IDA18 Post-Mid-Term Review Amendments:

Review of the Small Island Economies Exception and

IDA18 Exceptional Allocation to Jordan and Lebanon

Development Finance Corporate IDA and IBRD (DFCII)
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ACRONYMS AND ABBREVIATIONS

Fiscal year (FY) = July 1 to June 30

CAT DDO	Catastrophe Deferred Draw-Down Option
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CRI	Climate Risk Index
CRW	Crisis Response Window
DFi	Development Finance Vice-Presidency
DSA	Debt Sustainability Analysis
FCV	Fragility, Conflict and Violence
FY	Fiscal Year
GCFF	Global Concessional Financing Facility
GDI	Graduation Discussion Income
GNI	Gross National Income
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
LIC	Low Income Country
MTR	Mid-Term Review
NCBP	Non-Concessional Borrowing Policy
ODA	Official Development Assistance
PBA	Performance-Based Allocation
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
RSW	Refugee Sub-window
SDR	Special Drawing Rights
SIE	Small Island Economy
SSF	Small States Forum
WBG	World Bank Group

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I. INTRODUCTION

1. **At the IDA18 Mid-Term Review (MTR), IDA Deputies and Borrower Representatives (Participants) endorsed several amendments to enhance IDA18 effectiveness**. Most of these amendments were approved by the Board on January 15, 2019,[1] while two proposals required further consideration. Regarding Small Island Economies (SIEs), Participants asked Management to review IDA's Small Island Economies Exception ("Exception") adopted in 1985[2] to articulate how countries gain access to and exit from it. Regarding Jordan and Lebanon, Management was tasked with carrying out further consultations with partners to find the best vehicle through which this support could be extended, establishing a clear line of sight on how IDA support could be targeted towards Syrian refugees**.**

2. **The purpose of this paper is to:** (i) review IDA's policy framework for supporting SIEs through the Exception and make recommendations to the Board for strengthening it; and (ii) propose an exceptional allocation to Jordan and Lebanon through which IDA's support could be extended to Syrian Refugees. Section II discusses the implementation of the Exception and makes proposals for strengthening it. Section III proposes an exceptional allocation to Jordan and Lebanon. Section IV lays out the proposed decisions for Board approval.

II. REVIEW OF THE SMALL ISLAND ECONOMIES EXCEPTION

3. **Small economies are characterized by unique development challenges.** These include high risk and vulnerability to economic shocks and natural disasters, small domestic markets, limited domestic resource mobilization, fragile debt sustainability, higher costs of building resilience to climate change, limited creditworthiness, and the difficulties they face in attracting public and private financing. Consequently, most small economies have been heavily dependent on Official Development Assistance (ODA), including from multilateral development institutions. Total ODA commitments to the members of the Small States Forum (SSF)[3] averaged US$4.4 billion per year between 2007 and 2016.[4] Core IDA allocations to the 23 IDA-eligible SSF members doubled from US$0.9 billion under IDA17 to US$1.8 billion under IDA18.[5] Total IDA commitments to the 23 IDA-eligible SSF members, which also includes access to IDA windows, increased from US$604 million in IDA15 to about US$1.2 billion in IDA17.[6]

4. **The World Bank Group is making a concerted effort to support Small States' unique development challenges.[7]** Specific measures include: (a) enhancing access to concessional finance; (b) supporting efforts to build resilience and improve disaster risk management; (c) mobilizing climate financing; (d) supporting economic diversification with a focus on the 'blue

[1] See *IDA18: Post-Mid-term Review Amendments*, IDA/R2018-0401, December 17, 2018.
[2] See *Terms of Lending to Small Island Economies Graduating from IDA*, November 18, 1985 (IDA/R85-134).
[3] The SSF comprises 50 members of which 40 are members of the World Bank Group. See Annex 1, Table 1.1 for details.
[4] *Small States: Vulnerability and Concessional Finance*, Technical Note, July 2018.
[5] As a share of GDP, IDA18 indicative allocations to IDA-eligible members of the SSF range from 1.5 percent (the Maldives) to 160 percent (Tuvalu).
[6] In the first half of IDA18, total IDA commitments to those 23 countries were US$880.4 million: US$786.1 from Core IDA; US$19.3 million from the Regional Program, US$70 million from the Crisis Response Window (CRW); and US$5 million from the Refugee Sub-window (RSW).
[7] The Bank defines a "Small State" as a country with a population of 1.5 million people or less. Based on this definition, there are 20 IDA-eligible Small States and 13 IBRD-only Small States (see Annex 1).

economy"; (e) addressing the negative impacts of de-risking on Small States' access to financial services; and (f) supporting capacity building (see Annex 2, Box 2.1 for examples). In addition, Small States have been a primary beneficiary of a ten-fold increase in IDA's minimum base allocation over the past four IDA cycles.[8]

5. **IDA18 adopted several important measures that support Small States.** These include a massive increase in IDA's minimum base allocation, extension of IDA's most concessional lending terms to all IDA-eligible Small States,[9] adopting a more favorable leveraging formula for Small States under the IDA Regional Program, and the introduction of IDA Catastrophe Deferred Drawdown Option (see Annex 2, paragraph 3 for details). IDA-eligible Small States can also benefit from IDA windows—with the Crisis Response Window (CRW) being particularly important in the aftermath of severe economic crises and natural disasters (see Annex 2, Table 2.1 for details on CRW commitments to Small States).

6. **The recently approved IBRD capital increase package includes enhanced support for Small States.** As part of the policy package: (a) the base allocation for Small States was expanded; and (b) Small States were exempted from the proposed maturity premium increase regardless of per capita income.[10] The actual amount of IBRD financing to these countries will depend (among other things) on each client's access to IBRD resources as well as its level of demand.

7. **A subset of the Small States group—IDA-eligible SIEs[11]—receive special treatment from IDA pursuant to the Exception adopted in 1985.** Section A below discusses the implementation of the Exception, including its historical application and lessons learnt. Section B makes proposals for strengthening the Exception and assesses how the proposed revisions may impact IDA.

A. IMPLEMENTATION OF THE SMALL ISLAND ECONOMIES EXCEPTION

8. **In recognition of SIEs' special characteristics that affect their creditworthiness and access to finance, in 1985, the Board approved an exception to IDA's eligibility criteria,[12] to allow IDA-eligible SIEs continued access to concessional IDA resources.**[13] The 1985 Board paper elaborated on challenges that are specifically related to SIEs' size and remoteness, including high vulnerability to external shocks, trade dependence on a limited number of export commodities, distance from major markets, high per-capita cost of basic infrastructure, small size of the domestic market, and higher unit costs of industrial production (due to lack of scale). The Board paper focused on the special circumstances and lack of creditworthiness of six SIEs to

[8] IDA's minimum base allocation has increased from SDR1.5 million in IDA15 to SDR3 million in IDA16, SDR4 million in IDA17, and SDR15 million in IDA18.
[9] Four non-island Small States—Bhutan, Djibouti, Guyana, and Timor-Leste—became eligible for Small Economy Terms as a result.
[10] *Sustainable Financing for Sustainable Development: World Bank Group Capital Package Proposal*, paper discussed by the Development Committee on April 21, 2018. DC2018-0002/P April 21, 2018.
[11] The terms "Small Island Countries", "Small Island States" and "Small Island Economies" are used interchangeably in this paper to denote island economies with a population of 1.5 million persons or less.
[12] Countries are eligible for IDA resources based on relative poverty and lack of creditworthiness, where relative poverty is measured in terms of a country's Gross National Income (GNI) per capita compared to an established threshold known as the IDA operational cut-off.
[13] For details on the adoption of the Exception, see Board paper *Terms of Lending to Small Island Economies Graduating from IDA*, November 18, 1985 (IDA/R85-134).

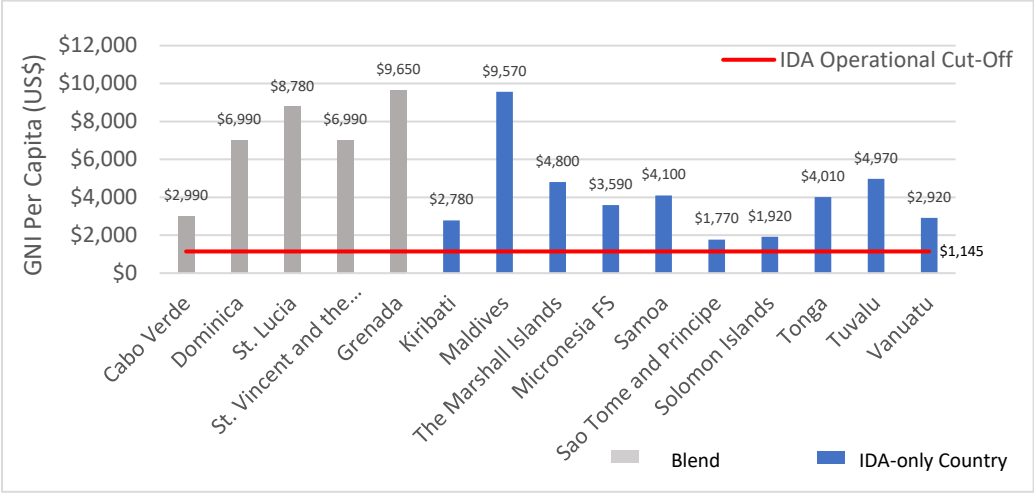
borrow from the IBRD—despite having per capita incomes above the IDA operational cut-off. Recognizing that the strict enforcement of IDA eligibility rules would leave these member countries without access to either IDA or IBRD resources, the Board paper recommended that these countries be granted continued access to IDA, while adopting specific measures to strengthen their creditworthiness to borrow from the IBRD. The Board paper noted that some of these countries may become creditworthy for a limited amount of IBRD resources during the ensuing IDA cycle (IDA8), in which case the Bank would blend IDA credits with IBRD financing. The paper also recommended that the principles enunciated in it may be applied on a case-by-case basis to other SIEs facing similar circumstances.

9. **At present, fifteen SIEs with GNI per capita above the IDA operational cut-off receive special treatment from IDA under the Exception** (Figure 1).[14] Of these, five are Blend Countries.[15] The other ten would in principle fall under the definition of a "Gap Country"[16] but have been granted the status of an "IDA-only Country"[17] under the Exception. Throughout the rest of this paper, "IDA-only Country" includes those ten (otherwise Gap) countries.

10. **Countries that have been granted the Exception are eligible for the most concessional lending terms that IDA offers—Small Economy Terms—at no interest, 40-year amortization, with a 10-year grace period.**[18] Once a country is granted the Exception, it continues to enjoy Small Economy Terms on IDA Concessional Credits until it graduates to IBRD-only status. Consequently, even Blend Countries that have been granted the Exception continue to receive IDA Concessional Credits on Small Economy Terms until they graduate from IDA, regardless of their GNI per capita levels.[19]

[14] The current (FY19) IDA operational cut-off is US$1,145, based on 2017 GNI data.
[15] A "Blend Country" means a member country that is determined (a) by IDA to be eligible for IDA Credits; and (b) by IBRD to be creditworthy for borrowing IBRD loans.
[16] A "Gap Country" means a member country that is (a) determined by IDA to be eligible for IDA Credits; (b) determined by IDA to have a GNI per capita that has exceeded the operational cut-off for IDA eligibility for more than two consecutive years; and (c) not currently determined by IBRD to be creditworthy to borrow from IBRD.
[17] An "IDA-only Country" means (a) a member country that has not exceeded the IDA operational cut-off GNI per capita for more than two consecutive years; and (b) not creditworthy to borrow from IBRD.
[18] IDA offers three sets of concessional credit terms: "Regular", "Blend" and "Small Economy". Regular Terms offer no interest, 38-year amortization, with a 6-year grace period; and Blend Terms include a fixed interest charge, 30-year amortization, and a 5-year grace period. For definitions and details of IDA financial terms and conditions, see Bank Policy, "Financial Terms and Conditions of Bank Financing". IDA Credits on Small Economy Terms in FY18 had a grant element of 61% compared to a grant element of 53% for IDA Credits on IDA Regular Terms.
[19] During IDA16, it was agreed that Blend Countries that have been granted the Exception will continue to receive IDA Concessional Credits on the same terms as those extended to IDA-only recipients, regardless of their GNI per capita levels.

Figure 1. Fifteen Countries under the Small Island Economies Exception (FY19)



Source: Atlas Method, WDI, World Bank.

11. **SIEs classified as "IDA-only" pursuant to the Exception are eligible for IDA Grants, depending on their status of debt distress, and subject to IDA's Non-Concessional Borrowing Policy (NCBP):**[20]

- An IDA-only SIE in debt distress or at a high risk of debt distress is eligible to receive 100 percent of its concessional financing in the form of grants.
- An IDA-only SIE at moderate risk of debt distress is eligible to receive 50 percent of its concessional financing in the form of grants and the remaining 50 percent as credits.
- IDA-only SIEs at low risk of debt distress and SIEs that are eligible for both IBRD and IDA resources (Blend Countries) are not eligible for IDA grants.[21]

(I) COUNTRIES CURRENTLY COVERED UNDER THE EXCEPTION

12. **The Exception was first granted to six countries, with the understanding that it would be extended to other SIEs facing similar circumstances when their per capita incomes reach the IDA operational cut-off.** It was also agreed that each exception would be evaluated on a case-by-case basis. The initial set of countries to receive the Exception were Dominica, Grenada, St. Kitts and Nevis (St. Christopher and Nevis at the time), St. Lucia, St. Vincent and the Grenadines, and Tonga. As shown in Table 1, their per capita incomes were above or almost approaching the IDA operational cut-off when the Exception was granted (Annex 3 provides more details). Most of them were considered not creditworthy at the time for borrowing from IBRD. Of these:

(a) All six except Tonga reached Blend Country status in the late 1980s; and St. Kitts and Nevis subsequently graduated from IDA in 1994. Dominica, Grenada, St. Lucia, and

[20] Measures under the NCBP can reduce allocations (as determined by the Performance-based-Allocation system), harden the financing terms, or both.

[21] The only possible exception to this general provision is the RSW. All IDA-eligible countries, including Blend and Gap Countries, could receive grants from the RSW provided that the country meets the eligibility criteria for accessing the RSW.

St. Vincent and the Grenadines continue to receive IDA Concessional Credits on Small Economy Terms but are not eligible for IDA Grants (except possibly through the RSW) because they are Blend Countries.

(b) Tonga now falls under the definition of a Gap Country in principle but continues to be eligible for Small Economy Terms because it has been granted the status of an IDA-only Country under the Exception. Tonga is also eligible for IDA Grants depending on its risk of debt distress status, and subject to the IDA NCBP; in FY19, Tonga receives 100 percent of its IDA concessional financing as grants.

13. **Post-1985 Exceptions.** Ten additional countries have been granted the Exception since 1985—Samoa, Vanuatu, Cabo Verde, the Maldives, the Marshall Islands, Micronesia, Kiribati, Tuvalu, Sao Tome and Principe, and Solomon Islands (Table 1). Of these:

(a) The Marshall Islands and Micronesia were reclassified from "IBRD-only" borrower to "IDA-only" under the Exception, effective July 1, 2011, because they were assessed as not creditworthy for borrowing from IBRD. Both countries now fall under the definition of a Gap Country in principle, but because they have been granted the Exception, they continue to receive IDA Concessional Credits on Small Economy Terms. Both are eligible for IDA Grants depending on their risk of debt distress status, and subject to the IDA NCBP; in FY19, both receive 100 percent of their IDA financing as grants.

(b) Cabo Verde was granted the Exception in 1997 when its per capita income exceeded the IDA operational cut-off. It was subsequently reclassified as a Blend Country, effective July 1, 2009, based on a formal creditworthiness assessment. It continues to receive IDA Concessional Credits on Small Economy terms under the Exception. However, Cabo Verde is not eligible for IDA Grants because it is a Blend Country.

(c) Samoa, Vanuatu, the Maldives, Kiribati, Tuvalu, Sao Tome and Principe, and the Solomon Islands were granted the Exception when their per capita incomes rose above the IDA cut-off (Table 1). All seven now fall under the definition of a Gap Country in principle but continue to receive IDA Concessional Credits at Small Economy Terms because they have been granted the IDA-only Country status under the Exception. All are eligible for IDA Grants depending on their risk of debt distress status, and subject to the IDA NCBP. In FY19, Samoa, Kiribati, Tuvalu, and Sao Tome and Principe receive 100 percent of their IDA concessional financing as grants whereas Vanuatu, the Maldives, and the Solomon Islands receive 50 percent of their IDA concessional financing as grants and 50 percent as credits.[22]

14. **Reclassifications.** The Marshall Islands and Micronesia were the only two countries to be reclassified from IBRD-only borrower status to IDA-eligible status pursuant to the Exception. Note, however, that neither country had ever borrowed from IBRD. Each country was initially classified as an IBRD-only borrower when they joined the Bank respectively in May 1992 and June 1993 and remained in that status until they were reclassified as IDA-eligible countries and

[22] Due to non-compliance with IDA NCBP, in FY19, the Maldives receives IDA concessional financing on 50 percent grant and 50 percent credit basis despite its eligibility to receive 100 percent grants (as a high risk of debt distress country).

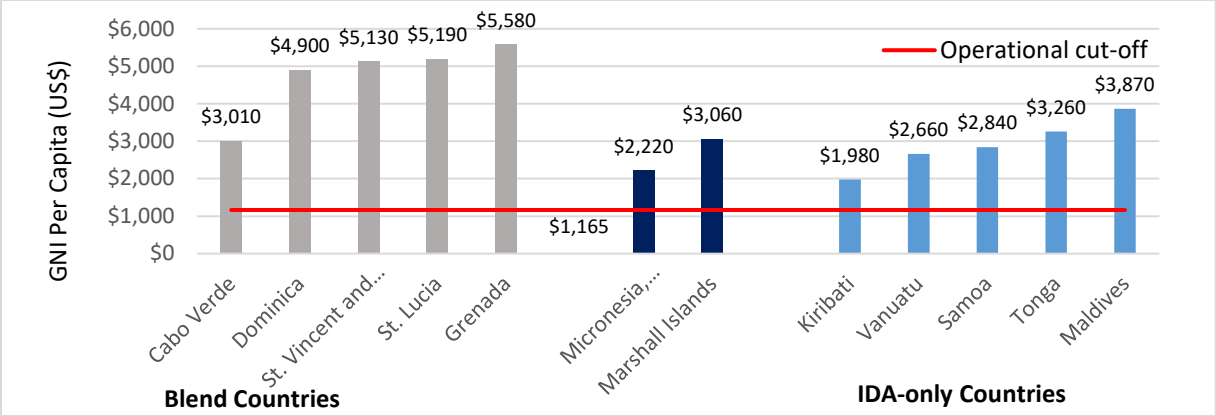
granted access to IDA resources under the Exception, effective July 1, 2011. Figure 2 compares their per capita incomes at the time they were considered for the Exception with those of 10 countries that were already under the Exception:

(a) Per capita income of Micronesia (US$2,220) was much lower than that of all countries benefitting from the Exception other than Kiribati; and

(b) Per capita income of Marshall Islands (US$3,060) was much lower than that of all Blend Countries other than Cabo Verde; and comparable to that of several IDA-only countries.

15. The IDA operational cut-off at the time was US$1,165. The related Board papers demonstrated that both countries displayed several SIE characteristics that underpinned the 1985 Board decision establishing the Exception. Both were not considered creditworthy for IBRD lending, based on formal creditworthiness assessments conducted by the Bank in 2009.

Figure 2. GNI Per Capita of Micronesia and the Marshall Islands: Comparison with Countries under the Exception (2009, US$)



Sources: WDI; and OP 3.10 Annex D, July 2010.

16. **Process for Granting the Exception**. As discussed earlier, the first round of exceptions was approved by the Board when the Exception was first adopted. All subsequent decisions to grant the Exception were taken by Management. A creditworthiness assessment by the Bank was required in the case of new member countries and for countries for which a creditworthy assessment has never been performed. The 2011 decisions to classify Tuvalu and reclassify Micronesia and the Marshall Islands as IDA-only Countries were, therefore, based on formal creditworthiness assessments, and the Board was subsequently informed.[23] In other cases, Management granted the Exception when an IDA-only Country was about to reach Gap Country status, and the decisions were published in Annexes to (former) OP 3.10, *Financial Terms and Conditions of Bank Financing* which listed, at the beginning of each FY, all the countries that benefitted from the Exception.

[23] See IDA/SecM2011-0062, February 8, 2011 (on the Marshall Islands); IDA/SecM2011-0063, February 8, 2011 (on Micronesia); and IDA/SecM2011-0685, November 10, 2011 (on Tuvalu).

Table 1. Historical Application of the Small Island Economies Exception[24]

Country	Effective Date of Exception	Per Capita GNI when Granting Exception (US$)	Operational Cut-off when Exception was granted (US$)	Prior IBRD Classification	Classification Granted
Tonga	July 1, 1987[a]	780	790	No	IDA-only
Grenada		880			
Dominica		1080			
St. Lucia		1130			
St. Vincent and the Grenadines		900			
Samoa [Based on 1991 GNP]	July 1, 1992	930	765	No	IDA-only
Vanuatu [Based on 1991 GNP]	July 1, 1992	1120	765	No	IDA-only
Cabo Verde [Based on 1997 GNP]	July 1, 1997	1090	925	No	IDA-only[b]
Maldives [Based on 1997 GNP]	July 1, 1998	1150	925	No	IDA-only
Kiribati [Based on 1999 GNP]	July 1, 2000	910	885	No	IDA-only
Marshall Islands [Based on 2009 GNI]	July 1, 2011	3060	1165	Yes	Reclassified from IBRD to IDA-only
FS Micronesia [Based on 2009 GNI]	July 1, 2011	2220	1165	Yes	Reclassified from IBRD to IDA-only
Tuvalu [Based on 2010 GNI]	July 1, 2011	4670	1175	No	IDA-only
Sao Tome and Principe [Based on 2012 GNI]	July 1, 2013	1320	1205	No	IDA-only
Solomon Islands [Based on 2015 GNI]	July 1, 2016	1940	1185	No	IDA-only

Note: a. Based on 1984 GNP per capita; the Exception was also granted to projects already in the pipeline for Board presentation in FY86 and FY87.
b. However, Cabo Verde was declared creditworthy in FY08 based on a formal assessment and was reclassified as a Blend Country effective July 1, 2009.

(II) LESSONS FROM THE IMPLEMENTATION EXPERIENCE

17. **The implementation of the Exception since 1985 has been successful in granting sixteen SIEs** (including St. Kitts and Nevis, which is now an IBRD-only country) continued access

[24] This table does not include St. Kitts and Nevis (one of the original six countries to receive the Exception) because it has since graduated from IDA.

to IDA and the most concessional terms that IDA offers, while adopting specific measures to strengthen their creditworthiness to borrow from IBRD. Lessons from implementation underscore adjustments necessary to improve the Exception. These include: (a) the need for explicit entry/re-entry criteria for considering requests from IBRD-only clients; (b) the need for explicit recognition of vulnerability to natural disasters or long-term impact of climate change as part of the rationale for granting the Exception; and (c) the need for explicit criteria to calibrate the terms on which IDA concessional resources are provided to SIEs, as they move towards graduation from IDA.

ENTRY/RE-ENTRY CRITERIA[25]

18. **In the 1985 Board paper, the Exception was proposed as a measure to support IDA-eligible SIEs in their transition to IBRD-only borrower status**. The Board paper did not address whether IBRD-only SIEs could gain (or regain) access to IDA pursuant to the Exception.[26] In the absence of explicit entry (or re-entry) criteria for such clients, it has been difficult for Management to consider requests from IBRD-only SIEs to be reclassified as IDA-eligible SIEs. A request by the Government of Fiji to be reclassified as IDA-eligible is on hold pending the adoption of explicit entry criteria.[27] There are also questions relating to Nauru and Palau as they are not creditworthy to borrow from IBRD unless an adequate security arrangement is in place.[28] In the absence of entry criteria, recent decisions to decline IDA access to Nauru and Palau, despite their lack of IBRD creditworthiness, were based on their high per capita GNI—exceeding US$10,000 in 2016—consistent with IDA's mandate to direct limited development resources primarily to the poorest and the most vulnerable countries. Particularly in the context of the massive damage caused by the recent spate of hurricanes in the Caribbean, often leading to episodes of high risk of debt distress, questions have been raised about the circumstances under which (a) an SIE that graduates from IDA to IBRD-only borrower status may be allowed to return to IDA-eligible status—that is, a reverse graduation; or (b) an IBRD-only SIE that has never been eligible for IDA resources may be given access to IDA resources.

VULNERABILITY TO NATURAL DISASTERS AND CLIMATE CHANGE

19. **The 1985 Board paper did not explicitly discuss small islands' vulnerability to natural disasters and the long-term impact of climate change including rising sea levels**.[29] However, more recent decisions to grant the Exception to new IDA members (Tuvalu) and countries initially classified as IBRD-only borrowers (the Marshall Islands and Micronesia) have all considered vulnerability to natural disasters and climate change, underscoring the need to formally recognize these aspects as part of the rationale for granting the Exception. The top six countries that have suffered economic losses from natural disasters over the previous 25 years are SIEs (Samoa, St.

[25] The terms "Entry/re-entry to IDA" and "gain/regain access to IDA" are used interchangeably to refer to reclassification of a country's lending eligibility status from IBRD-only borrower status to IDA-eligible borrower status.

[26] For instance, the Board paper did not mention Fiji or Mauritius, two SIEs that were already classified as "IBRD-only" even though their per capita incomes (respectively $1,580 and $1,060) were much below the per capita income of St. Kitts and Nevis ($2,420) that was granted the Exception in 1985.

[27] Fiji's case is different from that of the Marshall Islands and Micronesia because Fiji is IBRD creditworthy and is currently borrowing from the IBRD whereas the Marshall Islands and Micronesia had never been assessed as IBRD creditworthy.

[28] See Bank Policy, "Lending Operations: Choice of Borrower and Contractual Agreements," Catalogue Number LEG5.09-POL.162. paragraph 11.

[29] As noted in paragraph 8, the Board paper elaborated on the economic vulnerabilities of SIEs.

Lucia, Grenada, Vanuatu, Tonga, and the Maldives).[30] Extreme weather-related loss events have contributed to high indebtedness of many SIEs. Out of the 33 IDA-eligible countries in or at high risk of debt distress, 36 percent are SIEs (12 countries).[31]

CRITERIA FOR CALIBRATING IDA FINANCING TERMS

20. **Currently, once the Exception is granted, a country continues to enjoy its benefits—regardless of a country's per capita income—until it graduates to IBRD-only status.** This has resulted in some countries perpetually receiving the most concessional of IDA terms even when their per capita incomes are seven or eight times the IDA operational cut-off income (see Figure 1). So far, only St. Kitts and Nevis has exited the Exception, consequent to its graduation from IDA in 1994. At present, four Blend Countries—Dominica, St. Vincent and the Grenadines, St. Lucia, and Grenada—continue to be eligible for IDA Small Economy Terms despite having per capita incomes ranging from US$6,990 to US$9,650, which are well above the IDA operational cut-off (currently US$1,145). In fact, their per capita incomes even exceed the level that typically initiates discussions on graduating from IBRD (currently US$6,795). Of the IDA-only Countries, the Maldives is eligible for Small Economy Terms as well as IDA Grants (subject to the NCBP) despite having the second-highest per capita income among all IDA-eligible SIEs (US$9,570). Given IDA's overall philosophy to allocate the largest possible share of resources to the poorest and the most vulnerable countries, it is important to consider (a) whether IDA should continue offering the most concessional financing terms to countries with such high per capita incomes; and (b) if the Exception provides a smooth path for these SIEs towards eventual graduation from IDA.

B. PROPOSALS FOR STRENGTHENING THE EXCEPTION

21. This section discusses proposals for strengthening the SIE Exception and assesses their implications for IDA.

(I) ENTRY CRITERIA FOR CONSIDERING REQUESTS FROM IBRD-ONLY CLIENTS

22. **Management proposes that an IBRD-only SIE be reclassified as an IDA-eligible country if all of the following four conditions are satisfied**:[32]

(a) Its per capita income is at or below the Graduation Discussion Income (GDI);[33]

[30] Pelling, Mark and Uitto, Juha. (2001). *Small Island Developing States: Natural Disaster Vulnerability and Global Change*. Environmental Hazards. 3. 49-62.

[31] In FY19, Cabo Verde, Dominica, Grenada, Kiribati, the Maldives, Marshall Islands, Micronesia, Samoa, Sao Tome and Principe, St. Vincent and the Grenadines, Tonga, and Tuvalu were at high risk of debt distress. St. Lucia has not been assessed under the joint World Bank-IMF LIC DSA.

[32] Membership in IDA is a pre-condition for such reclassification. An SIE that does not have IDA membership will first need to obtain such membership to be able to access IDA resources—even if it meets all four entry criteria. Of the eight IBRD-only SIEs, Antigua and Barbuda, Nauru, and Seychelles do not have IDA membership.

[33] The Graduation Discussion Income (GDI) is the Gross National Income level representing the benchmark at which IBRD initiates discussion with a member country on graduation from IBRD lending, as published annually in the *Per Capita Income Guidelines for Operational Purposes*. See Bank Policy, "Financial Terms and Conditions of Bank Financing", Section II.

(b) It is highly vulnerable to natural disasters or long-term impact of climate change;

(c) It has limited creditworthiness for accessing commercial credit; and

(d) Its access to IBRD resources is constrained by creditworthiness or affordability considerations.[34]

23. **Per Capita Income Threshold**. Because a country's relative poverty is a key factor that determines its eligibility for IDA resources, the proposed criteria define a strict per capita income limit above which an IBRD-only country would not be allowed to gain (or regain) access to IDA under the Exception. In FY19, this threshold would be US$6,795 (the GDI for FY19).[35] A country's request to be reclassified as an IDA-eligible country will be first assessed against the per capita income threshold. If a country does not meet the income criterion, its request will no longer be processed.

24. **Vulnerability to Natural Disasters or Long-term Impact of Climate Change**. A key constraint in assessing a country's vulnerability to natural disasters or long-term impact of climate change is that there is no single metric of vulnerability that captures all SIEs.[36] There are also issues related to the conceptual framework, component weights, data lags, and periodicity. Because of these limitations, in considering an actual request for gaining access to IDA, Management would use three commonly used indices that focus on natural disasters, impact of climate change, and structural vulnerability to economic and environmental shocks—the Global Climate Risk Index (CRI), the World Risk Index (WRI), and the Economic Vulnerability Index (EVI)—supplemented as necessary with other information if the country is not covered by any of them.[37] If a country falls in the highest or second-highest quintile of vulnerability as measured by the CRI or EVI, or classified as "high risk" or "very high risk" by the WRI, it will have met the vulnerability criterion for entry/re-entry. Annex 4 provides details.

25. **Access to Commercial Credit**. This would be based on sovereign credit ratings published by major credit rating agencies (Annex 5). If a country has an above investment grade credit rating, it would not be eligible to enter/re-enter IDA pursuant to the Exception.

26. **Access to IBRD Resources**. Under this proposal, even if a country is assessed as "IBRD creditworthy", it may still be considered eligible for the Exception if—in Management's assessment—such country finds it difficult to borrow sufficient volumes commensurate with the

[34] Affordability means a country's ability to borrow non-concessional resources sustainably, as informed by a World Bank-IMF Debt Sustainability Analysis.

[35] *Per Capita Income Guidelines for Operational Purposes*, May 23, 2018. The GDI is updated by the Bank every year, based on the annual rate of change of the SDR-deflator. In the event a fundamental reformulation of the GDI occurs, IDA would revisit the income criterion for granting the Exception.

[36] The Technical Paper, *Small States: Vulnerability and Concessional Finance* published in 2018 discusses in detail the problems associated with formulating measures of Small States' vulnerability and their application. It further illustrates how ranking of vulnerability vary depending on the metric used; and how different metrics may lead to inconsistent rankings.

[37] The CRI, developed by Germanwatch, is a commonly used indicator of the level of exposure and vulnerability to extreme weather-related events. The WRI, produced by the UN Institute for Environmental and Social Security calculates disaster risk for 171 countries which are classified into five categories of risk: Very High, High, Medium, Low, and Vey Low. The EVI, published by the United Nations Committee for Development Policy is a measure of structural vulnerability to economic and environmental shocks.

magnitude of its development needs on IBRD terms due to affordability considerations. In general, SIEs have high levels of debt, due to their limited resource base from which to generate revenues, weak capacity to mobilize domestic fiscal revenues, the high costs of providing public services given lack of scale, and the high vulnerability to external shocks of many types. As a result, these countries face difficulty in securing new private (and public) financing. Thus, decisions on entry/re-entry will also be informed by debt sustainability considerations. In considering an actual entry/re-entry request from an IBRD-only SIE, an assessment of its access to IBRD resources would be undertaken only if all other entry criteria are met.[38]

27. As discussed above, this proposal is consistent with the existing IDA architecture where a country's eligibility to access IDA resources is based on its relative poverty and creditworthiness. In addition, this approach explicitly recognizes SIEs' vulnerability to natural disasters or long-term impact of climate change.

IMPLICATIONS FOR IDA

28. **There are eight IBRD-only SIEs: Antigua and Barbuda, Fiji, Mauritius, Nauru, Palau, Seychelles, St. Kitts and Nevis, Trinidad and Tobago**. This section analyses which of these may become eligible to access IDA resources under the proposed entry/re-entry criteria:

(a) **Per Capita Income Threshold.** Under the proposed revision, a country must have a per capita income at or below US$6,795 to be considered for granting the Exception. Of the eight countries, only Fiji has a per capita income below this threshold (see Annex 1, Table 1.3). Therefore, only Fiji would be considered for reclassification as an IDA-eligible country, subject to meeting other three criteria.

(b) **Vulnerability to Natural Disasters or Long-term Impact of Climate Change.** As noted earlier, there is no single metric of vulnerability that captures all countries covered in this analysis. Under the proposed entry criteria, therefore, Management would use three commonly used indices of vulnerability where such data is available, supplemented as necessary with other relevant information (see Annex 4).

(i) Based on the CRI, Fiji experienced the highest incidence of weather-related direct losses compared to the other IBRD-only SIEs for which CRI data was available. Of the eight IBRD-only SIEs, Antigua and Barbuda and St. Kitts and Nevis belonged to the second-highest quintile of countries that were most impacted by natural disasters in 1998–2017. Fiji experienced more weather-related losses than the 9 IDA-only Countries (for which data is available) and the five Blend Countries under the Exception other than Dominica and Grenada.

(ii) Based on the EVI, most SIEs are in the quintile of highest economic vulnerability (Q1); Palau is the most vulnerable of all 145 countries that had been ranked. Of the eight IBRD-only SIEs, four—Nauru, Palau, Seychelles, and St. Kitts and Nevis—belong to the quintile of highest vulnerability to economic and

[38] As is the current practice, the Vice President of DFi will make the final decision on granting access to IDA, in consultation with the Bank's Credit Risk Office and the relevant Regional Vice President.

environmental shocks (Q1). Antigua and Barbuda and Fiji belong in the quintile of second-highest vulnerability (Q2).

(iii) Based on the WRI, Fiji and Mauritius are rated "Very High" risk countries; and Trinidad and Tobago are rated "High". Seychelles is rated "Very Low". Other four IBRD-only countries are not covered by the WRI.

(c) **Access to Commercial Credit.** Under the proposed revision, a country's sovereign credit rating(s) must be below investment grade to be considered for granting the Exception. Fiji and Seychelles meet this requirement (see Annex 5).[39] Fiji has the lowest ratings among the IBRD-only countries for which a credit rating is available. As such, Fiji's ratings are more akin to the ratings of the two Blend Countries that are benefitting from the Exception.[40]

(d) **Access to IBRD Resources.** Consistent with IBRD's commitment under its capital increase package to increase lending headroom to Small States, effective in FY19, IBRD expanded its base allocation for Small States. An assessment of adequacy of a country's access to IBRD resources and affordability of borrowing terms will be undertaken only if all other entry criteria are met.

Table 2 summarizes how the eight countries fare against the proposed entry/re-entry criteria.

Table 2. Application of Proposed Entry Criteria for IBRD-only Small Island Economies

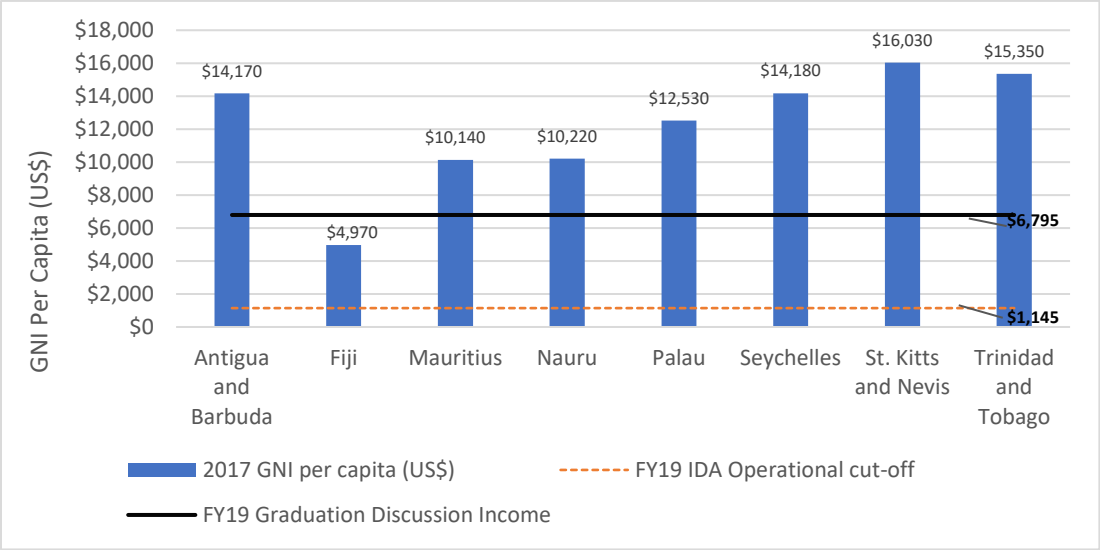
	Income Criteria	**Creditworthiness Criteria**		**Vulnerability Criteria**		
	Per capita GNI <US$6,795	**Constrained access to IBRD resources[a]**	**Below investment grade rating[b]**	**Based on CRI[c]**	**Based on EVI[d]**	**Based on WRI[e]**
Fiji	Yes	…	Yes	Yes	Yes	Yes
Mauritius	No	…	No	No	No	Yes
Nauru	No	Yes[f]	Not rated	…	Yes	...
Palau	No	Yes[f]	Not rated	…	Yes	…
Antigua and Barbuda	No	…	Not rated	Yes	Yes	…
Seychelles	No	…	Yes	No	Yes	No
St. Kitts and Nevis	No	…	Not rated	Yes	Yes	…
Trinidad and Tobago	No	…	No	No	Yes	Yes

Note: a. To be determined based on an assessment of adequacy of a country's access to IBRD resources and affordability of borrowing terms.
b. Country has a below investment grade credit rating as reported by major credit rating agencies. *Source: Trading Economics*.
c. Belongs to the quintile of countries with highest losses or quintile with second-highest losses; *Source: Global Climate Risk Index 2019*.

[39] Trinidad and Tobago is "lower medium grade" based on the S&P, but "non-investment grade speculative" based on Moody's.
[40] Based on Moody's: Fiji's rating (Ba3) is a little above St. Vincente and the Grenadines' (B3) but below the ratings of Mauritius (Baa1) and Trinidad and Tobago (Ba1); based on S&P: Fiji's rating (B+) is slightly above Cabo Verde's (B) and well below Trinidad and Tobago's (BBB+).

d. Belongs to the quintile of countries with highest economic vulnerability; *Source*: *United Nations Committee for Development Policy Secretariat. Triennial review dataset 2000 – 2018.*
e. Country risk rated as "Very High" or "High". *Source: World Risk Report: Analysis and Prospects 2017*.
f. Country is not creditworthy to borrow from IBRD unless an adequate security arrangement is in place. *Source:* Bank Policy, "Lending Operations: Choice of Borrower and Contractual Agreements" issued in July 2017.

Figure 3. Income Criterion for IBRD-only Small Island Economies



29. **The proposed entry/re-entry criteria are not likely to have a major financial impact on IDA.** With a per capita income of US$4,970, Fiji is the only country that satisfies the proposed income criterion. Therefore, of the eight IBRD-only SIEs, only Fiji may be considered for reclassification as an IDA-eligible country, subject to meeting the other three criteria—high vulnerability to natural disasters or long-term impact of climate change; limited creditworthiness for accessing commercial credit; and if its access to IBRD resources is constrained by creditworthiness or affordability considerations. If the Board approves the proposed entry/re-entry criteria, Management would process Fiji's request to be reclassified as an IDA-eligible country in accordance with the revised criteria.

(II) CRITERIA FOR CALIBRATING IDA FINANCING TERMS

30. **IDA has a flexible multi-stage graduation process which relies on careful case-by-case analysis of specific country situations.** Flexibility in graduation decisions is important because countries remain vulnerable even when their GNI per capita exceeds the IDA operational cut-off. The IDA graduation process offers countries an opportunity to gradually adjust to tighter terms of financing as they move from IDA-only Country to Gap Country, to Blend Country, and then graduate to IBRD-only borrower status (Box 1). Currently, SIEs under the Exception follow a slightly different path: they are subject to a much steeper adjustment from Small Economy Terms to IBRD lending terms, skipping IDA Regular Terms or Blend Terms. Gradual tightening of lending terms would facilitate a smoother transition out of IDA.

31. **Management proposes the following criteria for calibrating IDA financing terms for SIEs**. An SIE will receive IDA Concessional Credits on Blend Terms (instead of Small Economy

Terms) if (a) its GNI per capita has exceeded the high-income threshold[41] for at least three consecutive years; and (b) subject to risk of debt distress considerations as described in paragraph 32 below.

32. **For countries that exceed the high-income threshold for three consecutive years, debt distress considerations[42] will be used to inform the calibration of IDA financing terms as follows:**

(a) an SIE **in debt distress or at high or moderate risk of debt distress** would be eligible to continue receiving IDA Concessional Credits on Small Economy Terms (despite exceeding the high-income threshold) if: (i) debt distress risk is high owing to exogenous shocks or the high costs of adaptation and preparedness to natural disasters and climate change; and (ii) its reporting practices and NCBP compliance are adequate.[43] Otherwise—including when a country's elevated risk of debt distress is linked to unsustainable policy decisions (for example, contracting non-concessional borrowing), the SIE would receive IDA Concessional Credits on Blend Terms.

(b) an SIE at **low risk of debt distress** would receive IDA Concessional Credits on Blend Terms if its per capita GNI exceeds the high-income threshold for at least three consecutive years.

33. **An SIE that is not eligible for continuation of Small Economy Terms and not ready for graduation will:**

(a) be re-classified as a Gap Country or a Blend Country, as appropriate;[44]

(b) receive IDA Concessional Credits on Blend Terms;[45] and

(c) not be eligible for IDA Grants (except possibly through the RSW).

34. **The per capita income threshold for calibrating IDA financing terms in FY19 would be US$12,055 (the high-income threshold in FY19).** This threshold takes into account the need to support SIEs as they build resilience to external shocks, improve disaster risk management, enhance domestic resource mobilization, and improve their creditworthiness to borrow in the global markets over time. It also recognizes the expectation that at higher levels of income,

[41] The high-income threshold is the per capita income above which a member country is categorized as a "high-income country" for operational purposes. It is updated by the Bank every year, based on the annual rate of change of the SDR-deflator. See *Per Capita Income Guidelines for Operational Purposes*, May 23, 2018. In the event a fundamental reformulation of the high-come threshold occurs, IDA would revisit the income threshold for calibrating IDA terms.

[42] All countries exceeding the high-income threshold will be subject to a joint IMF-World Bank Debt Sustainability Analysis.

[43] As is the current practice, SIEs that are eligible for continuation of Small Economy Terms (per criteria set out in paragraph 32) and classified as "IDA-only" will continue to be eligible for IDA Grants depending on their risk of debt distress status (and subject to NCBP) as described in Paragraph 11. Blend Countries that are eligible for continuation of Small Economy Terms would not be eligible for IDA grants (except possibly through the RSW).

[44] A country that immediately graduates from IDA (e.g., St. Kitts and Nevis in 1994) will be re-classified as an IBRD-only borrower and will be subject to the appropriate IBRD terms.

[45] Note that both Blend and Gap Countries are subject to Blend Terms.

countries are in a better position to cope with adverse impacts of natural disasters and mobilize more domestic and private resources. The earliest a country could be expected to exceed the high-income threshold for more than three years would be July 1, 2022. Hence the earliest a country's financial terms may be calibrated will be July 1, 2022, based on its GNI per capita in 2019 through 2021.[46]

35. **All IDA-eligible SIEs (regardless of whether they are covered by the Exception) will continue to be subject to IDA's Graduation Policy like other IDA countries** (Box 1, Figure 4).[47] This paper recognizes that even if a country that loses eligibility for Small Economy Terms may not be ready for immediate graduation from IDA, its eventual transition to IBRD-only borrower status can be facilitated by the proposed gradual hardening of lending terms.

Box 1. IDA Graduation Process

A country's transition from IDA to IBRD usually proceeds as follows:

(a) **IDA-only Country to Gap Country:** Countries that have been above the IDA operational cut-off for more than two years but are not yet deemed creditworthy for IBRD financing are classified as Gap Countries. Gap Countries are eligible only for IDA resources.

(b) **Gap Country to Blend Country:** A positive creditworthy assessment by IBRD leads to reclassification of a country from Gap Country to Blend Country status. The assessment needs to be requested by the country.[48] Blend Countries are eligible for both IBRD and IDA resources.

(c) **Blend Country to IBRD-only Country:** The IDA graduation process concludes with a reclassification from Blend Country status to IBRD-only Country status. IDA's decision to graduate a country to IBRD-only status is based on an assessment of the country's macroeconomic prospects, risk of debt distress, vulnerability to shocks, institutional constraints, and levels of poverty, and social indicators.

IMPLICATIONS FOR IDA

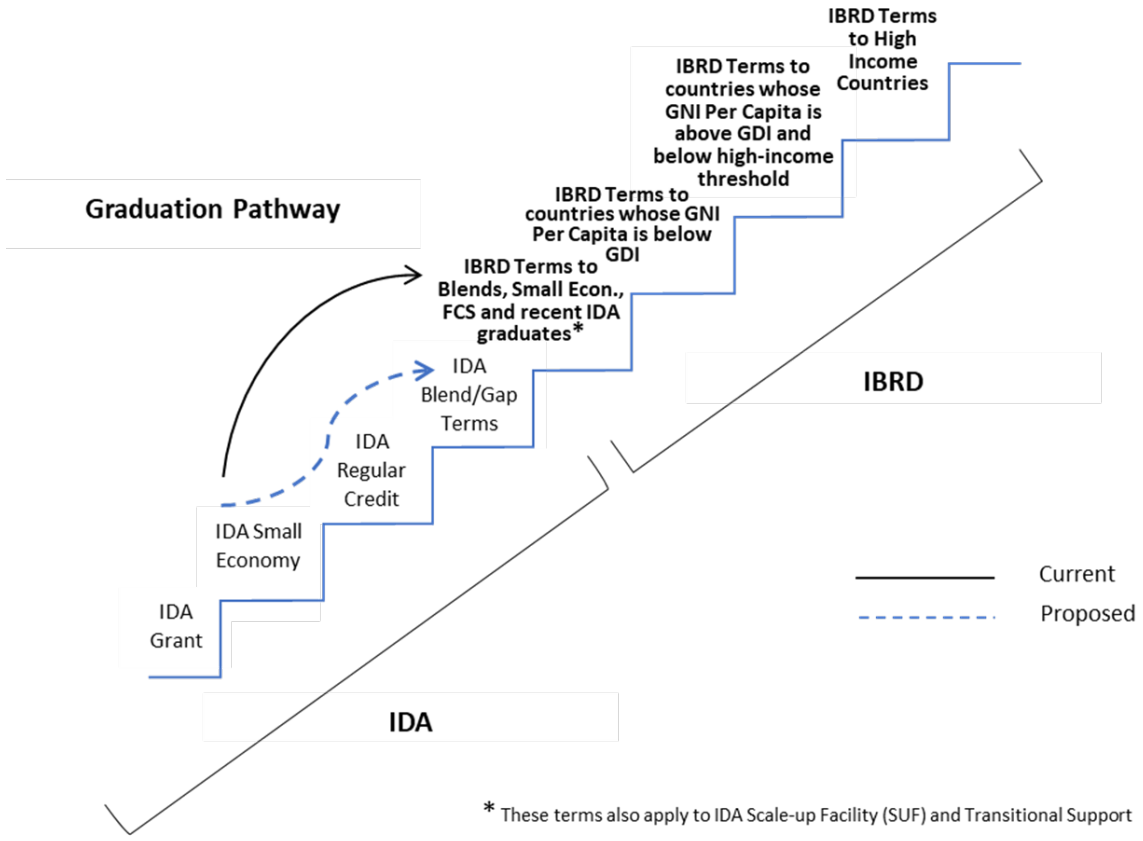
36. **None of the 15 countries under the Exception currently has a GNI per capita above the high-income threshold, based on 2017 GNI data**. Grenada and the Maldives, with per capita incomes of respectively US$9,650 and US$9,570 in 2017 are the countries that are most likely to approach or exceed the high-income threshold by July 1, 2022. In the event their per capita incomes exceed this threshold, they would be subject to a DSA and the processes described in paragraph 32 as relevant.

37. **IDA-Eligible Small States that are Not Islands**. Under IDA18, Small Economy Terms were extended to all IDA-eligible Small States, thus benefitting four Small States that are not islands—Bhutan, Djibouti, Guyana, and Timor-Leste. However, these countries were not granted the Exception, because the Exception is applicable to only Small Island Economies.[49] If IDA were to move to a pricing structure where higher income SIEs may be subject to more expensive IDA financing terms, a similar pricing structure would be warranted for the non-Island Small States as well. However, as the per capita incomes of Bhutan (US$2,720), Djibouti (US$1,880), Guyana

[46] 2019 GNI data will be available in Q4 of FY20; similarly, 2021 GNI data will be available in Q4 of FY22.
[47] For details, see *IDA18 Mid-Term Review Transitioning out of IDA financing: A review of graduation policy and transition process.*
[48] The assessment process is formally launched upon formal receipt of a request for a creditworthiness assessment by the country authorities—normally through the Bank Country Team.
[49] Consequently, Bhutan, Djibouti, and Guyana maintain their Gap Country classification. Timor-Leste is a Blend Country. None of the four is eligible for IDA Grants (except possibly through the RSW).

(US$4,460), and Timor-Leste (US$1,770) are well-below the high-income threshold, all of them are expected to be eligible for Small Economy Terms in the foreseeable future.

Figure 4. Continuum of World Bank's Terms of Financing for SIEs



III. IDA18: EXCEPTIONAL ALLOCATION TO JORDAN AND LEBANON

38. **Participants at the IDA18 Mid Term Review supported an allocation of US$200 million to be made available to Jordan and Lebanon on terms equivalent to IDA Credits on IDA Regular Terms**, for projects that principally and directly benefit Syrian refugees and which, given the exceptional situation of an allocation of IDA lending to non-IDA countries, receive strong support from IDA shareholders and are subject to appropriate delivery mechanisms being in place. More specifically:

(a) **Amounts**: Of the US$200m total allocation, US$100 million would initially be made available to Jordan and Lebanon respectively, subject to review based on the proposals presented.

(b) **Conditions:**

(i) To limit risks that scarce concessional resources are not being utilized, the projects approved in 2016 with IDA financing for Jordan and Lebanon to support

Syrian refugees need to be *substantially disbursed* in a manner satisfactory to IDA, i.e. at least 70 percent of the funds have been disbursed; and

(ii) To protect IDA's overall framework, IDA financing will be offered on terms equivalent to IDA Credits on *IDA Regular Terms*. This would be consistent with the concept that IDA terms are hardened with increased incomes of the recipient country, as well as the IDA Board's recent revisions to the framework for grant assistance from IDA's Refugee Sub-window.

39. **This support is complementary to other support to Jordan and Lebanon being provided by the IBRD, the Global Concessional Financing Facility (GCFF), and an exceptional allocation in IDA17**, and it reflects a consensus that the scale and magnitude of the Syrian refugee crisis is such that the response requires a contribution from several financial sources, including a contribution from IDA18. See Annex 6 for an update on complementary projects in Jordan and Lebanon supported by IDA17 and the GCFF.

IV. RECOMMENDATIONS

40. **Regarding the SIE Exception**, Management proposes, for the approval of the Executive Directors, the following (a) entry/re-entry criteria for considering requests from IBRD-only SIEs to be reclassified as IDA-eligible SIEs; and (b) criteria for calibrating the terms on which IDA concessional resources are provided to SIEs, as they move towards graduation from IDA.

(a) An IBRD-only SIE will be reclassified as an IDA-eligible SIE if all of the following four conditions are satisfied:[50]

(i) Its per capita income is at or below the Graduation Discussion Income (GDI);

(ii) It is highly vulnerable to natural disasters or long-term impact of climate change;

(iii) It has limited creditworthiness for accessing commercial credit; and

(iv) Its access to IBRD resources is constrained by creditworthiness or affordability considerations.[51]

(b) IDA Concessional Credits to an IDA-eligible SIE will be provided on Blend Terms if (i) its GNI per capita has been at or above the high-income threshold for at least three consecutive years; and (ii) subject to risk of debt distress considerations as described in paragraph 32.

41. If these proposals are approved by the Board, Management will update the SIE Exception rules. As is the current practice, the Board will be immediately notified of any decisions by Management to reclassify an IBRD-only SIE as an IDA-eligible SIE. Decisions on calibration of IDA financing terms will be reflected in the Annexes to the Bank Directive "Financial Terms and

[50] Membership in IDA is a pre-condition for such reclassification.
[51] Affordability means a country's ability to borrow non-concessional resources sustainability, as informed by a World Bank-IMF Debt Sustainability Analysis.

Conditions of Bank Financing" that are routinely published at the beginning of each FY (and revised as necessary during a FY).

42. **Regarding the IDA18 Exceptional Allocation to Jordan and Lebanon**, Management proposes an allocation of US$200 million to be made available to Jordan and Lebanon on terms equivalent to IDA Credits on IDA Regular Terms, for projects that principally and directly benefit Syrian refugees and which, given the exceptional situation of an allocation of IDA lending to non-IDA countries, receive strong support from IDA shareholders and are subject to appropriate delivery mechanisms being in place as described in paragraph 38.

Annex 1: Members of the Small States Forum

1. Table 1.1 lists the 50 members of the Small States Forum (SSF), organized along their lending eligibility and population:

- 23 are eligible for IDA resources; 17 are IBRD-only borrowers; 10 have graduated from IBRD.
- 6 are eligible for both IBRD and IDA resources (that is, Blend Countries)
- 16 are IDA-eligible SIEs of which 15 are under the Exception; Comoros does not need the Exception as its per capita income is below the IDA operational cut-off.
- 10 (marked with *) are FCS countries in FY19.
- 20 out of the 23 IDA-eligible borrowers fall under the Bank's definition of a Small State, that is, a country with a population at or below 1.5 million;[52] Lesotho, Gambia, and Guinea-Bissau are not considered Small States because their population exceeds 1.5 million persons.
- 13 out of the 17 IBRD-only borrowers are classified as Small States; Botswana, Gabon, Namibia, and Jamaica are not considered Small States.

Table 1.1. The Universe of SSF Members

	Lending Status	**Small States (Population = or < 1.5 m)**			**Other SSF Members (Population > 1.5m)**
		Small Island Economies		**Non-Island Small States**	
IDA-Eligible	IDA-only	• Comoros* • Kiribati * • Maldives • Marshall Islands* • Micronesia* • Samoa	• Sao Tome and Principe • Solomon Islands* • Tonga • Tuvalu * • Vanuatu		• The Gambia* • Guinea-Bissau*
	Gap			• Bhutan • Djibouti* • Guyana	• Lesotho
	Blend	• Cabo Verde • Dominica • Grenada	• St. Lucia • St. Vincent and the Grenadines	• Timor-Leste*	
IBRD-only		• Fiji • Mauritius • Nauru • Palau • Antigua and Barbuda	• Seychelles • St. Kitts and Nevis • Trinidad and Tobago	• Equatorial Guinea • Swaziland • Belize • Suriname • Montenegro	• Botswana • Gabon • Namibia • Jamaica

[52] See Bank Policy "Financial Terms and Conditions of Bank Financing", Section II.

	Lending Status	Small States (Population = or < 1.5 m)			Other SSF Members (Population > 1.5m)
		Small Island Economies		Non-Island Small States	
IBRD Graduates		• Bahamas • Barbados • Bahrain • Cyprus	• Iceland • Malta	• Brunei • Estonia • San Marino	• Qatar

Table 1.2. Small States Eligible for IDA Resources

	Country	Region	Lending Status	IDA Lending Terms	Subject to SIE Exception	Population 2017	GNI Per Capita 2017	FCS	Grant Eligibility[b]
Small Island Economies	Comoros[a]	AFR	IDA-only	Small Economy	No	813,912	760	Yes	Yes
	Kiribati	EAP	IDA-only	Small Economy	Yes	116,398	2,780	Yes	Yes
	Maldives	SAR	IDA-only	Small Economy	Yes	436,330	9,570		Yes
	The Marshall Islands	EAP	IDA-only	Small Economy	Yes	53,127	4,800	Yes	Yes
	Micronesia FS	EAP	IDA-only	Small Economy	Yes	105,544	3,590	Yes	Yes
	Samoa	EAP	IDA-only	Small Economy	Yes	196,440	4,100		Yes
	Sao Tome and Principe	AFR	IDA-only	Small Economy	Yes	204,327	1,770		Yes
	Solomon Islands	EAP	IDA-only	Small Economy	Yes	611,343	1,920	Yes	Yes
	Tonga	EAP	IDA-only	Small Economy	Yes	108,020	4,010		Yes
	Tuvalu	EAP	IDA-only	Small Economy	Yes	11,192	4,970	Yes	Yes
	Vanuatu	EAP	IDA-only	Small Economy	Yes	276,244	2,920		Yes
	Cabo Verde	AFR	Blend	Small Economy	Yes	546,388	2,990		No
	Dominica	LCR	Blend	Small Economy	Yes	73,925	6,990		No
	Grenada	LCR	Blend	Small Economy	Yes	107,825	9,650		No
	St. Lucia	LCR	Blend	Small Economy	Yes	178,844	8,780		No
	St. Vincent and the Grenadines	LCR	Blend	Small Economy	Yes	109,897	6,990		No
Non-Island Small States	Timor-Leste	EAP	Blend	Small Economy	No	1,296,311	1,790	Yes	No
	Bhutan	SAR	Gap	Small Economy	No	807,600	2,720		No
	Djibouti	MNA	Gap	Small Economy	No	956,985	1,880	Yes	No
	Guyana	LCR	Gap	Small Economy	No	777,859	4,460		No

	Country	Region	Lending Status	IDA Lending Terms	Subject to SIE Exception	Population 2017	GNI Per Capita 2017	FCS	Grant Eligibility[b]
Other SSF Members (Population > 1.5 m)	The Gambia	AFR	IDA-only	Regular Terms	No	2,100,568	450		Yes
	Guinea-Bissau	AFR	IDA-only	Regular Terms	No	1,861,283	660		Yes
	Lesotho	AFR	Gap	Blend Terms	No	2,233,339	1,280		No

Note: Effective July 1, 2017, lending terms applicable to Small Island Economies were extended to all IDA-eligible Small States where a "Small State" is defined as an "IDA-eligible country with a population of 1.5 million people or less".
a. Small Island Economy below the IDA operational cut-off GNI per capita. b. Eligible to receive all or part of IDA concessional financing as grants depending on the status of debt distress and in compliance with IDA NCBP.

IBRD-only SSF Members

2. Of the 17 IBRD-only borrowers:[53] Eight are Small Island Economies; five are Small States that are not islands; four do not fall under the IBRD/IDA definition of a Small State.

Table 1.3. IBRD-only SSF Members

	Country	Region	Population 2017	GNI Per Capita 2017[a]
Small Island Economies	Antigua and Barbuda	LCR	102,012	14,170
	Fiji	EAP	905,502	4,970
	Mauritius	AFR	1,264,613	10,140
	Nauru	EAP	13,649	10,220
	Palau	EAP	21,729	12,530
	Seychelles	AFR	95,843	14,180
	St. Kitts and Nevis	LCR	55,345	16,030
	Trinidad and Tobago	LCR	1,369,125	15,350
Non-Island Small States	Equatorial Guinea	AFR	1,267,689	7,060
	Swaziland	AFR	1,367,254	2,960
	Belize	LCR	374,681	4,390
	Suriname	LCR	563,402	6,020
	Montenegro	ECA	622,471	7,350
Other SSF members (population>1.5m)	Botswana	AFR	2,291,661	6,820
	Gabon	AFR	2,025,137	6,610
	Namibia	AFR	2,533,794	4,600
	Jamaica	LCR	2,890,299	4,750

Note: a. Atlas method (*source:* WDI).

[53] *Source:* Bank Directive "Financial Terms and Conditions of Bank Finance", Annex 2.

Annex 2: World Bank Support to Small States

1. The World Bank Group is making a concerted effort to tailor support to Small States' special development needs. Box 2.1 provides examples.

Box 2.1. Supporting the Special Needs of Small States: Examples

(a) **Enhancing access to concessional financing.** Under IDA18, the minimum base IDA allocation per country was raised almost four-fold, from SDR4 million to SDR15 million, leading to a massive scale-up in the volume of resources available to these countries. Some countries have seen a tripling in their allocations.

(b) **Integrating climate resilience into core development planning – for example by:**

- Climate Change Policy Assessments conducted jointly with the IMF in Seychelles and St. Lucia
- Climate Vulnerability Assessment in Fiji

(c) **Mainstreaming disaster risk management – for example by:**

- Requiring that all IBRD and IDA operations and CPFs are screened for disaster and climate risks. Domestic Resource Mobilization (DRM) progress is tracked through the Corporate Scorecard
- Promoting the use of DRM tools such as Contingency Emergency Response Components (CERCs) and Catastrophe Deferred Drawdown Options (Cat-DDOs)

(d) **Conducting Post-Disaster Assessments**.

- Post-disaster assessments in Dominica and Antigua and Barbuda after hurricane Maria; and in Tonga after cyclone Gita. In Tonga, the Global Facility For Disaster Reduction and Recovery (GFDRR) financed a "Just in Time" grant (US$100,000) for damage assessment, which included remote sensing technology.

(e) **Mobilizing climate financing**, **including through innovative financing mechanisms.**

- Fiji Green Bond: In October 2017, Fiji issued a sovereign bond of US$50 million with technical assistance from the World Bank Treasury and International Finance Corporation (IFC).
- Seychelles Blue Bond: In September 2017, the Bank approved a package of over US$20 million in support of Seychelles' first Blue Bond.

(f) **Supporting Disaster Risk Pools**. The World Bank has been a partner since the inception of the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI). In FY18:

- Dominica received US$19.2 million from CCRIF after hurricane Maria
- Tonga received US$3.5 million from PCRAFI after cyclone Gita

(g) **Supporting economic diversification with a focus on "blue economy" and fisheries.**

- Caribbean Regional Oceanscape Project (CROP)—the first blue economy IPF—supports Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines to strengthen ocean governance capacity (approved in September 2017)
- Pacific Islands Regional Oceanscape Program (PROP) supports the Solomon Islands, Micronesia, Marshall Islands and Tuvalu to manage oceanic and coastal fisheries. Expanding to Tonga, Kiribati and Samoa.
- Regional Fisheries Programs in West Africa (WARFP) and in the South West Indian Ocean (SWIOFish) collaborate and share experiences for achieving a blue economy and improving fisheries at Regional, National, and Community levels

(h) **Exploring ways to address negative impacts of "de-risking" on Small States' access to financial services**.

- The Bank is preparing country studies and National Risk Assessments to identify and quantify adverse effects of de-risking on financial systems in emerging markets (for example, in Tonga, Samoa, and Jamaica)
- Twenty Small States have received TA for National Risk Assessments
- Bank is conducting surveys on remittances and exploring the use of Blockchain Technology.

(i) **Supporting capacity building through flexible policies and lending instruments.**

- Promoting the use of a range of financing instruments tailored to Small States' operating environments—for example, by including CERCs in IPF, using DPFs to support policy and institutional reforms, including Cat-DDOs to manage disaster risks
- Availing the greater flexibility of the new procurement framework (new framework includes customized procurement methods to suit the operational context and borrower capacity)
- Greater use of the Project Preparation Facility
- Deploying trust funds for client capacity building in collaboration with other development partners.
  - Australia and New Zealand have committed almost US$30 million to support IDA18 scale-up in the Pacific
  - Training delivered to over 150 client staff in Samoa, Tonga, and Vanuatu in 2018
  - DFID is funding public expenditure management and digital governance in OECS countries and Jamaica
- Facilitating knowledge exchanges for Small States

(j) A new **Low Income Country (LIC) Debt Sustainability Framework** for IDA-only countries expanded the stress test framework to include vulnerability (including the risk of natural disasters), hence better capturing Small States' circumstances.

Source: Small States Update, Spring Meetings 2018.

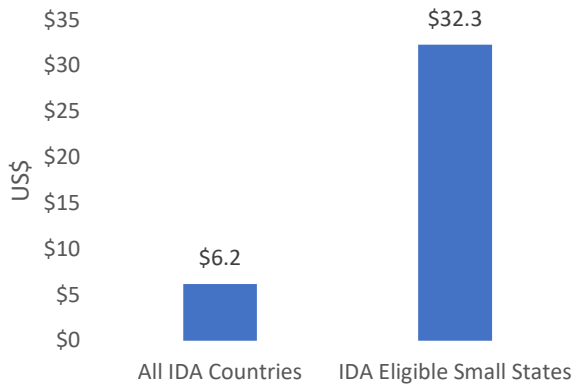
A. IDA's Support to Small States

2. IDA has been the leading provider of development assistance to small economies, accounting for 28 percent of all multilateral official development assistance (ODA) to the SSF members in 2014–16.[54] Total IDA commitments to these 23 countries increased from US$604 million in IDA15 to about US$1.2 billion in IDA17. In the first half of IDA18, total IDA commitments to those countries were approximately US$880.4 million (US$786.1 from Core IDA; US$19.3 million from the Regional Program, US$70 million from the CRW; and US$5 million from the Refugee Sub-window). Aggregate CRW commitments to those 23 countries were US$239 million in IDA15-IDA17; and US$70 million in the first half of IDA18.[55] Small economies have particularly benefitted from the past four IDA replenishments primarily due to a ten-fold increase in IDA's minimum base allocation from SDR1.5 million in IDA15 to SDR3 million in IDA16, SDR4 million in IDA17, and SDR15 million in IDA18. Annual average IDA commitments to those countries have more than tripled from US$108 million in 2007–10 to US$371 million in 2014–16. In per capita terms, IDA17 commitments to the 23 IDA-eligible SSF members was more than five-times its support to all IDA members (Figure 2.1).

[54] *Small States: Vulnerability and Concessional Finance*, Technical Note, July 2018.

[55] As of December 31, 2018. This includes US$50 million to Dominica to help recover from the devastation caused by hurricane Maria and US$20 million to Tonga in response to cyclone Gita. See Table 2.1.

Figure 2.1. IDA17 Per Capita Commitments to SSF Members



3. **IDA18 Measures.** IDA18 adopted several measures that support IDA-eligible Small States, including a massive increase in the minimum base allocation, extension of Small Economy Terms to all IDA-eligible Small States, adopting a more favorable leveraging formula for Small States under the IDA Regional Program, and the introduction of IDA Catastrophe Deferred Drawdown Option:

- Highly concessional Small Economy terms were extended to all IDA-eligible Small States, thus benefitting four additional countries—Bhutan, Djibouti, Guyana, and Timor-Leste. Altogether 20 Small States—including 16 Small Island Economies—are now eligible for Small Economy terms.

- The 20 percent cap on national contributions to regional projects was extended to all Small States, ensuring that they can all benefit from the more favorable leveraging formula under the IDA Regional Program (under IDA17, only the Small States with small PBA allocations benefitted from this cap).

- Terms of financing under the IDA Regional Program were fully harmonized with the terms of each country's concessional core financing. This measure was intended to benefit Small States at moderate risk of debt distress by allowing them to access regional financing on a 50/50 mix of grants and credits (in comparison to 100 percent credit terms under IDA17).

- Small States can also benefit from the IDA Catastrophe Deferred Drawdown Option (CAT-DDOs)—introduced under IDA18—which offers immediate liquidity to countries after a catastrophe.

Table 2.1. CRW Commitments (US$ million)[a]

Country		IDA15	IDA16	IDA17	IDA18
IDA-only Small States	Bhutan	4	-	-	
	Comoros	2	-	-	
	Djibouti	3	13	-	
	Guyana	2	-	-	
	Maldives	2	-	-	
	Samoa	20	20	-	
	Sao Tome and Principe	1	-	-	

Country		IDA15	IDA16	IDA17	IDA18
	Solomon Islands	-	-	7	
	Tonga	-	12	-	20
	Tuvalu	-	-	3	
	Vanuatu	-	-	50	
Blend Small States	Dominica				50
	St. Lucia	-	17	-	
	St. Vincent and the Grenadines	-	19	-	
Other SSF	The Gambia	11	-	-	
	Guinea-Bissau	19	-	-	
	Lesotho	15	-	20	

Source: DFCII.
Note: a. As of end-December 2018.

B. Support to IBRD-only SIEs

4. There are 8 IBRD-only SIEs, several of them have little or no borrowing from the IBRD:

- As shown in Figure 2.2, of the eight IBRD-only SIEs, only Antigua and Barbuda, Fiji, Mauritius, and Seychelles received new IBRD financing in FY08–18.[56] On average, Mauritius was by far the largest borrower. Fiji's borrowing averaged US$12 million per year, however, noting that Fiji re-engaged with the IBRD only in FY15, after a long period of no new borrowing.[57] Over the last 3 years, Fiji borrowed US$121 million from IBRD which includes US$50 million Development Policy Operation (DPO) in response to cyclone Winston. Table 1 shows IBRD commitments to the IBRD-only SIEs from FY08–18.

- Nauru and Palau are considered not creditworthy to borrow from IBRD (unless there is an adequate security arrangement). However, Nauru and Palau are among the top recipients of ODA in per capita terms (respectively US$2,010 and US$1,321 per capita). This corresponds to 18.7 percent and 10.6 percent of their per-capita GNIs.

5. **Crisis Response Financing.** IBRD-only countries have limited access to crisis response financing, which is particularly important for disaster-prone small states. Unlike IDA's Crisis Response Window (CRW), IBRD does not have a dedicated financing mechanism to provide additional resources in response to economic shocks or natural disasters. Countries can use Catastrophe Deferred Drawdown Options (CAT-DDOs), but uptake has been low possibly because the amounts are counted against their exposure limit.[58] IBRD-only small islands (and some IBRD graduates) are part of regional disaster risk pools, such as the Caribbean Catastrophe Risk

[56] IBRD has not made new commitments to Trinidad and Tobago and St. Kitts and Nevis respectively from FY08 – FY13. The Bank has had a limited engagement with Palau since it became a member in 1997. Nauru joined the Bank in 2016.
[57] Fiji joined the Bank in May 1971 and borrowed US$153 million from the IBRD for 13 projects between 1971 and 1992. Due to a series of coups and military rule, there were no new IBRD loans to Fiji between 1992 and 2015. Following the installation of a democratically elected government, the Bank reengaged with Fiji in FY15.
[58] Only Seychelles has used a CAT-DDO for natural disaster preparedness. As of IDA18, IDA-eligible countries can use the CAT-DDO instrument with the commitment amount counting against 50 percent of core allocation.

Insurance Facility Insurance (CCRIF)[59] and the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI)[60] established with Bank support. These schemes provide financing for immediate post disaster relief[61] although the payouts are typically modest relative to the magnitude of losses and the amount of resources available from the CRW to IDA-eligible small states.

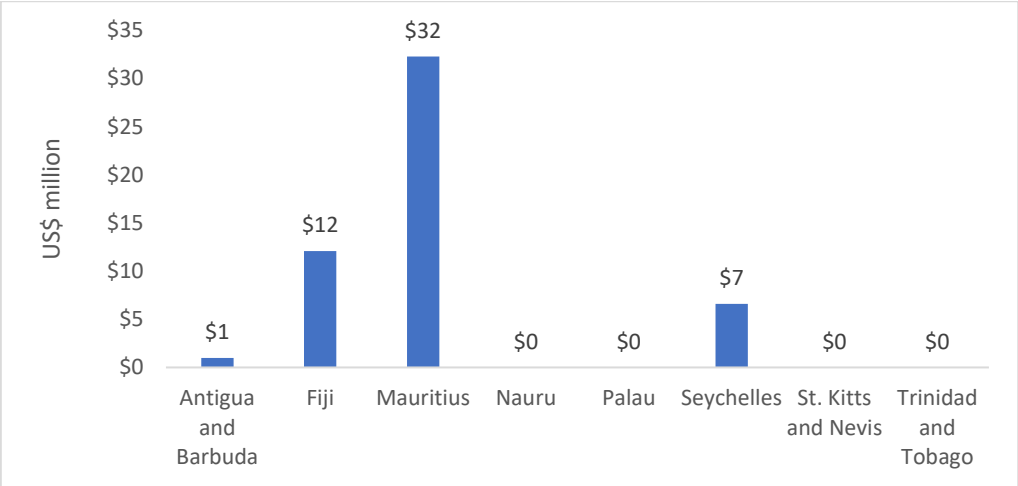
Table 2.2. IBRD Commitments to the 8 IBRD-only SIEs

(US$ million, FY08–18)

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Antigua and Barbuda	-	-	-	-	-	10	-	-	-	-	-
Fiji	-	-	-	-	-	-	-	50	50	6.0	15
Mauritius	30	118.0	120		35.0	35	-	-	14.9	-	-
Nauru	-	-	-	-	-	-	-	-	-	-	-
Palau	-	-	-	-	-		-	-	-	-	0
Seychelles	-	-	9.0	9.0		7.0	7	14	10	-	10
St. Kitts and Nevis	-	-	-	-	-	-	-	-	-	-	-
Trinidad and Tobago	-	-	-	-	-	-	-	-	-	-	-

Figure 2.2. IBRD Annual Average Commitments to IBRD-only SIEs

(US$ million, FY08–18)



[59] The CCRIF is the first multi-country catastrophe pooling risk mechanism established in 2007. Members include: Antigua and Barbuda, Belize, Barbados, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, St Kitts and Nevis, St Vincent and Grenadines, Trinidad and Tobago, Turks and Caicos Islands.

[60] The PCRIF was established in 2016 and covers earthquakes, cyclones and tsunamis. Members include: Cook Islands, Marshall Islands, Samoa, Tonga, and Vanuatu.

[61] Payouts are made within 14 days after an event.

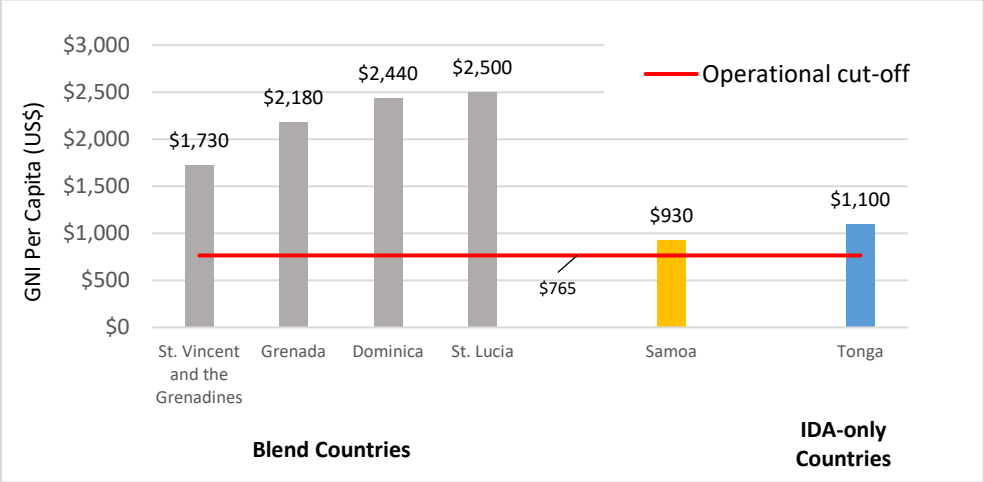
Annex 3: Per Capita Income Comparisons for Countries that were Granted the Exception since 1985

1. This Annex provides GNI per capita information on countries that have been granted the Exception since 1985. Micronesia and Marshall Islands are not presented here because they are discussed in the main text.

2. Figures 3.1–3.8 compare the per capita GNI of each country at the time it was granted the Exception with that of countries already benefitting from the Exception.

Figure 3.1. GNI Per Capita of Samoa: Comparison with Countries under the Exception

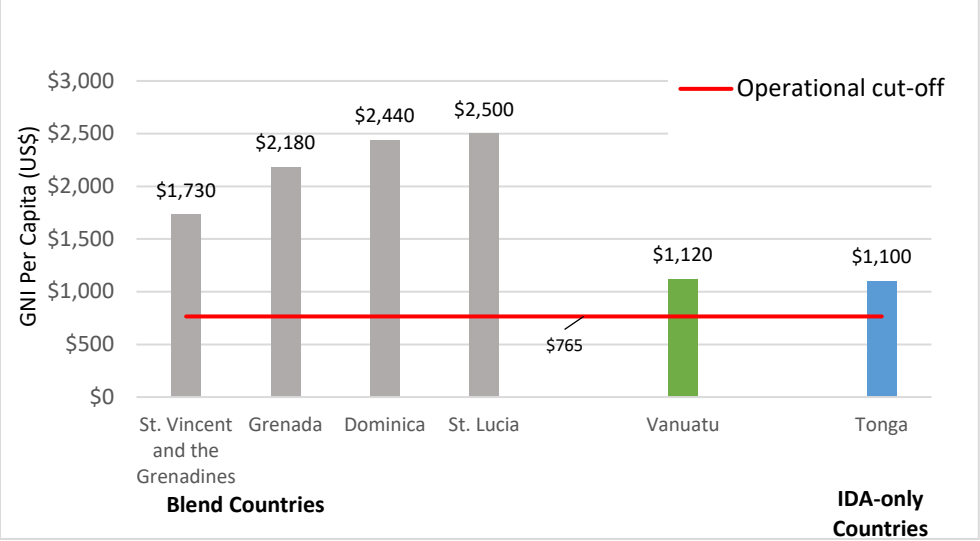
(1991, US$)



Source: Atlas Method, WDI. World Bank, OP 3.10 Annex B, September 1992.

Figure 3.2. GNI Per Capita of Vanuatu: Comparison with Countries under the Exception

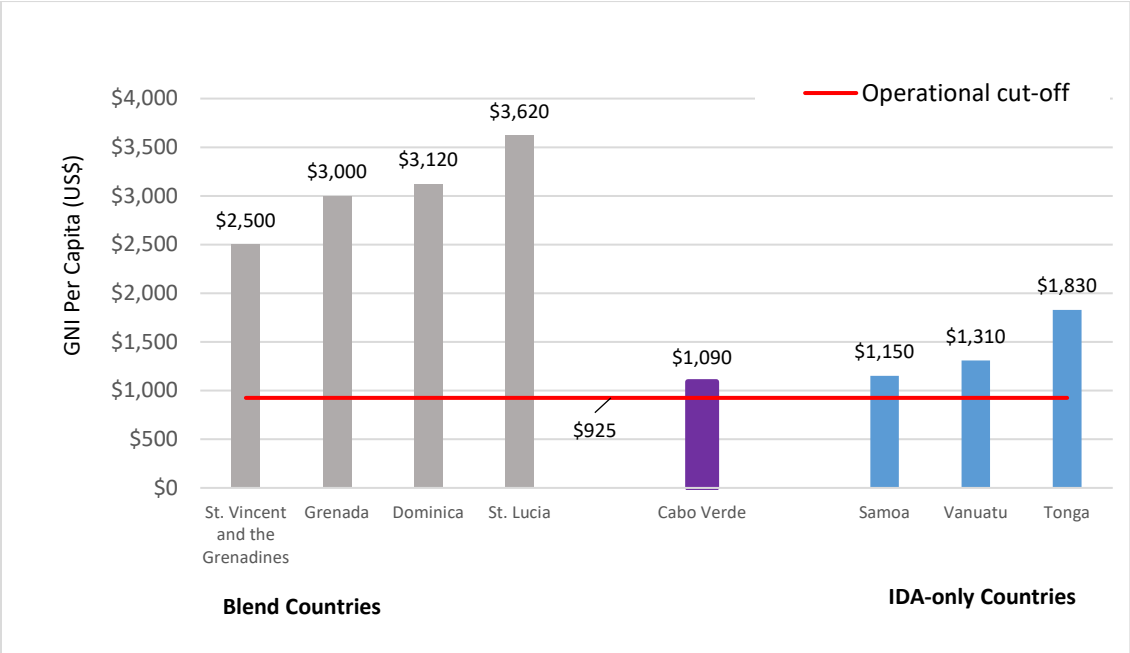
(1991, US$)



Source: Atlas Method, WDI. World Bank, OP 3.10 Annex B, September 1992.

Figure 3.3. GNI Per Capita of Cabo Verde: Comparison with Countries under the Exception

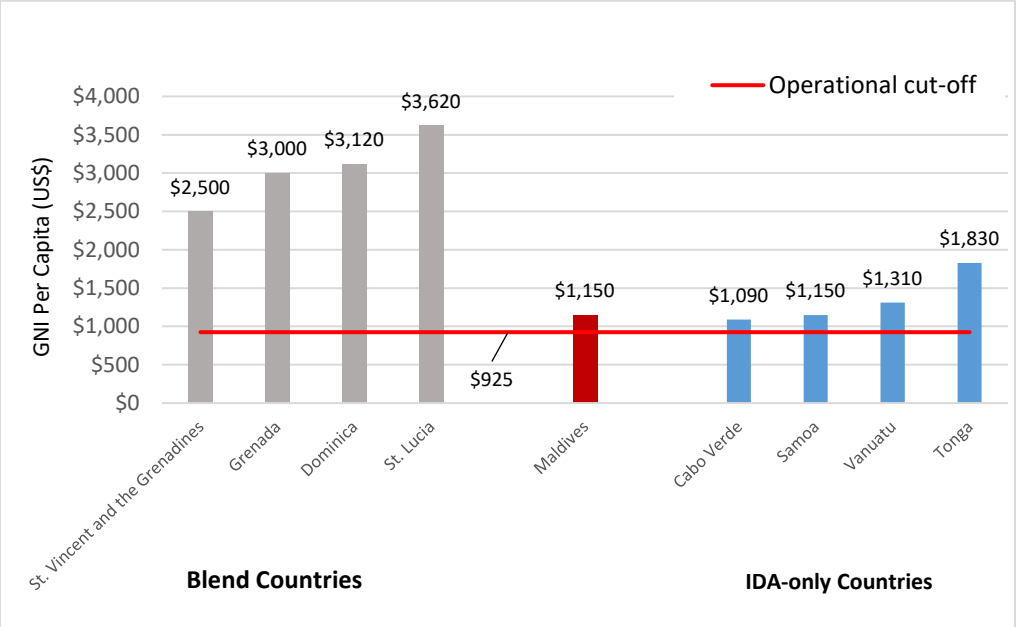
(1997, US$)



Source: Atlas Method, WDI. World Bank, OP 3.10 Annex D, June 1998.

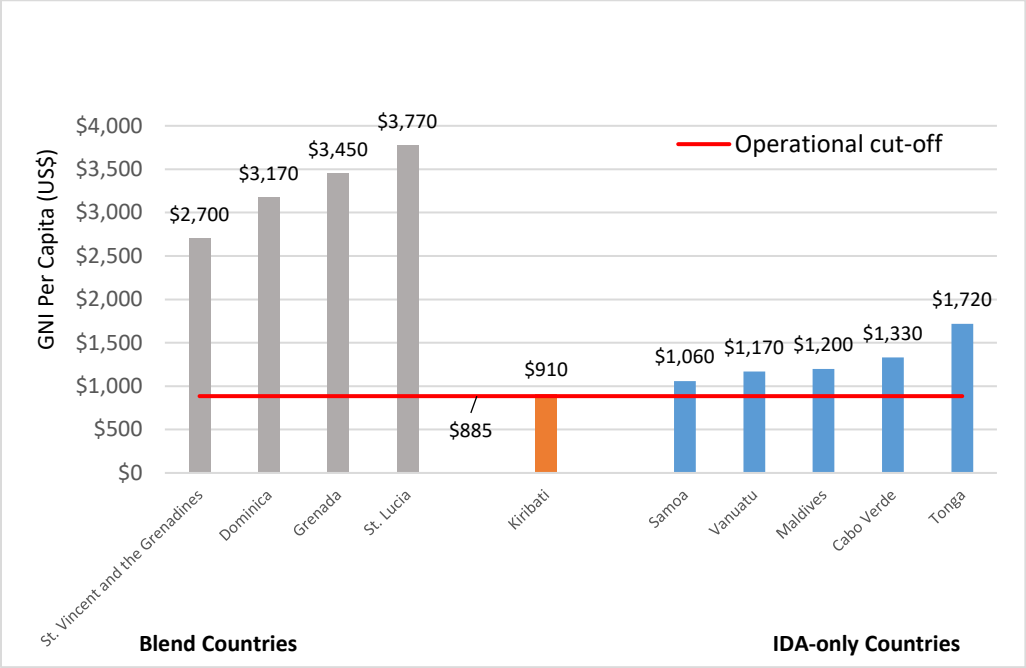
Figure 3.4. GNI Per Capita of the Maldives: Comparison with Countries under the Exception

(1997, US$)



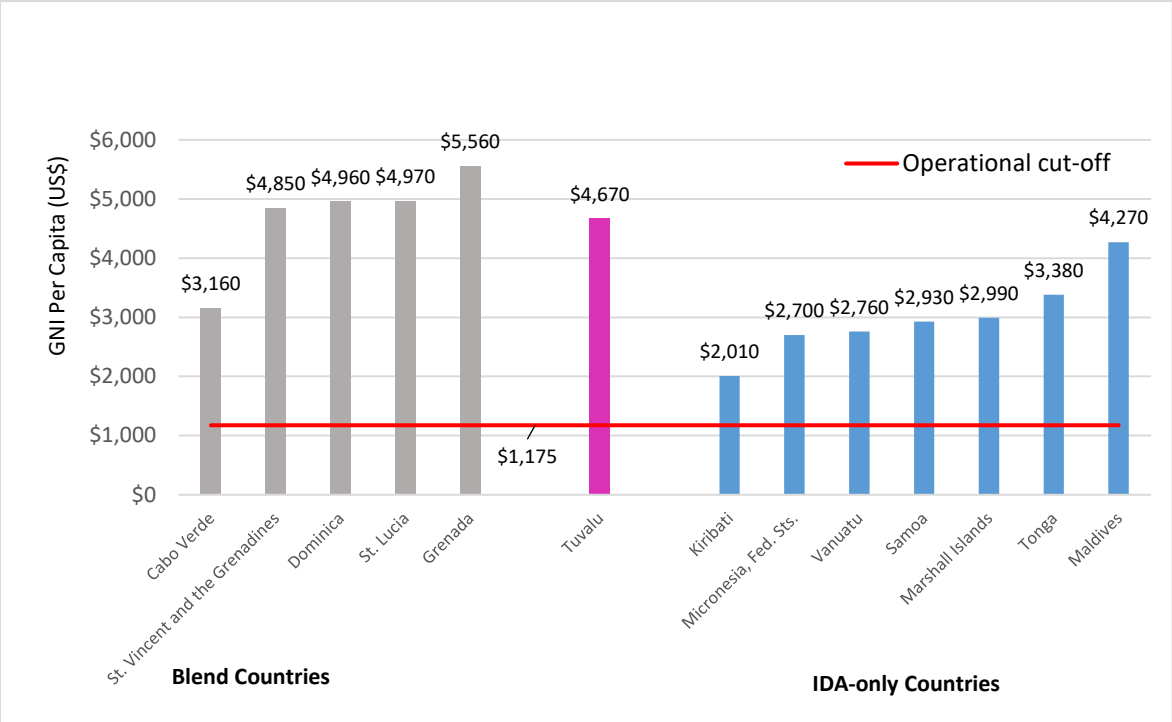
Source: Atlas Method, WDI. World Bank, OP 3.10 Annex D, June 1998.

Figure 3.5. GNI Per Capita of Kiribati: Comparison with Countries under the Exception (1999, US$)



Source: Atlas Method, WDI. World Bank, OP 3.10 Annex D, July 2000.

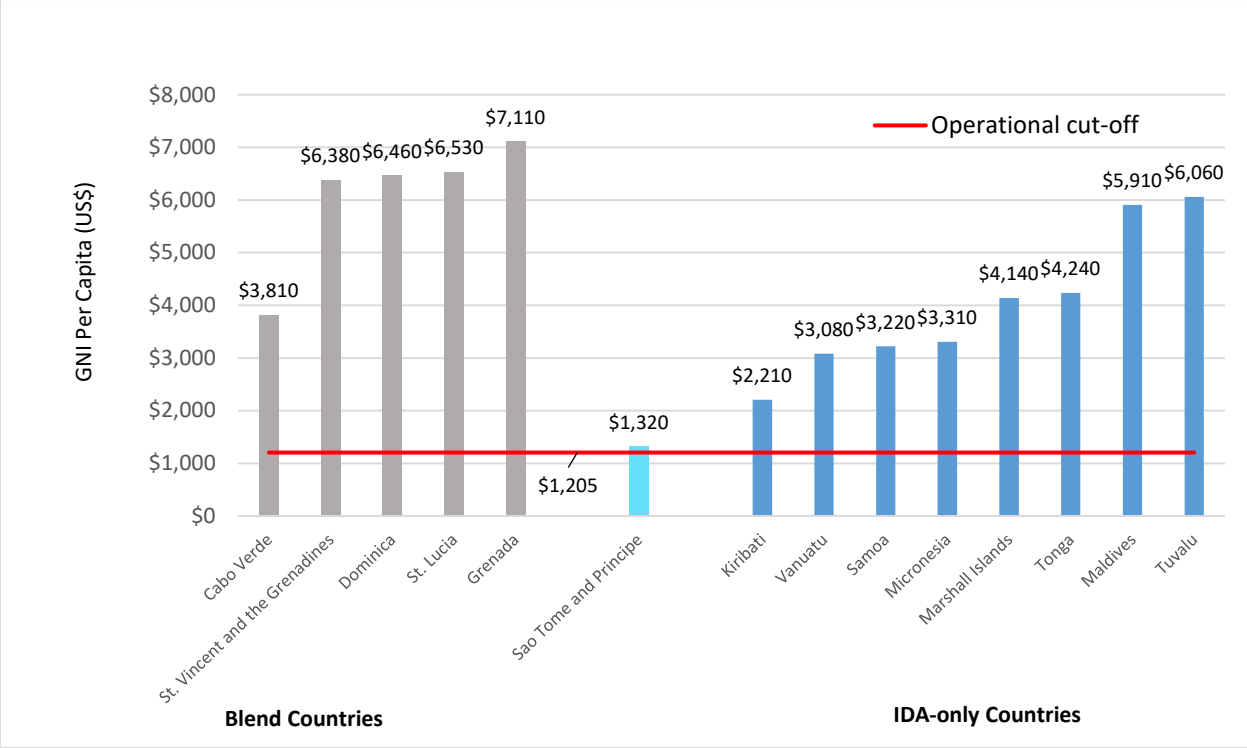
Figure 3.6. GNI Per Capita of Tuvalu: Comparison with Countries under the Exception (2010, US$)



Source: Board Paper (November 2011).

Figure 3.7. GNI Per Capita of Sao Tome and Principe: Comparison with Countries under the Exception

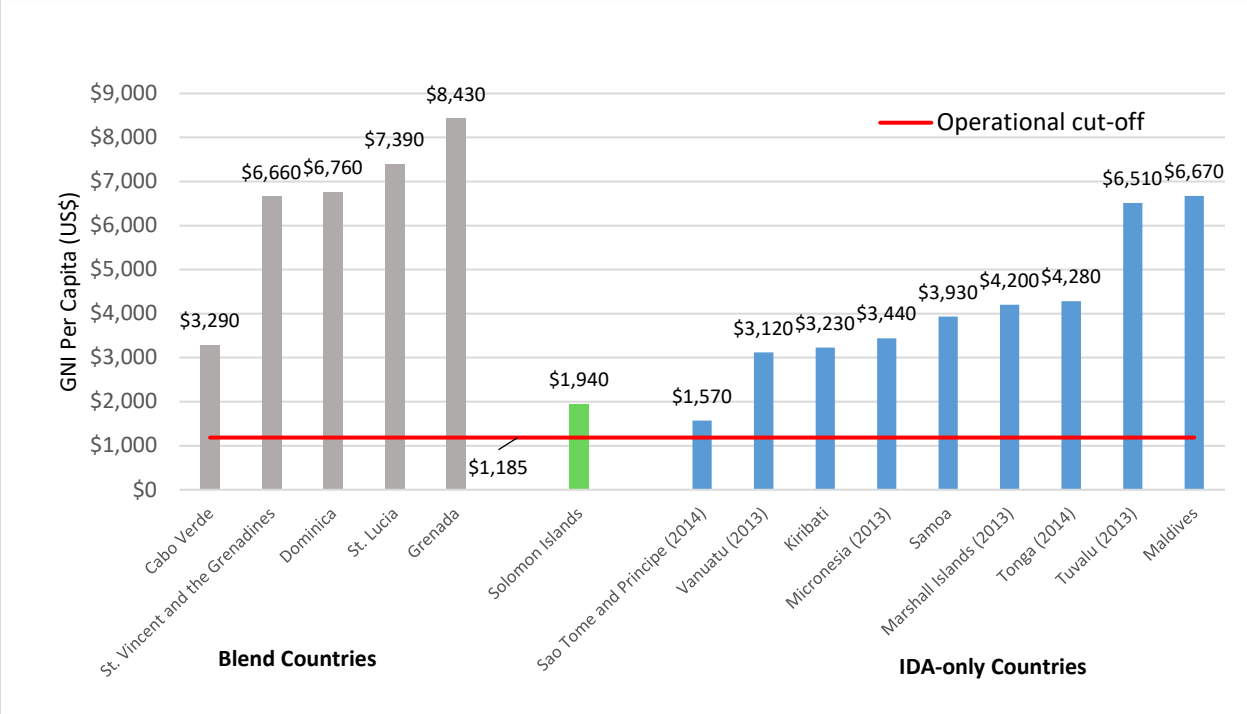
(2012, US$)



Source: Atlas Method, WDI. World Bank, OP 3.10 Annex D, July 2013.

Figure 3.8. GNI Per Capita of Solomon Islands: Comparison with Countries under the Exception

(2015, US$)



Source: Atlas Method, WDI. World Bank, Financial Terms and Conditions of Bank Financing, Annex 2, July 2016.

Annex 4: Small Island Economies: Vulnerability to Natural Disasters and Climate Change

1. As discussed in Section II B, there is no single metric of vulnerability that captures all SIEs. Under the proposed entry criteria, Management would use three commonly used indices of vulnerability where such data is available: (a) the Global Climate Risk Index (developed by Germanwatch); (b) the Economic Vulnerability Index (produced by the United Nations Committee for Development Policy); and (c) the World Risk Index (produced by the United Nations Institute for Environmental and Social Security).

2. **Global Climate Risk Index (CRI)**. The CRI is commonly used as an indicator of the level of exposure and vulnerability to extreme weather-related events. It analyzes the extent to which countries have been affected directly by the impacts of weather-related loss events—such as storms, floods, or heat waves.[62] The index indicates a level of future exposure to extreme weather events based on past weather-related losses (that is, number of deaths and economic losses in absolute and relative terms). The most recent data cover weather-related impacts in 1998–2017.[63] CRI indices are published for 181 countries where countries are ranked based on the highest weather-related impact (ranked 1) to the lowest (ranked 181). Table 4.1 provides CRI indices and rankings for 6 IBRD-only, 5-Blend, and 9 IDA-only SIEs; CRI scores were not available for Sao Tome and Principe (IDA-only); and Nauru and Palau (IBRD-only). Of the eight IBRD-only SIEs for which information was available:

- Fiji experienced the highest incidence of weather-related direct losses; only Fiji belonged to the quintile of countries that were most impacted by natural disasters in 1998–2017.
- St. Kitts and Nevis as well as Antigua and Barbuda belonged to the quintile with the second-highest impact.
- Seychelles, and Trinidad and Tobago belonged to the quintile with the least impact.
- Fiji experienced more weather-related losses than the 9 IDA-only Countries and the five Blend Countries benefitting from the Exception except Dominica and Grenada.

Table 4.1. Small Island Economies: Global Climate Risk Index (CRI)

Average Impact (1998–2017)

Country	CRI Score[a]	Ranking[b]	Quintile[c]
IDA-only			
Sao Tome and Principe	n.a.	n.a.	n.a.
Solomon Islands	77.17	75	Q3
Vanuatu	57.00	47	Q2
Kiribati	110.83	123	Q4
Micronesia	57.50	48	Q2
Samoa	77.17	75	Q3

[62] The CRI takes into account only weather-related events and excludes geological incidents such as earthquakes, volcanic eruptions, or tsunamis as they do not depend on the weather and therefore are not possibly related to climate change. Germanwatch acknowledges that the CRI is not a comprehensive climate vulnerability scoring. For example, it does not take into account rising sea-levels, glacier melting, or more acidic and warmer seas.

[63] The indices are based on: the number of deaths, number of deaths per 100,000 inhabitants, sum of losses in US dollars in purchasing power parity, and losses per unit of GDP.

Country	CRI Score[a]	Ranking[b]	Quintile[c]
Tonga	58.17	49	Q2
Marshall Islands	166.17	172	Q5
Tuvalu	114.17	128	Q4
Maldives	168.83	176	Q5
Blend			
Cabo Verde	134.50	147	Q5
St. Vincent and the Grenadines	61.50	54	Q2
Dominica	33.00	10	Q1
St. Lucia	61.83	55	Q2
Grenada	42.00	24	Q1
IBRD-only			
Fiji	39.83	20	Q1
Mauritius	107.17	118	Q4
Nauru	n.a.	n.a.	n.a.
Palau	n.a.	n.a.	n.a.
Antigua and Barbuda	56.33	43	Q2
Seychelles	153.83	166	Q5
St Kitts and Nevis	60.00	52	Q2
Trinidad and Tobago	151.00	162	Q5

Source: Germanwatch, Global Climate Risk Index 2019.
Note: a. A lower numerical score indicates a higher impact of natural disasters.
b. A lower numerical ranking indicates a higher impact/loss/vulnerability.
c. Based on 181 countries ranked.

3. **The Economic Vulnerability Index (EVI).** The EVI is a measure of structural vulnerability to economic and environmental shocks. It is composed of an Exposure Index and Shock Index that take into account eight key characteristics of a country.[64] EVI scores are published for 145 countries where countries are ranked from the most vulnerable (ranked 1) to the least vulnerable (ranked 145). Table 4.2 provides EVI scores and rankings for the 8 IBRD-only, 5-Blend, and 10 IDA-only small island countries.

- Most SIEs are in the quintile of highest economic vulnerability (Q1); Palau is the most vulnerable of all 145 countries being ranked.
- Four IBRD-only SIEs—Nauru, Palau, Seychelles, and St. Kitts and Nevis—belong to the quintile of highest vulnerability to economic and environmental shocks (Q1).
- Antigua and Barbuda and Fiji belong in the quintile of second-highest vulnerability (Q2).

Table 4.2. Small Island Economies: Economic Vulnerability Index (2018)

Country	EVI Score[a]	Ranking[b]	Quintile[c]
IDA-only			
Sao Tome and Principe	41.2	34	Q2
Solomon Islands	51.9	18	Q1
Vanuatu	47.0	25	Q1
Kiribati	73.7	2	Q1

[64] The Exposure Index factors in population; remoteness; merchandise export concentration; share of agriculture, forestry, and fishing in GDP; and share of population in low elevated coastal zones. The Shock Index quantifies instability of exports of goods and services; victims of natural disasters; and instability of agricultural production.

Micronesia	58.6	6	Q1
Samoa	39.7	40	Q2
Tonga	56.0	10	Q1
Marshall Islands	66.1	4	Q1
Tuvalu	56.0	9	Q1
Maldives	50.9	21	Q1
Blend			
Cabo Verde	35.9	59	Q3
St. Vincent and the Grenadines	40.5	36	Q2
Dominica	40.8	35	Q2
St. Lucia	41.7	33	Q2
Grenada	44.4	29	Q1
IBRD-only			
Fiji	39.9	39	Q2
Mauritius	24.2	119	Q5
Nauru	58.3	7	Q1
Palau	76.0	1	Q1
Antigua and Barbuda	38.6	45	Q2
Seychelles	45.2	27	Q1
St Kitts and Nevis	51.9	17	Q1
Trinidad and Tobago	31.0	84	Q3

Source: United Nations Committee for Development Policy Secretariat. Triennial review dataset 2000–2018.
Note: a. A higher numerical score indicates higher vulnerability.
b. A lower numerical ranking indicates higher vulnerability.
c. Based on 145 countries ranked.

4. **The World Risk Index (WRI).** The WRI calculates disaster risk for 171 countries which are classified into five categories of risk: Very High, High, Medium, Low, and Vey Low. The index is based on four components: (a) exposure to natural hazards (earthquakes, hurricanes, flooding, drought, sea-level rise); (b) vulnerability as dependent on infrastructure, nutrition, living conditions, (c) coping capacities as per governance, disaster preparedness, health care; and (d) adapting capacities. Country coverage is more limited than for the CRI. As Table 4.3 shows, WRI data is available for only 10 SIEs: 4 IBRD-only, 2-Blend, and 4 IDA-only countries. Of the eight IBRD-only countries:

- Fiji and Mauritius are rated “Very High” risk countries; Trinidad and Tobago are rated “High”; and Seychelles is rated “Very Low”. Other four IBRD-only countries are not covered by the WRI.

- For some countries, the CRI and WRI point to similar levels of vulnerabilities. For example, Vanuatu, Tonga, and Fiji are all rated as “Very High” risk countries based on the WRI (they all belonged to the two quintiles of countries mostly impacted by natural disasters based on the CRI).

- In some cases, the three indices point to different levels of risk. For example, Grenada is rated as “Very Low” risk based on the WRI whereas the CRI and EVI put Grenada in the quintile of countries mostly affected by natural disasters. Part of the reason for these inconsistencies could be that the WRI captures both exposure and resilience (linked to human and physical assets, policy, and institutions).

Table 4.3. Small Island Economies: World Risk Index (WRI)

2012–2016 (mean)

Country	WRI % (mean values 2012–2016)	Ranking	Classification
IDA-only			
Sao Tome and Principe	n.a.	n.a.	n.a.
Solomon Islands	18.77	6	Very High
Vanuatu	36.45	1	Very High
Kiribati	1.76	165	Very Low
Micronesia	n.a.	n.a.	n.a.
Samoa	n.a.	n.a.	n.a.
Tonga	28.57	2	Very High
Marshall Islands	n.a.	n.a.	n.a.
Tuvalu	n.a.	n.a.	n.a.
Maldives	n.a.	n.a.	n.a.
Blend			
Cabo Verde	10.51	32	Very High
St. Vincent and the Grenadines	n.a.	n.a.	n.a.
Dominica	n.a.	n.a.	n.a.
St. Lucia	n.a.	n.a.	n.a.
Grenada	1.44	167	Very Low
IBRD-only			
Fiji	13.5	15	Very High
Mauritius	15.11	13	Very High
Nauru	n.a.	n.a.	n.a.
Palau	n.a.	n.a.	n.a.
Antigua and Barbuda	n.a.	n.a.	n.a.
Seychelles	2.56	153	Very Low
St Kitts and Nevis	n.a.	n.a.	n.a.
Trinidad and Tobago	7.56	62	High

Source: World Risk Report: Analysis and Prospects 2017 commissioned by Bündnis Entwicklung Hilft and presented at the COP 23 Climate Conference in Bonn.

Annex 5: Credit Ratings of Small Island Economies

1. Table 5.1 provides sovereign credit ratings for SIEs for which a rating is available from a major rating agency as of February 15, 2019.

Table 5.1. Access to Commercial Credit by Small Island Economies

Country	Sovereign Ratings			
	S&P	Moody's	Fitch	Rating Description[a]
IDA-only				
Maldives		B2	B+	Non-investment grade (HS)
Solomon Islands		B3		Non-investment grade (HS)
Cabo Verde	B		B	Non-investment grade (HS)
St Vincent and the Grenadines		B3		Non-investment grade (HS)
IBRD-only				
Fiji	B+	Ba3		Non-investment grade (HS/S)
Mauritius		Baa1		Lower medium grade
Seychelles			BB-	Non-investment grade (S)
Trinidad and Tobago	BBB+	Ba1		Lower medium grade/Non-investment grade (S)[65]

Source: Trading Economics, as reported by major credit rating agencies.
Note: a. HS - Highly Speculative; S - Speculative.

[65] Considered "lower medium grade" based on the S&P but "non-investment grade speculative" based on Moody's.

Annex 6: Portfolio Update on Jordan and Lebanon as of March 7, 2019

UPDATE ON IBRD/IDA & GCFF FUNDED PROJECTS (as of 03/7/2019)	FY Approval	Effectiveness Date	Instrument Type	Total Project Amount (US$)	IDA Commitments (US$ m)	IDA Disbursements (US$ m)	GCFF Support Amount (US$)	Progress towards achievement of PDO	Overall Implementation Progress	Overall Disbursements (%)
JORDAN										
Jordan Energy and Water DPL (IBRD+GCFF) (closed)	12/1/2016	12/31/2017	DPL	250,000,000	0	0	25,000,000	S	S	100%
Economic opportunities for Jordanians and Syrian Refugees P4R (IBRD+IDA17+GCFF)	9/27/2016	10/24/2016	P4R	300,000,000	100,000,000	71,770,000	51,000,000	S	MS	72%
Jordan Emergency Health Project (IBRD+GCFF)	6/13/2017	7/26/2017	IPF	50,000,000	0	0	13,900,000	MS	MS	97%
Jordan Education Program for Results P4R (IBRD+GCFF)	12/5/2017	12/14/2017	P4R	200,000,000	0	0	52,300,000	S	MS	39%
Growth & Jobs DPL1 (IBRD+GCFF)	6/27/2018	07/19/2018	DPL	500,000,000	0	0	111,000,000	NA	NA	100%
Total Jordan				**1,300,000,000**	**100,000,000**	**71,770,000**	**253,200,000**			**84%**
LEBANON										
RACE Support Project P4R (IBRD + IDA17 + GCFF)	9/27/2016	7/18/2017	P4R	204,000,000	100,000,000	25,500,000	0	MS	MS	22%
Lebanon Roads and Employment (IBRD+GCFF) (decalred effective on 10/30/2018)	2/6/2017	10/30/2018	IPF	200,000,000	0	0	45,400,000	S	S	5%
Lebanon Health Resilience Project (IBRD+GCFF) (declared effective on 1/14/2018)	6/26/2017	11/14/2018	IPF	120,000,000	0	0	29,900,000	S	S	0.2%
Greater Beirut Urban Transport Project (IBRD+GCFF) (pending effectiveness)	3/15/2018	-	IPF	295,000,000	0	0	69,800,000	S	S	0%
Lebanon National Jobs Program (IBRD+GCFF) (pending effectiveness)	6/27/2018	-	P4R	400,000,000	0	0	70,100,000	S	MS	0%
Total Lebanon				**1,219,000,000**	**100,000,000**	**25,500,000**	**215,200,000**			**5%**
TOTAL JORDAN AND LEBANON				**2,519,000,000**			**468,400,000**			**18.6%**