDS' recent macro performance: Low buffers to weather shocks...

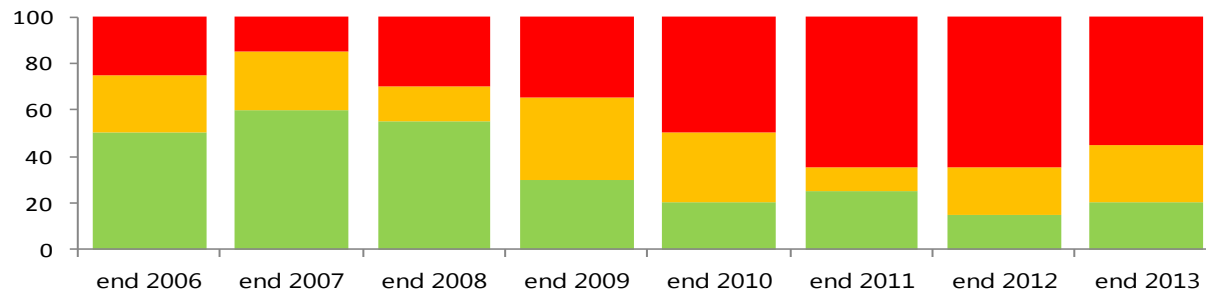


1. SIDS' recent macro performance: ...imply continuing high vulnerability

Growth Decline Vulnerability Index
(Share of Risk Category)



Small States



1/ LICs excluding small states, fragile states and net oil exporters.

1. SIDS' recent macro performance:

- The unanswered question...
- Is the weaker relative performance of SIDS due to:
 - (a) A global economic environment that favors larger states (supply chains, etc)?
 - (b) Lagging macro reforms by smaller states?

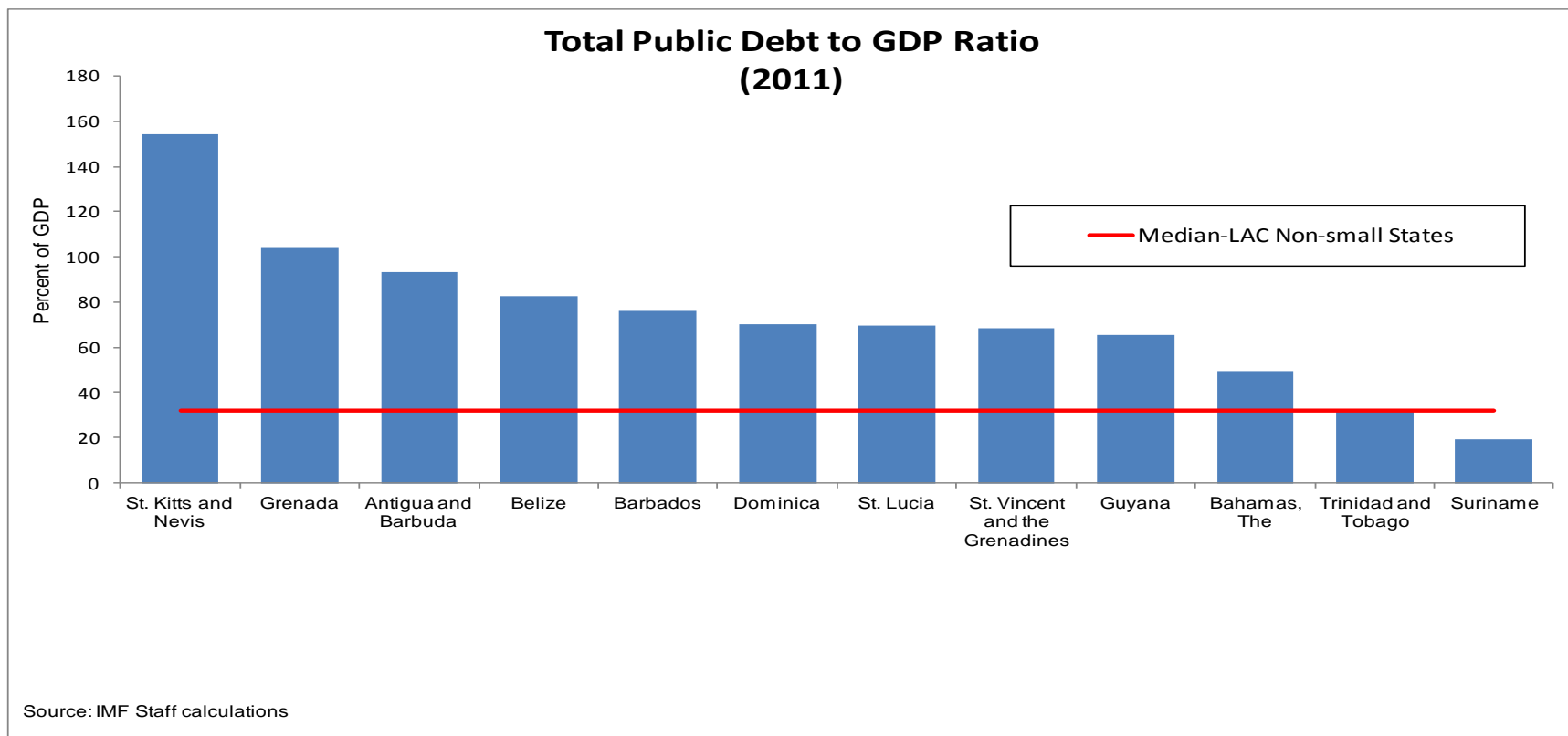
1. SIDS' recent macro performance

Comparison between the Caribbean and PICs

Country Group	GDP per capita (current US\$)	GDP per capita growth (annual %)	Net ODA received (% of GDP)	Public Debt (% of GDP)
	<i>2000-10</i>	<i>2000-10</i>	<i>2010</i>	<i>2012</i>
Caribbean SS	6088	1.6	3	73
PICs	2301	0.7	20	28

1. SIDS's recent macro performance:

Debt is a major issue for Caribbean SIDS



2. IMF engagement with SIDS

--Concessional financing

- IMF concessional financing available to:
 - Regular LICs (per capita incomes up to \$2,390)
 - Small states (per capita incomes up to \$3,585):
Cape Verde, Guyana, Maldives, Timor Leste, Vanuatu
 - Micro states (per capita incomes up to \$7,170):
Dominica, Grenada, Marshall Islands, Micronesia, Samoa, St. Lucia, St. Vincent & Grenadines, Tonga, Tuvalu

2. IMF engagement with SIDS

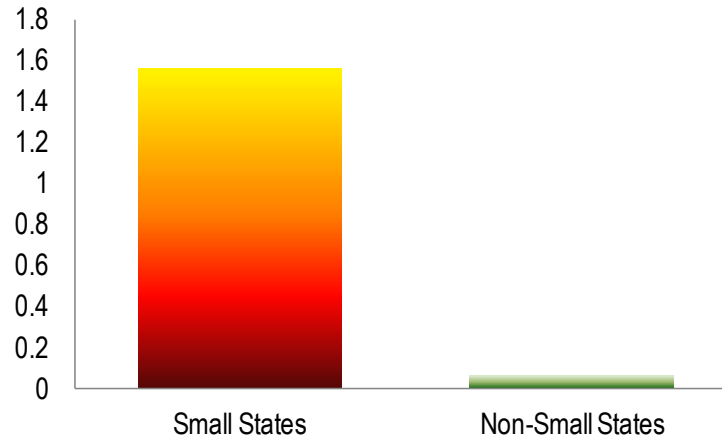
--Financial support and other programs

- 9 SIDS have used one-off emergency IMF loans;
- 10 SIDS have used IMF program-based loans;
- Borrowing is more common for the smallest SIDS with lowest incomes;
- Caribbean SIDS borrow more frequently than those from the Pacific (where ODA is typically higher).

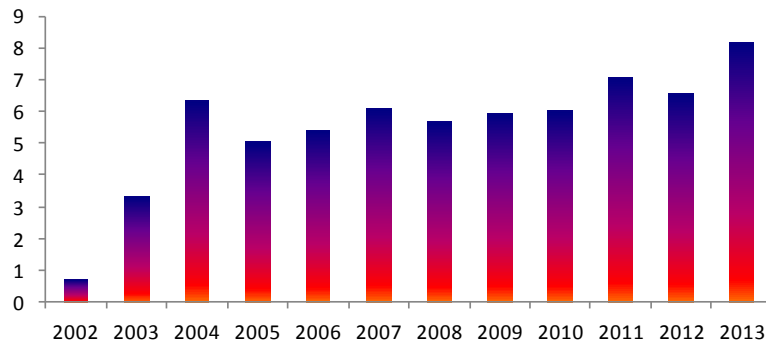
2. IMF engagement with SIDS

--Technical Assistance

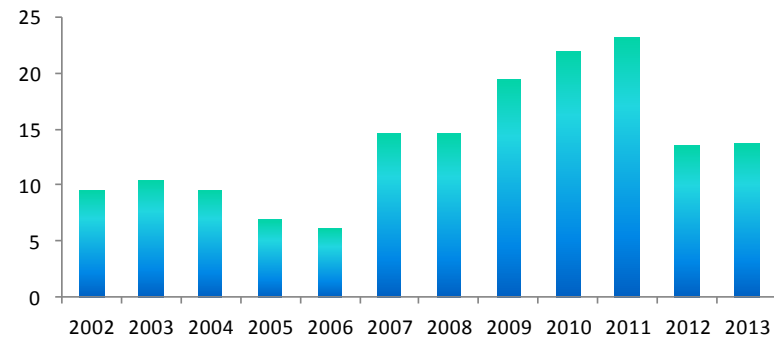
Technical assistance provided , 2011
(Person years per million population , median)



TA delivery by PFTAC
(field time delivery in person-years)



TA delivery by CARTAC
(field time delivery in person-years)



2. IMF engagement with SIDS

--Debt Relief

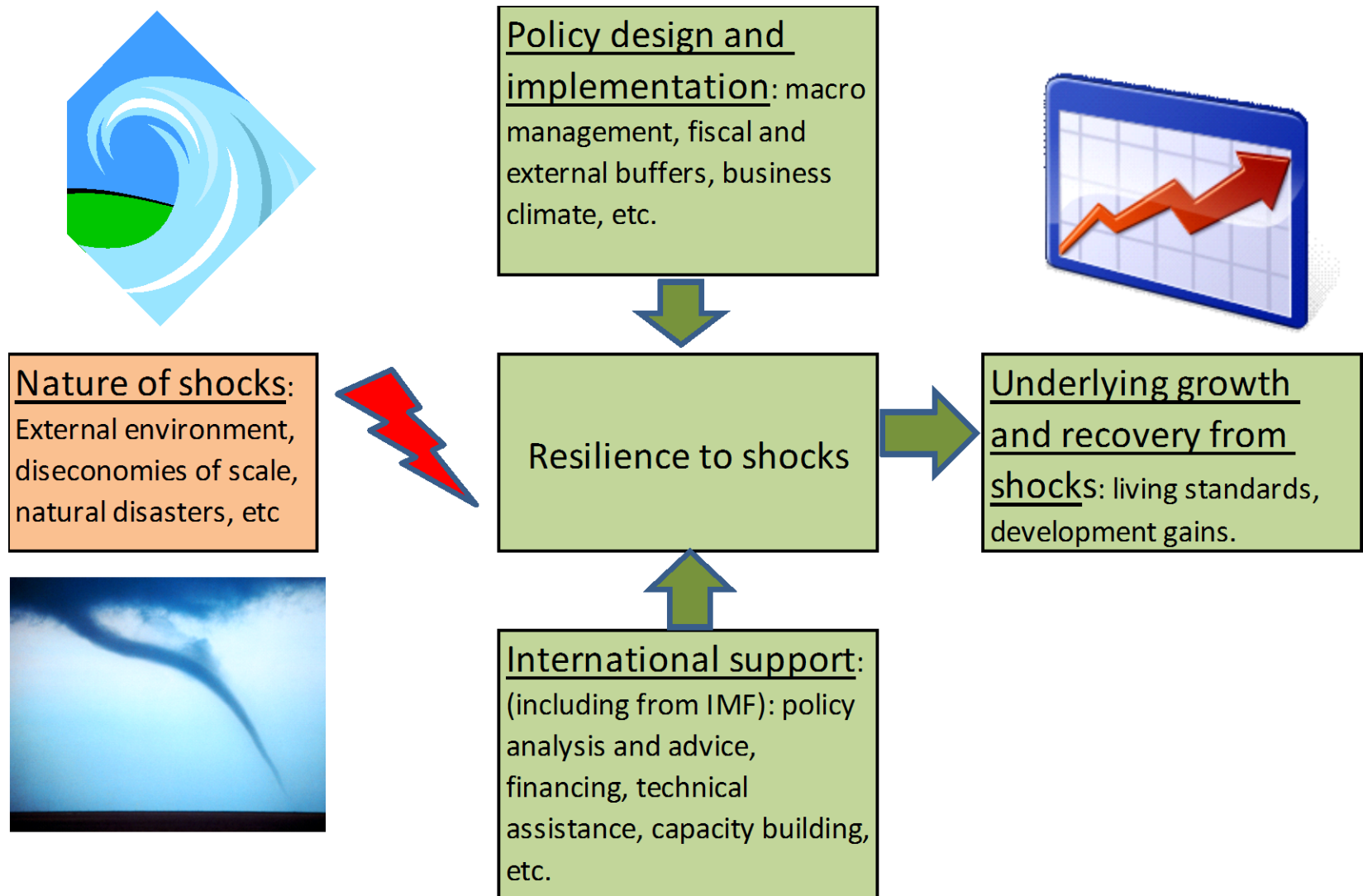
- 3 SIDS have benefitted from IMF debt relief (MDRI) as well as international debt relief (HIPC)—Comoros, Guyana, Sao Tome and Principe;
- IMF has supported middle-income debt restructuring for 5 SIDS—Belize, Dominica, Grenada, Seychelles, and St. Kitts and Nevis)

2. IMF engagement with SIDS

--Policy Advice

- Small states guidance note for IMF staff (by end-2013);
- Ongoing analytical work (e.g., fiscal rules at Small States Forum in October);
- Engagement with SIDS through conferences—Bahamas (September), Vanuatu (November).

3. Building Resilience



3. Building resilience

--Nature of macroeconomic shocks

- Natural disasters (floods, cyclones, earthquakes, rising sea level)
- Industry shocks (crop failure, drop in global prices for exports)
- External earnings shock (loss of migrant earnings, uncertain aid flows, cyclical FDI)
- Security/governance (civil unrest, loss of government authority/recognition)

3. Building resilience

--Proactive investments to mitigate risks

- Options: sea walls, flood channels, earthquake reinforcement
- Need to create fiscal space for investments
- Funding options: revenue mobilization, borrowed funds, or development assistance?

3. Building resilience

--Safety nets for most vulnerable

- Targeting: to reduce costs to affordable levels;
- Responsiveness: Should quickly provide expanded relief in event of shocks;
- Collaboration: Use parallel expertise in World Bank and regional development banks.

3. Building resilience

--Fiscal buffers to weather shocks

- Likely cost of outlays? Insurance options?
- Contingency provision in budget;
- Low fiscal deficits and public debt levels provide a buffer;
- How to bring the budget back on track after a shock?
- Accountability for disaster-related spending.

3. Building resilience

--External buffers to weather shocks

- Buffers: High international reserve cover helps weather shocks
- Exchange rate: Case for adjustment/flexibility?
- Financing: New resources from IMF and other sources can help weather shocks

4. Bottom line

- SIDS facing real macroeconomic challenges
- Need combination of international and domestic effort
- Priorities vary across countries and regions
- IMF providing stepped-up range of targeted support
- Continuing to refine our engagement