

Debt Issues in Commonwealth Small States: Implications and Possible Solutions

Caribbean Development Bank (CDB)

Debt Seminar:

“Public Debt in the Caribbean: An Agenda for Reduction and Sustainability”

Travis Mitchell, Economic Affairs Division

23 May, Sandals Resorts, St. Lucia



Commonwealth Secretariat

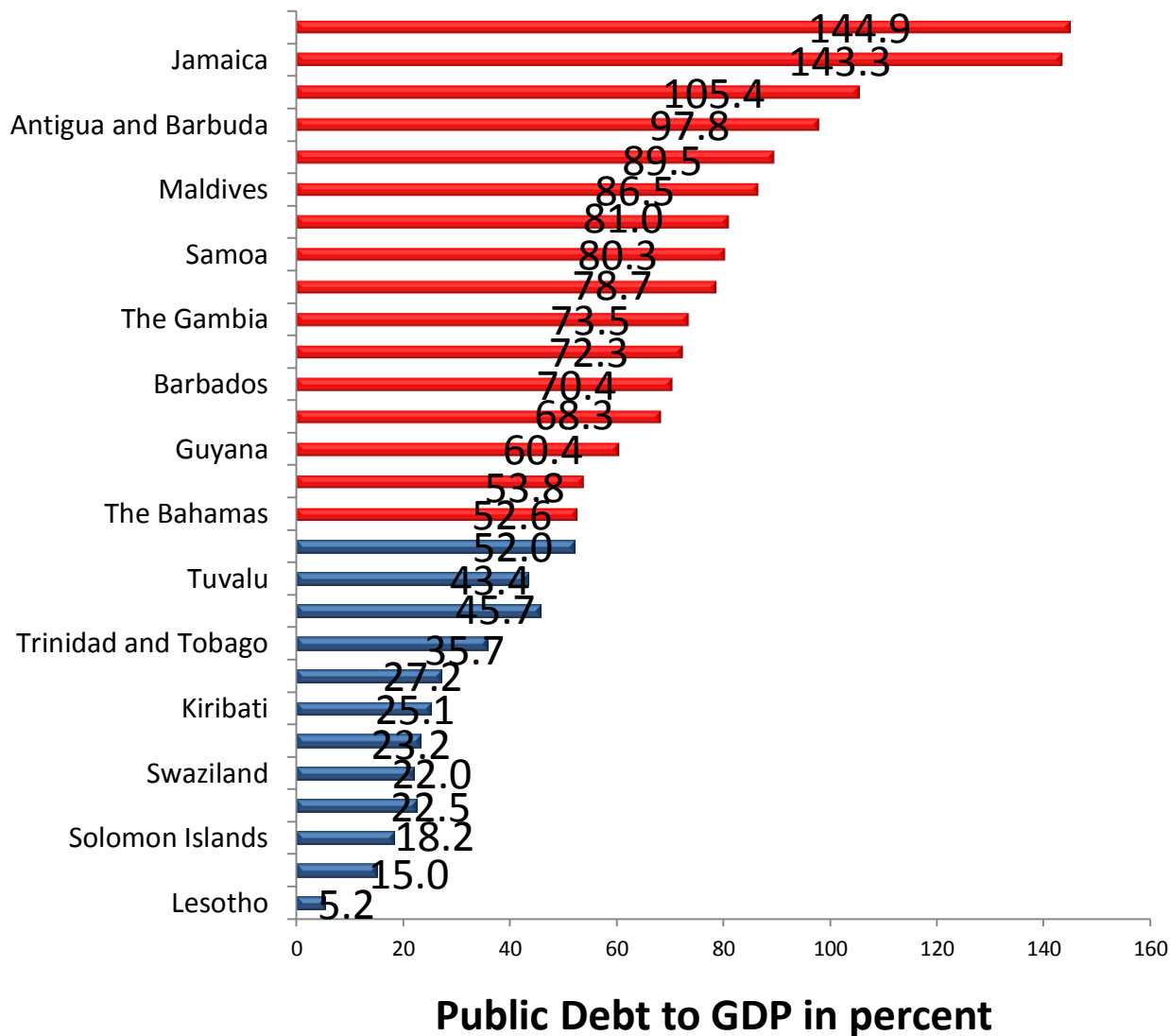
The Commonwealth is
a voluntary association
of 53 states



Presentation Outline

1. The Commonwealth Association and its Approach to Assisting Member Countries
2. Debt in Commonwealth Small States and its Implications
3. Response by IFIs, Commonwealth Proposals and Options for the Caribbean

Debt Trends in Commonwealth Small States



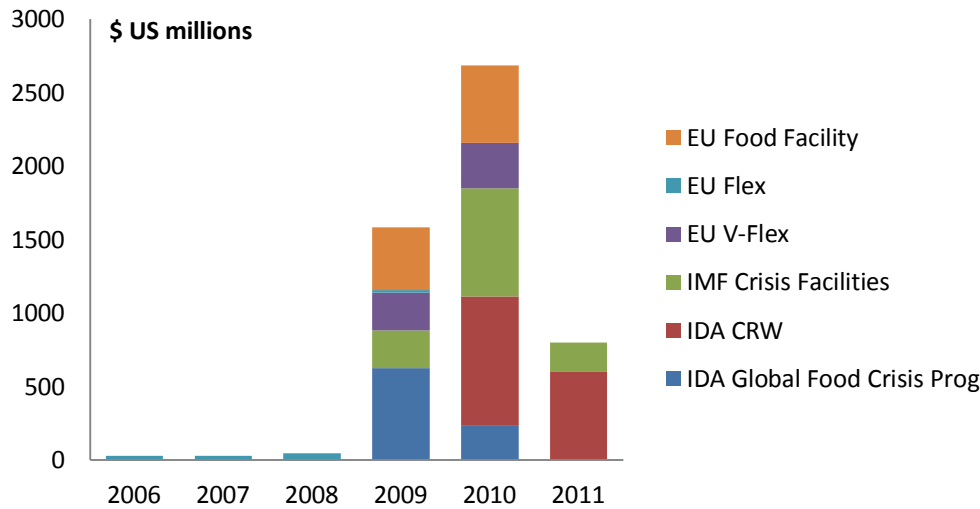
- **14** very highly indebted
- **4** with high and rising debt
- **10** Caribbean
- **Factors-** shocks, poor access to concessional finance, loose fiscal policies, weak debt management , erosion of trade preferences
- **7** debt restructurings between 2000 to 2013
- Most are **MICs** and **3 HICs**

Commonwealth Research

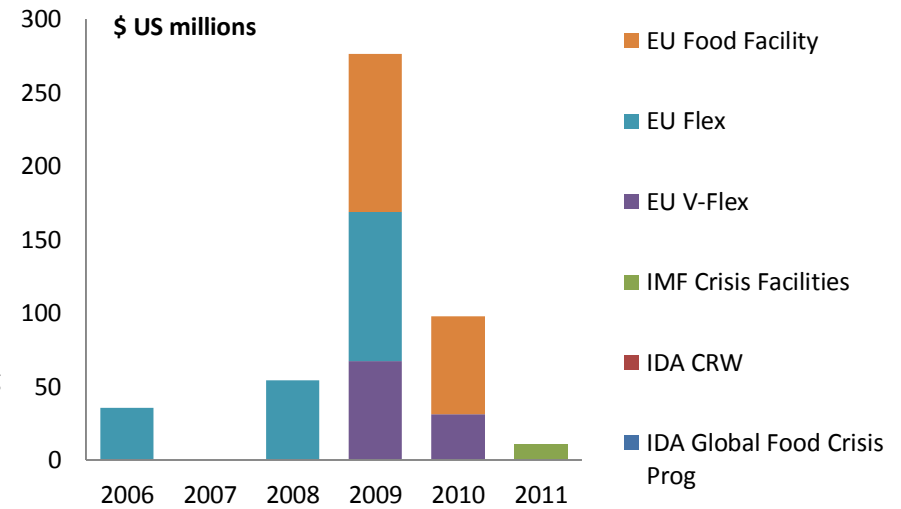
- **Briguglio (2013)**
- Vulnerability is but one of the root causes of debt in small states.
- No definitive empirical model relating debt to vulnerability.
- Difference between being exposed and vulnerable- resilience.
- **Robinson (2013)**
- Debt restructurings, have been primarily for liquidity relief and not nominal debt reduction (*fear of losing market access*).
- Debt sustainability requires a more far-reaching approach.
- **Moore et.al (2013)**
- Permanent and cyclical features imply future increases in debt and high risk of debt default.
- **Mitchell and Nayee (2013)**
- Few small states have accessed IMF resources between 2010-12. Low usage implies mismatch between supply and demand.

Response by the International Financial Institutions

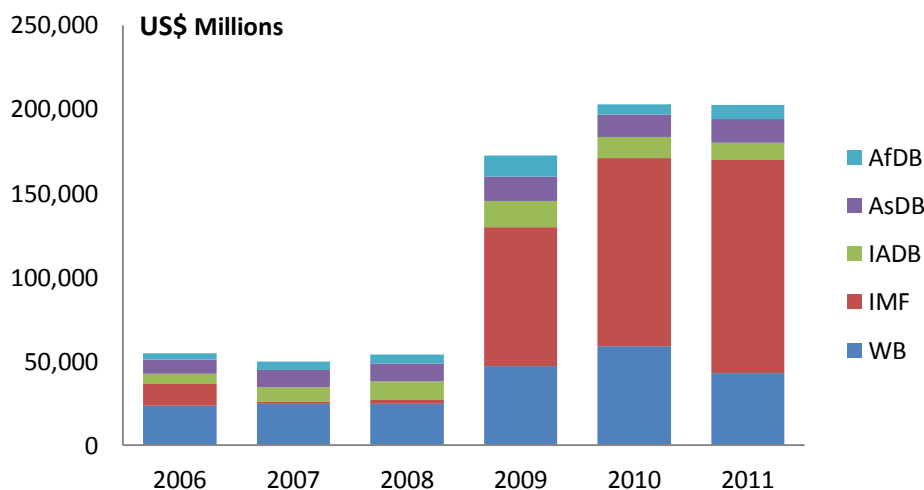
Low income countries



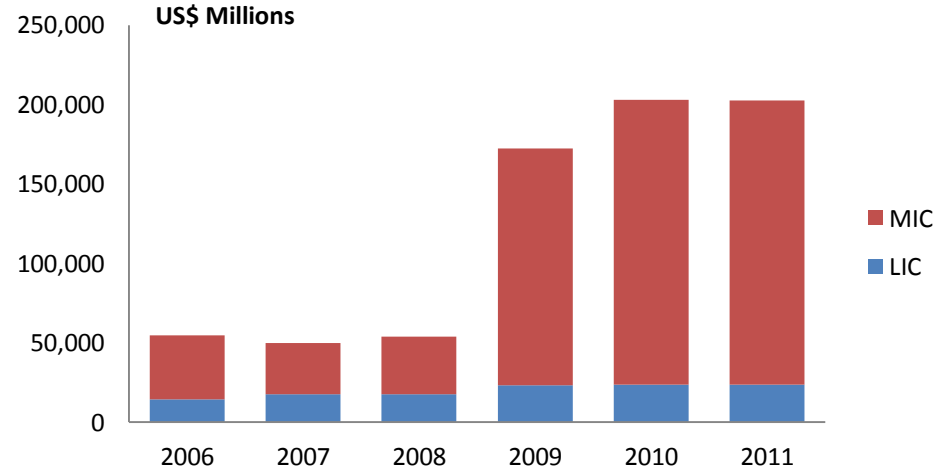
Middle Income Countries



Total development bank lending

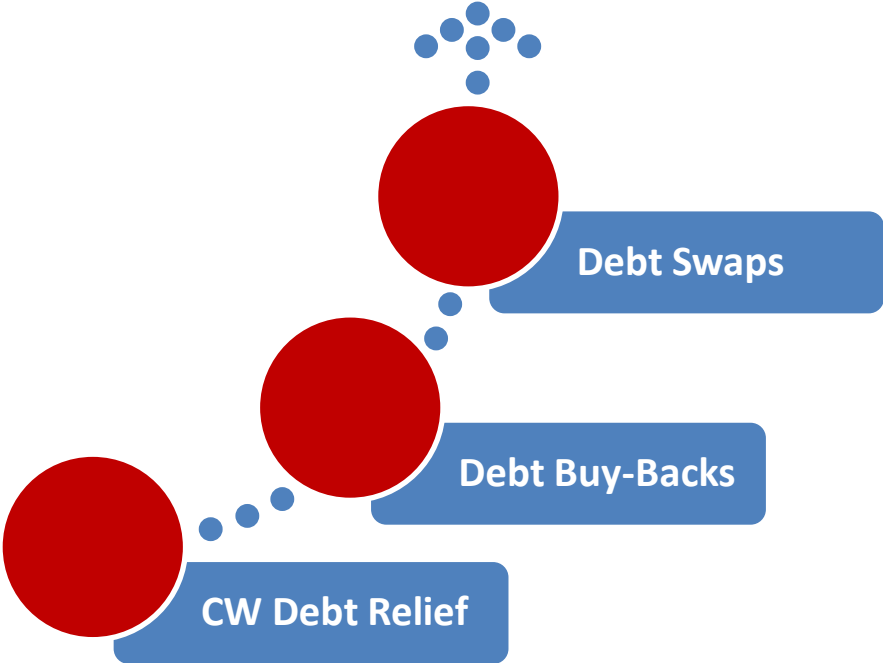


Total development bank lending

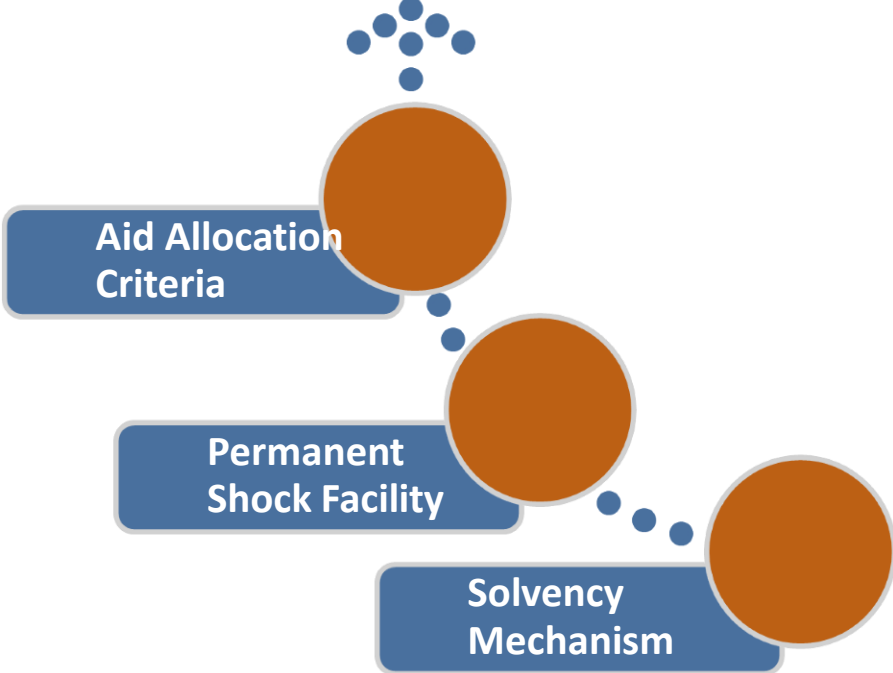


Commonwealth Secretariat Proposals

DEBT REDUCTION



DEBT SUSTAINABILITY



Options for the Caribbean

DEBT REDUCTION

Q.1 Given the research, what is a way forward for the Caribbean?

A.1 Debt Swaps (multilateral and Commercial)

Q.2 How can the Caribbean muster the international support that is required?

A.2 Commonwealth High Level Advocacy Mission to Washington D.C, 2013. Consensus building.

DEBT SUSTAINABILITY

Q.1 Given the research, what is a way forward for the Caribbean?

A.1 Precautionary (ex-ante) instruments and vulnerability as part of IFI eligibility and aid allocation criteria.

Q.2 How can the Caribbean muster the international support that is required?

A.2 Commonwealth High Level Advocacy Mission to Washington D.C, 2013. Consensus building.

Thank you

t.mitchell@commonwealth.int

[Tel:+44 \(0\)20 7747 6325](tel:+442077476325)



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