Natural Disaster, Economic Catastrophe

Small States Suffer Enormous Consequences

Natural disasters inflict both human and economic costs, and nowhere are these economic costs more acute than in small developing states—those with populations of less than 1.5 million. Since the 1950s, small states have seen a dramatic rise in the number of such catastrophes.

Annual average GDP cost of disasters for small states

2% of GDP

which is

4 times higher

than larger countries typically suffer

The worst disasters can cause damage for small states amounting to

15–30% of GDP

...levels of devastation *almost never* experienced by larger states

Effects vary within regions...

16% vs. 1%

Percent of population affected by natural disasters in Middle Eastern small states compared to larger neighbors

16% vs. 2.5%

Average *damage as a percent of GDP* in Latin American and Caribbean small states compared to larger neighbors

...and by type of disaster

3 times higher

Share of small states' populations affected by droughts

23 times worse

Damage as a share of small states' GDP caused by storms

The increasing frequency and unpredictability of disasters can lead to...

- Lower investment levels
- Lower GDP per capita
- Higher poverty
- Volatile revenue base

IMF's Role

- Provide swift emergency financing programs
- Work with development partners to promote preparedness policies

Source: IMF Policy Paper ***Small States' Resilience to Natural Disasters and Climate Change—Role for the IMF*** (Dec. 2016).