Developing economic resilience is a multi-dimensional challenge

Demand for financing in small states is growing; Domestic efforts complement external funding

Debt vulnerabilities constrain fiscal space; WB and IMF are helping

Bank provides comprehensive support to develop resilience; WB financing to small states has grown sharply; IDA19 will continue the support
Developing economic resilience is a multi-dimensional challenge
Climate change has exacerbated the challenge

**Economic Resilience**

Ability of an economy and its people to withstand or recover from the effects of shocks

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**Dimensions of Economic Resilience**

- **The structure of the economy**
- **Macro-economic stability**
- **Political governance and institutional capacity**
- **Social development**
Demand for financing to build resilience to shocks in small states is growing

Physical Resilience
Investments to reduce risk, prevent disasters, and for other adaptations to climate change e.g. Resilient infrastructure, EWS etc.

Socio-economic Resilience
Resources to people and communities to cope with shocks e.g. social safety nets

Financial Resilience
Financing to meet costs of disasters e.g., Restoring services, reconstruction
Domestic efforts are important to complement external public funding

• It is important to generate fiscal space by:
  ◦ Strengthening domestic resource mobilization
  ◦ Improving the efficiency of public expenditure
  ◦ Strengthening public investment and debt management
  ◦ Considering debt financing only for investment projects with credibly high rates of return and using fiscal risk management tools
  ◦ Developing financial buffers

• Pre-arrange contingent financing and buy insurance
  ◦ CAT DDOs require fiscal and debt sustainability
At the same time, fiscal space to build resilience is constrained by heightened debt vulnerabilities

- About two thirds of IDA Small States are at high risk of debt distress or in debt distress
- About one third of IDA Small States are at moderate risk of debt distress
- Only one country is at low risk of debt distress
- Debt vulnerability drivers include: economic shocks, natural disasters and climate change impact
- Reflecting debt vulnerabilities, a large share of IDA financing provided as grants
WB-IMF multi-pronged approach to address debt vulnerabilities

1. Improve debt analysis/early warning systems
2. Enhance debt transparency
3. Strengthen debt management capacity
4. Review debt policies

Early identification of debt vulnerabilities in the context of Bank programs and macro-monitoring strategies and operations; and advice and capacity development tailored to contain risks
WB’s comprehensive support to building resilience in small states

Development financing
- Growing IDA resources
- Doubling of IBRD resources, subject to prudential limits
- Funds supporting climate-resilient development and adaptation: CIFs

Policy advice & capacity building
- Climate Change Policy Assessment (CCPA) - a joint tool of IMF and the World Bank
- Debt analysis and management
- Global Facility for Disaster Reduction and Recovery (GFDRR) support

Disaster & risk financing mechanisms
- Disaster Risk Financing and Insurance Program (DRFIP)
- DPL with Catastrophe Deferred Drawdown Option (CAT-DDO)
- Contingent Emergency Response Component (CERC)
- Global Risk Financing Facility (GRiF)
IDA financing to small states has grown significantly.

IDA Commitments and Core Allocations: IDA15 to IDA18
US$ million

IDA18 Highlights:
- **US$70 million** Crisis Response Window*
- **US$133 million** Regional Window*
- Catastrophe DDO extended to IDA
- Small Economy Terms extended to 4 non-island Small States
- More favorable leveraging formula under Regional Program

* as of end-Feb 2019
WBG will continue its strong support to Small States

IDA 19 - Ten years to 2030: Growth, People, Resilience

1. IBRD Capital Package

2. IDA19 Special Themes: Climate Change, Fragility, Conflict and Violence (FCV), Gender, Governance and Institutions, Jobs and Economic Transformation (JET)

3. Four cross cutting issues: Debt, Human Capital, Disruptive Technology and Disability

4. IDA19 Policy package will include themes relevant to small states:
   - Exploring measures to increase resilience to climate-related shocks and stressors (Climate Change);
   - Promoting debt transparency and debt management; and,
   - Supporting Domestic Resource Mobilization (Governance and Institutions)
Thank you.

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