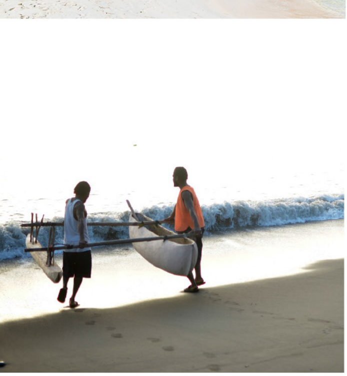
WORLD BANK GROUP
SUPPORT TO SMALL STATES




SMALL STATES

WORLD BANK GROUP

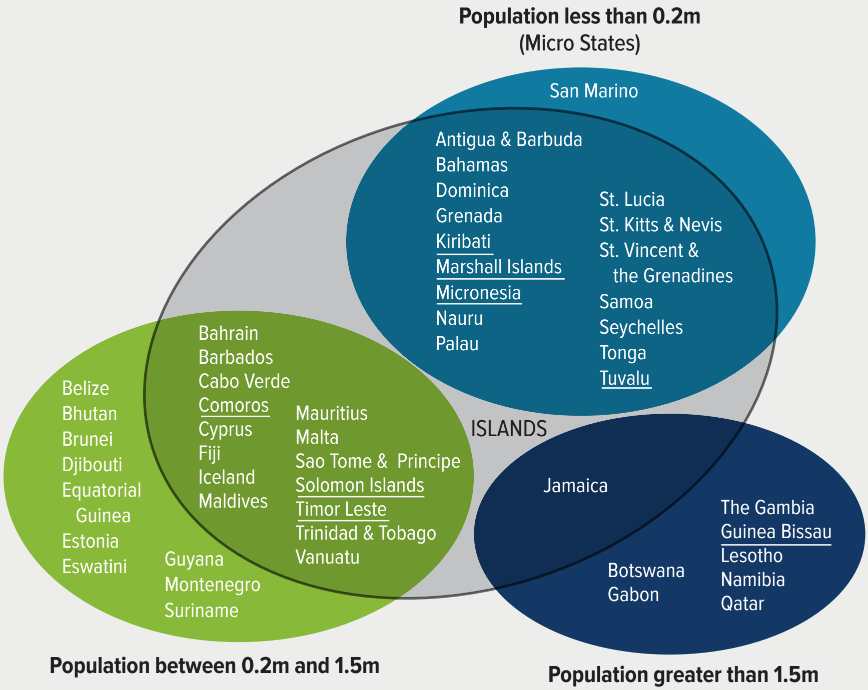
SMALL STATES: KEY FEATURES OF A DIVERSE GROUP[1]

Small States face unique development challenges. Due to their small population and economic base, these countries are particularly vulnerable to exogenous shocks such as economic shocks, natural disasters and climate change. With limited economic opportunities and significant migration, they often face capacity constraints.

1. Source: *Small States: Vulnerability and Concessional Finance, Technical Note, OPCS, July 2018.*

The Small States Forum (SSF) is an important platform for high-level dialogue on how the Bank Group is helping to address Small States' special development needs. The SSF comprises 50 members, including 42 countries classified as Small States according to the Bank Group definition (i.e., those with a population of 1.5 million or less) and eight other Small States Forum members with a population greater than 1.5 million that share similar challenges.[2]

FIGURE 1 • **SSF Members: Diverse in Population Size and Geography**



Note: Small States consist of Islands, land-locked states and coastal states. Those countries outside the inner circle for Islands are land-locked or coastal.
**Countries underlined indicate FCVs that are classified as fragile according to the Harmonized List of Fragile Situations

2. Botswana, Gabon, The Gambia, Guinea Bissau, Jamaica, Lesotho, Namibia, Qatar.

While sharing common challenges associated with the small size of their economies and vulnerability to exogenous shocks, the SSF is in fact a very diverse group. There is high variation among members in terms of population size, income levels, geography and other features that result in a wide spectrum of development outcomes:

POPULATION • Population size ranges from 12 thousand people in Tuvalu to 2.99 million people in Jamaica. Many SSF members are micro states (i.e., with a population of less than 200,000 people).

GEOGRAPHY • SSF countries are distributed across all regions and about two-thirds are island states. The remaining one-third includes five land-locked countries (Bhutan, Botswana, Eswatini, Lesotho, and San Marino).

REMOTENESS • Several SSF countries, particularly islands, are among the most remote in terms of distance to the nearest international markets (e.g., Pacific islands).

LAND AREA • A number of island states have a very small land area (e.g., Nauru has 20 square kilometers), while non-island states such as Namibia and Botswana have 4.5 and 3.1 times the area of all small island states combined, respectively.

FRAGMENTATION AND DISPERSION • Some countries are archipelagos dispersed over a broad ocean area (e.g., Kiribati has an area of 810 square kilometers distributed in 35 atolls/islands spread over 3.6 million square kilometers of ocean).

VULNERABILITY TO NATURAL DISASTERS AND CLIMATE CHANGE • Many SSF countries are disproportionately vulnerable to a range of natural disasters, particularly those located in disaster-prone areas. About one-third of Small States are highly vulnerable to climate change, including rising sea-levels and droughts.

DEBT BURDEN • Significant growth volatility often associated with the impact of natural disasters and other exogenous shocks and weak fiscal management have contributed to substantial debt accumulation in many SSF countries. Public debt to GDP ratios for Small States are on average higher than for other developing countries, but they vary significantly across countries from single digits (Tuvalu and Timor-Leste) to over 100 percent (Antigua and Barbuda, The Bahamas, Barbados, Belize, Bhutan, Cabo Verde, Dominica, Mauritius, and Suriname) as of end 2021.

VULNERABILITY TO GLOBAL CRISES • The economic fallout from the COVID-19 pandemic has been more severe in Small States than in other developing countries. In 2020, GDP contracted more sharply in this group of countries and most are likely to restore pre-pandemic levels only this year and some not till next year. The pandemic exacerbated already high fiscal imbalances and debt vulnerabilities in many Small States, although outcomes vary across countries. Relative to 2019, debt to GDP ratios increased by 10 percentage points or more in around one-third of Small States. In addition, higher fuel and food prices in the wake of the Russian invasion of Ukraine have further undermined the sluggish post-COVID-19 recovery of Small States' economies. High Inflation has also resulted in higher international borrowing costs disproportionately affecting highly indebted Small States.

WORLD BANK GROUP SUPPORT: ADDRESSING SMALL STATES' VULNERABILITIES

The World Bank Group has a long-standing and growing commitment to supporting Small States' development efforts. Small States are a priority for the entire Bank Group, 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).

In recent years, World Bank Group support to Small States has been ramping up, particularly in four areas:

I. Enhancing development finance
II. Developing innovative disaster and climate financing mechanisms
III. Fostering private investment and diversification
IV. Strengthening government capacity

IDA has been the lynchpin of Bank support to Small States and the leading multilateral provider of concessional resources to this group of countries.

- IDA has been the leading multilateral provider of concessional resources to small economies, accounting for more than 50 percent of official development assistance (ODA) to Small States in IDA18 cycle (2018-2020).
- Small States have particularly benefited from the past four IDA replenishments primarily due to an increase in IDA's annual minimum base allocation from SDR 1.5 million in IDA15 to SDR 15 million in IDA18, resulting in a massive scale up in financing for SSF members totaling $2.9 billion in IDA18 and $3 billion IDA19.
- With the re-classification of Fiji from IBRD-only to Blend in 2019, there are 24 IDA-eligible SSF members of which 21 are Small States that receive either Grants and/or IDA Credits on the most concessional lending terms that IDA offers, Small Economy Terms—at no interest, 40-year amortization, with a 10-year grace period.
- As of IDA18, Small Economy Terms (originally applicable to Small Island Economies) were extended to the four IDA-eligible Small States that are not islands (Bhutan, Djibouti, Guyana, Timor-Leste).

I. ENHANCING DEVELOPMENT FINANCE

IDA FINANCING OF SSF COUNTRIES

In recognition of their unique vulnerabilities, IDA has extended special treatment to Small States through (i) exceptional access to IDA's concessional resources, (ii) increasing financing volumes, and (iii) the highest concessionality.

Eligibility for IDA concessional resources

IDA provides concessional resources to the world's poorest countries. Eligibility for IDA support depends on a country's relative poverty – defined as per capita income below an established threshold ($1,255 in FY23[3]). Based on the application of the Small Island Economies Exception introduced in 1985 and/or lack or creditworthiness, 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, 24 SSF countries are IDA-eligible, including 17 countries with IDA-only status and seven with Blend status (eligible to borrow from both IBRD and IDA).

Volume of IDA resources

A ten-fold increase in IDA's minimum annual base allocation from SDR[4] 1.5 million in IDA15 to SDR 15 million in IDA18 has particularly benefitted small economies. In terms of actual financing, total IDA commitments (under all IDA financing windows) to IDA-eligible SSF members more than doubled in IDA18 relative to IDA17, increasing from $1.2 billion to over $2.9 billion. For IDA-eligible Small States, total IDA commitments more than tripled over the same period.

3. World Bank Fiscal Year July 1, 2022 to June 30, 2023.

4. The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. The value of the SDR is based on a basket of five currencies—the U.S. dollar, the Euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. (Source: IMF)

WORLD BANK RECOGNITION OF SMALL ISLANDS' VULNERABILITIES SINCE 1985: THE "SMALL ISLAND ECONOMIES EXCEPTION"

In 1985, the World Bank's Board approved the Small Island (SIE) Economies Exception in recognition of small islands' special characteristics (of size, remoteness, etc.) resulting in similar challenges to those faced by low-income countries. At the time, six Small Island Economies that were due to graduate from IDA were granted the Exception and remained IDA-eligible. *

Currently, 17 Small Island Economies with GNI per capita above the IDA operational cut off are eligible to receive IDA concessional financing under the Exception, including 11 SIEs with IDA-only status and six Blend SIEs.**

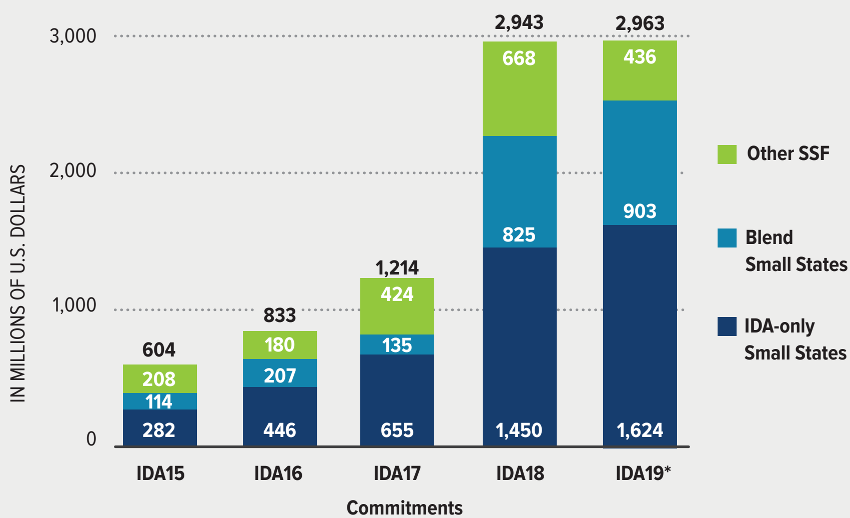
In March 2019, the SIE Exception Policy was revised to include criteria for considering requests from IBRD-only SIEs to be reclassified as IDA-eligible. In addition to a per capita income threshold, the eligibility criteria capture vulnerability based on commonly used vulnerability indices that focus on natural disasters, climate change and structural vulnerability to economic and environmental shocks. Pursuant to the revised policy, Fiji was reclassified from IBRD-only to a Blend country (eligible to IBRD and IDA financing) effective July 1, 2019. In 2021, Comoros was granted continued eligibility to IDA concessional financing under the Exception—the small island was due to graduate from IDA because its per capita GNI exceeded the IDA cut off for three consecutive years.

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

**IDA-only status (Comoros, Kiribati, Micronesia, Marshall Islands, Maldives, Samoa, Sao Tome and Principe, Solomon Islands, Tonga, Tuvalu, Vanuatu); Blends (Cabo Verde, Dominica, Fiji, Grenada, St. Lucia, St. Vincent and the Grenadines). St. Kitts and Nevis (which was granted the exception in 1985) graduated to IBRD-only status in 1994.

To mobilize additional funding for the COVID-19 pandemic response, IDA19 resources were frontloaded and fully committed in two years (FY21-FY22) instead of the usual three-year cycle and the IDA20 replenishment cycle (now covering FY23-FY25) was advanced by one year. In the two-year IDA19 cycle, IDA financing to SSF members amounted to about $3 billion, equivalent to a 50 percent increase in annual commitments relative to IDA18. Over a third of the IDA19 resources were directed to address the economic and social impact of the pandemic as well as vaccination programs in nine IDA-eligible SSF members (Bhutan, Cabo Verde, Comoros, Guinea-Bissau, Tonga, Lesotho, The Gambia, Guyana, and Sao Tome and Principe).

FIGURE 2 • **Growing IDA Financing to IDA-eligible SSF Countries**



Source: World Bank
*IDA19 covers two years (FY21-22) instead of the typical three-year cycle

IDA concessional financing terms

Currently, 12 out of 17 IDA-eligible SSF countries classified as IDA-only are at high risk of debt distress and receive 100 percent of their IDA financing in the form of grants. The remaining five IDA-only SSF countries are at moderate risk of debt distress and continue to receive 50 percent of their financing as IDA grants by virtue of being Small States—even though since FY23 other IDA-only countries with moderate risk rating no longer receive grant financing. Debt distress ratings are determined by the World Bank/IMF Debt Sustainability Framework for low-income countries (LIC-DSF). A revised LIC-DSF, effective July 2018, expanded the stress testing framework to more systematically capture the specific circumstances faced by Small States, such as vulnerability to natural disasters.[5]

IDA Credits to IDA-eligible Small States are extended under Small Economy terms[6] — IDA's most concessional terms (10 years grace period, 40 years repayment period). Small Economy Terms have a grant element of 61 percent, compared to a grant element of 53 percent for IDA credits on IDA regular terms (6 years grace period, 38 years repayment period).

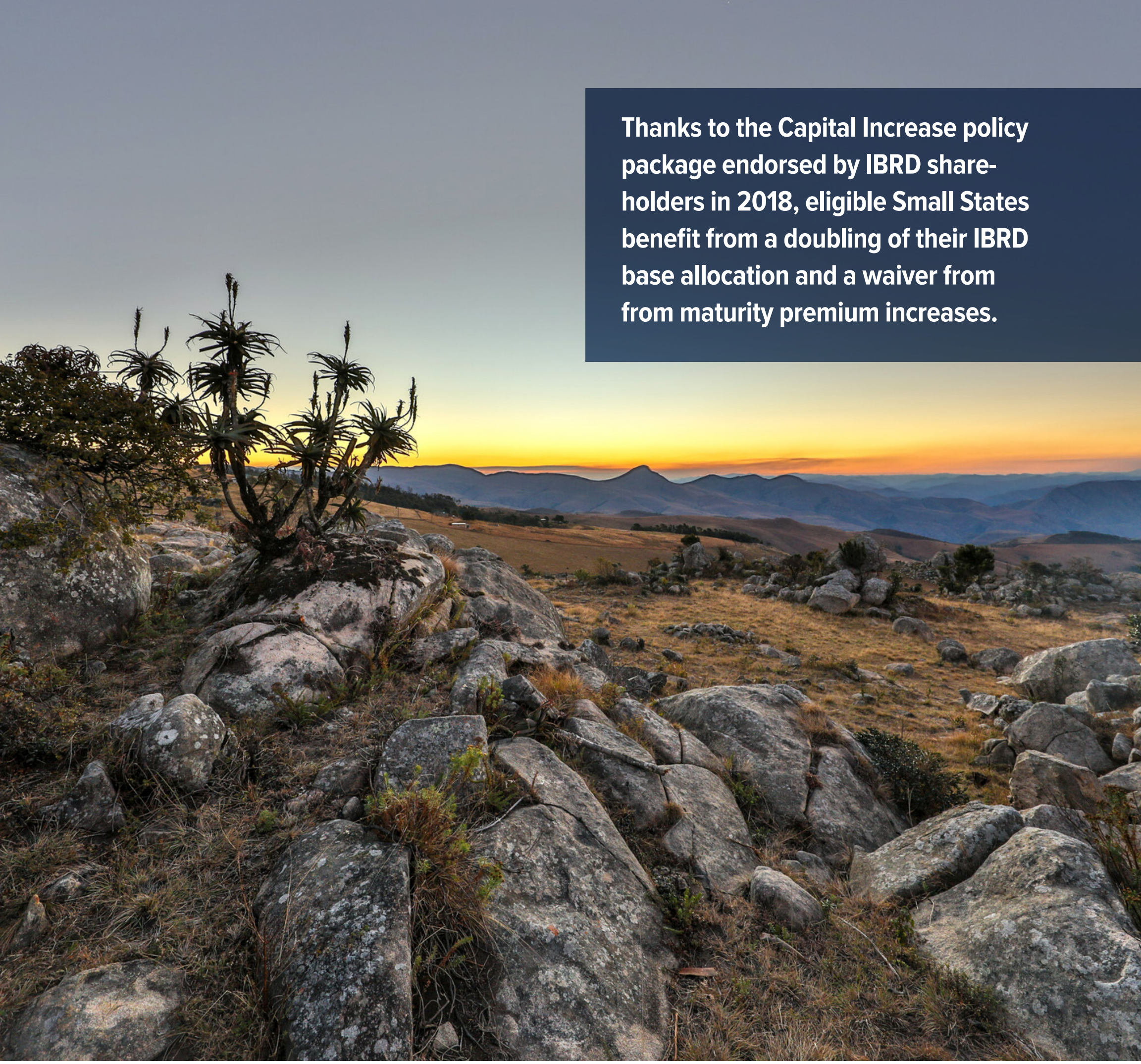
Additional opportunities for financing: IDA's Windows

IDA-eligible SSF countries also have access to additional financing from various IDA windows, notably, the Crisis Response Window (CRW), the Regional Program, and the Private Sector Window (PSW) introduced in IDA18.[7]

5. Fifteen IDA-eligible SSF members participated in the Debt Service Suspension Initiative (DSSI) endorsed by the Bank Group Governors at the 2020 Spring Meetings. The initiative allowed low-income countries to temporarily suspend debt service payments to official bilateral creditors during the May 2020-December 2021 period and release resources for COVID-19 response.

6. IDA offers concessional credits on "Regular Terms", "Blend Terms," and "Small Economy Terms." For definitions and details of IDA financial terms and conditions see Bank Policy: Financial Terms and Conditions of Bank Financing.

7. Other windows include the Scaled-up Facility and the Regional Sub-Window for Refugees and Host Communities.



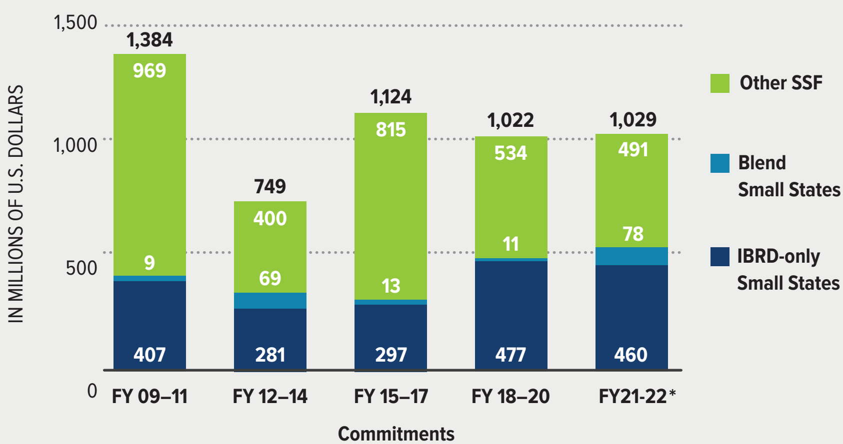
Thanks to the Capital Increase policy package endorsed by IBRD shareholders in 2018, eligible Small States benefit from a doubling of their IBRD base allocation and a waiver from from maturity premium increases.

IBRD FINANCING OF SSF COUNTRIES

Under the capital Increase policy package endorsed by IBRD shareholders in 2018, 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 FY15-20 amounted to over $2.1 billion. In per-capita terms, Montenegro has been the top IBRD borrower, followed by Gabon and Jamaica.

With enhanced financing capacity and more affordable terms for IBRD-eligible Small States, IBRD has been well positioned to help these countries respond to the COVID-19 pandemic. In FY21-FY22, IBRD commitments to SSF members amounted to $1,029 million, representing a 51 percent annual increase relative to the average of the previous three years. About 70 percent of this amount was directed toward pandemic response including $200 million extended on an exceptional basis to Barbados and the Bahamas ($100 million each)— both IBRD graduates whose economies were severely impacted by the sharp decline in tourism caused by the pandemic and in the case of the Bahamas followed the devastation caused by Hurricane Dorian in 2019.

FIGURE 3 • **IBRD Financing to IBRD-eligible SSF Countries**



Source: World Bank
*IBRD-only includes $200 million provided on an exceptional basis to IBRD graduates

II. DEVELOPING INNOVATIVE DISASTER AND CLIMATE FINANCING MECHANISMS

The World Bank has an extensive track record of supporting the development and implementation of innovative financing mechanisms for crisis response and climate change. This is particularly relevant for small economies, given their vulnerabilities.

Disaster and Crisis response

Since its introduction in IDA15, the IDA Crisis Response Window (CRW) has provided additional resources totaling $599 million to help 22 IDA-eligible SSF members respond to severe natural disasters (tropical storms, floods, droughts) and more recently, to the COVID-19 pandemic.

In 2018, Dominica received $50 million in CRW resources for reconstruction following Hurricane Maria which caused damages estimated at 226 percent of GDP. In 2020, Tonga received $20 million from the CRW to address the adverse effects of the dual shocks of the COVID-19 pandemic and Tropical Cyclone Harold which devasted the island's infrastructure in 2020 with damages estimated at 12 percent of GDP. In 2021, Fiji received $115 million in CRW resources for COVID-19 response and to support recovery efforts from three Tropical Cyclones—Harold in April 2020, Yasa in December 2020 and Ana in January 2021. Following an undersea volcano eruption and tsunami in January 2021, Tonga drew $5 million from the CRW as part of a $38 million IDA-financed project targeting the rehabilitation of transport infrastructure.

The Disaster Risk Management Development Policy Financing with a Catastrophe Drawdown Option (CAT-DDO) provides immediate liquidity in the aftermath of a natural disaster. As a policy instrument, it supports reforms to improve climate and disaster risk management. Funds are preapproved based on a sound disaster risk management program and an adequate macroeconomic framework. The CAT-DDO is available to both IBRD countries and IDA countries (since IDA18). In FY20-FY21, CAT-DDOs were approved for eight Small States in a total amount of $285 million, mostly IDA funded. In FY21, IDA disbursed a $20 million CAT-DDO to support St Vincent and the Grenadines' recovery effort after La Soufriere volcano eruption.

The Bank has also supported the establishment of two successful regional risk insurance pools–the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). Since its launch in 2007, the CCRIF has paid out over $245 million to 16 members, including payouts of about $11 million to the Bahamas (Hurricane Dorian, 2019), $2.4 million to Barbados (Hurricane Elsa, 2021-the first hurricane to hit the island in 60 years), and $2.2 million to St. Vincent after La Soufriere volcano eruption. To date, the PCRAFI has paid out over $11 million, including $1.9 million to Vanuatu in 2015 after tropical cyclone (TC) Pam and $9.3 million to Tonga: $1.3 million (TC Ian, 2015), $3.5 million (TC Gita, 2018), and $4.5 million (TC Harold, 2020).

Climate Finance: Turning vulnerability into opportunity

The Bank Group is working with Small States to develop innovative climate finance mechanisms. These mechanisms are particularly relevant for IBRD-only Small States that are not eligible for IDA financing.

In 2018, the World Bank supported the issuance of the world's first **blue bond** in the Seychelles. A $20 million World Bank package approved in September 2017—to improve the sustainability of the Seychelles' marine resources—included an IBRD guarantee of EUR5 million that enabled the issuance of a $15 million blue bond in October 2018. The World Bank Treasury provided technical assistance for structuring of the bond. The proceeds of the bond are used as grants for fisheries management activities as well as loans to encourage local public and private investment in sustainable fishing and the protection of ocean resources.

In October 2017, Fiji, a small island exposed to floods and tropical cyclones, became the first emerging market to issue a sovereign **green bond.** The 100 million Fijian dollar ($50 million) bond received overwhelming interest from domestic investors. The bond was structured with technical assistance from the World Bank Treasury and the IFC under a three-year Capital Markets Development Project, supported by the Australian Government. The proceeds of the bond are being used to fund projects promoting low carbon and climate resilient growth consistent with Fiji's Green Growth Framework.

III. FOSTERING PRIVATE INVESTMENT AND DIVERSIFICATION

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 Bank Group seeks to promote private investment in Small States through its private sector arm, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) as well as by strategically leveraging IDA and IBRD financing.

IFC AND MIGA

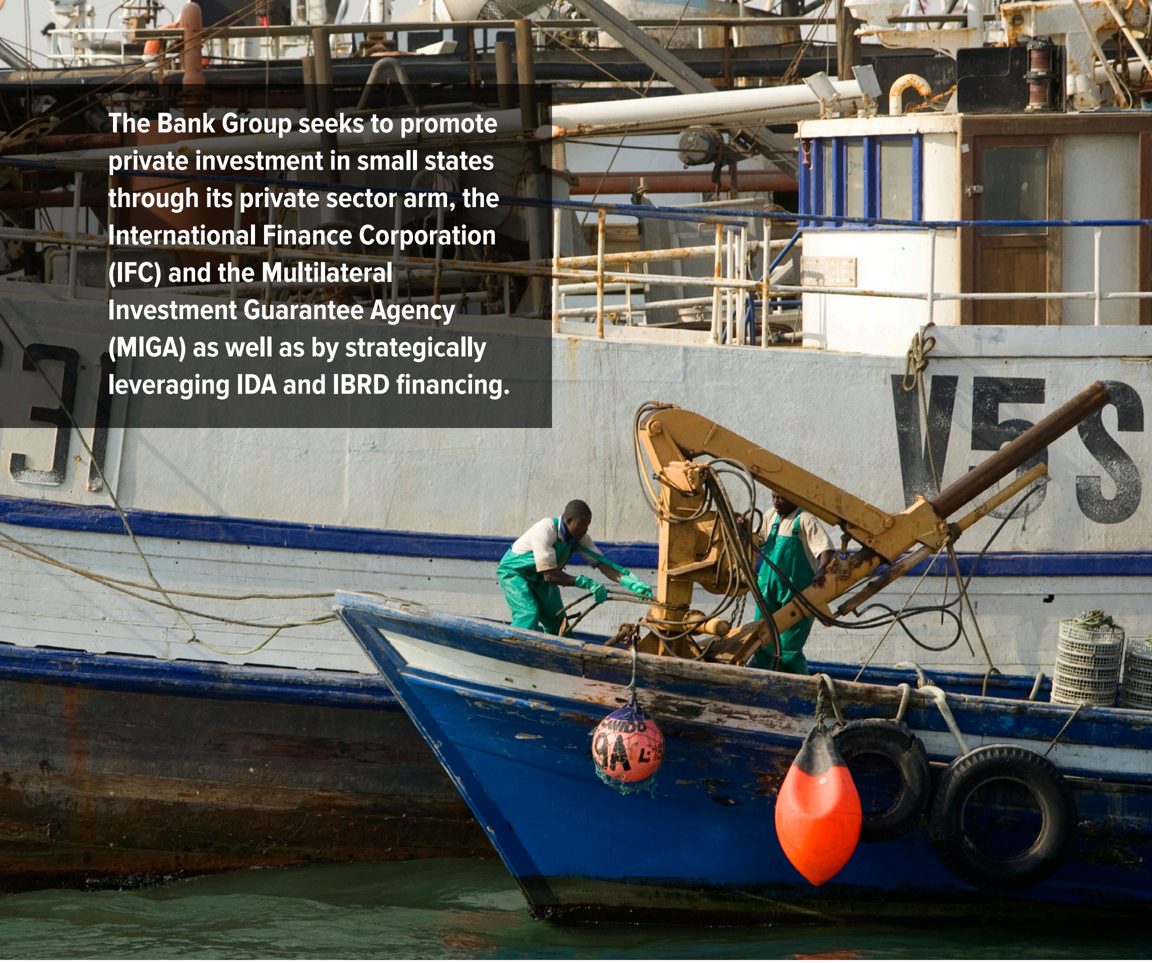
IFC supports economic diversification and climate resilience in Small States through investments in finance, infrastructure, agriculture, tourism and services. IFC's portfolio in Small States Forum members totaled $430 million in FY22 up from $382 million in FY19 and increased by an additional $409 million during FY23 (July 2022-January 2023). The largest share of projects is in financial services (56 percent) and Infrastructure (40 percent), with small loan programs targeted at Small and Medium Enterprises (SMEs). Given limited capacity in Small States, IFC investments are often accompanied by advisory services. To promote financial inclusion and development, IFC has helped modernize Fiji's national payment system and the domestic securities market. In Tonga, it has created the Ave Pa'Anga Pau remittance voucher to help reduce the cost of remittances from Australia and New Zealand and is working to replicate this remittance model in other Pacific Island countries. In Cabo Verde, IFC provided a senior loan and a trade finance facility to a commercial Bank coupled with advisory services to develop the bank's credit policies and technical capacity, targeting SMEs and women-owned businesses.

To help address infrastructure gaps in SSF members, IFC is investing in renewable energy, telecoms, and transport. In Barbados, it is leveraging blended finance to support the development of a 50 MW solar generation facility. In Cabo Verde, IFC is supporting the rehabilitation of four international airports as the country tries to revive the tourism sector (25 percent of GDP) following COVID-19. In Guinea Bissau, IFC is advising the government on the privatization of 80 percent of its telecom companies to capitalize on the digital market and foster financial inclusion. In Comoros, IFC is providing advisory services to a telecoms firm to help improve access to financial services by low-income, unbanked citizens. IFC is also providing advisory services on PPPs on airports, road transport, power, water and sewerage. For example, in Jamaica, it is supporting the development of three key brownfield road segments, serving as a PPP transaction advisor. In Djibouti, it is assisting the government to competitively select a reputable private real estate developer to provide affordable housing.

MIGA promotes private foreign investment through the provision of political risk insurance. MIGA's portfolio in Small States has increased from $854 million in FY20 to $982 million as of FY22, in support of 19 projects across 12 countries. 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.

DE-RISKING

Small States are particularly vulnerable to de-risking, and the Bank Group is supporting them to help address some of the causes of de-risking. One of the reasons given by large banks for de-risking is a concern about implementation of anti-money laundering



The Bank Group seeks to promote private investment in small states through its private sector arm, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) as well as by strategically leveraging IDA and IBRD financing.

standards. The Bank Group supports countries to improve the legal frameworks and supervision of these obligations, including through National Risk Assessments (NRAs) of money laundering. The Bank has prepared country studies and National Risk Assessments to identify and quantify adverse effects of de-risking on financial systems in emerging markets (for example, in Jamaica, Samoa and Tonga). Twenty Small States have received technical assistance for NRAs. In 2018, the Bank Group published a correspondent banking survey, investigating solutions to the decline in banking services in emerging markets, including Jamaica, Samoa and Tonga.

INVESTMENTS IN THE BLUE ECONOMY

The Bank Group is supporting the transition to a blue economy in Small States, including through a series of regional initiatives. In 2016, with the Bank's technical support, Grenada became the first Eastern Caribbean country to develop a vision for protecting its "blue space" and to map its road toward blue growth. Expanding on Grenada's successful model, the Bank is now supporting the sustainable management of ocean resources in the sub-region under the Unleashing the Blue Economy of the Eastern Caribbean project.

Similarly, the Pacific Regional Oceanscape Program project has helped to strengthen the shared management of selected oceanic and coastal fisheries in the Solomon Islands, Micronesia, Marshall Islands, Tuvalu, Tonga, Samoa, and Kiribati. The West Africa Regional Fisheries Program and the South West Indian Ocean Fish program also supports improved fisheries management in Cabo Verde, Guinea Bissau, Comoros, Maldives and Seychelles at the regional, national and community levels.

INVESTMENTS IN DIGITAL INFRASTRUCTURE

The World Bank is helping Small States' efforts to develop digital infrastructure often through regional projects. Significant investments in broadband infrastructure are being made, in some cases in partnership with the private sector. For example, through the Pacific Regional Connectivity Program, submarine fiber-optic cables have been connected in Fiji, Samoa, Tonga (including outer islands), Tuvalu, and Palau. In Tonga, broadband access increased from 2 percent in 2010 to 64 percent in 2021. Accompanying these investments is substantial technical assistance to develop the legal and regulatory enabling environment to support market development, foster new investment and upgrade of access networks (e.g. Fourth Generation Long-Term Evolution (4G/LTE)),

The World Bank is helping small states' efforts to develop connectivity infrastructure to drive Digital Dividends. Significant investments in broadband infrastructure are underway, in some cases in partnership with the private sector.

and encourage better and cheaper services. The Caribbean Digital Transformation project is helping to improve access to and quality of digital services to 500,000 residents in Dominica, Grenada, St Vincent and the Grenadines, and St Lucia and is enhancing government's ability to provide public services, including to respond to the COVID-19 epidemic. Broadband penetration is projected to increase from 19.1 percent in 2017 to 40 percent in 2025.

IV. STRENGTHENING CLIENT CAPACITY

Small States can face acute shortage of skills and capacity constraints, including difficulties to absorb development assistance in an effective and sustainable way. Contributing factors include high migration of educated people ("brain drain") due to lack

of economic opportunities, skills mis-match, and limited access to adequate technical and vocational training. The World Bank supports the strengthening of Small States' capacity through technical assistance (TA) and training activities, the deployment of flexible operational policies and procedures to fit their specific circumstances, and implementation support on the ground.

Project Preparation and Design

Preparations Advances (PA) are available under the Bank's Project Preparation Facility (PPF). The scope of the facility was increased in 2017 to finance the preparation of multiple projects and/or for activities that strengthen institutional capacity to carryout projects under a programmatic approach. Five Pacific Island Countries (PICs), namely Marshall Islands, Micronesia, Kiribati, Samoa and Tonga utilized the PA facility for the preparation of IDA18 and IDA19-financed projects and, in some cases, to temporarily finance Central Implementation Units.

In view of the rapid growth in the Bank's Pacific portfolio, **Central Implementation Units (CIUs)** have been set up in six Pacific Small States (Marshall Islands, Micronesia, Kiribati, Samoa, Tonga, Tuvalu) to build institutional capacity and support project preparation and implementation at the portfolio level. The Bank capacity building efforts in the CIUs target procurement, financial management, safeguards, etc. to ensure that institutional knowledge is built and maintained.

In terms of project design, **regional projects** have provided a useful platform to leverage economies of scale in delivering capacity building, particularly when countries share similarities and can benefit from harmonized policies and procedures. For example, regional projects support the modernization of the legal, regulatory, and institutional frameworks governing digital services sectors and the capacity to implement them across member countries (the Caribbean Digital Transformation project, the Pacific Connectivity

The World Bank has provided training to about 300 government officials in Samoa, Solomon Islands, Tonga and Vanuatu on procurement, financial management, as well as the new Environmental and Social Framework.

Program). Capacity building at the regional level strengthens the capacity for coordinated management of key regional public goods such as ocean resources (the Unleashing the Blue Economy of the Caribbean project, the Pacific Regional Oceanscape Program project). Statistical strengthening at the regional level (OECS Data for Decision Making project, Statistical Innovation and Capacity Building in the Pacific project) facilitate the use of common methodologies and ensure the comparability of data for country and regional level analytics.

Fiduciary, Environmental, and Social standards

The Bank helps to build clients' capacity on fiduciary and environmental and social standards through regular training activities and hands-on expanded implementation support (HEIS) — a modality that enables a more direct transfer of skills to clients. While the Bank's current procurement framework allows for flexible procurement arrangements in capacity-constrained countries, the Bank also provides substantial procurement support through HEIS in several Small States. For example, in Grenada, the Bank has scaled up HEIS on procurement by providing support at the portfolio level covering seven projects, the most rapid HEIS expansion in any country. Likewise, HEIS on procurement has been scaled up in Micronesia and the Marshall Islands where it is being provided to their respective CIUs. The Bank is also supporting market engagement in Small States and applying alternative arrangements such as contracting of UN Agencies when private sector suppliers are not a feasible option.

In the Caribbean, the Bank recently conducted a procurement training series program for Guyana, Suriname, and Belize as well as training on operating countries' own procurement systems in Dominica, Grenada, St. Lucia, and St. Vincent & the Grenadines. In the Pacific, in-country training activities –which were limited by border closings during the COVID-19 pandemic—have now resumed. These include a recent Bank project portfolio review in the Solomon Islands followed by training to all implementing agencies. World Bank training modules expand to core project management, budget preparation, legal aspects of Bank financing, monitoring and evaluation, in addition to financial management, procurement and safeguards trainings.

Supporting capacity to build climate and economic resilience

Fiscal and financial resilience: Technical assistance targets effective disaster risk financing strategies to better manage disaster risks, accelerate recovery and build resilience. Examples include the Caribbean Risk Financing TA and the Financial Solutions for Climate and Natural Disaster Risk Program. The Bank also supports improvements in macro-fiscal frameworks to strengthen debt and fiscal sustainability, including through fiscal buffers to better respond to natural disasters and other external shocks. Examples of ongoing TA activities include the Resilient Economic Growth in the Caribbean: Strengthening Trade in Services and Fiscal Responsibility, and Caribbean: Strengthening

Tax Policy for Climate Resilient Growth, as well as recent TA and policy lending support to the implementation of fiscal responsibility frameworks.

Climate resilience. The World Bank is supporting Small States' efforts to mainstream climate smart planning and build climate resilience, including meeting their Nationally Determined Contributions (NDCs) targets and goals on climate adaptation under the COP21. It is assisting Small States to translate NDCs into policies and investments, with ongoing TA in Antigua and Barbuda, Jamaica, St. Vincent and the Grenadines, and Sao Tome and Principe. The Bank also provides analytics and TA to national and regional institutions to strengthen disaster risk preparedness and response, including through TA for early warning systems (the Strengthening Hydrometeorological and Early Warning Systems in the Caribbean TA, the Pacific Resilience project) as well as for building resilient infrastructure (the Caribbean Resilient Infrastructure and Urban Planning TA).

Debt sustainability. Since 2018, twenty-five SSF members have benefitted from seminars for senior officials and workshops for technical staff on the revised Debt Sustainability Framework for LICs (LIC DSF).[8]

Implementation support on the ground

To maximize the development effectiveness and institutional development, particularly in the context of scaled up financing since IDA18, the World Bank has been increasing the number of staff deployed in fragile countries and Small States. The number of field-based staff working in SSF member countries increased by 41 percent in 2019 relative to 2016.

8. The countries include: Bhutan, Botswana, Cabo Verde, Comoros, Djibouti, Dominica, Grenada, Guinea, Guinea-Bissau, Guyana, Kiribati, Lesotho, Maldives, Marshall Islands, Federated States of Micronesia, Namibia, Samoa, Sao Tome & Principe, Solomon Islands, The Gambia, St. Vincent & the Grenadines, Timor Leste, Tonga, Tuvalu, and Vanuatu.

The Bank's Pacific-based staff has increased by over 50 percent—from 108 at the end of IDA17 to 135 at the end of IDA18 and 158 to date. A multi-donor trust fund supported by Australia and New Zealand is contributing to growing the Bank's presence in the Pacific by supporting increased staffing and expansion of local offices. The Bank has also substantially expanded its presence in the Caribbean with the Country Director's move and staff decentralization to Kingston, Jamaica in November 2021. The number of World Bank and IFC staff based in Kingston more than doubled from 15 in November 2021 to 35 in December 2022.

LOOKING AHEAD: THE SMALL STATES FORUM NOW AND GOING FORWARD

The World Bank Group remains committed in 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 Group/ IMF Annual Meetings, the Small States Forum (SSF) will continue to provide an effective platform for dialogue and knowledge-sharing on how the World Bank Group can best support Small States. The Forum is chaired on a rotating basis among SSF members of the Caribbean, Africa, Asia and the Pacific. Bhutan currently holds the Chairmanship of the Forum. The most recent SSF was held in October 2022 in Washington DC.