

IMF: small countries most vulnerable to warming climate

December 12 2016



Residents clean up their homes in Vanuatu's capital Port Vila on March 17, 2015 after Cyclone Pam ripped through the island nation

The world's smallest countries are highly vulnerable to climate change and should work to adapt as sea levels rise and storms grow more frequent, according to an IMF report released Monday.

However, the needs of such states—those with the lowest populations and least land mass—are underfunded by as much as \$1 billion annually,

the International Monetary Fund report said, calling on both the fund and smaller member states to help prepare for life on a warmer, more disaster-prone planet.

Unlike larger countries that can absorb catastrophic damages from natural disasters more easily, small states are more likely to see entire populations and economies affected, said IMF Assistant Director for strategy and policy Peter Allum—who coordinated the project—during a call with reporters.

"This magnifies the size of the disaster relative to the size of the economy and its resource base," he said.

The study examined 34 developing IMF member countries with populations of fewer than 1.5 million in Africa, Asia-Pacific, the Caribbean and elsewhere.

It found that around one in 10 natural disasters in such countries resulted in damages greater than 30 percent of GDP. In others, the figure drops to one in a hundred natural disasters.

The annual costs to small states' economies averaged two percent of GDP, four times higher than for other countries, Allum said.

The Pacific island nation of Vanuatu, with a population of fewer than 300,000, tapped IMF emergency financing tools after it was devastated by Cyclone Pam last year, one of the worst natural disasters in the archipelago's history, he said.

The Category 5 cyclone caused the country's economy to contract by 0.8 percent in 2015, when it had previously been forecast to grow by 3.5 percent, the fund said. The IMF board approved about \$24 million in emergency funds, helping the country meet balance of payments needs

and also encouraging support from other aid donors.

But since small states have benefited far less than larger countries from recent reforms to such financing, the IMF is now considering raising limits on access to emergency financing.

Although a variety of [policy proposals](#) may be appropriate for member [countries](#) in preparing for and reducing risks, the report said, the fund itself should change its risk assessments to include [natural disasters](#) and encourage economic policies that reflect the dangers facing small states.

Allum said the IMF board of directors may be presented with policy proposals by early next year.

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Citation: IMF: small countries most vulnerable to warming climate (2016, December 12)
retrieved 25 April 2024 from
<https://phys.org/news/2016-12-imf-small-countries-vulnerable-climate.html>

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