SMALL STATES UPDATE

WORLD BANK GROUP

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Snapshot of World Bank Group Operations in Small States

AS OF JUNE 30, 2025 (FY25):

The active portfolio of the **International Bank for Reconstruction and Development (IBRD)** and the **International Development Agency (IDA)** net commitments to small states has reached **$8.2 billion**, more than doubling the FY18 value ($3.4 billion) and surpassing the previous peak in FY22 of $6.9 billion.

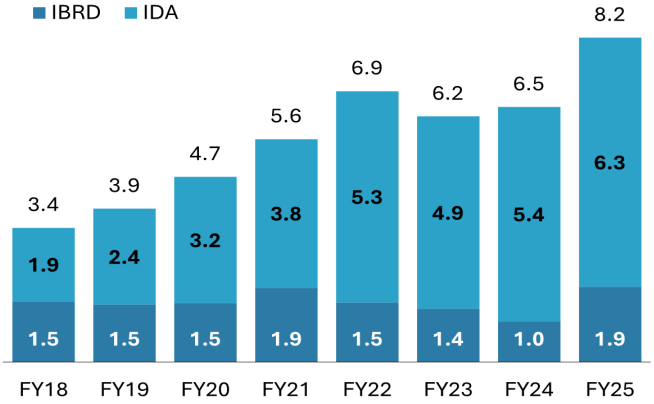
The **International Finance Corporation (IFC)** is driving economic diversification and resilience through advisory services and investments in finance, infrastructure, agriculture, and tourism. **IFC's portfolio exposure in small states reached $357 million**.

The **Multilateral Investment Guarantee Agency (MIGA)** promotes private foreign investment and mobilizes private capital by offering guarantees that de-risk critical investments in infrastructure and financial sectors. **MIGA's gross outstanding exposure in small states reached $791 million.**

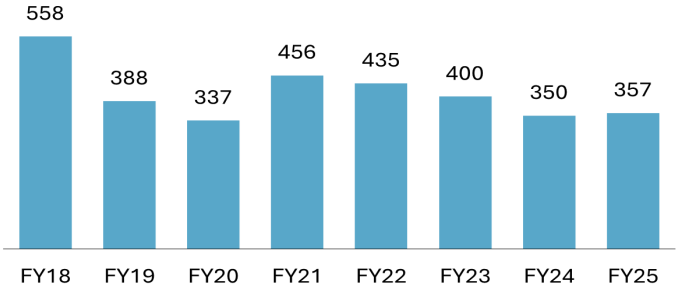
Note on Terminology: 'Small States' vs. 'small states'

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.

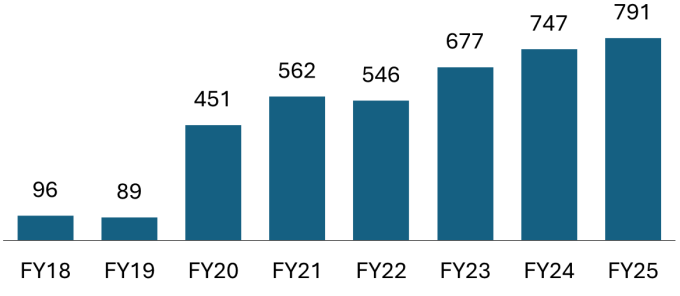
WORLD BANK ACTIVE PORTFOLIO NET COMMITMENTS TO SMALL STATES BY FISCAL YEAR (US$ BILLIONS)



IFC PORTFOLIO EXPOSURE IN SMALL STATES BY FISCAL YEAR (US$ MILLIONS)



MIGA GROSS OUTSTANDING EXPOSURE IN SMALL STATES BY FISCAL YEAR (US$ MILLIONS)



Results Stories

Jobs: The Path to Prosperity in Small States

Creating more and better jobs is central to the World Bank Group's (WBG) mission and is especially critical for enhancing the resilience of small states. Strengthening economic diversification and investing in key sectors—which in small states include **infrastructure, agribusiness and fisheries, and tourism**—are essential strategies to promote job-creating growth.

Since 2020, the WBG-supported Caribbean Digital Transformation Project (CARDTP) in **Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines** has been working to upgrade digital skills among youth and enhancing infrastructure to create technology-enabled businesses and jobs. The project has helped 17,000 people access new digitally-enabled services, and 800 people improve workplace productivity or secure new employment through digital skills.

In the Pacific Small Island Developing States (SIDS), **fisheries** represent a vital yet underleveraged source of economic growth and job creation. The recently closed (April 2025) WBG Pathway to Sustainable Oceans Project in **Tonga** provided training on pearl caring and giant clam farming to users of 47 special management areas. The project also supported 37 pearl producers with training and establishing alternative markets.

Sustainable **tourism** approaches that focus on high-potential segments, such as adventure tours, eco- or nature-based tourism, wellness, and marine tourism, can enhance economic gains and generate employment, while preserving small states' unique cultural and natural heritage. In **Suriname**, the Competitiveness and Sector Diversification project is investing in small and medium-sized enterprises (SMEs) and value chains in the tourism sector. 400 participating SMEs have increased their revenue by 15.5 percent on average since 2019.

Transforming Health Care Access in the Pacific Islands

World Bank projects focused on strengthening health systems in **Samoa**, **Kiribati**, and **Tuvalu** have **enhanced health care access for 340,000** people between 2020 and 2024 by improving primary and secondary services, targeting non-communicable diseases (NCDs), and adapting to climate risks.

Key initiatives include Samoa's community-based NCD screening, Kiribati's workforce training and hospital upgrades, and Tuvalu's hospital and outer island service enhancements. Learn more here.

Djibouti's Clean Energy Breakthrough

With support from MIGA, Djibouti is advancing toward its 100% renewable energy goal by 2035. In September 2023, the country's first independent power project, the Ghoubet wind farm, became operational, **generating 237,000 megawatt-hours (MWh) annually from 17 turbines**. The wind farm was built by Red Sea Power, a public-private consortium of four investors. MIGA provided $91.6 million in guarantees to two of those investors, using MIGA's own resources as well as IDA's MIGA Guarantee Facility, part of its Private Sector Window. Additionally, Red Sea Power is installing a solar-powered desalination plant at Lake Ghoubet, set to more than double water supply for local villages from 88,000 to 210,000 liters per week, while training locals to help operate it. Learn more here.

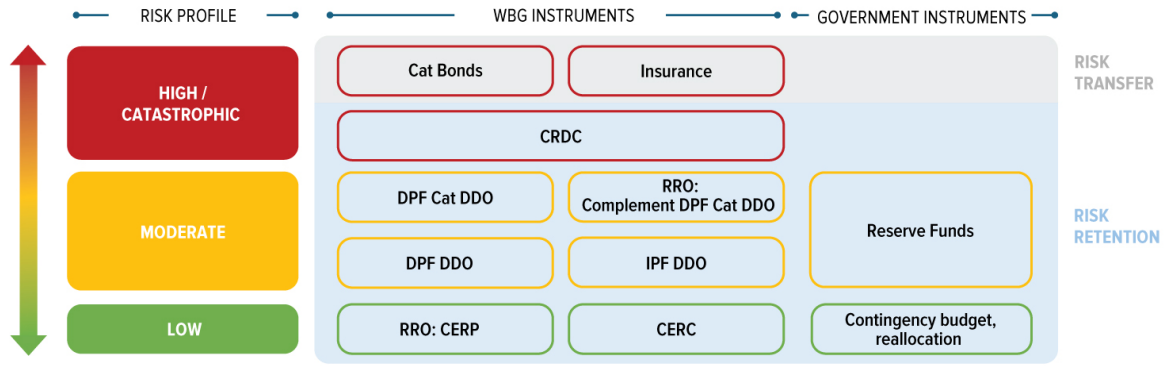
Optimizing the Use of the Crisis Preparedness and Response Toolkit

Since the launch of the Crisis Preparedness and Response Toolkit in February 2024, small states have increasingly adopted its instruments to ensure t**imely access to funding for emergency response and post-crisis recovery**. As of July 1st, 2025, a total of 30 small states have implemented at least one instrument, ensuring more robust protection in times of crisis. To maximize its benefits, countries may pair the Crisis Toolkit instruments with crisis preparedness reforms and institutional strengthening efforts, laying the foundation for long-term resilience.

Through the Crisis Toolkit, countries can choose to retain or transfer the risk, based on the severity and frequency of disaster events. For example, to enhance financial resilience in cases of highly severe shocks, countries can transfer disaster risks to the market through Cat Bonds or sovereign insurance products. For moderate risk events, Development Policy Financing with Catastrophe Deferred Drawdown Option (DPF Cat DDO) or Investment Project Financing (IPF) DDO may be used, if the pre-defined trigger is met, complementing governments' risk management tools such as budget resources or external financing. *Learn more about the range of financing instruments of the Crisis Toolkit and details of their use across small states in Annex 1* here.

SHOCK IMPACT AND RISK LAYERING STRATEGY

Source: WBG



1. HOW CAN GOVERNMENTS SELECT THE OPTIMAL FINANCING INSTRUMENTS?

Governments of small, disaster-prone countries must carefully select financing instruments to manage risk effectively and ensure timely response. The process begins with understanding the frequency and severity of disasters to match appropriate tools—such as contingency funds for frequent events and insurance for rare, high-impact shocks. A balanced mix of ex-ante (pre-disaster) and ex-post (post-disaster) instruments ensures financial preparedness for emergency response. Cost-effectiveness, meanwhile, requires evaluation of each tool's speed, reliability, and affordability.

A Ex-ante financing instruments customized to specific funding needs

Ex-ante financing instruments offered through the Crisis Toolkit can be classified based on whether the government's aim is to provide generic budget support or fund specific activities. Ex-ante instruments that disburse directly into a country's budget include the DPF Cat DDO, the Rapid Response Option (RRO) complement, and the DPF DDO. In contrast, once funds repurposed under the RRO have been disbursed to implement a Contingent Emergency Response Project (CERP) they can be used to finance fast-disbursing emergency expenditures. Eligible expenditures include the import of essential goods such as food and medicine or cash transfers to affected people. IPF DDO, and Contingent Emergency Response Component (CERC) are also ex-ante instruments that finance specific expenditures. The Climate Resilient Debt Clause (CRDC) can be used by countries to defer debt payments from their IBRD loans or IDA credits in the event of a disaster.

B Ex-post crisis response instruments

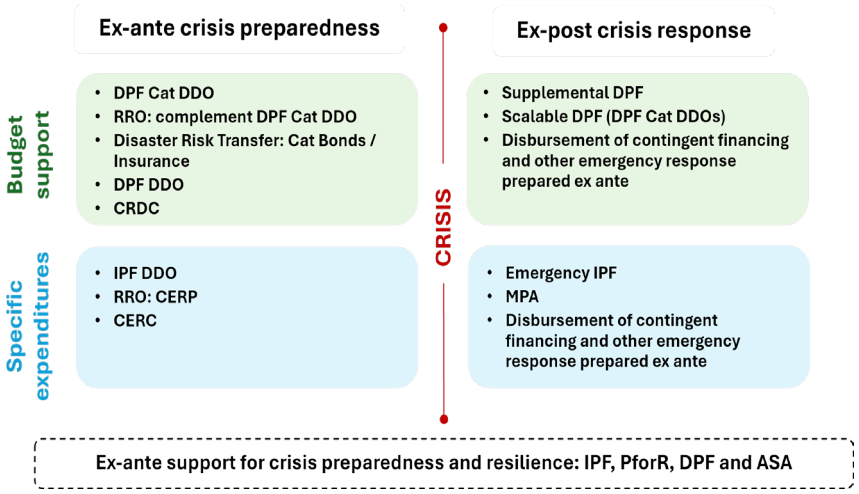
The WBG also uses a range of instruments to support countries *after* a crisis strikes. Governments can activate any contingent financing or other emergency response prepared ex-ante (e.g., DPF Cat DDO, CERP). Additionally, if needed, the WBG offers Emergency IPF and Multi-Phase Programmatic Approaches (MPAs). This layered approach ensures that countries can respond quickly and flexibly.

Small states are provided with continuous support for crisis preparedness and resilience strengthening, with a comprehensive set of financing instruments offered through the Crisis Toolkit before (ex-ante) and after (ex-post) an event.

By integrating these instruments, governments will be better equipped to face future emergencies, recover swiftly, and reduce the long-term impacts of crises.

CRISIS TOOLKIT: EX-ANTE AND EX-POST FINANCING

Source: WBG



C World Bank's Crisis and Disaster Risk Finance Value for Money Process

Determining the optimal financial instruments for governments will require an assessment of risks, coverage requirements, budgetary constraints, and cost effectiveness, as well as an understanding of practical and political challenges. The World Bank's Crisis and Disaster Risk Finance (CDRF) Value for Money Process provides an analytical framework to assist governments in developing their CDRF strategy for implementing crisis preparedness and response measures, from a wide range of financial instruments provided by the WBG and other public and private institutions.

Developing a CDRF strategy helps countries improve their value for money from disaster risk finance investments and supports more informed decision-making. For example, countries facing severe and infrequent shocks should explore cost-effective mechanisms to address potential funding gaps, such as risk transfer instruments like sovereign risk insurance. Such instruments can be available through World Bank projects, regional risk pools such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the Pacific Catastrophe Risk Insurance Company (PCRIC), and directly with international markets.

Learn more about the World Bank's Value for Money Process here.

Country Engagement: Joint Country Representatives

"The World Bank Group's joint approach is a win-win, **especially in small countries like Guyana**. It offers an opportunity to speak with one voice and leverage different WBG instruments to provide a set of integrated solutions to clients, including mobilizing private sector investments."

– Diletta Doretti, WBG Representative for Guyana

The WBG is evolving to become a "Better Bank," assisting small states in navigating intertwined crises, tackling global challenges, and achieving our vision of a world free of poverty on a livable planet. Through the "Better Bank" initiative, we aim to enhance interconnectivity across our institutions, functioning as One World Bank Group. To support this goal, we have implemented **joint country representation, which means that a single country representative will serve for the IBRD, IDA, IFC, and MIGA.**

Joint Country Representatives (JCRs) help take an important step toward responding to demand from our clients for a more **consistent voice across all WBG institutions**, acting as a single point of contact for the full breadth of WBG products and services.

The initiative was first launched in 21 countries as of July 1, 2024 and expanded to 20 more countries as of July 1, 2025, amounting to **30% coverage of all WBG clients**. As of July 1, 2025, small states account for more than a third of all JCRs.

JCRs in Small States	
Bhutan	Mauritius
Cabo Verde	Namibia
Djibouti	Qatar
Equatorial Guinea	Solomon Islands and Vanuatu
Fiji	Suriname
Guinea-Bissau	The Gambia
Guyana	Timor-Leste
Maldives	

WBG Research on Small States

Several recent research papers published by the WBG delve into the unique challenges and opportunities faced by small states. These studies explore a range of topics, including poverty dynamics, the impact of informal competition on firm behavior, and climate change-related vulnerability.

TITLE	ABSTRACT	DATE PUBLISHED
Poverty Dynamics in Bhutan, 2017–2022: Evidence from Synthetic Panels	This paper investigates poverty dynamics in Bhutan from 2017 to 2022 using cross-sectional data from Bhutan Living Standards Surveys. The main findings reveal low overall poverty turnover, indicating limited movement in and out of poverty. Chronic poverty in Bhutan is also low, with only 6% of households remaining poor in both years, significantly lower than India (15%) and Pakistan (17.5%). Additionally, upward mobility is 20 times more likely than downward mobility; this highlights the greater opportunities for escaping poverty in Bhutan during the time period analyzed.	1/10/2025
Does Competition from Informal Firms Encourage the Formal Firms to Obtain Quality Certificates?	This study investigates the impact of competition from informal firms on the likelihood of formal manufacturing small and medium-size enterprises (SMEs) obtaining internationally recognized quality certificates. The sample includes 16 countries in Latin America and the Caribbean, including two small states: Barbados and Suriname. The study uncovers a positive impact, with a one standard deviation increase in informal competition leading to an increase in the probability of having a quality certificate by 2.9 to 3.6 percentage points. This effect is large, given that only 10.4 percent of SMEs have a quality certificate.	1/8/2025
Climate Change Vulnerability, Adaptation and Public Debt Sustainability in Small Island Developing States	The SIDS are among the most vulnerable countries to losses and damages from climate change globally. This paper evaluates the climate change-related vulnerabilities of SIDS using data from the International Disaster Database (EM-DAT) to examine the magnitude of damages incurred over the last three decades and fiscal impacts of large tropical cyclone disasters in the last decade. The report finds that integrated strategies are needed to build resilience, manage public debt, and address poverty. It also highlights the importance of international support and effective measures to mitigate and adapt to the adverse effects of climate change.	6/3/2024

For further details or any questions, please contact the Small States Secretariat at smallstatessecretariat@worldbank.org.