



FROM **CRISIS** TO **RESILIENCE**

World Bank Support to Small States



SMALL STATES FORUM MEMBERS

50 members
40 of which
have a population
of 1.5 million
or less

LATIN AMERICA AND THE CARIBBEAN

Antigua and Barbuda	Jamaica
The Bahamas	St. Kitts and Nevis
Barbados	St. Lucia
Belize	St. Vincent and the Grenadines
Dominica	Suriname
Grenada	Trinidad and Tobago
Guyana	

EUROPE

Cyprus
Estonia
Iceland
Malta
Montenegro
San Marino

AFRICA

Botswana	The Gambia
Cabo Verde	Guinea-Bissau
Comoros	Lesotho
Djibouti	Mauritius
Equatorial Guinea	Namibia
Eswatini	São Tomé and Príncipe
Gabon	Seychelles

MIDDLE EAST

Bahrain
Qatar

ASIA AND THE PACIFIC

Bhutan	Palau
Brunei Darussalam	Samoa
Federated States of Micronesia	Solomon Islands
Fiji	Timor-Leste
Kiribati	Tonga
Maldives	Tuvalu
Marshall Islands	Vanuatu
Nauru	

Note: The World Bank defines a Small State as a “country with a population of 1.5 million people or less.”

The fiscal year 2018 to fiscal year 2022 (FY18-FY22) Small State country list differs from the FY23 Small State country list, where Equatorial Guinea, Trinidad and Tobago, Qatar are no longer considered Small States.

SMALL STATES

DEFINED BY
DIVERSITY
YET BOUND
BY COMMON
CHALLENGES

With small populations and economic bases, these countries face capacity constraints and are particularly vulnerable to exogenous shocks.

The Small States Forum (SSF) provides a platform for high-level dialogue on the World Bank's efforts to address small states' special development needs.

1.6 MILLION
PEOPLE BENEFITED

from World Bank
support in FY23*

DIVERSE GEOGRAPHIES

SSF countries have small populations and economies:

- Two thirds are **island states**, while the remaining third includes five **land-locked countries**.
- Some have a **very small land area** (e.g., **Nauru** has 20 square kilometers), some are highly fragmented as **dispersed archipelagos**, and some are **sparsely populated**.
- Pacific Island members include the most **remote** countries on Earth.

COMMON VULNERABILITIES

Disproportionately vulnerable to environmental and economic shocks:

- **Disasters** like hurricanes, cyclones, volcanic eruptions, and tsunamis.
- **Effects of climate change**, like rising sea levels and exacerbated drought.
- **High debt burdens** and weak fiscal management, worsened by the COVID-19 pandemic and increased food and fuel prices following Russian invasion of Ukraine.

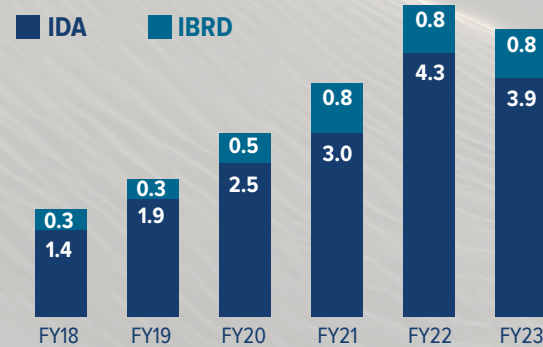
*Estimate based on a partial sample.

WIDE-RANGING AND TAILORED SUPPORT TO SMALL STATES

World Bank institutions, including the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), are strongly committed to small states' development efforts.

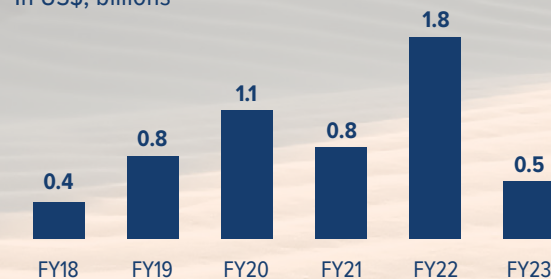
FY18-FY23 Small States Active Portfolio

In US\$, billions



IDA Financing to Small States

In US\$, billions



Source: Staff estimates. Data as of June 30, 2023.

Note: A Small State is defined as a country with a population of 1.5 million or less.

Increased support along **four critical pathways** benefits key development sectors.



I. Enhancing development finance



II. Developing innovative disaster and climate financing mechanisms



III. Fostering private investment and economic diversification



IV. Strengthening government capacity



I. ENHANCING DEVELOPMENT FINANCE

IDA FINANCING

IDA, the World Bank's fund for the poorest countries, is the main vehicle for World Bank support to small states. IDA uses **three primary mechanisms** to support small states.

Increased financing

In the two-year IDA19 cycle, financing to SSF members amounted to about **\$3 billion**, marking a **50 percent increase in annual commitments** relative to IDA18.

Exceptional access to concessional resources

Under the Small Island Economies Exception, many small states are eligible for IDA concessional resources even though their per capita incomes are above the threshold for receiving IDA support. In all, **21 SSF countries are IDA-eligible** under the Exception, including 17 IDA-only countries and seven with Blend status.*

Extending highest concessionalality

Seventeen IDA-only SSF countries are at high risk of debt distress or in debt distress and receive 100 percent of their IDA financing as grants. The remaining five are at moderate risk of debt distress and receive 50 percent of their financing as grants by virtue of being small states. **IDA Credits to small states are extended under Small Economy terms**, IDA's most concessional offering.

The Small Island Economies (SIE) Exception policy was introduced in 1985 to recognize small islands' special challenges. As of 2019 the SIE Exception policy includes criteria to capture vulnerability through indices that focus on disasters, climate change, and structural vulnerability to economic and environmental shocks.

*Eligible to borrow from both IBRD and IDA



IBRD FINANCING

Under the 2018 Capital Increase Package, IBRD-eligible small states benefit from a doubling of their IBRD base allocation and a waiver from maturity premium increases. Twenty-three SSF members have access to IBRD financing, of which 16 countries are IBRD-only and seven have access to both IBRD and IDA resources (Blend Countries). **IBRD lending commitments to SSF members between FY18-FY23 were over \$2.2 billion.**

II. INNOVATIVE FINANCING MECHANISMS TO BUILD RESILIENCE

The World Bank is pioneering innovative mechanisms to enable crisis response and build long-term resilience to climate change.

ENABLING TIMELY DISASTER AND CRISIS RESPONSE

Since its introduction in IDA15, the **IDA Crisis Response Window (CRW)** has provided **\$661.5 million** to help 22 IDA-eligible SSF members respond to severe disasters (tropical storms, floods, droughts), and, more recently, to the COVID-19 pandemic. In February 2023, Comoros received \$15 million from the CRW to set up a nationwide social protection system.

The **Disaster Risk Management Development Policy Financing with a Catastrophe Drawdown Option (CAT-DDO)** is an instrument to provide immediate liquidity after disasters. IBRD has also supported the establishment of regional risk insurance pools, helping SSF members prepare for and respond to hurricanes, cyclones, and volcanic eruptions, including the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

\$274 million
in Cat DDOs to
Fiji, Samoa, Tonga,
Tuvalu, and Vanuatu
(2018-2022).



MOVING FROM VULNERABILITY TO OPPORTUNITY THROUGH RENEWABLE ENERGY

Projects from across the World Bank are strengthening investments in renewable energy.

In the **Maldives**, the World Bank is helping **mobilize private investments** in renewable energy. The Sustainable Renewables Risk Mitigation Initiative (SRMI) helped the Maldives develop a risk mitigation framework, which led to a significant increase in private sector investment in renewable energy and **record-low energy tariff bids** at \$0.98/MWh.

MIGA provided **\$92 million** in guarantees to support the development of **Djibouti's first independent power project**. The Ghoubet wind farm, which opened in September 2023 is powered by 17 turbines and produces **237,000 megawatt-hours (MWh)** yearly.



III. SCALING PRIVATE INVESTMENT AND DIVERSIFYING ECONOMIES

Private investment is a key driver of any country's economic development. However, small states face challenges in attracting private investment due to their small market size, limited economic opportunities, and, often, remoteness. The World Bank seeks to promote private investment in small states through IFC and MIGA, as well as through strategic IBRD investments. Meanwhile, investments in key infrastructure help lay the foundation for continued economic investment, growth, and diversification.



In June 2023, IFC announced an investment of up to **\$4 million** in the National Bank of Samoa (NBS) to boost access to finance for small and medium enterprises (SMEs), in particular women-led businesses and agriculture SMEs, supported by the IDA PSW and the Women Entrepreneurs Finance Initiative (We-Fi). IFC and NBS estimate that as many as **340 new loans** will be extended to SMEs over the next five years, doubling NBS' SME portfolio volume.

CROWDING IN PRIVATE CAPITAL IN CRITICAL SECTORS

With the use of blended finance facilities such as the IDA Private Sector Window (PSW), the Global SME Finance Facility, the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP), and climate facilities as well as World Bank Treasury instruments for de-risking and Public-Private Partnerships (PPPs) advisory work, IFC is helping drive growth in small states. It is supporting economic diversification and resilience, especially to climate change, through investments in finance, infrastructure, agriculture, tourism, and services, with its commitments in SSF members totaling **\$411 million in FY23**.



IDA and IFC are also working to address critical transport infrastructure gaps in SSF member countries:

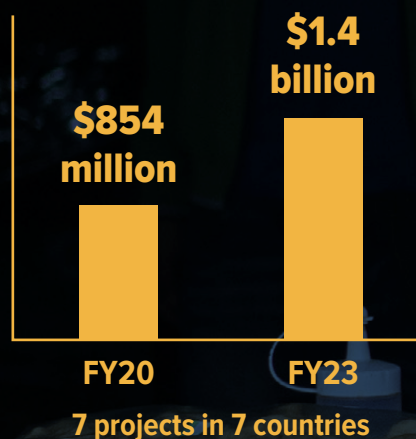
- The IDA-funded **Pacific Aviation Investment Program** has delivered **major reconstruction works to airports and runways**, helping to make air travel safer and more efficient.*
- In **Cabo Verde**, IFC is supporting the rehabilitation of four international airports to revive the tourism sector, which accounts for 25 percent of gross domestic product (GDP).
- In **Jamaica**, IFC is supporting the development of three key brownfield road segments, serving as a PPP transaction advisor.

*In Kiribati, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu.

STRENGTHENING RISK MANAGEMENT TO ATTRACT PRIVATE INVESTMENT

MIGA promotes private foreign investment through the provision of political risk insurance.

MIGA's portfolio in small states



The largest portion of MIGA's exposure is in renewable energy, financial inclusion, and green buildings. For small states MIGA utilizes the Small Investment Program for projects below **\$10 million** with no minimum project size.

In **St. Lucia**, MIGA issued guarantees of **\$11.7 million** to enable the private company KLED to replace streetlights. This project, MIGA's first in the country, will help slash streetlight electricity consumption by **70 percent** while increasing light levels and **reducing greenhouse gas (GHG) emissions by 5,000 tons** of carbon dioxide equivalent (CO₂e) per year.

The World Bank is helping small states mitigate vulnerabilities to **"de-risking"** (financial institutions terminating or restricting banking relationships to avoid risk). Small states are vulnerable to the effects of de-risking, in part due to concerns over money laundering. The World Bank supports countries to improve legal frameworks and supervision of anti-laundering obligations, including through **National Risk Assessments (NRAs)**. The World Bank has supported **20 small states** through technical assistance for NRAs, including Jamaica, Samoa, and Tonga.

PROTECTING OCEANS AND LIVELIHOODS

The World Bank is supporting the transition to a blue economy* in small states, including regional initiatives to develop planning and data tools. For example, the Pacific Islands Regional Oceanscape Program (PROP) supported **Kiribati, the Marshall Islands, and Tonga** to improve sustainable ocean-based livelihoods.

PROP provided training and capacity building to help 21 coastal communities establish community fisheries management plans, and to train Tonga pearl producers. Similarly, the Caribbean Regional Oceanscape Project (CROP) helped **five Organisation of Eastern Caribbean States (OECS) member countries**** prepare for a blue economy.

“ I’m grateful that I’m involved in pearl farming. When our tourism business suffered during the pandemic, we were still able to earn a living by exporting pearls. ”

- Fai’ana Fukofuka, Pearl Farmer and Tourism Operator, ‘Ofu Island – Tonga

ADVANCING CLIMATE-SMART SOLUTIONS

In **Belize**, IBRD supported **21,000 farming households** to enhance climate-smart agricultural practices and reduce future climate and disaster risk through the construction of greenhouses, installation of drip irrigation systems, and purchase of seeds for cash crops. It also partnered with the National Bank of Belize and the telecommunications company Digicel to establish a **new electronic payment system** that was used to provide cash transfers to over **21,300 beneficiaries**.

SUPPORTING CLIMATE RESILIENCE AT THE NATIONAL LEVEL

The World Bank is also supporting small states’ efforts to mainstream climate-smart planning and build climate resilience, including meeting their Nationally Determined Contributions (NDCs) targets for climate adaptation and assisting small states to translate NDCs into policies and investments.*

Since FY21, the World Bank has helped **22 small states** institutionalize disaster risk reduction as a national priority.

*The blue economy refers to the sustainable use of ocean resources for economic growth, improved livelihoods, jobs and ocean ecosystem health.

**Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

*Technical assistance in Antigua and Barbuda, Jamaica, St. Vincent and the Grenadines, and São Tomé and Príncipe.

IV. STRENGTHENING STATE CAPACITY

Small states can face acute skills and capacity constraints, including difficulties absorbing development assistance effectively. Contributing factors include high migration of educated people (“brain drain”), skills mismatch, and limited access to adequate technical and vocational training. The World Bank helps strengthen small states’ capacity through technical assistance and training, flexible operational policies and procedures, and implementation support. The World Bank also helps to build clients’ capacity on fiduciary and environmental and social standards through regular training activities and hands-on expanded implementation support (HEIS).

IMPROVING PROJECT MANAGEMENT AND STANDARDS

To support project preparation and design, IDA and IBRD have made available **Preparations Advances (PA)** under the Project Preparation Facility (PPF), which can finance preparation of multiple activities under a programmatic approach. Five Pacific island countries (**the Marshall Islands, the Federated States of Micronesia, Kiribati, Samoa, and Tonga**) have utilized the PA facility.



In **Lesotho**, support to the Prime Minister’s Delivery Unit for private-public dialogue has strengthened efforts for business environment reform and influenced decisions taken by the Cabinet Sub-Committee on Investment Climate and Economic Reforms.

ENHANCING FISCAL RESILIENCE

The World Bank is supporting improvements in macro-fiscal frameworks to strengthen debt and fiscal sustainability, including through fiscal buffers to better respond to disasters and other external shocks. This includes projects to reform tax policy and strengthen trade services.



INCREASING PRESENCE ON THE GROUND

41 percent increase
of staff in SSF member countries from 2016 to 2019

2X increase
in number of World Bank staff based in Jamaica from 2021 to 2022

Nearly \$500 million
to be delivered by new office in the Federated States of Micronesia*

*Support to the Federated States of Micronesia, the Marshall Islands, and Palau

LOOKING AHEAD

WHAT'S NEXT FOR THE SMALL STATES FORUM

The World Bank remains committed to supporting small states to pursue their development goals through innovative approaches that fit their unique circumstances. Convening every year on the sidelines of the World Bank and International Monetary Fund Annual Meetings, the SSF provides an effective platform for dialogue and knowledge-sharing on how the World Bank can best support small states. The Forum is chaired on a rotating basis among SSF members from the Caribbean, Africa, Asia, and the Pacific. As of October 2023, Bhutan holds the chair of the SSF, with Cabo Verde assuming the chair in January 2024.





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