Implementation of the SAMOA Pathway and the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States

1. ***What specific activities or programmes, if any, has your government, organisation or agency implemented or introduced, specifically targeting the vulnerabilities of SIDS? Please cite examples of solutions seeking vulnerability reduction.***

The International Monetary Fund has classified 34 member countries as small developing states (SDS), of which 20 are eligible for concessional financing under the Poverty Reduction and Growth Trust (PRGT).

Fund engagement with SDS takes the form of surveillance, program support, and capacity development activities. It is guided by a 2014 Guidance Note that highlights the unique economic characteristics and constraints facing small developing states and provides operational guidance on Fund engagement with such countries, including on how small country size might influence the use of Fund facilities and instruments, program design, capacity building activities, and collaboration with other institutions and donors. This guidance note is being updated in 2017 to reflect relevant decisions of the IMF Board since 2014.

Surveillance activities

Like all Fund members, SDS are subject to bilateral surveillance which involves the **continuous monitoring of members' economic and financial policies**. In Article IV consultations, staff holds pointed discussions with country authorities on the economic situation, the authorities' policies and how these affect the country's stability and desirable policy adjustments. These discussions are reported to the Fund's Executive Board for its consideration. The goal, through thorough analysis, candid discussions, and peer review, is to promote the stability of individual members' economies and global economic and financial stability, which is a necessary condition for the effective operation of the international monetary system.

The Fund places great emphasis on growth in SDS, and the objective of its policy recommendations is the **promotion of strong, sustainable, and inclusive growth** for its member countries. If there is a situation where the needed macroeconomic policy adjustments may cause temporary negative effects, the Fund also recommend policies that will protect the most needy groups in society and provide financial assistance to countries to ensure that the adjustment is as smooth as possible.

SDS have been recently challenged by potential de-risking and other unintended financial consequences, in particular through the disruption of **correspondent banking relationships** (CBRs). The Fund is playing a leading role in monitoring risks and advising its membership on policies to help tackle the adverse impacts from the withdrawal of CBRs. The Fund's role has included facilitating dialogue among stakeholders, fostering an enhanced understanding of the phenomenon in the context of surveillance and Financial Sector Assessment Programs (FSAPs) and providing technical assistance and training to help affected countries enhance their monitoring of CBRs and strengthen their legal, regulatory and supervisory frameworks. To achieve these objectives, the Fund has been collaborating on an ongoing basis with the Financial Stability Board, World Bank, G20, Financial Action Task Force, Arab Monetary Fund, Committee on Payments and Market Infrastructures, and other stakeholders. It has (i) set up an interdepartmental working group to facilitate the development of policy options; (ii) issued a Staff Discussion Note, *The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action***,** in June 2016, and a Board paper, *Recent trends in Correspondent Banking Relationships—Further Considerations*, in April 2017; (iii) featured the topic in Article IV consultations with advanced countries and hosted a high-level global conference in October 2016; and (v) intensified surveillance and capacity building efforts; Going forward, the Fund will continue to support its member countries in addressing issues arising from the withdrawal of CBRs to ensure financial stability and promote financial inclusion.

The disproportionate **vulnerability of SDS to natural disasters and climate change** are increasingly discussed in the context of Fund surveillance activities. A November 2016 Board paper on *Small States' Resilience to Natural Disasters and Climate Change—Role of the IMF* discusses climate vulnerabilities in small states, elaborates on macroeconomic policies that focus on risk reduction and preparedness, as well as disaster response, and presents disaster financing options going ahead. It highlights that well-designed domestic policies, notably ex-ante policies, can reduce the direct human and economic costs of climate change and natural disasters.

The IMF has also collaborated with SDS in implementing several pilot studies on **cross-cutting or emerging issues** to target specific areas of need in meeting the SDGs. Among other small states, the IMF has engaged with i) Trinidad and Tobago on reforming energy subsidies, ii) Seychelles on improving climate mitigation and adaptation and developing a Climate Change Policy Assessment to help catalyse climate change financing, iii) St. Lucia on development of renewable energy sources, and iv) Djibouti on the impact of economic growth on poverty reduction and income distribution.

Program support

The Fund continues to play an important role in meeting small states' financing needs (Table 1). SDS are active users of the Fund's emergency financing facilities and instruments (RCF and RFI), which have been important sources of rapid liquid support. The IMF Board has reinforced the financial safety net for PRGT-eligible countries by approving a 50 percent increase in access limits to Fund concessional resources in the context of the 2015 Financing for Development initiatives. The Board also increased the access limits to the General Resource Account (GRA) in SDR terms by an average of 45 percent and set the annual and cumulative access limits at 145 percent and 435 percent of the new quotas established under the 14th quota review in 2016. However, given the revision of their specific quotas, SDS benefitted much less than larger countries from the 2015-16 access reforms in relation to their large balance of payments needs for the most severe disasters. To address this gap in the financial safety net, an increase in RCF and RFI annual access limits from 37.5 percent to 60 percent of new quotas has been approved in May 2017 for members facing severe disasters that occasion damages assessed to be equivalent to or to exceed 20 percent of GDP.

Table 1. IMF: Small States Program Engagement, FY2015 - present

Country	Program	Date of Arrangement	Year	Actual/Current Expiration Date
Seychelles	EFF	6/4/2014	2014	6/3/2017
Grenada	ECF	6/26/2014	2014	6/25/2017
Sao Tome & Principe	ECF	7/13/2015	2015	7/12/2018
Suriname	SBA	5/27/2016	2016	5/26/2018
Dominica	RCF	10/28/2015	2015	
Vanuatu	RCF-RFI	6/5/2015	2015	
St. Vincent and The Grenadine	RCF-RFI	8/1/2014	2014	
Comoros	SMP	10/1/2016	2016	

Source: IMF.

In the November 2016 Board paper on *Financing for Development: Enhancing the Financial Safety Net for Developing Countries—Further Considerations*, the Fund clarified guidance on existing access policies as they relate to PRGT-eligible members as follows:

- **Access to General Resources Account (GRA) resources**. A PRGT-eligible member has the right to access GRA resources on the same conditions as any other Fund member. Given the financial benefits from borrowing on concessional terms, staff will continue to advise PRGT-eligible members considering Fund financial support to borrow from the PRGT up to the applicable limits before seeking GRA resources.

- **Blending**. A third of PRGT-eligible members are presumed blenders, in the sense that they are expected to access a mix of GRA and PRGT resources. Other PRGT-eligible members (non-presumed blenders) are entitled to seek wholly concessional support up to the applicable access limits. These non-presumed blenders may also blend, subject to an assessment, as in all cases of Fund financing, of balance-of-payments (BoP) need, program strength, capacity to repay the Fund and debt sustainability.

- **Access norms**. Norms provide indicative guidance on what could constitute an appropriate level of access under PRGT facilities, but they should neither formally restrict nor ensure specific access levels. Access should continue to be determined on a case-by-case basis using the standard criteria.

The Catastrophe Containment and Relief (CCR) Trust. Established in 2015, the CCR Trust replaced the earlier Post-Catastrophe Debt Relief (PCDR) Trust. It allows the Fund to join international debt relief efforts when poor countries are hit by catastrophic natural and/or public health disasters. The IMF can provide debt relief to free up resources to meet exceptional balance of payments needs created by the disaster, rather than having to assign those resources to debt service. The post-catastrophe relief assistance under the CCR Trust is available to 38 low-income countries eligible for concessional borrowing through the PRGT and which also have either a per capita income below US$1,215—or, for small states, a population below 1.5 million and a per capita income below US$2,430. A country qualifies for post-catastrophe relief under the CCR Trust if it is hit by a disaster that directly affects at least one third of the population and affects a large portion of the economy evidenced by either destruction of more than a quarter of the country's productive capacity (as estimated by such early indications as destroyed structures and the impact on key economic sectors and public institutions) or caused by damage exceeding 100 percent of GDP.

Capacity development

Fund engagement with SDS through capacity development (CD) and technical assistance (TA) activities in the areas of competency of the Fund remains significant (Table 2). Regional Technical Assistance Centers (RTACs), such as the Pacific Financial Technical Assistance Centre (PFTAC) or the Caribbean Regional Technical Assistance Center (CARTAC), complement Fund headquarters activities by providing proximity and high frequency assistance to SDS. They contribute effectively to helping SDS increase macroeconomic resilience and strengthen their institutional capacities in, among others, public financial management, tax policy and administration, banking sector supervision and central bank management, and statistics.

Table 2. IMF: Small States Technical Assistance, FY2015-16

	Technical Assistance (Person Years of Field Delivery)		Training (Participant Weeks)		Training (Number of Participants)	
	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016
Caribbean	12.7	16.3	625.3	765.3	812.0	783.0
Asia-Pacific	8.8	8.8	651.0	521.6	597.0	456.0
Other Regions	8.7	8.1	341.4	494.7	252.0	353.0
Small States Total	30.2	33.2	1617.7	1781.6	1661.0	1592.0
IMF Total	287.6	302.5	14423.3	19518.2	11369.0	14457.0
SS in percent of IMF total	10.5	11.0	11.2	9.1	14.6	11.0

Source: IMF Institute.

2. To what extent has your Government mainstreamed the SAMOA Pathway and/or the SDGs into national development plans and/or programmes? Please indicate any challenges and/or opportunities.

N.A.

3. To what extent has your Organisation, integrated the Samoa Pathway and or the SDGs into co-operation frameworks, programmes and activities, to ensure effective follow-up and implementation at regional and national level?

4. Indicate the extent to which the issues and concerns of SIDS are given due consideration in conferences and processes organized or supported by your organization.

The Annual and Spring Meetings of the IMF provide useful venues and opportunities for SDS to discuss issues among themselves and with other stakeholders, including Fund management and staff. The IMF has organized several high-level SIDS events at these meetings, focusing on infrastructure development, growth and diversification, and revenue mobilization. Fund staff also regularly participates and organizes regional conferences on SDS issues.

The IMF has a standing working group on SDS, where SDS policy issues and best practices from across departments are discussed. Furthermore, the IMF maintains a SDS knowledge exchange website with the latest pilots are policy papers for all SDS teams' benefit.

5. In relation to the implementation of the commitments and partnerships announced at the Samoa Conference: http://www.sids2014.org/partnerships/

(i) indicate actions undertaken to date and their outcome(s);

(ii) indicate what partnerships have been contemplated or have been initiated; and,

(iii) indicate whether additional partnerships have been registered on the SIDS partnership Platform.

N.A.