BACKGROUND PAPER

Growth with Resilience*

Towards a joint G20-Commonwealth-Francophonie Agenda

Summary

The promotion of Growth with Resilience (GwR) is a major ongoing challenge and policy preoccupation for both Commonwealth and Francophonie (CF) and G20 members. There is active, ongoing work by both and progress has been made by the institutions individually and collectively. But much remains to be done to drive forward a GwR agenda for the benefit of the poorest, smallest and most vulnerable (PSMV) members.

This paper discusses G20 and CF approaches towards growth and resilience and concludes with elements of a possible joint G20-Commonwealt-Francophonie agenda on GwR:

- *G20 actions for recovery and sustained growth and job creation*
- *G20 actions for resilient growth*
- *More and better economic co-operation amongst G20 and Commonwealth countries*
- *Contributions by the Commonwealth*

Commonwealth Secretariat
Marlborough House
London SW1Y 5HX

March 2014

---

* Paper prepared by Dirk Willem de Velde, Overseas Development Institute, London. The views expressed do not necessarily represent the position of the Commonwealth Secretariat or member Governments of the Commonwealth.

1 Introduction

Both Commonwealth and Francophonie Heads of Government and Ministers of Finance have highlighted the potential for the two associations to play an important role as a forum through which members and non-members of the G20 could work together on global economic policy issues. In the past three years the relationship between the Commonwealth, the Francophonie and the G20, notably through the G20 Development Working Group (DWG) has strengthened considerably through annual Commonwealth and Francophonie policy outreach meetings.[1] These meetings provide particularly important opportunities to discuss the development challenges of the poorest, smallest and most vulnerable (PSMV) members of the Commonwealth and Francophonie and provide opportunities for their concerns and priorities to be brought to the attention of the G20.

2. Last year's meeting discussed *inter alia* a paper by Te Velde and Zhou (2013) which included a range of perspectives and suggestions from developing countries of the Commonwealth and Francophonie (CF) on the effectiveness and accountability of the G20's development agenda. The paper highlighted areas of progress and concern to the CF; it was used to inform the G20 accountability report published in August 2013. It noted progress in a number of areas including pilot projects in a range of CF and other countries. The paper further also argued that the G20 could make an important contribution in CF countries through G20 core areas that are not highlighted currently in the G20 DWG agenda but which are nonetheless helpful for growth and resilience in PMSVs (e.g. financial regulation, financial and economic stability; global imbalances, natural resource management and climate change). The G20 Accountability Report acknowledged that it is very 'important that there is close coordination of G20 agendas across its workstreams'.

3. In April 2014, the relationship between the G20 DWG and CF continues to deepen with the convening of the fourth policy outreach, which is one of the few regular and official outreach meetings of the G20. The dialogue will focus on a number of issues including the needs and challenges of the PSMVs in achieving Growth with Resilience (GwR). This paper discusses what can be done to develop a joint G20–CF agenda on GwR. The structure of this note is as follows. Section 2 discusses the G20's approach to GwR as set out by the current presidency, Australia. The G20 agenda plays out at two levels: (i) the overall G20 agenda for 2014 as set out by the Australian agenda; (ii) the content of the G20 development agenda as envisaged by the 2010 Seoul consensus and updated in the 2013 St Petersburg. Action plan. Section 3 reviews a rich history of thinking and action on resilience and vulnerability at the Commonwealth and Francophonie and among in its members. Section 4 concludes by setting out a common agenda for growth and resilience. This requires actions by G20 (DWG and other bodies) and CF countries.

2 The G20 presidency approach to growth and resilience

4. The G20's approach to growth and resilience is expressed in two areas: in the G20 core agenda (2.1) and in the G20 DWG (2.2)

[1] The proceedings are online of the site of the G20 development working group, see http://www.g20dwg.org/

2.1 The G20 core agenda

5. The Australian G20 Presidency has built its core agenda around the following key themes (i) promoting stronger economic growth and employment outcomes; and (ii) making the global economy more resilient to deal with future shocks[2].

(i) Strategies to stimulate growth

6. The St Petersburg G20 Leaders Declaration states that "Strengthening growth and creating jobs is our top priority and we are fully committed to taking decisive actions to return to a job-rich, strong, sustainable and balanced growth path … We will identify the remaining key obstacles to be addressed and reforms needed to achieve stronger, more sustainable and balanced growth in our economies."

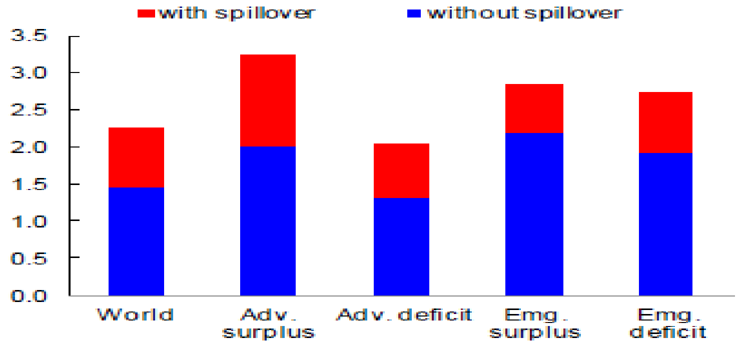
7. This has been the starting point for the Australian presidency. Many countries have relied heavily on fiscal and monetary policies to bolster their economies, particularly in the aftermath of the global financial crisis of 2008-2010. Coordinated fiscal and monetary policies to maximise growth and minimise unintended effects is likely to remain a central role of the G20 in 2014, given this discussions on the tapering of the monetary easing in the US. However, complementary approaches are also needed to ensure growth is sustained in the years ahead, in order to achieve sustained job creation and poverty reduction.

8. Achieving this will not be easy and has indeed been the aim of the G20 Framework for Strong, Sustainable and Balanced Growth launched in 2010. The G20 Finance Ministers and Central Bank Governors Meeting (22-23 February, Sydney)[3] committed to developing new measures to significantly raise global growth, in the context of maintaining fiscal sustainability and financial sector stability. The aim is to increase collective GDP by 2 per cent above the trajectory implied by current policies over the coming 5 years. The G20 actions could raise world real GDP to be more than 2 per cent (or $2 trillion) higher than it otherwise would have been in 2018. If this occurs, growth would be around 0.5 percentage point higher on average per annum than it would otherwise be.

9. IMF (2014) identified gaps in current policies, and identified ambitious and realistic actions, that could raise growth. The policies assumed in their scenario[4] (product market reforms, labour market reforms and infrastructure investment) would *"raise world real GDP by about 2¼ per cent (or 2¼ trillion U.S. dollars) in 2018 (relative to the October 2013 WEO baseline), implying 0.5 percentage point higher growth over the next five years."* Figure 1 illustrates the effects, where notably much of the effects originate from the spillover effects amongst countries' reforms. Whilst it is not stated explicitly, non-G20 countries (including CF) are also expected to gain. Barrell *et al* (2009) simulated that sub-Saharan African countries gained 2.5 per cent in GDP level simply because of the fiscal stimuli designed by the G20 in their own countries.

[2] http://www.g20.org/g20_priorities/g20_2014_agenda#sthash.9yVXVmtk.dpuf
[3] https://www.g20.org/sites/default/files/documents/factsheets/Fact%20sheet-FMM%20Feb%202014.pdf
[4] https://www.g20.org/sites/default/files/g20_resources/library/IMF%20Surveillance%20Note%20%28February%202014%29.pdf

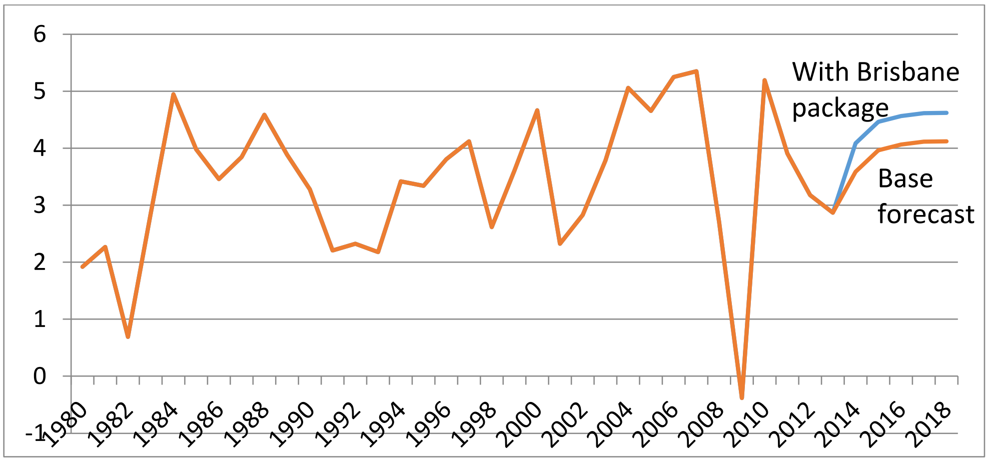
Figure 1 Simulated level of GDP in 2018 (percent deviation from base)



Source: IMF (2014)

10. Figure 2 shows the IMF growth forecasts for the world economy (using the November 2013 baseline, which has changed marginally -0.1 per cent- in February), comparing the baseline with the growth aim of the G20 (to be detailed in the Brisbane G20 summit later this year).

Figure 2 World GDP constant prices, annual growth rate



Source: IMF World Economic Outlook October 2013 and IMF (2014)

(ii) Building global economic resilience

11. In addition to addressing the growth challenge, the G20 has carved out a significant role in ensuring that international and domestic economic policies work together to protect the global economy against future shocks. The G20 has put in place a work programme to manage global economic and financial risks. We briefly discuss four elements.

12. First, there remains unfinished work in financial reforms aimed at preventing future crises. A number of further reforms would aim for a more resilient global financial sector[5]:

(i) Implementing the G20 leaders plan (building resilience of financial institutions such as through Basel III, ending too-big-too-fail, transforming shadow banking to resilient market-based financing, making derivatives markets safer);

5 https://www.g20.org/sites/default/files/g20_resources/library/FSB%20Chair%20letter%20to%20G20%20Mins%20and%20Govs%2017%20Feb%202014.pdf

(ii) Ensuring the openness of the global financial system (global standards for global institutions, peer review and impact assessments, enhanced co-operation on domestic measures)

13. Secondly, Australia as the G20 president is emphasising the need for stronger international cooperation in the G20 to address tax base erosion and profit shifting (e.g. through the OECD's BEPS action plan), including better global exchange of tax information, modernising international tax systems and strengthening public finances, with the aim of avoiding sovereign debt crises.

14. Thirdly, Australia argues that international financial institutions need to better reflect the growing economic weight of dynamic emerging market economies (e.g. through IMF quota reform, currently blocked in the US).

15. Finally, Australia aims to strengthen energy market resilience and fight corruption.

2.2 G20 Development Working Group agenda

16. The G20 DWG emerged after the Toronto G20 Summit in June 2010 and by the end of the year, at the Seoul consensus on development focused on nine 'pillars' crucial for growth.[6] Four pillars deal with enhancing growth directly (infrastructure, human resource development, trade, and private investment and job creation) and four with managing risks and building resilience (financial inclusion, growth with resilience, food security and domestic resource mobilisation). A ninth pillar – knowledge sharing – seeks to provide an effective interactive platform for developing countries and support the other pillars. Green growth, the tenth pillar, added in 2012 (Lin, 2014)[7], emphasises environmentally sustainable economic growth as argued by Te Velde (2011).[8]

17. A lot of progress has been made in several pillars such as trade, infrastructure, and food security and in other areas. The G20 has also initiated pilot studies directly benefiting 15 developing countries. Further, several recommendations from past G20-Commonweath-Francophonie dialogue have been followed through by the G20 (e.g. on agricultural productivity, infrastructure, or aid for trade), although some other commitments that would have been useful for the CF countries have not been considered (e.g. financial inclusion tailored to the needs for small and vulnerable states, extension of trade preferences to non-LDC SVEs, resilience profiling, or consideration of small state MIC debt).

18. There was also a specific pillar on growth with resilience in the DWG which essentially focused on discussion on a social protection floor and on the cost of remittances. Whilst the latter is important, there has been little progress on reducing the cost of remittances (e.g. a red flag in the 2013 G8 accountability report).

---

[6] Winters, L.A. W. Lim, L. Hanmer, and S. Augustin (2010), 'Economic Growth in Low Income Countries: How the G20 Can Help to Raise and Sustain It,' KDI Working Paper 2010-01.

[7] http://www.lowyinstitute.org/files/lim_the_development_agenda_for_the_g20_brisbane_summit.pdf

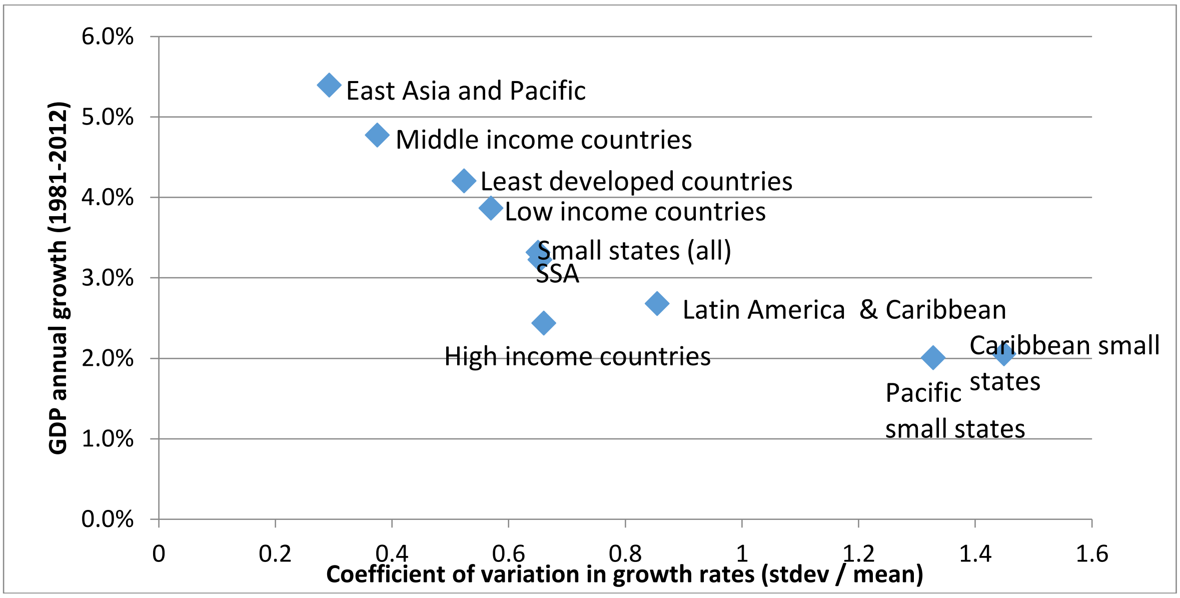
[8] http://www.odi.org.uk/opinion/5840-erd-2011-2012-natural-resource-management-g-20-g20-growth

3 Commonwealth and Francophonie approach to growth and resilience

3.1 Resilience building as a special challenge for developing CF countries

19. **Growth and resilience building are special challenges for the poorest small, and most vulnerable (PSMVs) members of the Commonwealth.** Figure 3 shows that aggregate groups such as middle income countries and East Asian countries have been able to achieve high growth with low variability, whilst small states have attained much less growth and with higher variability. The prevailing view is that growth has been low in small states *because* of their inherent susceptibility to external shocks.

Figure 3 The challenge of achieving high average growth with low variability



Source: data from WDI; Small states is WB definition (41 countries), GDP, PPP in constant 2005 international $. Mean and variation in growth over 1980-2011.

20. **Small states are countries with a population of 1.5 million or less and account for one third of the total number of developing countries, and less than 0.4 percent (20 million people) of the total population of developing countries**. These countries are spread across the world (the majority in the Caribbean, Pacific, and Africa) and are heterogeneous. Thirty two of the world's 48 small states are Commonwealth member countries; and among these, 25 are small islands developing states and 15 are least developed countries.

21. **Small and vulnerable states share a number of common inherent characteristics including peripherality, openness to global financial and trade markets, limited diversification, proneness to natural disasters, environmental fragility, limited access to external markets, limited capacity, poverty, and income volatility.** These characteristics make them particularly vulnerable (i.e. exposed to economic, social, and environmental exogenous shocks) and pose special development challenges that may require a different

way of thinking about the strategies to effectively address sustainable development problems.

23. **The disproportionate openness makes them vulnerable to sudden changes in access to external sources of finance and to a sudden deterioration in global trade conditions.** Table A1 suggests that small states are more open (trade, FDI, ODA) than LICs or SSA on average and they pay more to service their debt, which tends to be higher in part because it has not benefited from debt relief. External dependence (measured as trade over GDP) is much larger for small states than for low-income countries (LICs) and middle-income countries (MICs) on average. Importantly, the 2008-2009 global financial crisis had a disproportionately large impact on small states. In this period small states' trade-to-GDP ratio declined by 13.2 per cent, in comparison with the decline experienced by LICs (6.7 per cent) or MICs (9.7 per cent). The current uncertainty on global monetary policies will lead to more global volatility in financial markets in the PSMVs. The special characteristics suggest that international actions by the G20 can have a major impact on small states.

24. **Vulnerability of small states is also environmental in nature.** As Te Velde (2012) explains, small states have a large net trade deficit in food (more than 3 per cent of GDP, against close to zero for LICs and MICs) and energy products (6 per cent of GDP, less in LICs and around zero in MICs), so volatility in land, water, food and energy prices have a disproportionate effect. Fortunately, commodity prices have become less volatile in the past year, but global environmental trends have disproportionate negative effects on PSMVs. Natural disasters hold back growth: IMF (2013)[9] suggests that since the early 1960s, the Caribbean has experienced losses equivalent to almost 1 percent of GDP on average in damages each year and this has increased government debt.

25. **Shocks matter and can have a long term impact on growth.** Evidence shows the problem in poor countries is not just a failure to record periods of positive economic growth but also the frequency of downturns (Winters et al., 2010). LICs defined as such on the basis of their 2008 GNI per capita increased their per capita GDP by only 11 per cent between 1960 and 2007. Either halving negative growth rates, i.e. halving the severity of downturns, or halving the percentage of years of negative growth over the forty seven years would have produced much the same result, increasing GDP by about 70 per cent. But if negative growth rates could have been eliminated altogether, GDP per capita would have more than doubled and average annual growth would have increased to over 2 per cent (rather than 0.23 per cent). Similar effects apply when using 1962 GNI per capita basis for the LIC category.

Table 1. The effects of shocks on incomes

Scenario	**GDP per capita**		**Average Annual Growth Rate**
	1960	2007	
(A)LICs classified by GNI per capita, 2008			
Base case	100	111	0.23
Halving negative growth rates	100	172	1.18
Halving number of negative growth years	100	175	1.2
Setting all negative growth rates to zero	100	269	2.13
(B) LICs classified by GNI per capita, 1962			
Base case	100	250	1.97
Halving negative growth rates	100	333	2.59
Halving number of negative growth years	100	337	2.62
Setting all negative growth rates to zero	100	444	3.22

Source: Winters et al. (2010)

[9] http://www.imf.org/external/np/pp/eng/2013/022013b.pdf

26. Poor countries appear to remain poor because they are plagued by volatile growth, with frequent periods of deeply negative growth that more than cancel out prior periods of positive growth. Such periods of negative or low growth can be caused by external shocks. LICs are often poorly equipped to deal with, and recover from, adverse shocks, which could range from global economic shocks, to severe commodity price volatility, to famine and other devastating natural disasters.

3.2 Vulnerability and resilience profiling by the Commonwealth

27. The Commonwealth Secretariat has carried out a significant amount of work on vulnerability and resilience with a particular focus on small states. It has produced a series of annual reports entitled “Small States: Economic Review and Basic Statistics” which collect the key economic and statistical data for the world’s small states, and it launched pilot country-specific profiles of economic vulnerability and economic resilience in the Seychelles and St. Lucia. Massa and te Velde (2010) discuss the outcomes of the workshops discussing a resilience agenda which is reproduced in box 1 in the appendix. The ComSec has also developed the Commonwealth Vulnerability Index for developing countries.

3.2.1 Profile of economic vulnerability and resilience

28. The ComSec profile of vulnerability and resilience aims to (i) identify the manifestations and sources of structural economic vulnerability in a specific country, (ii) identify the sources of policy-induced economic resilience, and (iii) propose new policy responses to promote resilience-building. In order to do this, the profile is developed according to the methodology proposed by Briguglio *et al.* (2008a). According to this methodology, the economic vulnerability/resilience of a country can be assessed through three stages:

1. an assessment of the symptoms of economic vulnerability;
2. an analysis of the causes of vulnerability;
3. a study of the sources of economic resilience.

29. The first stage aims to get a preliminary idea of the extent to which a country is affected by external shocks, looking at the main manifestations of economic vulnerability (see Cordina, 2008). The objective of the second stage of the analysis is to provide a picture of both the degree of vulnerability of the country under study and of the sources of such exposure to exogenous shocks. The third and last stage of the methodology evaluates the sources of policy-induced economic resilience, looking at the macroeconomic and microeconomic dimensions, as well as at a number of governance, social and environmental issues.

3.2.2 The vulnerability and resilience indices

30. The Commonwealth Secretariat has developed both vulnerability and resilience indices. These have been built according to three basic criteria: (i) simplicity, (ii) ease of comprehension, and (iii) suitability for international comparisons. The Commonwealth has updated its approach more recently.

31. The ***Commonwealth Vulnerability Index*** (CVI) for developing countries is based on Atkins *et al.* (2000). It is a composite index that aggregates three determinants of income volatility:[10]

[10] This is assumed to be the most obvious indicator of economic vulnerability.

- the lack of export diversification (measured by the UNCTAD export diversification index);
- the extent of export dependence (measured by the export to GDP ratio);
- the impact of natural disasters (measured by the share of population affected by natural disasters).

32. The three factors are weighted by GDP. The vulnerability index has been created to examine verify whether small states are more vulnerable economically than other groups of countries. Indeed, as shown by Table A3, which reports 111 countries ranked according to the Commonwealth vulnerability index, 26 of the 28 most vulnerable countries are small states.

33. The Commonwealth Secretariat, jointly with the Islands and Small States Institute of the University of Malta, has also developed a composite ***economic resilience index*** with a threefold aim: first, to disseminate information and enhance people's awareness on the issue of resilience-building; second, to create a common definition which can be used for discussions on resilience; third, to convey the message that in order to promote resilience-building it is necessary to take action in several areas. The economic resilience index is computed as a simple average of four components:[11] (i) macroeconomic stability; (ii) microeconomic market efficiency; (iii) good governance; and (iv) social development. Appendix Tables A2 and A3 provide the data suggesting that small states are amongst the most vulnerable.

4. A joint G20-Commonwealth-Francophonie agenda on growth and resilience

34. There have been several attempts to examine how G20 actions can help resilient growth in developing countries. Te Velde (2010) sets out 4 categories of actions for a partnership on resilient growth with actions, individually and jointly, between the G20 and smallest, poorest and most vulnerable developing countries: (i) The G20 to recommit to the Framework for Strong, Sustainable and Balanced Growth and follow core policies in order to achieve this; (ii) The G20 to consider the effects of its core economic policies on developing countries and, where appropriate, make its policies more developmentally friendly; (iii) The G20 to consider the policy coherence and effects of its external policies on growth in developing countries; and (iv) Developing countries to provide plans, and benchmark their efforts, to promote transformative growth. Several G20-CF dialogues have progressed on many of these issues.

35. Based on the G20, Commonwealth and Francophonie approaches to growth and resilience expressed in this note, the following four types of actions constitute a joint G20-CF agenda on growth and resilience:

[11] For a detailed description of the four components we refer the interested reader to Briguglio *et al.* (2008b).

Joint G20-CF agenda on growth and resilience:

1. ***International action for recovery and sustained growth and job creation***
- The G20 will foster growth using appropriate monetary and fiscal policies, and product market, labour market and infrastructure reforms which will raise productivity and growth over the longer term.

2. ***International action for resilient growth***
- The G20 will finish the task of designing and implementing global regulation and reforming global financial institutions with the aim of preventing financial crises and improving co-ordination on monetary policies.
- The G20 will put in place the right climate and environmental policies to avoid, where feasible, natural disasters, protect the environment and reverse climate change.

3. ***More and better economic co-operation amongst G20 and CF countries***
- Make available more and better access to finance, including through providing access to capital markets, concessional finance, debt relief and shock facilities for smallest, poorest and most vulnerable.
- Improve trade access (incl. by emerging powers), reduce trade costs and cost and availability of trade finance in PSMVs
- Provide development co-operation for growth and resilience
- Foster knowledge and technology transfer between G20 and commonwealth countries.

4. ***Contributions by the Commonwealth and Francophonie***
- Implementation of appropriate growth policies, reinforcing the G20 policies
- Resilience building to address shocks

36. **This is an ambitious, strategic policy agenda, building on the current interests and directions in the G20 and CF countries.** There would be important spillover effects amongst the actions, for example:

- Growth policies will raise global growth with spillover effects for the poorest countries.

- Policies for resilient growth in the G20 will help to prevent global shocks such as financial, trade and environmental crisis which affect the smallest and most vulnerable countries disproportionally.

- PSMVs lack adequate access to sufficient capital resources at the right terms, so improved terms of sustainable lending, debt relief and market access would help them considerably.

- Better aid and knowledge sharing will enable PSMVs to better withstand shocks.

37. **This agenda includes but is also broader than actions by the G20 DWG**, so an important consideration will be to understand how the G20 DWG can bring these issues to the attention of the other, core G20 agenda, or whether the CF counties should broaden its relationship with the G20 beyond the DWG.

38. There are a range of specific opportunities and priorities that seem both political feasible and economically relevant for the G20 and PMSVs in 2014-2015

- Design shock facilities that address concerns of PMSVs and issue important for post-2015 discussions.

- Embed sustainable lending criteria in G20 lenders to ensure that debt remains manageable.

- Mobilise climate finance for green infrastructure and green financial services, and promote management of natural resources through the Rio processes, and hence reduce the probability of natural disasters.

- Include trade costs as goals and Means of Implementation in the post-2015 discussions (e.g. through WTO led discussions of Aid for Trade).

Bibliography

" The G20 Finance Ministers and Central Bank Governors Meeting". Australia G20, Web. <https://www.g20.org/sites/default/files/documents/factsheets/Fact%20sheet-FMM%20Feb%202014.pdf >.

"A G20 Agenda for Growth and Resilience in 2014." G20. 2013. Web. <http://www.g20.org/g20_priorities/g20_2014_agenda#sthash.9yVXVmtk.dpuf>.

"Global Prospects and Policy Challenges" 2014. Web. https://www.g20.org/sites/default/files/g20_resources/library/IMF%20Surveillance%20Note%20%28February%202014%29.pdf

Atkins, J.P., S. Mazzi and C.D. Easter (2000), A Commonwealth Vulnerability Index for Developing Countries: The Position of Small States, Economic Paper No. 40, Commonwealth Secretariat, London.

Barrell, R., Holland, D., D.W. te Velde, (Mar 2009), A fiscal stimulus to address the effects of the global financial crisis on sub-Saharan Africa, Dp. 331

Briguglio, L., G. Cordina, N. Farrugia and S. Vella (2008a), Economic Vulnerability and Resilience: Concepts and Measurements, UNU-WIDER Research Paper No. 2008/55, May 2008.

G20 (a) DWG IEF. Web. <http://www.g20dwg.org/>.

G20 (b) DWG IEF. Web. <http://www.g20dwg.org/>.

Hou, Z. and D.W. te Velde (2013), The accountability of the G20's development agenda. *Perspectives and Suggestions from Developing Countries of the Commonwealth and Francophonie. Paper prepared for the* Annual Commonwealth Dialogue on the G20 Development Agenda IMF, Washington DC, 21 April 2013

IMF (2014), CARIBBEAN SMALL STATES:1 CHALLENGES OF HIGH DEBT AND LOW GROWTH, http://www.imf.org/external/np/pp/eng/2013/022013b.pdf

Lim, W. (2013). 'The development agenda for the G20 Brisbane summit.' KDI Working Paper http://www.lowyinstitute.org/files/lim_the_development_agenda_for_the_g20_brisbane_summit.pdf

Massa, I. and D.W. te Velde (2010), Development at the G20 *A Commonwealth role in facilitating, implementing and monitoring, with a focus on small states*, paper prepared for G20-Commonwealth dialogue.

te Velde, D.W (2011), How can the G-20 Development Working Group continue to support growth? Looking ahead to 2012 http://www.odi.org.uk/opinion/5840-erd-2011-2012-natural-resource-management-g-20-g20-growth

te Velde, D.W. (2010) *The G-20 Growth Framework: What Role for Low-income, Small and Vulnerable Countries?* London: Overseas Development Institute. Available at: http://bit.ly/10QIWuT. 12 April 2013.

Winters, L.A. W. Lim, L. Hanmer, and S. Augustin (2010), 'Economic Growth in Low Income Countries: How the G20 Can Help to Raise and Sustain It,' KDI Working Paper 2010-01.

Appendix

Table A1 Comparing small states with other country groupings (data are for 2011, unless otherwise stated)

	Small states				LICs	MICs	HICs	SSA
	All	Caribbean	Pacific	Other				
FDI inflows (% of GDP)	4.62	4.12	6.22	4.80	4.12	2.79	2.09	3.19
Remittances (% of GDP)	4.17	5.85	6.04		7.66	1.47	0.27	2.61
ODA (% of GNI) 2010	2.97	1.06	16.73	3.27	9.58	0.26	0.00	4.11
Trade (% of GDP)	100.9	90.3	103.9	105.4	70.3	60.3	58.8	70.7
Domestic credit to private sector (% of GDP)	38.2		60.0	32.2	30.3	75.2	158.0	58.3
Ease of doing business index (1=most business-friendly regulations)	103.9	86.7	90.6	123.0	148.5	100.9	40.2	139.3
Cost of business start-up procedures (% of GNI per capita)	38.2	24.9	37.2	48.3	109.9	28.3	7.0	85.0
Cost to export (US$ per container)	1201	1058	1019	1395	2190	1386	961	1966
Debt service (% of GNI)	3.76	9.29	3.75	1.93	1.42	2.81		1.37
Total reserves (% of total external debt)	59.7	20.1	92.2	102.3	52.7	129.6		63.7
School enrollment, secondary (% net)	52.5	78.3		44.0	35.1	63.6	91.1	
GNI per capita, PPP (current international $)	8981.6	12815.4	3974.9	7486.1	1370.2	7214.3	38523.6	2238.5
Logistics performance index: Overall (1=low to 5=high)- 2010	2.4	2.5	2.3	2.4	2.4	2.7	3.5	2.4
Gross capital formation (% of GDP)	26.3			27.4	24.9	30.0	18.0	21.4

Source: WDI

Table A2. Country groups according to the Commonwealth vulnerability index

High Vulnerability	Higher Medium Vulnerability	Lower Medium Vulnerability	Low Vulnerability
Antigua & Barbuda*	Angola	Bolivia	Algeria
Bahamas*	Bahrain*	Cameroon	Argentina
Belize*	Barbados*	Congo, Dem. Rep.	Bangladesh
Bhutan*	Benin	Costa Rica	Brazil
Cape Verde*	Botswana*	Côte d'Ivoire	Chile
Comoros*	Burkina Faso	Cyprus*	China
Djibouti*	Burundi	Dominican Rep.	Colombia
Dominica*	Central Afr. Rep.	Ecuador	Egypt
Equatorial Guinea*	Chad	El Salvador	Guatemala
Fiji*	Congo	Ethiopia	India
Gambia*	Gabon*	Ghana	Indonesia
Grenada*	Haiti	Guinea	Iran
Guyana*	Honduras	Jordan	Libya
Kiribati*	Jamaica	Kenya	Malaysia
Lesotho	Malawi	Madagascar	Mexico
Maldives*	Mali	Nepal	Morocco
Mauritania	Malta*	Oman	Myanmar
Samoa*	Mauritius*	Panama	Nigeria
Sao Tomé & Principe*	Mozambique	Paraguay	Pakistan
Seychelles*	Namibia	Senegal	Peru
Solomon Islands*	Nicaragua	Sri Lanka	Philippines
St. Kitts & Nevis*	Niger	Sudan	Singapore
St. Lucia*	Papua New Guinea	Trinidad & Tobago*	South Africa
St. Vincent & Gren.*	Rwanda	Tunisia	Syria
Suriname*	Sierra Leone	Uganda	Thailand
Swaziland*	Tanzania	Yemen	Turkey
Tonga*	Togo	Zimbabwe	Uruguay
Vanuatu*	Zambia		Venezuela

Source: Commonwealth Secretariat and World Bank (2000); Note: * = small state.

Table A3. The resilience index: data and country rankings

Country	Macroeconomic stability	Microeconomic efficiency	Good Governance	Social development	Resilience	Country ranking
Albania	0.250	0.387	0.411	0.765	0.453	62
Argentina	0.534	0.259	0.227	0.868	0.472	58
Australia	0.472	0.800	0.971	0.988	0.808	9
Austria	0.693	0.531	0.928	0.956	0.777	12
Bangladesh	0.635	0.305	0.174	0.223	0.334	80
Barbados	0.632	0.627	0.722	0.915	0.724	17
Belgium	0.661	0.474	0.800	0.982	0.729	16
Belize	0.186	0.671	0.607	0.754	0.554	49
Bolivia	0.468	0.360	0.174	0.619	0.405	69
Brazil	0.388	0.210	0.423	0.721	0.436	65
Cameroon	0.443	0.451	0.344	0.232	0.368	76
Canada	0.633	0.798	0.910	0.977	0.829	6
Chile	0.636	0.562	0.611	0.859	0.667	28
China	0.653	0.095	0.468	0.704	0.480	56
Colombia	0.417	0.273	0.220	0.754	0.416	67
Costa Rica	0.609	0.470	0.623	0.853	0.639	31
Côte d'Ivoire	0.422	0.327	0.237	0.000	0.246	86
Croatia	0.524	0.516	0.451	0.824	0.579	40
Cyprus	0.360	0.407	0.687	0.886	0.585	38
Czech Republic	0.571	0.444	0.631	0.856	0.626	35
Denmark	0.716	0.682	1.000	0.944	0.836	5
Dominican Rep.	0.657	0.470	0.305	0.654	0.521	52
Egypt,	0.588	0.151	0.403	0.504	0.412	68
El Salvador	0.655	0.485	0.351	0.645	0.534	51
Estonia	0.635	0.705	0.673	0.850	0.716	18
Finland	0.638	0.671	0.997	0.971	0.819	7
France	0.494	0.526	0.744	0.962	0.681	23
Germany	0.551	0.349	0.932	0.947	0.695	20
Honduras	0.425	0.388	0.157	0.584	0.389	71
Hong Kong	0.650	1.000	0.731	0.865	0.811	8
Hungary	0.435	0.598	0.656	0.830	0.630	34
Iceland	0.722	0.912	0.960	0.968	0.890	1
India	0.501	0.309	0.555	0.396	0.440	64
Indonesia	0.420	0.060	0.285	0.633	0.350	78
Iran,	0.595	0.000	0.555	0.630	0.445	63
Ireland	0.748	0.632	0.855	0.927	0.790	11
Israel	0.599	0.348	0.730	0.933	0.652	29
Italy	0.564	0.277	0.669	0.930	0.610	36
Jamaica	0.404	0.413	0.468	0.783	0.517	53
Japan	0.473	0.530	0.745	0.974	0.681	24
Jordan	0.388	0.480	0.637	0.727	0.558	48
Kenya	0.489	0.471	0.283	0.299	0.385	73
Kuwait	0.579	0.656	0.705	0.748	0.672	27
Latvia	0.523	0.490	0.555	0.824	0.598	37
Lithuania	0.548	0.391	0.471	0.848	0.564	46
Luxembourg	0.170	0.752	0.910	0.894	0.682	22
Madagascar	0.362	0.266	0.256	0.255	0.285	84
Malaysia	0.732	0.493	0.625	0.748	0.649	30
Malta	0.484	0.631	0.708	0.871	0.674	25
Mauritius	0.602	0.371	0.625	0.701	0.575	43
Mexico	0.607	0.281	0.294	0.777	0.490	55

Morocco	0.496	0.373	0.566	0.405	0.460	60
Nepal	0.492	0.458	0.310	0.261	0.380	74
Netherlands	0.483	0.656	0.971	0.979	0.772	13
New Zealand	0.690	0.882	0.951	0.974	0.874	2
Nicaragua	0.024	0.486	0.187	0.566	0.316	82
Nigeria	0.472	0.509	0.219	0.232	0.358	77
Norway	0.557	0.550	0.910	0.982	0.750	14
Pakistan	0.395	0.414	0.148	0.205	0.291	83
Panama	0.582	0.536	0.384	0.806	0.577	42
Papua New Guinea	0.509	0.434	0.310	0.290	0.386	72
Paraguay	0.578	0.164	0.106	0.730	0.395	70
Peru	0.568	0.401	0.316	0.739	0.506	54
Philippines	0.451	0.388	0.285	0.771	0.474	57
Poland	0.569	0.304	0.520	0.874	0.567	45
Portugal	0.595	0.458	0.768	0.915	0.684	21
Romania	0.388	0.290	0.409	0.765	0.463	59
Russian Federation	0.517	0.092	0.348	0.751	0.427	66
Senegal	0.403	0.225	0.342	0.067	0.260	85
Singapore	1.000	0.730	0.888	0.877	0.874	3
Slovak Republic	0.446	0.446	0.536	0.830	0.564	47
Slovenia	0.660	0.308	0.664	0.903	0.634	33
South Africa	0.576	0.600	0.664	0.446	0.571	44
Spain	0.545	0.556	0.625	0.968	0.673	26
Sri Lanka	0.318	0.407	0.356	0.751	0.458	61
Sweden	0.474	0.574	0.949	1.000	0.749	15
Switzerland	0.557	0.744	0.912	0.950	0.791	10
Thailand	0.399	0.473	0.582	0.733	0.547	50
Trinidad and Tobago	0.641	0.562	0.557	0.780	0.635	32
Tunisia	0.511	0.484	0.683	0.651	0.582	39
Turkey	0.000	0.213	0.391	0.674	0.320	81
Uganda	0.516	0.424	0.370	0.199	0.377	75
United Kingdom	0.062	0.844	0.977	0.971	0.714	19
United States	0.646	0.907	0.860	0.944	0.839	4
Uruguay	0.523	0.376	0.537	0.874	0.577	41
Venezuela	0.511	0.091	0.000	0.777	0.345	79

Source: Briguglio *et al*. (2008a).

Box 1. A development agenda for small island states: the case of Saint Lucia and the Seychelles

A series of consultation conferences have been organized over 2008 and 2009 in the Seychelles and Saint Lucia by the Commonwealth Secretariat in collaboration with the University of Malta, the Overseas Development Institute (ODI) and the local governments in order to discuss the key aspects of a resilience-building agenda for small states. From the discussions with government ministers, senior officials and a number of representatives from different civil society institutions, it emerged that macroeconomic stability, microeconomic market efficiency, political and environmental governance, and social development are essential to counteract the effects of economic vulnerability and therefore promote sustainable development in small island states (see also Briguglio et al. 2008). Within these five dimensions, the following factors were identified as priorities for a resilience-building agenda:

- *High level of savings*: this is key for the Seychelles where savings are insufficient to sustain the needed level of investment.
- *Sustainable fiscal balance*: this is recognized as essential for Saint Lucia which is experiencing excessive fiscal deficits.
- *Financial sector development*: in the Seychelles the liberalization and modernisation of financial activities as well as the development of the financial services sector are believed to have strengthened the country's economic resilience.
- *Export diversification*: the excessive dependence on tourism in Saint Lucia and on both fisheries and tourism in the Seychelles is considered a dangerous source of vulnerability and an impediment for the development of other innovative sectors such as the ICT.
- *Regional integration*: in Saint Lucia, the participation in the Organization of Eastern Caribbean States (OECS) is recognized to be useful to build resilience against potential shocks in international trade.
- *Competitiveness*: in the Seychelles, it is important to promote the international competitiveness of key sectors such as tourism, fisheries, and financial services.
- *Labour market policy structures*: in both the Seychelles and Saint Lucia the absence of labour market policy structures represents an important barrier to resilience-building and development.
- *Higher education*: while the system of basic education is relatively successful, in both Saint Lucia and the Seychelles there are several lacunae in higher education that need to be filled up.
- *Stable political governance structures*: these are considered to be important economic resilience strengths in both Saint Lucia and the Seychelles.
- *Social dialogue*: in both Saint Lucia and the Seychelles there is an insufficient involvement in social dialogue and NGO involvement in policymaking.