

# Vulnerability, Debt and Liquidity

Seventh Session of the Caribbean Development Round Table

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# Economic vulnerability

**Small domestic markets and a narrow natural resource base** result in undiversified economies, limits for achieving economies of scale, and reduced scope for private sector development – with attendant impacts on economic growth and job creation.

**SIDS economies are highly open** – and thus are quickly and strongly affected by global trade and financial volatility and economic downturns.

**Infrastructure costs** – particularly for sustainable energy, communications and transport – are high for small island states.

Source OECD

# Environmental vulnerability

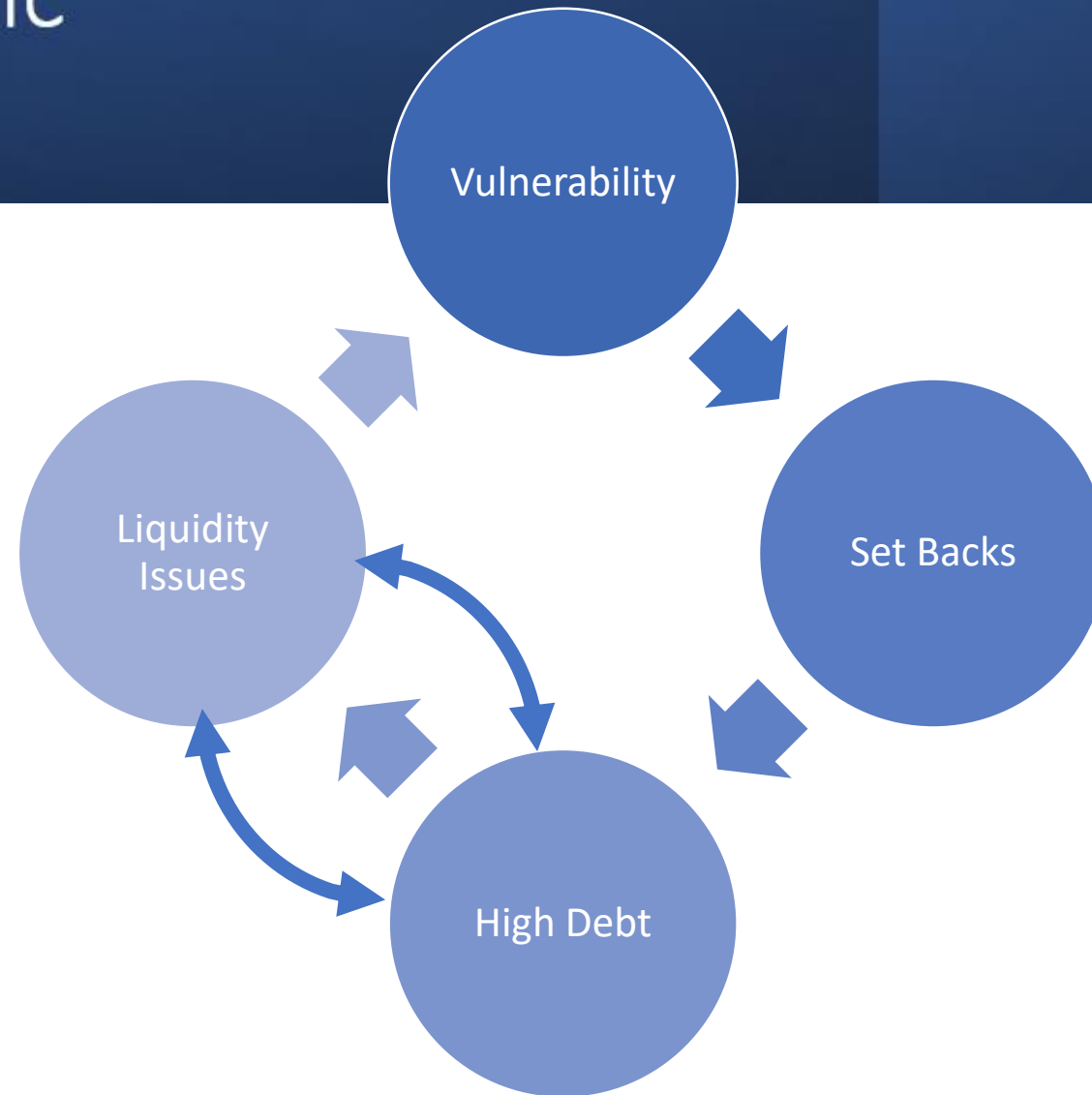
All small island states are characterised by **fragile natural environments** (falling fish stocks, threatened biodiversity, limited water availability, land management challenges, etc.).

SIDS are highly vulnerable to the effects of **climate change** (extreme weather events, sea level rise, habitat degradation, etc.)

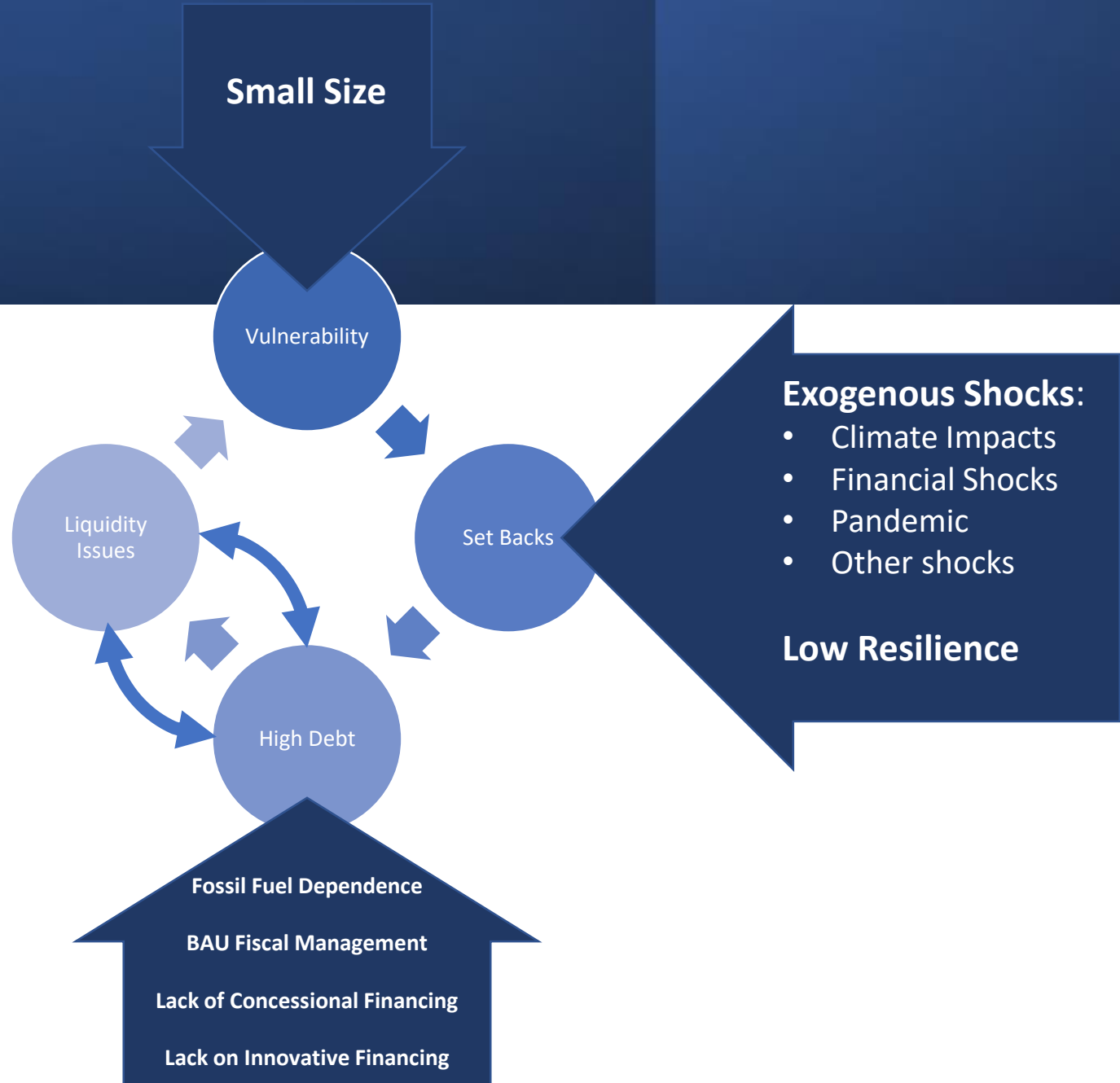
Many SIDS **lack resilience** to deal with the rising incidence of natural disasters (storm surges, droughts, landslides, etc.)

Source OECD

# The Dynamic

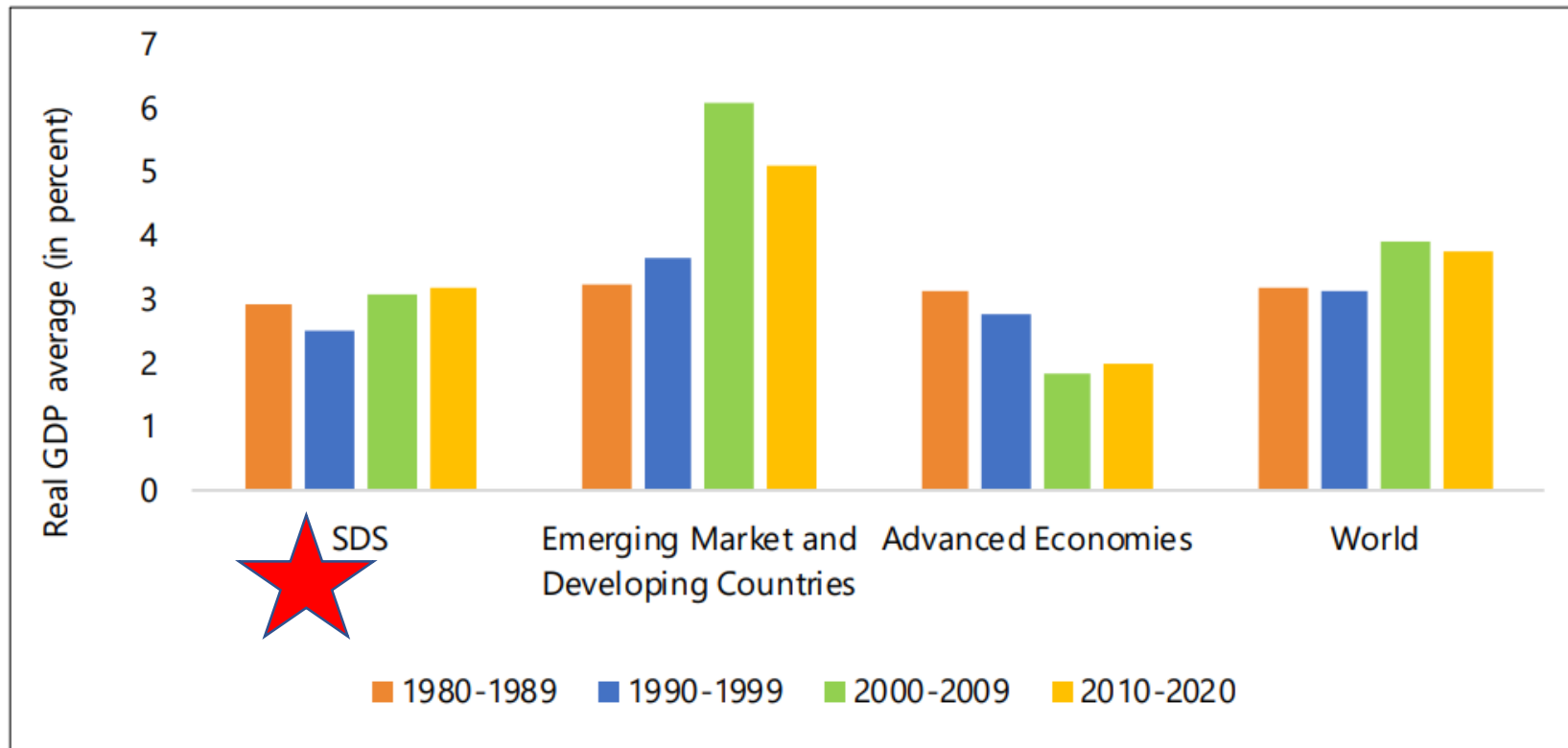


# The Dynamic



# Small States Growth 1980 - 2020

**Figure 1. Real GDP Growth—SDS, EMDCs, AEs, and Global, 1980–2020<sup>1</sup>**

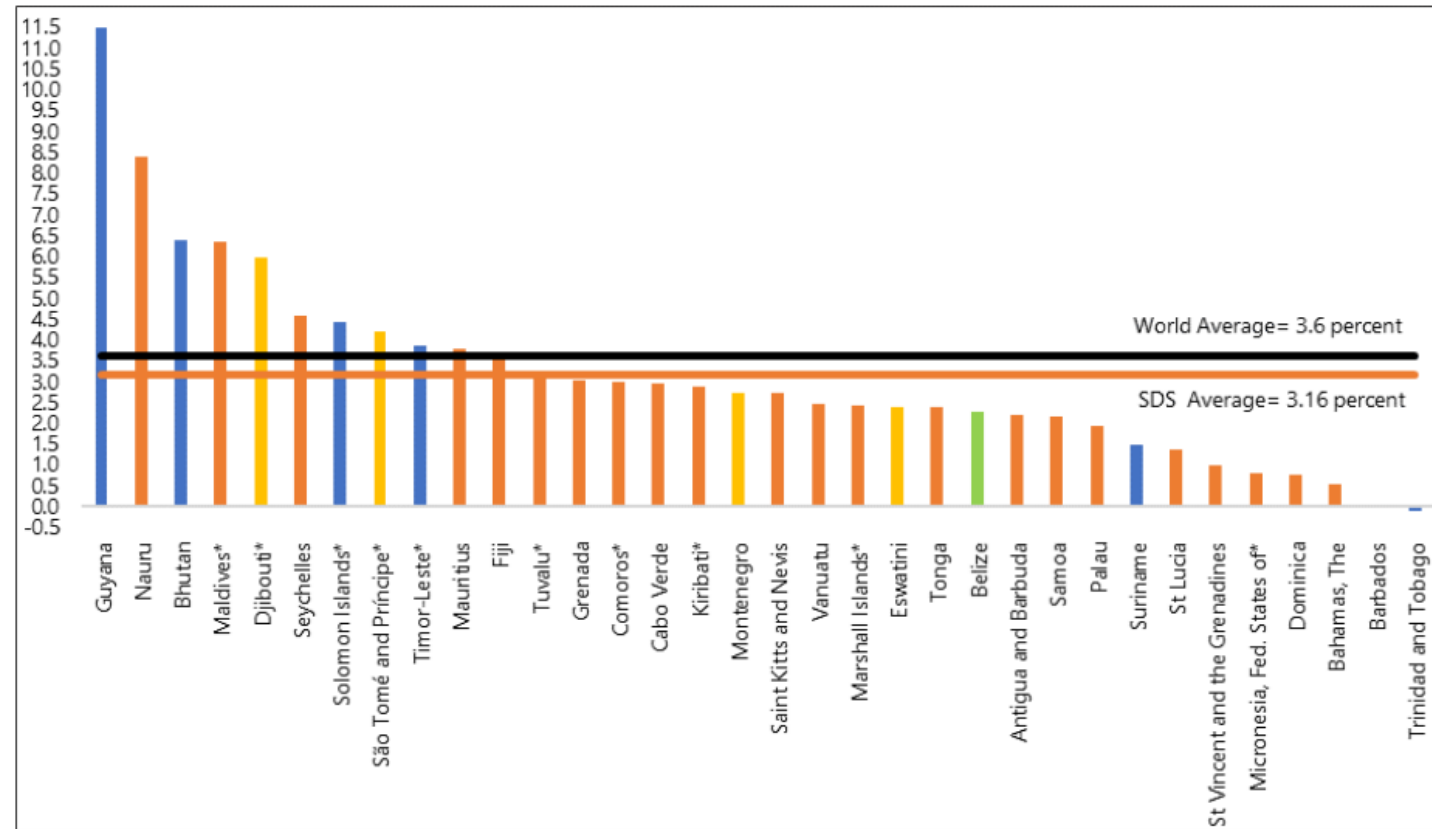


Sources: WEO; IEO calculations.

<sup>1</sup> Real GDP growth in simple average.

# Small States Growth 2010 - 2020

**Figure 2. Real GDP Growth Across SDS, 2010–2020**



Sources: WEO; IEO calculations.

Note: \*denotes FCS. Orange=tourism dependent SDS; Blue=commodity exporting SDS; Green=tourism dependent and commodity exporting SDS; Yellow=others.

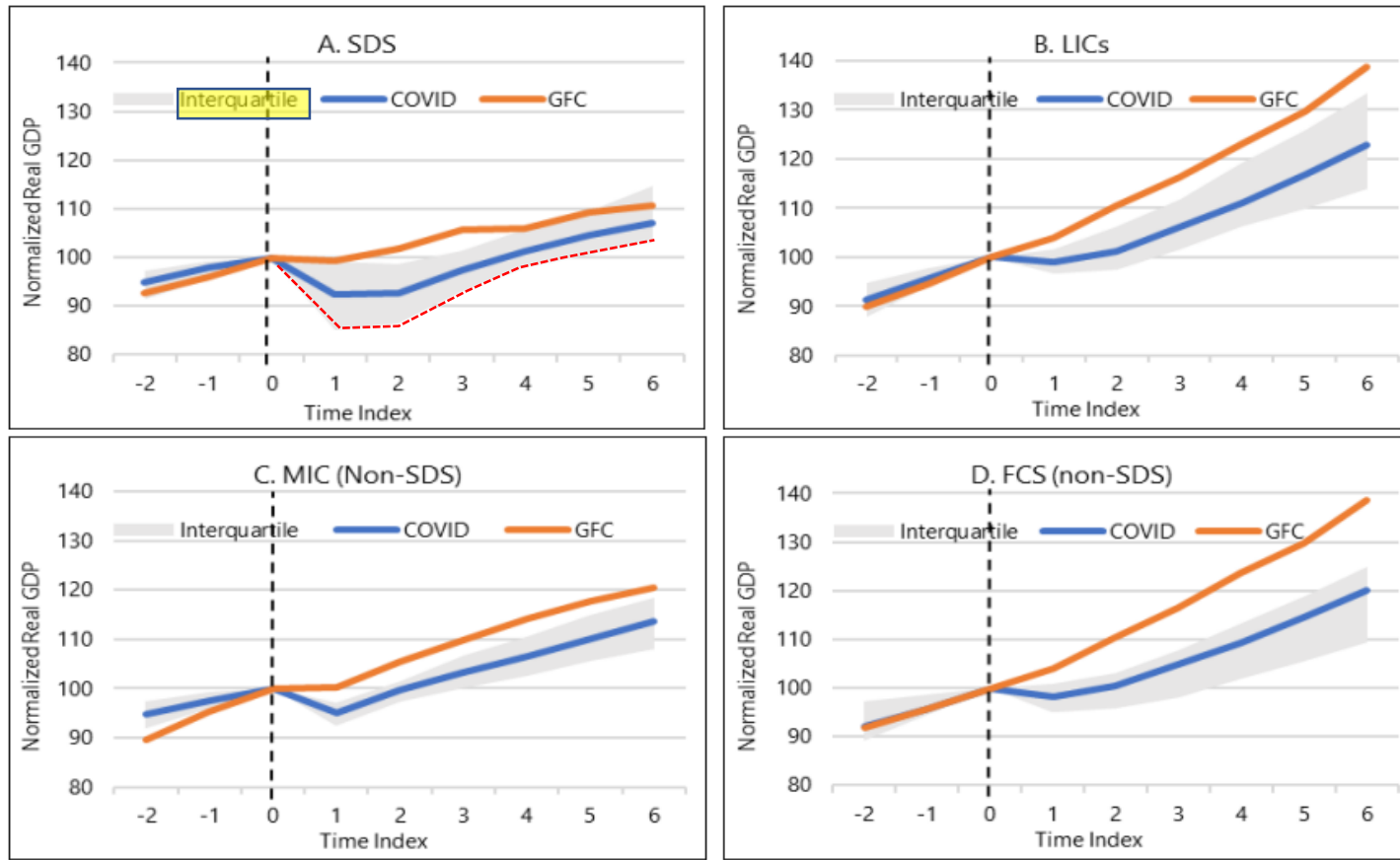
Source IEO, IMF

# Small States Disproportionately affected by COVID & GFC

Black dotted line is the time of impact for both GFC and COVID.

SDS disproportionately affected

**Figure 3. GFC and COVID-19 Impacts on Path of Real GDP by Country Categories**



Sources: IMF (October 2021 WEO); IEO calculations.

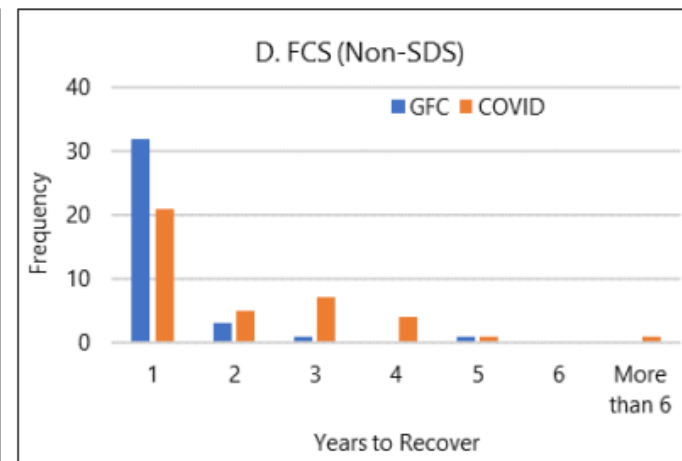
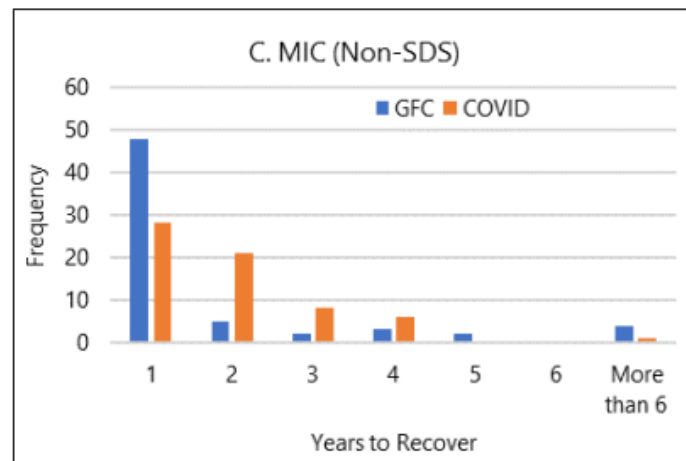
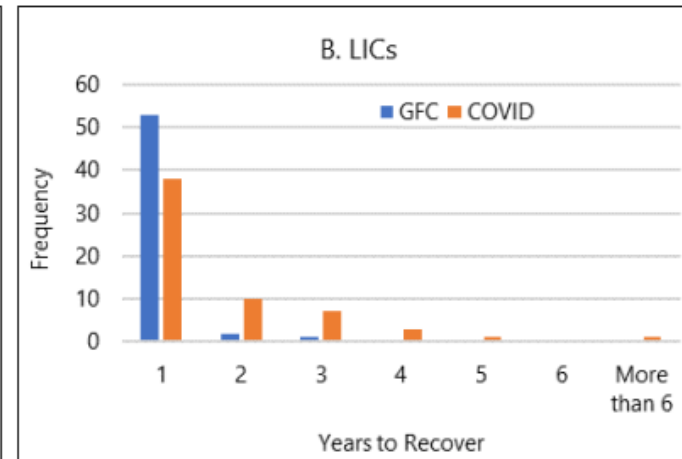
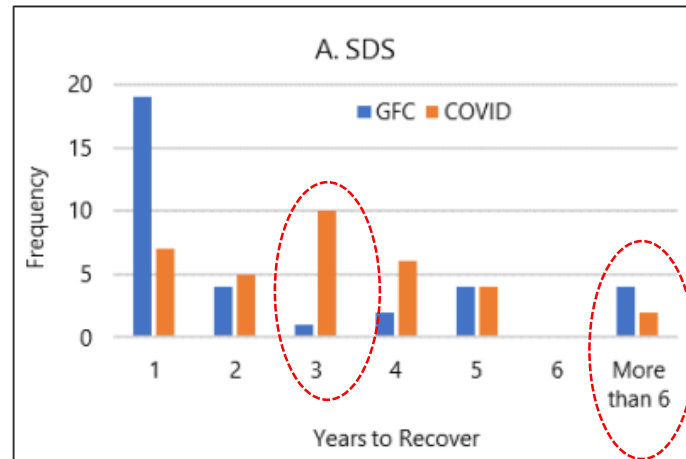
Notes: For GFC, year 2008 is time index 0. For the COVID-19 pandemic, year 2019 is time index 0. Real GDP is normalized so that it equals to 100 at time 0.

Source IEO, IMF



# Small States: Longer Recovery Times

Recovery times for SDS much longer compared to LICs, MICs and Fragile States

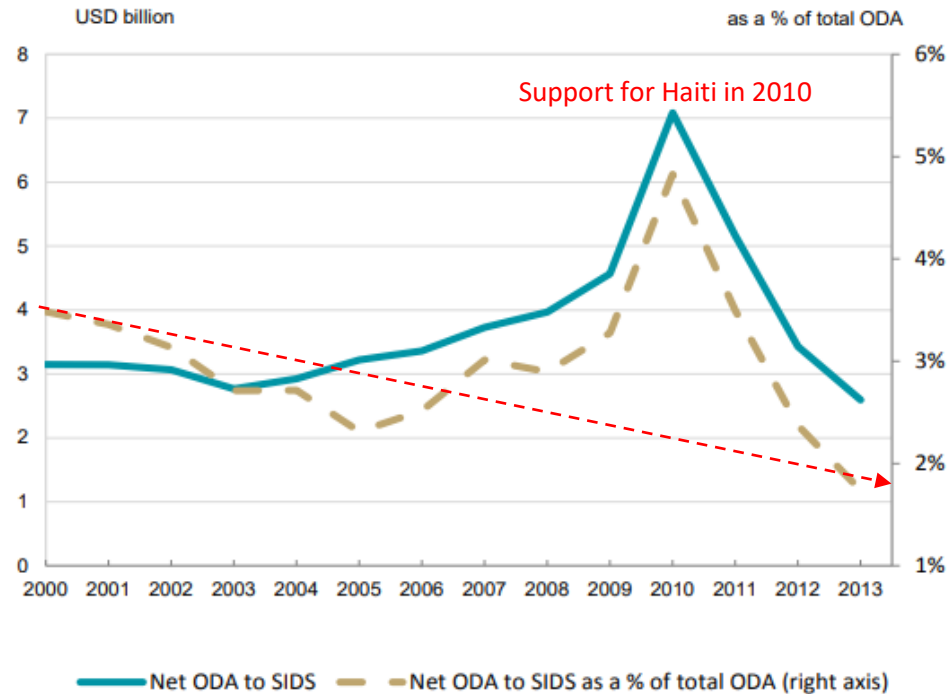


Sources: IMF (October 2021 WEO); IEO calculations.  
Note: Recovery is defined as a return to the pre-crisis Real GDP level.

# ODA is falling for SIDS

Official Developmental Assistance is falling in absolute and relative terms for SIDS

**Net ODA to SIDS 2000-2013**  
(real terms, 2012 basis)



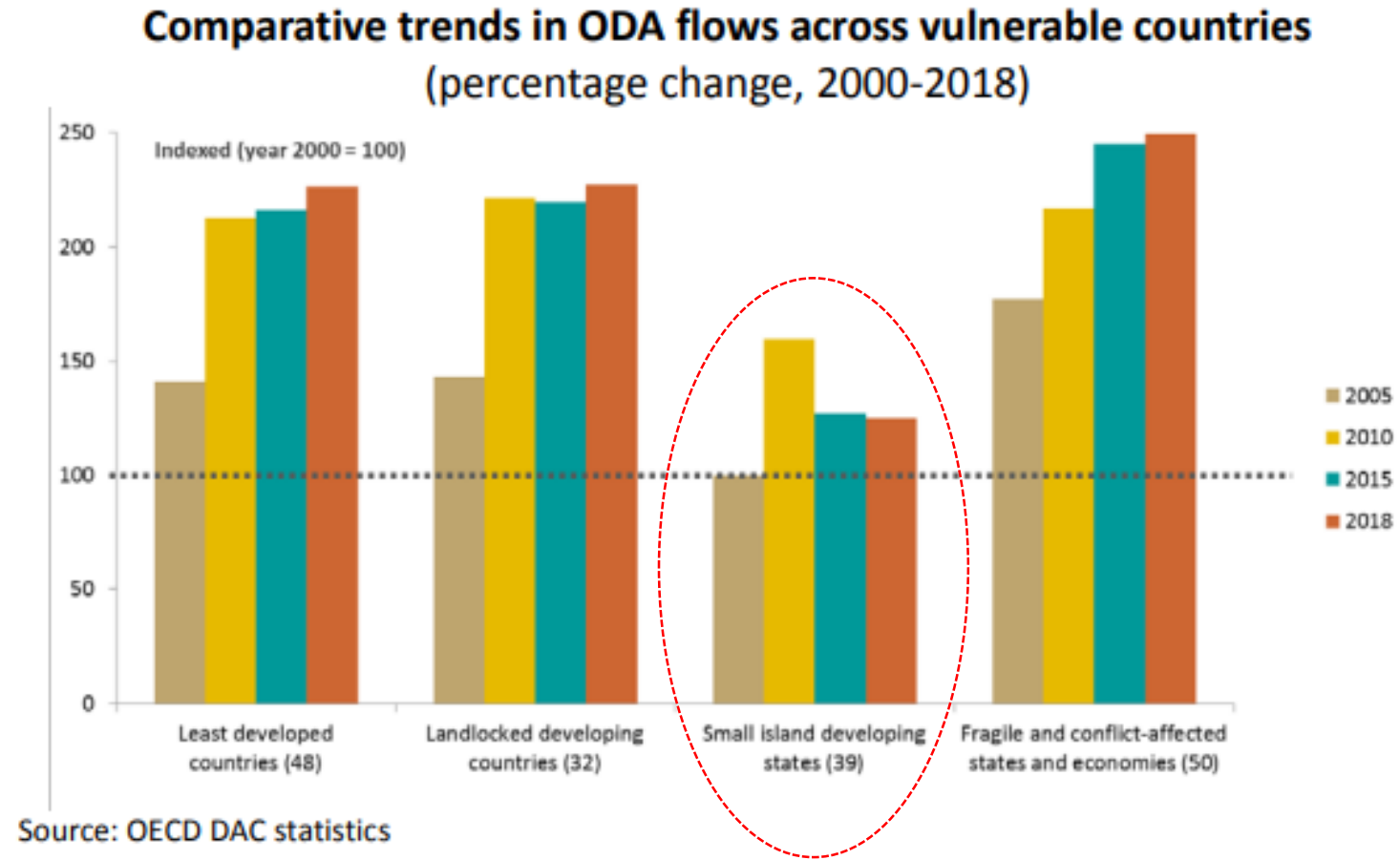
Source: OECD DAC statistics

Source OECD

<sup>1</sup> The increase to \$6.8 billion in ODA to SIDS 2010 was attributable mainly to aid provided to Haiti.

# ODA is falling for SIDS compared with other groups

According to the OECD,  
“SIDS are losing out” on ODA.



# ODA is falling for SIDS compared with other groups

Achieve macroeconomic stability, well diversified resilient economies and sustained growth.

- growth rates in SDS, persistently lagged those of other emerging markets and developing
- Both the GFC and COVID-19 shocks also had a much greater adverse impact on SDS than on LICs and fragile, non-SDS members,
- More granular advice and guidance on diversification policies.

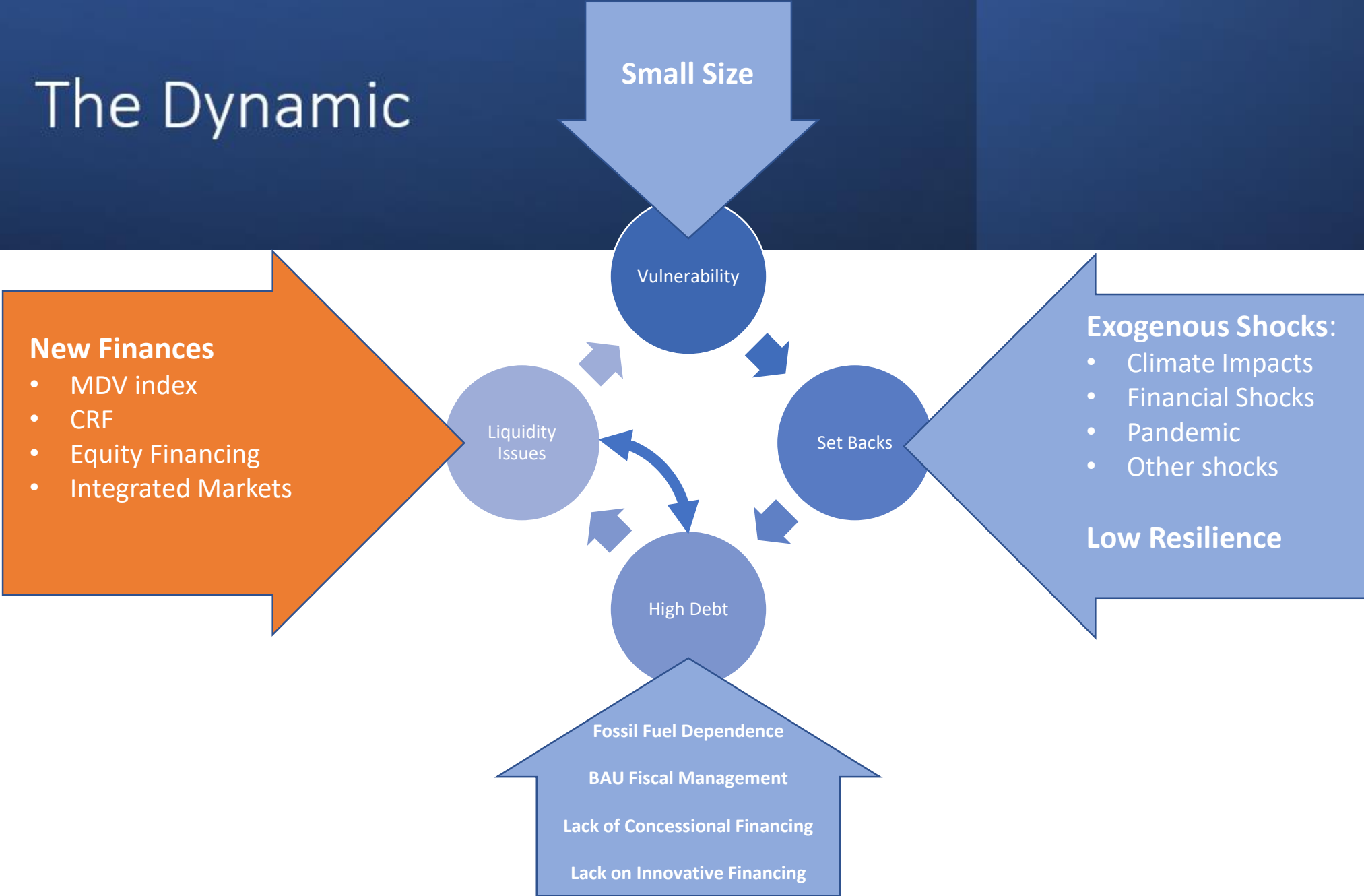
# Lessons

- Increasing Climate Impacts
- Other Black swan Impacts
- Lessening access to Concessional Funds
- Debt is Increasing
- Less fiscal space for resilience
- Less fiscal space for diversification

# Solutions

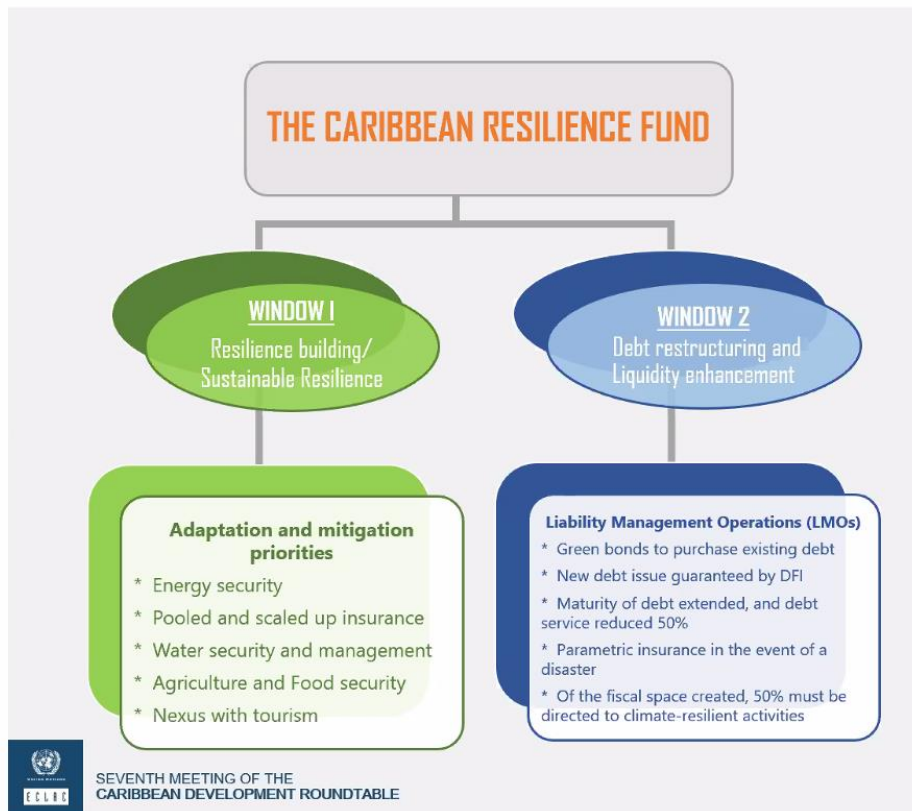
- Vulnerability metrics to access concessional finance
- Need for greater resilience
- Need for greater fiscal responsibility laws
  
- Need for more growth
  
- Need for greater diversification
- Need for greater Innovation and innovative finance

# The Dynamic



# Caribbean Resilience Fund

- Innovative Finance for resilience and diversification



Off balance sheet bonds

## The Caribbean Resilience Fund (CRF)

A special purpose financing vehicle intended to leverage long-term affordable development financing for the Caribbean



# Vulnerability, Debt and Liquidity

Thank you.

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