

Debt and Natural Disasters in the Caribbean

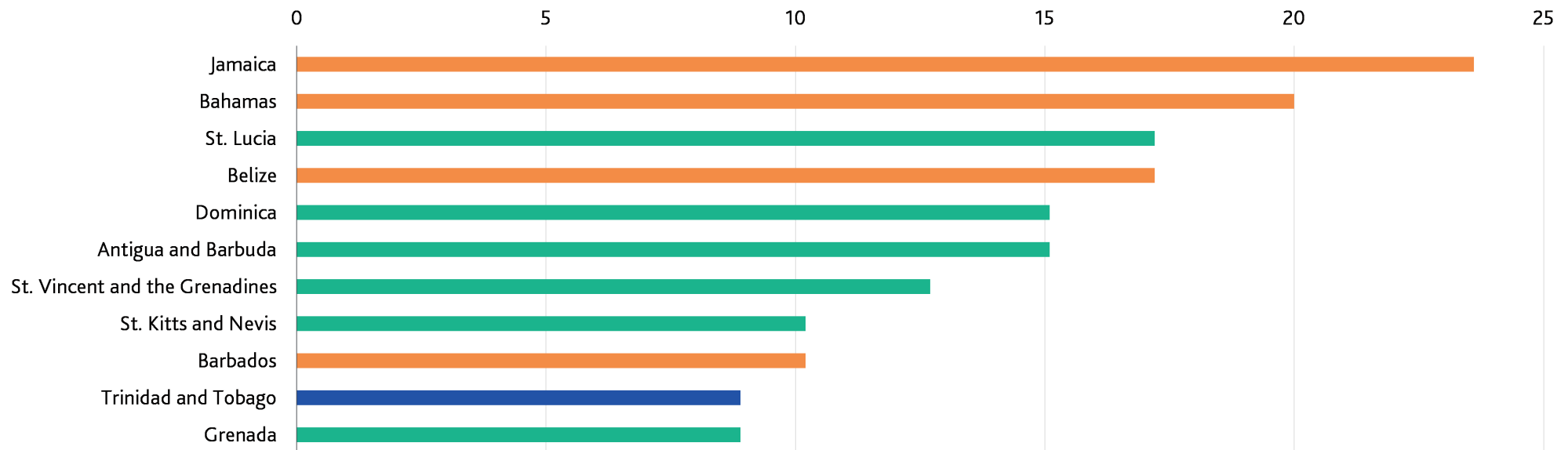
New York

April 17th 2019

Recalling where we were last Year



Probability of a hurricane striking in any given year



Source: Moody's Investor Service: Caribbean Sovereigns: The Silent debt Crisis; Feb. 2016

A Hurricane strikes every

St. Lucia	< 6 years
Dominica	< 7 years
Antigua & Barbuda	< 7 years
St. Vincent & Grenadines	< 8 years
St. Kitts & Nevis	< 10 years
Barbados	< 10 years
Grenada	< 11 years

Estimated Annual damages from Disasters and Hurricanes

**Table 7. Estimated Damages from the Historical Record, Annual Average 1950-2014
(in percent of GDP)**

Countries	Actual (EM-DAT) ¹	Estimates ²	
		All Disasters	Disasters & Hurricanes ³
Anguilla	0.2	0.3	0.5
Antigua and Barbuda	1.5	6.8	8.4
Bahamas	0.6	1.1	2.0
Bermuda	0.2	0.2	0.6
Barbados	0.1	0.1	0.2
British Virgin islands	0.0	0.0	0.6
Cuba	0.4	1.0	1.1
Cayman Islands	2.0	2.1	2.4
Dominica	3.8	6.3	15.0
Dominican Republic	0.5	0.5	0.6
Grenada	2.8	9.3	15.8
Haiti	2.0	2.7	3.0
Jamaica	1.0	1.1	1.1
Montserrat	7.2	7.4	31.7
Puerto Rico	0.2	0.3	0.4
St. Kitts and Nevis	5.0	6.7	21.8
St. Lucia	2.5	2.8	3.1
St. Vincent and the Grenadines	0.5	0.7	1.1
Trinidad and Tobago	0.1	0.1	0.1
Turks and Caicos	0.9	1.2	4.9
Average	1.6	2.5	5.7
Weighted average	0.4	0.7	0.9
Tropical Cyclones (events)	135	238	335

Sources: EM-DAT; and author's calculations.

¹ Includes corrections and additions to EM-DAT as described in the Appendix.

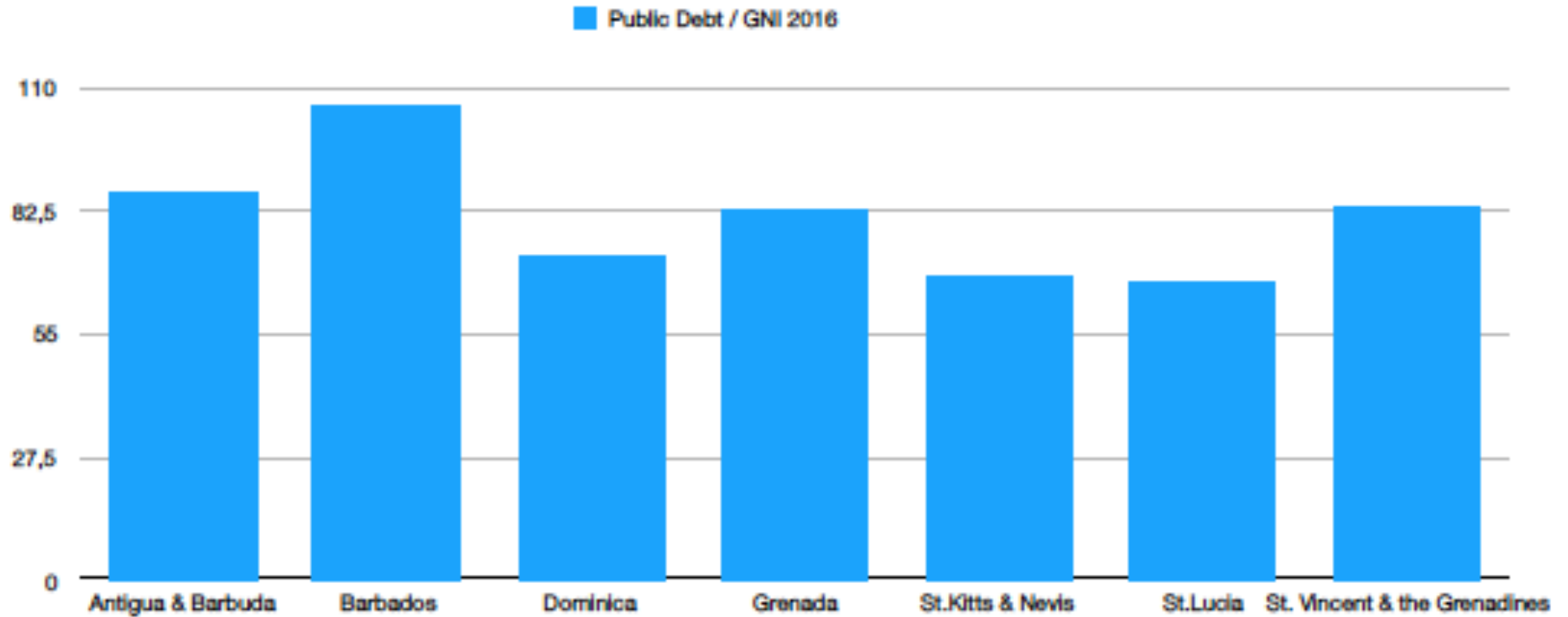
² The estimates include the actual damages in the first column.

³ Includes hurricanes that passed within 60 miles of the country.

⁴ Weighted by nominal GDP in US\$.

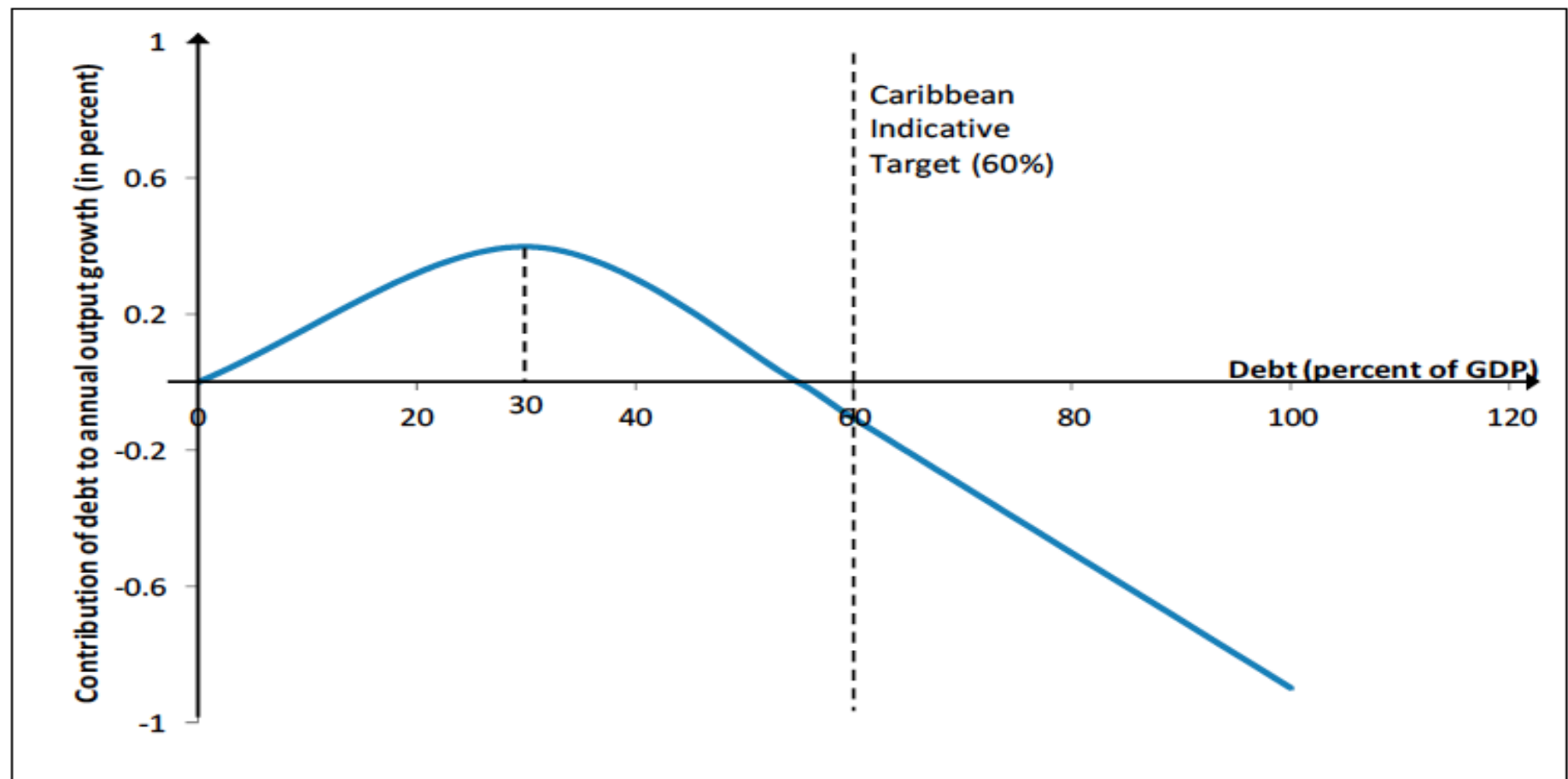
Source:
Acevedo, S.:
Gone with the Wind.
IMF WP 16/99

Indebted before Irma and Maria



The Debt-Growth Nexus

Figure 12. Stylized Shape of the Threshold Effects of Public Debt on Growth



Slight Improvements, except for one...



IMF LIC/SIDS Assessment of Risk of Debt Distress



- In debt distress: **Grenada**
- High Risk: **Dominica, St. Vincent and the Grenadines**
- Moderate Risk: **St. Lucia**
- *Not listed: Antigua & Barbuda, Barbados, St.Kitts & Nevis*

2018: Barbados revealed weaknesses of existing debt regime

- Public Debt > 160% of GNI led to selective default
- Bizarre Crédit Suisse loan presently collects 16%
- Home-grown adaptation program successful, accepted by the IMF
- Internal debt restructuring led to about 40% haircut
- **No** arrangement with external creditors
 - Multilaterals
 - Bilateral: CDN within PC, China outside PC
 - Bondholders

IMF warns early 2019



INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/62

EASTERN CARIBBEAN CURRENCY UNION

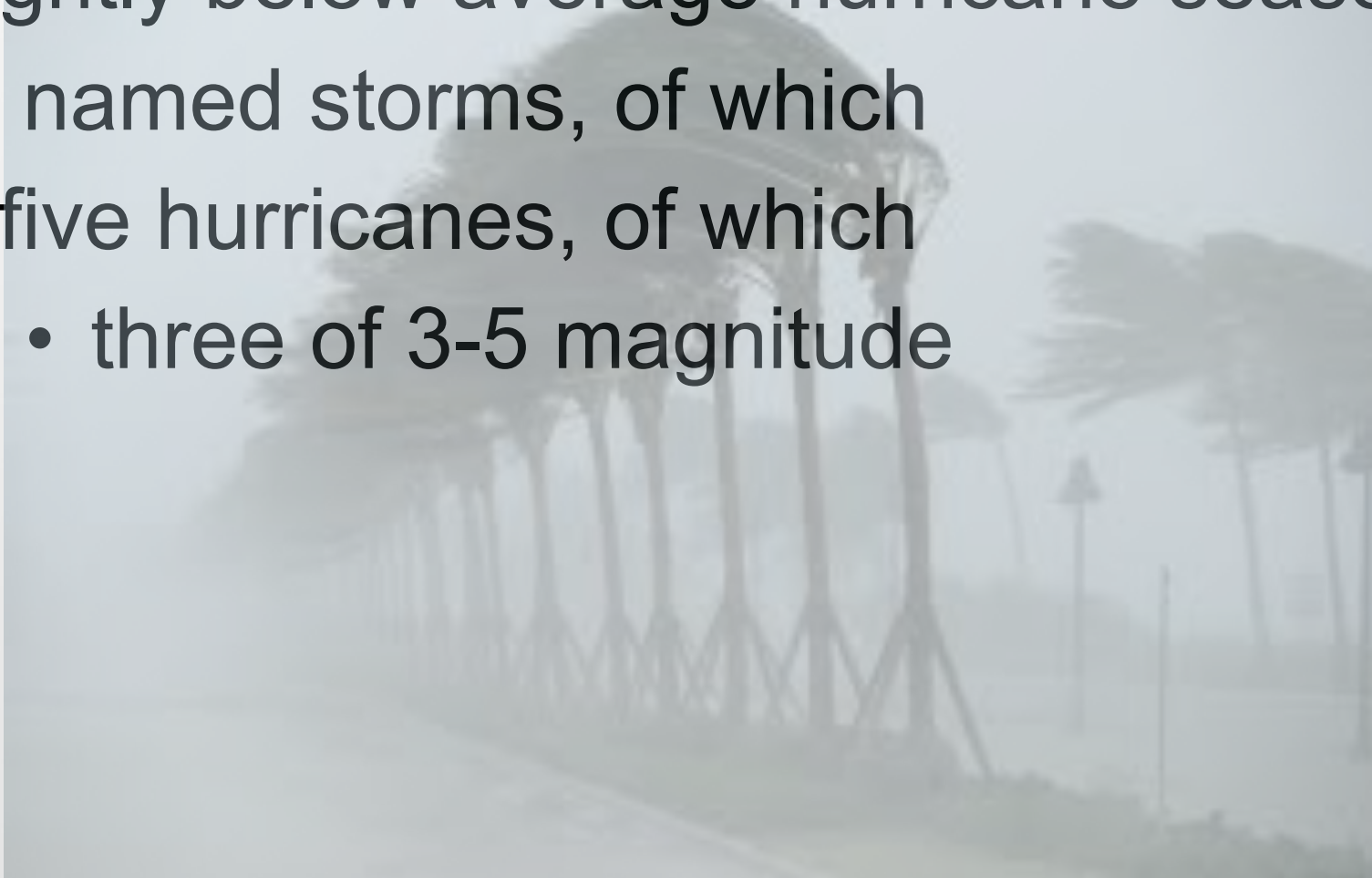
February 2019

2018 DISCUSSION ON COMMON POLICIES OF MEMBER COUNTRIES—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE EASTERN CARIBBEAN CURRENCY UNION

- Reconstruction Costs after 2017 hurricanes
- Reduced income from volatile Citizenship by Investment Programs
- 60% target out of reach

2019 Forecast

- Slightly below average hurricane season
- 12 named storms, of which
 - five hurricanes, of which
 - three of 3-5 magnitude



Possible lines of action:

- Have the region stand up for an effective and fair debt relief opportunity; CARICOM summit (and other events, like: SIDS summits, WB small states forum

Every year the Caribbean lives under the threat of disproportionate destruction through hurricanes and other natural disasters. Debt relief, if adequately designed, can be a key instrument to support affected nations in immediate disaster relief as well as medium-term reconstruction. We therefore commit to design and discuss with development partners a reliable, impartial and effective option for debt relief ahead of the next hurricane season.

- Accomplish factual moratorium plus restructuring in pioneering frontline cases (urgent action, co-ordinated between the region and external supporters)