

SMALL STATES UPDATE



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Summary of FY25 WBG Operations in Small States

Last fiscal year (FY25), the World Bank's active portfolio in small states amounted to \$8.2 billion:

- **Infrastructure (\$4.0 billion):** This financing supports activities like building [key transport infrastructure](#), [urban development](#) to enhance public facilities, improving affordability of and access to [energy](#), and [sustainable infrastructure finance](#). In small states, our largest Infrastructure projects focus on transport, supporting enhancements to the Rodrigues airport in Mauritius and integrated transport corridors in Bhutan, the Caribbean, and Djibouti.
- **Prosperity (\$1.5 billion):** Prosperity-themed projects focus on strengthening key domains—such as [economic policy](#), [financial inclusion](#), [public institutions](#), and [tackling poverty](#)—to foster broad-based, sustainable growth. Our active Prosperity portfolio supports fiscal management and recovery in small states like Fiji and Jamaica.
- **People (\$1.2 billion):** People-themed projects promote [global health](#), [inclusive education](#), and [social protection](#), building quality health services and essential skills for the evolving labor market in countries like Comoros, The Gambia, and Tonga.
- **Planet (\$1.1 billion):** Planet-themed projects advance sustainable [agriculture](#), [climate action](#), [water security](#), [social inclusion](#), and a [sustainably managed environment](#). Our largest Planet projects in small states are enhancing water security in Botswana and Lesotho, and agricultural sustainability in The Gambia.
- **Digital (\$0.4 billion):** We are accelerating digital access to create economic opportunity and to transform lives in small states including Gabon and multiple Pacific Islands.



Note on Terminology: “Small States” vs. “small states”

While the formal World Bank definition of Small States includes countries with populations under 1.5 million, going forward, **we will use the term “small states” to refer to members of the Small States Forum (SSF)**. This group of 50 countries includes 40 countries with populations under 1.5 million and 10 countries slightly above that threshold that face similar development challenges. Find the full list of SSF members [here](#).



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In FY25, the International Finance Corporation's (IFC) portfolio exposure in small states totaled \$356 million at year end, with the majority of this portfolio in Africa (78%) and Asia and the Pacific (21%), spanning the following sectors:

- **Infrastructure & Digital Connectivity (\$177 million, 50%):** IFC is supporting investments in resilient, low-carbon infrastructure and expanding digital access in small states. Infrastructure projects include [modernization of Gabon's railway](#), renewable energy expansion through hydropower and solar in [Botswana](#) and [Gabon](#), and [airport upgrades in Cabo Verde](#). IFC is helping strengthen digital connectivity through investments in the [Seychelles' Intelvision submarine cable](#) linked to the 2Africa subsea cable system, and [telecom upgrades in Maldives](#) via the Dhiraagu SEA-ME-WE 6 cable.
- **Health & Tourism (\$89 million, 25%):** IFC is supporting inclusive health systems and sustainable tourism, with key investments including the expansion of [Mauritius' Ciel Healthcare network](#) across Africa, financing for [The Gambia's first luxury spa resort \(Coco Ocean\)](#), and post-COVID recovery support for [Cabo Verde's Oasis Atlantico](#) hotel group.
- **Micro, small, and medium enterprises (MSMEs) and financial inclusion (\$50 million, 14%):** IFC is catalyzing growth for MSMEs through debt and equity finance. This includes investment in the Bhutan National Bank to expand MSME lending; microfinance in Namibia; trade finance in Fiji; digital lending in Botswana; and [risk-sharing facilities in Samoa](#) to support SMEs, women-led businesses, and agriculture. Through SME Ventures, IFC is also supporting the [AfricInvest Small Cap Fund](#) to scale high-potential SMEs across Africa.
- **Housing Finance (\$40 million, 11%):** IFC is mobilizing private capital to expand access to affordable housing finance and enable homeownership in Maldives, through the privatization of [Maldives' Housing Development Finance Corporation](#), paired with Advisory Services to assist with a smooth transition to a private-sector firm.

By the end of FY25, the Multilateral Investment Guarantee Agency's (MIGA) gross exposure in small states totaled \$791.3 million across 27 projects:

- **Infrastructure (\$285.3 million):** Financing supported by MIGA guarantees is strengthening energy, transport, and connectivity, advancing reliability and regional integration in small states. This includes support for the [Ghoubet wind power station](#) in Djibouti; [SETRAG rail](#) in Gabon; [Orange Bissau](#) (telecom in Guinea-Bissau); the [Tina River hydropower project](#) in the Solomon Islands; and the [Ejuva](#) and [Karibib](#) solar parks in Namibia.
- **Financial (\$440.3 million):** This sector anchors MIGA's portfolio, focusing on optimization of commercial banks capital, mobile-money, and non-honoring structures to deepen access to finance and stability in small states. Major positions include transactions with [Absa Bank](#) (Mauritius and the Seychelles), [FirstRand](#) (Botswana, Eswatini, and Lesotho), and [Airtel Mobile Money](#) (Gabon and the Seychelles).
- **Services (\$46.3 million):** Activities in this sector include urban and crisis-response operations, such as [Mezz Tower](#) in Djibouti, and a [project installing streetlights and closed-circuit television \(CCTV\) cameras](#) in St. Lucia.
- **Tourism (\$18.0 million):** Exposure from a single project, the [Safari Hotel](#) in Namibia, supports recovery and jobs.
- **Trade Finance (\$1.4 million):** A focused line for [HFC Bank](#) (Fiji) facilitates import/export flows.





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USAGE OF THE CRISIS TOOLKIT

By the end of FY25, a total of 30 small states had implemented at least one instrument of the Crisis Preparedness and Response Toolkit. Of those 30, three small states activated an instrument in response to a disaster in FY25.

ST. VINCENT AND THE GRENADINES: On July 31, 2024, the World Bank approved the activation of the Client Resilient Debt Clause for 10 International Development Association (IDA) loans in response to a deferral request received from the government of St. Vincent and the Grenadines on July 19, 2024. The request followed the passage of Hurricane Beryl, a Category 4 Tropical Cyclone, at the beginning of July. The deferral applied to principal repayments amounting to over 2.5 million Special Drawing Rights (SDRs) over a 2-year period. Deferred service charges and other credit charge amounts were re-scheduled to be repaid after the deferral period over the remaining life of the loans.

GRENADA: After Hurricane Beryl made landfall in Grenada in July 2024 as a powerful Category 4 storm, the government declared a national emergency to address the widespread devastation. The World Bank responded with immediate support, disbursing \$20 million through the Catastrophe Deferred Drawdown Option (Cat DDO), ensuring rapid access to funds for emergency response and recovery operations. Grenada also activated the Climate Resilient Debt Clause, allowing the country to defer debt payments and thereby increase fiscal space for urgent relief and rebuilding efforts.

VANUATU: Following a devastating 7.3 magnitude earthquake that struck Vanuatu on December 17, 2024, the World Bank fast-tracked a \$12 million grant from IDA to the government of Vanuatu for emergency response and recovery. This support came through a Rapid Response Option (RRO), which is a form of flexible, fast access to financing for crisis response introduced by the expanded Crisis Toolkit. It enables countries to repurpose a portion of unused World Bank financing already approved to address emergency needs. As a grant, the RRO to Vanuatu will carry no repayments, ensuring Vanuatu can focus resources on immediate relief and rebuilding efforts without any debt obligations.

Featured Stories: Achieving Results in Small States

How IFC is Helping Pacific Island MSMEs Confront Risks

MSMEs in Small Island Developing States (SIDS) can face heightened risks, ranging from smaller markets and limited access to finance, to direct exposure to natural hazards. In FY25 Q4, IFC provided a **Small Loan Guarantee Program** (a risk sharing facility) to help guard against such risks in **Samoa, Tonga, and other prospective Pacific Islands**. The program will cover a percentage of principal losses for loans to MSMEs originated by national and/or commercial banks, supported by allocation from the pooled first loss guarantee to be provided by IFC in its capacity as implementing entity of the Private Sector Window's Blended Finance Facility (BFF). This program is **expected to reach over 2,000 MSMEs**, which have a strong linkage to jobs, including for women.





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Increasing Marketed Output for Gambian SMEs

In The Gambia—where agriculture is a key economic pillar, with 20% of GDP and 46% of employment—the World Bank’s Inclusive and Resilient Agricultural Value Chain Development Project (GIRAV) is driving rapid growth for agribusinesses. Between 2021 and June 2025, SMEs supported by the project increased the volume of their marketed output by 77.6%. This growth reflects expanded access to productive investments, improved market linkages, and climate-smart technologies that strengthen competitiveness in key value chains. Learn more [here](#).

Boosting Bhutan’s Human Capital

After the COVID-19 pandemic, Bhutan faced an uphill journey to economic recovery. The [Bhutan Human Capital Recovery and Resilience Project](#) is working to support this recovery. Launched in 2022, the project aims to expand and professionalize early childhood care, integrate digital learning across schools, and link technical and vocational training to labor market needs. Progress to date shows strong momentum: qualified facilitators now serve 62% of children in early childhood centers (up from 26% in 2021), 86% of schools are actively using digital learning platforms, and 55% of technical and vocational graduates secure jobs within six months of graduation.





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Strengthening Project Impact in Small States: The World Bank's SCCI Learning Program

What if there was a platform focused on enhancing client operational capacity that brought together key stakeholders to learn from experts and exchange ideas, experiences, and practical solutions for delivering projects with speed, scale, quality, and impact? The **World Bank's Strengthening Client Capacity for Impact (SCCI) program** launched in 2024 with a design tailored to meet this need. This initiative empowers project leaders and government officials in small states through a holistic, hands-on approach. Instead of focusing on isolated topics, SCCI trainings emphasize how every piece of a project—from procurement to financial management—works together to drive strong performance and tangible outcomes.

The secret to SCCI's success is a powerful community. SCCI trainings use interactive sessions and open forums like “Ask Me Anything” panels, to foster a dynamic, peer-to-peer learning environment. Participants don't just learn from experts; they learn from each other's shared experiences, solving real-world challenges together. This collaboration builds a strong community of practice that continues to support project implementation long after the training is over.

The program attracts a diverse range of participants, including project directors, Project Implementation Unit (PIU) members, account officers, and government officials from various ministries, oversight and implementing agencies. This broad engagement ensures rich discussions, diverse perspectives, and a learning experience that addresses the needs of all stakeholders involved in project implementation.

Reaching Small State Stakeholders in Lesotho and Latin America and the Caribbean

The SCCI program is already seeing impact for small states. A delivery of the program in June 2025 in Lesotho was a resounding success, with strong interest and participation from PIUs and government officials and earning thanks from the Ministry of Finance and Development Planning for the program's timely response to client needs.

The Latin America and Caribbean (LCR) region led a franchised delivery of this program in March 2025, with training in Panama City that engaged over 260 PIU members from 16 countries, including Caribbean client countries. This showcased a growing regional focus on strengthening implementation capabilities.

A Clear Path to Impact

Looking forward, SCCI will continue to support client capacity building in small states, with a pipeline that includes SCCI programs in the Pacific and with São Tomé and Príncipe (together with Angola).

To learn more about SCCI training opportunities and how to get involved, please reach out to your World Bank Task Team Leader or email the SCCI team directly at sccilearning@worldbank.org.



IDA GROW Enhances Regional Approaches in Small States

Regional approaches spanning multiple countries enable small states to overcome diseconomies of scale by leveraging existing institutional structures and pooling resources. This helps to reduce costs, attract private investment, expand markets, and manage shared risks more efficiently. IDA21 builds on the experience since IDA13 with IDA's Regional Window (RW), providing effective support for regional approaches by adding the possibility for the window to also finance critical global challenges. The renamed **Global and Regional Opportunities Window (GROW)** is sized at up to \$13.5 billion and will help scale up action on regional integration, global challenges, and climate adaptation.

In IDA19 and IDA20 combined, IDA small states used \$400 million of their Performance-Based Allocation (PBA) to unlock over \$1 billion from the RW, totaling about \$1.5 billion for regional integration projects (Table 1).

For example, the [Pacific Climate Resilient Transport Program](#) contributed to the development of connectivity infrastructure in small states like the Federated States of Micronesia, Kiribati, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu. The [Unleashing the Blue Economy of the Caribbean](#) project helped strengthen the enabling environment for economic recovery and resilience of coastal areas in Grenada, St. Lucia, and St. Vincent and the Grenadines with the support of IDA's RW.

TABLE 1: IDA19 AND IDA20 RW FINANCING FOR SMALL STATES REGIONAL INTEGRATION (RI) PROJECTS

REGION	PBA FOR RI PROJECTS (IDA19 + IDA20) (\$)	IDA RW (IDA19 + IDA20) (\$)
Eastern & Southern Africa	50,500,000	75,400,000
Western & Central Africa	6,000,000	19,000,000
East Asia and Pacific	231,280,000	299,550,000
Latin America and Caribbean	107,100,000	170,400,000
Middle East and North Africa	48,667,000	186,333,000
South Asia	13,200,000	339,600,000
TOTAL	456,747,000	1,090,283,000

GROW broadens the RW's focus to enable financing of various types of operations:

- Regional integration operations involving two or more countries in operations with demonstrated cross-border externalities (the same as for the RW);
- Single-country operations that address global challenges with demonstrated cross-border externalities;¹
- Single-country operations that focus on climate adaptation, with no requirement to demonstrate cross-border externalities.^{2,3}

GROW allows countries the opportunity to scale up their IDA country allocations, which can be limited for IDA small states. To access GROW, projects require a Project Development Objective (PDO) or Program Development Objective (PrDO) level indicator to track a cross-border spillover effect, or at least 50% Climate Adaptation co-benefits.⁴ As under the RW, IDA Small States access GROW on favorable Small States terms; however, unlike the RW, countries may access GROW financing without the requirement to contribute from their PBA envelope, potentially making GROW a standalone funding source for a project.

The IDA21 GROW provides additional financing volume for IDA small states, where PBA envelopes can be limited. It presents an opportunity for small states to scale up action on priority regional integration and global challenges. For further details on GROW and the types of projects that it can finance, please refer to the [IDA21 Replenishment Report \(Annex 8\)](#).

¹ The WBG Global Challenges span combating climate change, ensuring food and nutrition security, fast-tracking water security and access, enhancing pandemic preparedness and response, protecting forests, nature and biodiversity, increasing energy access and transition, accelerating digitalization, and addressing fragility and conflict.

² In exceptional circumstances, regular GROW grants can support Regional Organizations (ROs) that serve small states to deliver regional public goods where national capacity is limited. GROW grant financing is available for regional entities whose support is crucial to the implementation of a GROW-financed/eligible operation, provided they have been assessed by the World Bank Legal Department as bona fide for the proposed activities, with the legal status and fiduciary capacity to receive grant funding and the legal authority to carry out the activities financed.

³ GROW also has a ringfenced sub-window in the form of the Window for Host Communities and Refugees (WHR) for operations that create economic opportunities for refugees and host communities. Eligibility criteria and budgeting are distinct between "GROW Regular" and "GROW WHR."

⁴ PDO-level indicators are measurable outcomes used to assess the achievement of a project's stated PDO. PrDO-level indicators serve a similar function, but at the program level, typically within a Multiphase Programmatic Approach (MPA), where the PrDO represents the overarching objective for the entire program across multiple phases.



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WBG Research on Small States

The WBG publishes research papers that delve into the unique challenges and opportunities faced by small states. These studies explore a range of topics, including revenue mobilization, disaster risk preparedness, and data collection methods.

TITLE	BRIEF ABSTRACT	DATE PUBLISHED
Bridging the Gap: Revenue Mobilization in South Asia	This paper examines tax revenue shortfalls in South Asian countries, including Bhutan and Maldives. During 2019-23, Bhutan and Maldives had higher corporate income tax revenue than the average for Emerging Market and Developing Economies (EMDEs). In Bhutan, the shortfalls in consumption tax revenues in recent years have been larger than the EMDE average. In contrast, consumption tax revenue shortfalls have been below the EMDE average in Maldives. The paper's results point to the need for country-specific reforms in tax policy and administration.	April 17, 2025
Disaster Risk Preparedness of Households in the Caribbean	Relying on novel household survey data, this paper examines the ability of households in the Caribbean to cope with disasters caused by natural hazards. The analysis sheds light on disaster preparedness in five "data deprived" countries: Belize, Dominica, Haiti, St. Lucia, and Suriname. The analysis points to a clear income gradient in possession of emergency supplies and substantial variation across sociodemographic groups, as households with less educated heads, with children, and residing in rural areas are generally less able to handle disasters. A large share of households reported not being prepared to cope with a natural disaster, and the COVID-19 pandemic further weakened resilience.	June 17, 2024
Effects of Data Collection Methods on Estimated Household Consumption and Survey Costs: Evidence from an Experiment in the Marshall Islands	This paper reports findings from an experiment in the Marshall Islands comparing the cost and accuracy of several household survey collection methodologies. Variable costs for the status quo diary survey design are between 2.8 and 4.4 times more expensive than a single-visit seven-day recall survey. The highly monitored diaries give similar results to recall, but at much greater cost. Finally, the paper discusses the implementation challenges associated with the different methods in a capacity-constrained environment.	April 28, 2022

Upcoming Events

[2025 Annual Meetings of the World Bank Group and the International Monetary Fund \(IMF\), October 13-18, Washington DC](#)

Join the World Bank Group and IMF for high-level discussions on the theme **"From Sectors to Systems: Building Job-Rich Economies at Scale."** Discussions will explore how countries can connect infrastructure, skills, logistics, and finance to unlock jobs efficiently, implement regulatory reforms that attract private capital and reduce risk, and foster public-private investment with a shared vision for long-term employment.

[2025 Small States Forum: "Building Jobs and Resilience in Small States," October 17, Washington DC](#)

On Friday, October 17, Ministers and Central Bank Governors from small states, along with World Bank Group Executive Directors, senior management, and key development partners, will convene on the margins of the Annual Meetings. The Forum will focus on the development of the WBG Small States Strategy, which aims to better align financial and operational support to expand employment and foster inclusive, sustainable livelihoods.