Approach Paper
Clustered Country Program Evaluation
For Small States

March 31, 2015
(Amended February 22, 2016)

I. Background and Context

1. **For many years, the World Bank Group (WBG) has deployed particular efforts to help small states, a major segment of its country client base, address their unique development challenges.** Depending on the precise identifier,[1] small states constitute a quarter or more of WBG client countries. Over at least the past two decades, development partners, including the WBG, have made special efforts to help small states address their development challenges, even as an analytical and policy literature on the subject has burgeoned. While these development challenges are manifold and often country-specific, two stylized facts—closely linked to the intrinsic characteristics of small states—encapsulate challenges that are peculiar to most, if not all, small states. The first is that small states' GDP growth is subject to greater volatility than that of larger states (with consequential adverse impacts on the poor and vulnerable, whose means of coping with shocks are limited), reflecting *inter alia* small states' greater susceptibility to terms of trade and weather-related shocks and to contagion, and pointing to the need to increase resilience. The second stylized fact is that over roughly the past 25 years small states have posted weaker economic growth relative to larger states (with emerging adverse impacts on social well-being), probably reflecting such drivers as diseconomies of small scale. Depending on the specific country, consequences have included limited fiscal space, high indebtedness, and lack of financial depth. This points to the need to improve competitiveness in order to foster sustainable growth. The WBG has emerged as one of the leaders among development partners in recognizing and responding to small states' special needs. It now deploys a panoply of specific provisions and initiatives to serve this client segment, ranging from its organization of the Small States Forum (SSF), a grouping for dialogue on development issues facing small countries that convenes annually during of the IMF-World Bank Annual Meetings, to IDA's "small island economies exception", a provision that allows several small states to access funding on concessional terms despite exceeding IDA's operational per-capita income cutoff. During 1998-2000, the Bank partnered with the Commonwealth Secretariat and others on the Small States Task Force, which produced a pioneering report analyzing the challenges faced

[1] As discussed further below, the most widely used and accepted identifier of a small state is a population of fewer than 1.5 million inhabitants. However, other identifiers, including membership of the Bank-facilitated Small States Forum (which includes several countries exceeding the population threshold but exhibiting small-state-like characteristics), have also been used.

by small states in a globalizing economy and proposing elements of a strategy to guide their development and support from partners. [2]

2. **This "clustered" country program evaluation (CCPE) marks IEG's first in-depth assessment of the relevance and effectiveness of WBG support during FY06-FY15 in helping selected small states improve their resilience and their competitiveness.** This second pilot CCPE, focusing on selected small states (the first, soon to be completed, focused on "resource-rich" countries) will provide an opportunity to deepen and refine the clustered approach in IEG's country program evaluation work. This CCPE exercise will comprise two regional/country program evaluations (R/CPEs), covering the WBG programs in: (i) the six independent Organization of Eastern Caribbean (OECS) countries;[3] and (ii) Samoa and Tonga, coupled with regional aspects of the WBG program in several other Pacific island countries.[4] It will also include more selective assessments of WBG support to selected African small states,[5] as well an overall synthesis of evaluation findings. The choice of CCPE focus countries is not intended to be a representative sample of the population of small states served by the Bank Group; nor is the CCPE exercise intended to compare or benchmark the performance of the focus countries against one another. The CCPE's principal value added will be its unprecedented in-depth look at the extent to which Bank Group support has helped several of its small state clients improve: (a) their resilience in order to reduce their—greater, compared with larger states—vulnerability to shocks, both physical and economic; and (b) their competitiveness in order to foster sustainable long-term growth. While at least two strands of previous IEG evaluation work have touched specifically on small states, its focus has not specifically been on systematically assessing how WBG support has helped to make progress under these two broad development goals or "pillars".[6,7]

3. **Regardless of clustering, IEG's country program evaluations use a well-established methodological mold that distinguishes them from a thematic or corporate evaluation on small states.** As explained further in Sections III and IV as well as in Attachment 4, IEG's

[2] Formerly known as the British Commonwealth, the Commonwealth of Nations is an inter-governmental organization of 53 member states, including several small states. The Commonwealth Secretariat/World Bank (2000) Task Force Report on Small States quickly became, and has remained, a classic reference in the field.

[3] The OECS also comprises three dependent territories of the United Kingdom—Montserrat (full member) and Anguilla and the British Virgin Islands (associate members).

[4] The rationale underlying the—purposive—selection of these three (sets of) countries is set out in Section III below. The value of clustering country program evaluation work relates to the usefulness of comparing, contrasting, and cross-fertilizing lessons and recommendations, as well as to potentially broadening their applicability and scope. For a thorough discussion of the benefits of clustering, see "Approach Paper for the CCPE on Resource-Rich Developing Countries: The Cases of Bolivia, Kazakhstan, Mongolia, and Zambia", IEG, February 2014.

[5] The African small states include Mauritius, Seychelles, Cabo Verde, Djibouti.

[6] One strand of IEG work has consisted of Country Assistance Evaluations (CAEs), now known as CPEs, on certain small states, most recently Timor Leste (2010) The second synthesized disparate evaluation findings at the project and program level, drawing lessons for WBG engagement in small states—notably on improving project and program outcomes, addressing capacity constraints, and improving coordination and procedures among development partners.

[7] Previous IEG evaluations of WBG support to small states are discussed at greater length later in this section.

R/CPEs follow a well-established methodology: they assess (and rate) the extent to which WBG support has (efficiently) met its relevant objectives at the country or—in cases where WBG support is delivered under a regional partnership strategy—regional program level. In so doing, they employ the strategic objectives and outcomes specified in the relevant Bank Group strategy document(s). In contrast, a thematic or corporate evaluation covering small states would provide an assessment of how effectively the WBG has supported this client segment as a whole at the overall institutional level.[8] The R/CPEs to be undertaken in this evaluation will closely follow IEG's established methodology, although a common framework based on the two pillars of increasing resilience and improving competitiveness will be used across the R/CPEs for reporting on evaluation findings in order to facilitate comparisons and identification of common patterns and lessons across country programs.[9] The R/CPEs will also look into the relevance and effectiveness of specific provisions, instruments, and programs that the WBG has made available—in some cases exclusively—to the small states client segment.[10] Finally, the R/CPEs to be undertaken will involve both regional and single-country approaches. In the case of the OECS countries, a single RPE will cover the WBG programs in all six countries. Reflecting WBG Management's own approach of preparing and executing a single strategy for the six independent countries, the assessment will be conducted against the OECS regional partnership strategy (RPS) results matrices, which include both regional and country-specific objectives and outcomes. The case of the Pacific island countries, where WBG Management has used both single-country and regional strategies during the FY06-15 evaluation period, is more complex, and will involve a hybrid between a single-country CPE—on the WBG programs in Samoa and Tonga—and an RPE covering the WBG program in the nine Pacific island countries as a whole, focusing on areas where the WBG has consistently adopted a regional platform for its operational work. Lastly, the selective assessments of the WBG programs in the African small states will be single-country, based on single-country strategies.

A BRIEF PROFILE OF SMALL STATES

4. **The definition of a small state can vary, but is most commonly based on population.** The definition of a small state has been based on a number of alternative measures, including population, surface area, and GDP. However, the literature and development partners—including the WBG, the IMF, and the Commonwealth—have most often used a population of less than 1.5 million inhabitants as the identifier of small states. Forty-nine World Bank member countries make up the membership of the Small States Forum (SSF), a grouping that convenes annually at

---

[8] In addition, evaluation work at the country program level is conducted in sufficient depth so as to enable generation of meaningful program-specific lessons and recommendations, while also fostering accountability at that level, whereas such considerations are not typically the focus of thematic or corporate evaluations.

[9] As will become clear subsequently, a correspondence between individual country strategies' results matrices and the proposed common reporting framework is straightforwardly established. For instance, as discussed in Section III, it is virtually an exact match in the case of the OECS countries.

[10] In this respect, the CCPE will look into certain issues that typically fall more within the purview of a thematic or corporate evaluation.

the IMF-World Bank Annual Meetings (Table 1).[11] Of these, seven—Botswana, Gabon, the Gambia, Guinea-Bissau, Jamaica, Lesotho, and Namibia—share many of the characteristics of, and often self-identify as, small states despite having a population above 1.5 million in 2013.

Table 1. Small States Forum Member States

Antigua & Barbuda	Equatorial Guinea	*Malta*	St. Kitts and Nevis
The Bahamas	*Estonia*	Marshall Islands	St. Lucia
Bahrain	Fiji	Mauritius	St. Vincent & the Grenadines
Barbados	Gabon	Micronesia, Fed. Sts.	Suriname
Belize	Gambia, The	Montenegro	Swaziland
Bhutan	Grenada	Namibia	Timor-Leste
Botswana	Guinea-Bissau	Palau	Tonga
Brunei Darussalam	Guyana	*Qatar*	Trinidad and Tobago
Cabo Verde	*Iceland*	Samoa	Tuvalu
Comoros	Jamaica	San Marino	Vanuatu
Cyprus	Kiribati	São Tomé & Principe	
Djibouti	Lesotho	Seychelles	
Dominica	Maldives	Solomon Islands	

Source: Small States Forum website

5. **Grouping together small states masks their significant diversity.** Small states are geographically dispersed, although most are located in the Caribbean, the Pacific, and Africa (including the Indian Ocean). Of the non-island economies, many are reasonably well integrated with neighboring countries, and thus do not face the same constraints as the island economies.[12] In terms of population, small countries range from microstates of around 50,000 inhabitants, such as the Federation of St. Kitts & Nevis, to larger states, such as Trinidad & Tobago, with populations close to 1.5 million. In terms of geography, small states likewise vary significantly. Many are island or widely dispersed multi-island countries, while some are landlocked. For example, many Pacific island states consist of multitudes of very small, widely scattered islands. At the high end, Kiribati comprises 33 islands spread over 3.5 million square kilometers of ocean—an area about the size of the Indian subcontinent. And small states range from advanced market economies and high-income, fuel-exporting countries to low-income economies. Finally, their World Bank borrower status varies significantly. In terms of IDA eligibility, 20 small states of fewer than 1.5 million inhabitants currently qualify. Thirteen of these countries—with a per-capita GNI level on average four times the IDA operational cutoff (and in some cases as high as six times the operational cutoff)—have access to IDA funds under the small island economies exception. Certain other small states, such as Mauritius, are IBRD-only borrowers, while still others, such as the Bahamas, are non-borrowers (see Attachment 3).

[11] Countries listed in italics are high-income.

[12] An exception is Bhutan, which shares some island-like characteristics.

SMALL STATE-SPECIFIC CHARACTERISTICS AND CHALLENGES

6. **Small states typically exhibit certain intrinsic characteristics.** While small states are clearly a heterogeneous group and differ widely in terms of needs, they are nevertheless thought to share a number of intrinsic characteristics, which often translate directly into development challenges. Fixed costs in the public or private sector can be very high in relation to the small scale at which these countries operate, implying high unit costs). Small states also face fixed costs for commercial and financial sector transactions (similarly very high in relation to typical transaction volumes in their economies). They are often located in areas that imply high trade costs as well as particular vulnerability to natural disasters, including especial susceptibility to the adverse effects of climate change.[13]

7. **Small size also appears to be associated with specific economic traits and challenges.** These translate into economic traits affecting the fiscal accounts (higher public spending and public sector wage bills in relation to GDP), output and trade (a focus on the production of a few goods and services that are not scale-intensive and concentration of exports on a few goods and services, leading to higher exposure to terms of trade shocks and contagion from partner country downturns), labor markets (limited opportunity for employment, especially the use of specialized expertise, entailing higher outmigration rates), and the monetary and financial sectors (with some exceptions, lower financial depth and more concentrated banking sectors). They also tend to have limited institutional capacity, owing to the very small absolute (though not relative) size of their public sectors. In particular, as emphasized earlier, greater exposure to economic and physical shocks leads to greater volatility of growth in small states compared with larger states, and repeated shocks, coupled with the inherent stresses on public finances and limited borrowing opportunities, have led to a buildup of significant debt levels in several small states. Table 2 summarizes these interconnected characteristics and challenges, which Attachment 1 discusses in greater detail.

Table 2. The Multi-faceted Challenges Confronting Small States

Intrinsic Characteristics	
• Size: small (population < 1.5 million)	• Location: often remote; frequently in areas with natural beauty but particularly exposed to natural disasters and effects of climate change
Implications	
• Diseconomies of small scale in the production of both public and private goods and services • Greater social cohesion	• High trade costs • Susceptibility to catastrophic weather- and climate related events
Resulting Macroeconomic and Structural Features	

[13] On small states' intrinsic characteristics and their implications, see in particular IMF (2013), one of the most recent and comprehensive integrative papers on the subject of small states.

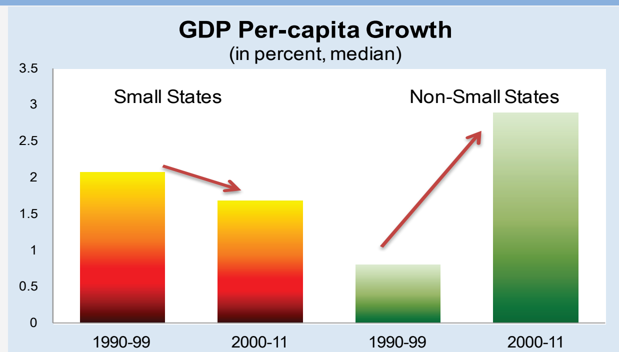
• Low diversification of domestic production • Low productivity • Low institutional capacity • Limited financial depth; limited public and private sector borrowing opportunities • High public spending ratios and limited supply of public goods and services • Trade openness • High susceptibility to terms of trade shocks and contagion from trading partner downturns • Limited employment opportunities, especially for specialized skills and high outmigration rates	• Stress on limited natural resources • Frequent physical shocks of large magnitude; in extreme cases, long-term existential threats
• High indebtedness and limited fiscal space • Disproportionate reliance on foreign aid • High variability in growth rates	

8. **Partly as a result of small states' characteristics and their implications, there is some evidence that small states' economic performance has in recent years lagged that of their larger comparators.** Analysis covering the period 1990-2010 reveals a considerable growth shortfall—some 1.4 percentage points per year—for small states relative to larger states.[14] In particular, over the period 2000-10, small states appear to have posted significantly weaker growth performance than larger states (Figure 1).[15] After setbacks during and following the 2008-09 global economic crisis, economic growth in small states has generally resumed, but remains weaker than pre-crisis levels, reflecting in part many small states' limited ability to diversify economic structures and re-orient economic activity toward new markets and sectors. In 2013, for instance, a third of small states posted negative GDP growth rates. Depending on the country, both macroeconomic factors (such as the high and increasing levels of public debt in the OECS countries) and structural factors (weak competitiveness, in certain cases aggravated by an erosion of trade preferences and/or high rates of outmigration) may have contributed to the weakening of small states' performance.

[14] In contrast to these findings, longer-term analysis (1980-2010) suggests that growth rates and income levels for small states and their larger counterparts are broadly comparable (IMF, 2013).

[15] The sample size is too small to allow reliable regression analysis and significance tests over the more recent period 2000-10. Nevertheless, Figure 1 depicts the slowing of average growth of per-capita GDP in small states relative to their larger counterparts over that period.

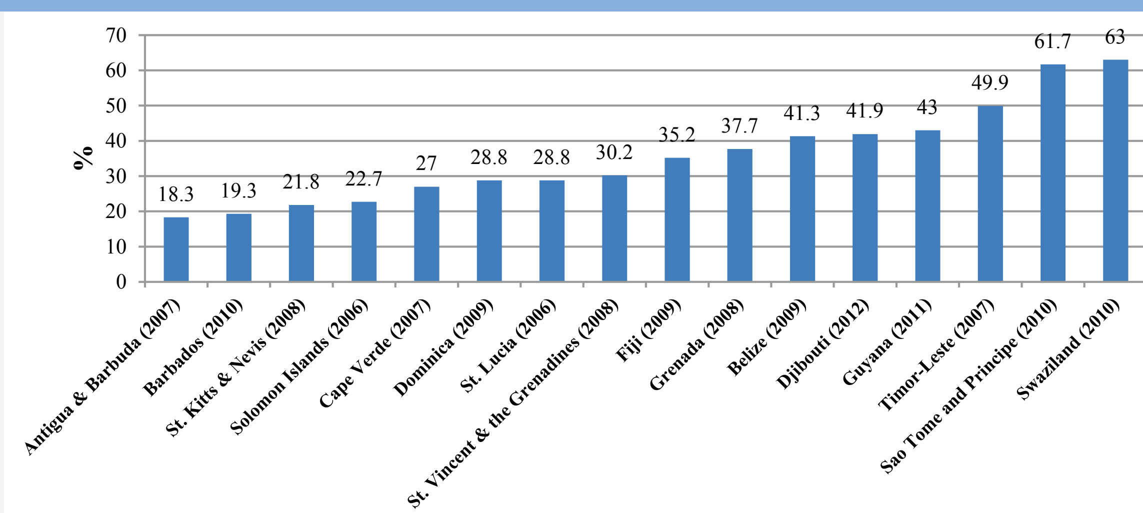
Figure 1. Growth is Slowing in Small Relative to Larger States



Source: WEO and IMF staff estimates

9. **In terms of social conditions, poverty remains a serious challenge for many small states.** Despite many small states' relatively good absolute standing on poverty and social indicators, the high exposure to economic shocks and disasters contributes to keeping the substantial portion of the population that is poor and vulnerable—and less able to cope with adverse shocks—at risk of falling into deeper poverty. In some island countries, notably in the Pacific, the high prevalence of poverty is linked in part to an uneven distribution of income—this is notably the case in multi-island states where the bulk of activity is concentrated in the capital city, with more remote islands lagging far behind. But volatility also contributes to propagating and reinforcing income inequality, notably by raising the share of households that cannot afford to invest in human capital. Figure 2 shows poverty rates for selected countries where data is available.

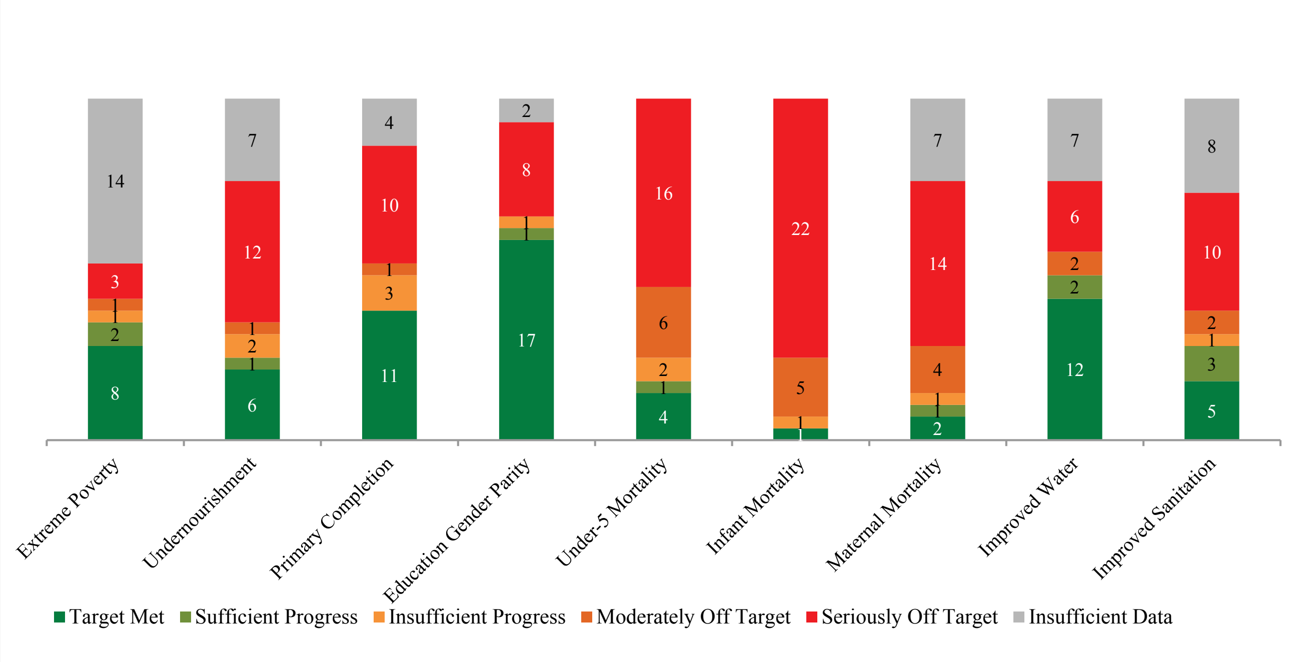
Figure 2. Poverty Rates in Selected Small States



Source: Extract from World Bank 2013 (WP1306 – Chart 6)), WDI, country strategies

10. **In a number of small states, the weaker growth performance of recent years appears to have compromised progress on social indicators.** For instance, the Human Development Index (HDI) improved less for small states than for larger states over the period 2000-10 (IMF, 2013). Similarly, a number of small states remain off track with respect to several of the MDGs, notably the infant mortality rate (which has fallen much more in larger than in smaller states) and on improved sanitation.

Figure 3. Small States' Progress toward attaining the MDGs by 2015



Source: Global Monitoring Report database (2013). Based on data for 29 small states.

LITERATURE AND PREVIOUS EVALUATIONS RELEVANT TO SMALL STATES

11. **Many parts of the literature have queried whether and how size matters for economic success.** Findings have confirmed that in many cases the intrinsic characteristics of small states have had macroeconomic spillovers that have adversely impacted economic performance. Certain studies show that smaller countries tend to have (relatively speaking) larger governments, making for higher-cost provision of public goods (Alesina and Wacziarg, 1998).[16] The well-established endogenous growth literature has emphasized the benefits of scale owing to positive externalities in the accumulation of capital and the transmission of knowledge (Romer, 1986). Other studies have underlined that larger size enhances growth by raising the intensity of

[16] The share of government spending in GDP decreases with population, reflecting economies of scale in the production of public goods and services.

product market competition (Aghion and Howitt, 1998; Aghion et al., 2002). Another branch of the literature has focused on the role of trade costs. Higher trade costs combined with diseconomies of small scale can impede remote small states from generating acceptable income levels through trade and specialization. As a result, these economies are likely to become less attractive for commercial activities as globalization proceeds and trade preferences are eroded (Winters and Martins, 2004). Other studies have underlined that the erosion of trade preferences may affect smaller countries with high dependence and concentration on a few commodities, such as sugar and bananas (Alexandraki and Lankes, 2004; Mlachila and Cashin, 2007). Some authors have related lower growth performance in small states to the negative impact of their higher rates of outmigration and brain drain (Schiff and Wang, 2012). Yet other studies have suggested that small states can overcome their size-disadvantage through higher levels of openness, education and financial development (Alesina et al., 2005), or by following appropriate policies to overcome their disadvantage and exploit their advantages (Favaro and Peretz, 2008). Small size may even confer certain advantages, such as social cohesion (Attachment I).

12. **The literature suggests that one of small states' most serious problems is the high volatility that they face, and that managing volatility facilitates development.** Small states' greater openness and concentration of their exports in a few goods and services results in greater vulnerability to external shocks, notably in prices and trading partner country demand for exports, including tourism. Meilak (2008), for instance, finds that the volatility of growth is higher in countries that experience high export concentration. Natural disasters and the impact of climate change also give rise to considerable macroeconomic variability. All told, the literature suggests that volatility has an adverse impact on growth, income distribution, and poverty. Studies also point to higher output volatility in countries that are isolated, remote, or geographically dispersed (Malik and Temple, 2008; Rose and Spiegel, 2008). In terms of addressing risk, the 2014 World Development Report on Risk and Opportunity argued that risk management can be a powerful instrument for development. A strong risk management strategy would include a combination of actions for better preparation against volatility—including gaining knowledge, acquiring protection (including obtaining insurance) to reduce the probability and size of losses, and acting to cope with risks once they materialize. Benefit-cost analysis across a number of areas suggests that risk preparation is often beneficial in averting costs, sometimes overwhelmingly so. For example, improving weather forecasting and public communication systems to provide earlier warning of natural disasters can yield estimated benefits amounting to 4 to 36 times the size of costs (Hallegatte, 2012).

13. **Previous IEG evaluation work points *inter alia* to the importance of taking account of capacity limitations, notably in project design and in development partner (including WBG) practices.** In a synthesis of evaluation findings based on a review of existing evaluative evidence for a number of small states,[17] IEG noted that WBG support to small states generally performed below average on both the country and project levels. Unsatisfactory project performance was typically a product of overly ambitious and flawed project designs, lack of stakeholder participation, underestimation of governance-related and social constraints,

[17] "Small States: Making the Most of Development Assistance", IEG, 2006.

inadequate human resources and institutional capacity, and complex and uncoordinated development partner procedures and requirements. The synthesis also suggested a prospective “honest broker” role for the WBG in helping to foster regional approaches, as well as a need for greater tailoring of existing WBG business processes and practices to fit the special characteristics of small states and reduce costs to the countries.

14. **IEG work also points to the need for judicious use of regional approaches as well as for interventions that are better tailored to small states.** A 2005 evaluation of World Bank assistance to five borrowing countries in the Pacific suggested that the Bank had pushed a regional approach beyond the limits of effectiveness—geographical proximity and similarity of development constraints had proved to be an insufficient basis for a common WBG strategy for all Pacific Member Countries.[18] In addition, a lack of close coordination with other development partners and the failure to harmonize procedures was found to be burdening the limited administrative capacities of the countries. The evaluation suggested a need for close coordination among development partners at the policy and strategy level and concerted efforts to place the countries at the center of aid coordination. A 2007 IEG evaluation of WBG support to middle-income countries found that the Bank’s engagement in the middle-income small states was only modest and less relevant than in other middle income countries.[19] The Bank faced relatively high unit costs to prepare and supervise operations, and its lending was low and infrequent. The evaluation suggested that the small uptake of Bank finance, combined with the limited scale of knowledge services being delivered, pointed to an absence of appropriate tailoring of services to the small states client group.

15. **IEG’s recent evaluation of WBG support to Fragile and Conflict States (FCS) also has relevance to small states.** Many of the issues raised in the FCS evaluation, notably on the need for WBG support to be underpinned by an understanding of, and to address, the drivers of fragility and conflict, will likely also be relevant to the small states context. In many respects, the WBG and other development partners have interpreted smallness as a form of fragility. Recently-established provisions by the Bank for the use of simplified procedures in investment projects, for instance, have applied equally to FCS and small states. Similarly, Bank efforts to enhance its capacity to engage in FCS through significant increases in administrative budgets and in-country staff resources may hold lessons for its engagement in small states.

16. **Evaluation findings relating to WBG support for environmental resilience in small states point notably to increasing attention to risk management**. A 2006 IEG evaluation found that the Bank’s attitude to disasters had been reactive and tactical, rather than proactive and strategic.[20] However, by 2012 an IEG evaluation on climate change adaptation found that there had been a clear shift towards risk reduction in Bank-financed disaster operations, including greater mainstreaming of disaster risk reduction elements into projects not dedicated

---

[18] Evaluation of World Bank Assistance to Pacific Member Countries, 1991-2002, IEG, 2005.

[19] Development Results in Middle Income Countries, IEG, 2007.

[20] Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters, IEG, 2006.

primarily to disasters.[21] The evaluation noted that the WBG has helped to support innovative financial risk management products for disasters, including the Caribbean Catastrophe Risk Insurance Facility, though it also noted that this had not yet been replicated elsewhere and that countries remained financially vulnerable to major disasters. While Bank analytic work has often noted that increased exposure rather than climate change was the main driver of increased vulnerability to natural disasters, and thus recommended land use planning and zoning to reduce exposure, the evaluation found few examples where this was being carried out. The evaluation also noted that country strategies and projects that support climate change adaptation have focused mostly on current climate variability and adaptation deficits rather than attempting to anticipate future climate change, even in countries facing severe threats from future climate change.[22] In addition, the evaluation noted the need for: better monitoring and evaluation systems to assess the impact of projects that aim to build resilience; greater collection and sharing of hydro-meteorological data; and judicious and policy-relevant use of climate modeling. And the evaluation underscored the need for improved WBG guidance on how to consider and integrate climate risks in climate-sensitive areas and investments. Finally, a 2008 IEG evaluation noted the importance of focusing on traditional environmental and natural resource management issues in addition to climate change and disaster risk management. It identified the need to continue to address environment and resource management issues in country strategies and programs, to improve coordination across sectors and across WBG institutions, and to assess environmental impacts.[23]

17. **IEG evaluation findings concerning partnerships at the regional and global levels are relevant to small states, where partnerships take on particular importance.** *At the regional level,* a 2007 evaluation found that most WBG-supported regional programs were relevant but not closely linked to its country programs.[24] Regional programs were often dominated by development partners, and program activities were executed by regional entities with weak links to national institutions. The evaluation also found that WBG performance in regional programs has been most effective in traditional areas of comparative advantage. WBG incentives and capacities, which are geared to country programs, are sub-optimal for the support of regional programs. The evaluation also noted that the WBG appeared to be underutilizing its CAS processes to assist countries in identifying regional interdependencies and in assessing the benefits and costs of taking regional approaches. Some of the key program features that had proven vital for regional program success were: strong country commitment to regional cooperation; scope of objectives matching national and regional institutional capacities; clear delineation and coordination of the roles of national and regional institutions, and well-designed

---

[21] Adapting to Climate Change: Assessing the World Bank Group Experience, IEG, 2012.

[22] Case studies on explicit climate change adaptation projects in the Caribbean and in Kiribati noted that while these were successful in building-up national or regional capacity for analysis and planning, they were hampered by spreading resources and capacity too thinly across multiple topics and locations, and they discovered that planning and execution need to occur in tandem to maintain political and popular support.

[23] Environmental Sustainability, An Evaluation of World Bank Group Support, IEG, 2008.

[24] The Development Potential of Regional Programs: An evaluation of World Bank Support of Multi-country Operations, IEG, 2007.

regional governance bodies. *At the global level*, evaluation work found that the Global Facility for Disaster Reduction and Recovery (GFDRR), a global partnership program located in the Bank, has established strong ties with the Bank's country operations supporting its regional operations to expand country-level technical assistance activities in disaster risk reduction and climate change adaptation, including in small states.[25] The evaluation found significant evidence of possible GFDRR impact in terms of improving attention to disasters in WBG country strategies. It also noted that the GFDRR needs to continue to deliver support at the national and local levels, where nearly all DRR action takes place, as well as to support global and regional public goods (such as global knowledge and regional coordination).

18. **IEG Evaluation work on building institutional capacity, a particular weakness in small states, may also hold useful lessons.** Findings from a 2006 OED report on capacity building in Africa found a need for attention to four areas: (i) addressing the fragmentation of most institutional capacity building support; (ii) strengthening sector-specific capacity building approaches; (iii) fuller and more effective utilization of tools and instruments[26]; and (iv) customizing adequate quality assurance of institutional capacity building initiatives.

ATTENTION TO PARTNERSHIPS, CAPACITY, AND GENDER ISSUES

19. **Partnerships play a particularly significant role in the delivery of WBG support to small states.** Multi-donor trust funds (MDTFs) and other partnership modalities, which allow the WBG to extend and scale up its support beyond the traditional country support instruments, take on particular cogency in small states[27]. Partnerships can help address specific challenges. For instance, the Climate Investment Funds (CIFs), GEF, and GFDRR, as well as specific regional programs such as the Pacific Region Infrastructure Facility (PRIF), help scale up WBG support to the OECS and the Pacific island states through technical assistance and investments in the areas of adaptation to climate change, disaster risk management, and infrastructure development. Partnerships also help develop and pilot innovative approaches to development challenges facing the countries. For example, the Caribbean Catastrophe Risk Insurance Facility (CCRIF), an insurance mechanism developed by the WBG and funded by bilateral donors, is a multi-country risk pool that uses parametric policies backed by both traditional and capital markets, now replicated in the Pacific islands through the Pacific Catastrophe Risk Insurance Pilot. Networks,

---

[25] Review of the GFDRR, IEG, 2012.

[26] "The Bank's traditional tools—technical assistance and training—have often proved ineffective in helping to build sustained public sector capacity. The Bank is not fully utilizing all its available instruments to improve public sector performance. Economic and sector work does not contribute to public sector capacity building as much as it is expected to, or could. Programmatic lending has so far been used more effectively to enhance strategic planning than to build sustainable capacity to manage sectors and deliver services. The World Bank Institute has not yet completed its transformation from individual training to capacity building." (Capacity Building in Africa 2006 OED report, Executive summary p. viii)

[27] For the purposes of this evaluation, a partnership refers to an arrangement—typically involving dedicated funding and common objectives for collective action—between two or more legally autonomous entities. Partnerships may be collaborative, transactional, and/or networking in nature, they may have global, regional, or single-country focus, and the sharing of accountability for results may vary.

some regional, facilitate knowledge sharing in various policy areas. The Small States Forum, organized by the World Bank, fosters the exchange of good practices among senior small state policy-makers while promoting increased integration of small state interests into the policies and programs of the international community.[28] Finally, many partnerships serve as mechanisms for WBG to coordinate with other development partners of small states (most intensively for the SIDS), including the UNDP, the EU, Canada, Australia, and New Zealand.

20. **The CCPE will mainstream attention to the full range of partnerships and MDTFs used by the WBG to support the countries' development.** In so doing, the evaluation will respond to the WBG Strategy's emphasis on "global engagements" and help further IEG's programmatic objectives of deepening the evidence base on what works and promoting learning and potential course corrections in the area of partnerships. While an exhaustive evaluation of individual partnership programs and MDTFs is not envisioned (although existing evaluations will be drawn upon to the extent possible), the CCPE will assess how partnerships and MDTFs have supported the WBG's goals and mission in the selected small states, and how the WBG has performed in its partnering functions. The full spectrum of Bank and IFC partnerships, both global and regional—ranging from formal programs to loose coordination mechanisms among development partners and relations with major trust fund donors—will be considered.

21. **The CCPE will also examine whether and how the WBG has addressed institutional capacity limitations and gender issues in its delivery of support to the selected small states.** Findings in both the general and the evaluation-specific literature on small states point repeatedly to the cogency of institutional capacity limitations, and to the need to take adequate account of them in designing and delivering support to small states. Consequently, the issue of institutional capacity limitations, how it has impacted on the effectiveness of WBG support, and how such support has endeavored to address institutional capacity, will figure as a cross-cutting theme throughout the CCPE. In addition, while findings from previous evaluations and the general literature do not point to gender issues as being a small-state-specific problem, the CCPE will nevertheless devote attention to these issues, examining in particular to what extent the selected small states' development challenges take on gender dimensions in relation to the WBG's larger country clients, and to what extent and how WBG support has focused on, and endeavored to address, such dimensions.

WBG SUPPORT FOR SMALL STATES

22. **Delivery of support to small states confronts challenges.** Bank Group teams face particular challenges in planning and executing assistance programs in small countries. These include the need: (i) to respond to complex multi-sectoral development issues with limited budgets and staff;[29] (ii) to deal with severe institutional capacity limitations; and (iii) to ensure cost-effectiveness of lending operations where overall project size is small.

---

[28] Another partnership program, the Caribbean Growth Forum (CGF), facilitates public-private dialogue around issues central to private sector development and growth in the region.

[29] While the evaluation will endeavor to bring out any issues on staff incentives that emerge strongly from the analysis, a detailed analysis of staff incentives is beyond the scope of the CCPE.

23. **Several WBG initiatives, provisions, and/or instruments are aimed at addressing small states' unique development challenges.** In recognition of their vulnerability to economic shocks and natural disasters, thirteen small states are currently granted access to IDA funding (despite having GNI per-capita levels above the IDA operational cutoff) under the "small islands economies' exception", a provision that has been in place since 1995. Moreover, under IDA-16 the terms of IDA funding for countries under the small island economies exception were changed from blend to regular IDA credit terms, which resulted in longer maturities and grace periods as well as suppression of interest. Provision has also been made to enable small states to leverage significantly more financing from the Bank's budgets regional programs (at the VPU level) compared to larger IDA clients. In addition, the minimum base allocation per country under IDA's Performance Based Allocation (PBA) system has gradually increased from SDR1.1 million per year under IDA-14 to SDR3 million per year under IDA-16 and to SDR4 million per year under IDA-17, giving many small states—which, by virtue of their size, have allocations that are not far above the minimum—proportionally larger allotments. Besides the traditional lending and advisory support, a number of innovative financing instruments have also been deployed to support small states in the area of sovereign risk management. Examples include weather derivatives against drought risks, call options to help cap the price of maize imports, regional risk pooling schemes and other approaches to leverage concessional funds for adaptation to climate change and mitigation of the impact of natural disasters. Attachment 2 provides a more detailed discussion of the specific initiatives and instruments from which small states benefit.

24. **Using these as well as more general support modalities, the WBG has provided small states with significant lending and analytical support.** During the period FY05-14, the World Bank made US$2.5 billion in new commitments, and disbursed US$1.8 billion, to small states. Eighty-three percent of the commitments and 95 percent of the disbursements during this period were from IDA/IBRD funds.[30] Bank lending to small states for regional projects comprised an additional 37 commitments totaling US$202 million, directed primarily to the small states in the Pacific and the Caribbean. Among other things, the support to regional projects sought to promote telecommunications and ICT development, strengthen labor markets, and provide catastrophe risk insurance to mitigate the effects of natural disasters. The sectoral composition of new lending commitments to small states during FY05-14 is dominated by economic policy, energy and mining and transport. Bank assistance to small states through analytical and advisory activities (AAA) likewise had a high proportion of products covering economic policy but also covered a wide range of other areas, including: expanding and improving service delivery for health and education; enhancing the effectiveness and efficiency of public spending; and fostering an improved investment climate and private sector development.

25. **IFC involvement in small states over FY05-14 included the provision of technical and advisory services as well as investments, while MIGA had very small engagement.** To at least 25 of the 34 small states, IFC provided advisory services in the areas of sustainable business, the investment climate, access to finance, and Public-Private Partnership (PPP)

[30] The remainder came from Trust-Funded activities.

transactions. The IFC investment portfolio included at least 50 investment operations in 21 small states amounting to about US$630 million. The main sectors of focus for IFC investments in small states were finance and insurance, accommodation and tourism, and information technology, which together accounted for about 70 percent of total investments. The small states with the largest share of IFC investments included Trinidad & Tobago, Maldives, and Montenegro. Attachment 2 presents and discusses the WBG portfolio in small states over the period 2005-14 in greater detail. Multilateral Investment Guarantee Agency (MIGA) involvement in small states has been very small, comprising just one active and one proposed MIGA guarantee over the evaluation period. One is the $427 million Doraleh Container Terminal S.A.R.L. in Djibouti; the other is an $82.9 million proposed HBD Ecotourism Development project in Sao Tome.

II. Purpose, Objectives, and Audience

26. **The purpose of this evaluation relates closely to the two objectives in IEG's results framework**. First, in terms of "what works", the evaluation will seek to deepen evidence about the results of WBG programs and activities—including financing operations and analytical, advisory, and technical assistance work—in selected small states, notably their relevance and effectiveness in terms of helping to increase resilience and to improve competitiveness—in enhancing growth, social inclusiveness and well-being, and sustainability, against the backdrop of the WBG's interim target of 9 percent extreme poverty and progress on shared prosperity by 2020. The assessment of relevance and effectiveness will extend to the many partnership arrangements in which the WBG has been involved, notably in the Caribbean and Pacific regions, as well as to addressing institutional capacity and gender issues. Second, the evaluation will seek to facilitate real-time learning on the effectiveness of the various forms and aspects of WBG support to the selected small states (in terms of helping this client segment tackle key development challenges), thereby informing the design of future strategies and results-/evidenced-based operations. While the emphasis of the evaluation will be on learning, as a CCPE it will nevertheless retain some focus on accountability at the country or regional program level.[31]

27. **The CCPE is expected to be of interest and use to WBG and other development practitioners as well as to policy-makers.** The intended audience for the CCPE consists primarily of the relevant Bank Group practitioners. This includes practitioners at the operational country program level as well as among the global practices (notably in environment and natural resources; macroeconomics and fiscal management; trade and competitiveness; transport and ICT; and rural development and resilience), certain cross-cutting solutions practices (notably in climate change and fragility) and the broader corporate level (notably OPCS, which houses the coordination function for the WBG's work on small states). Nevertheless, CCPE findings are also likely to be of interest to other development practitioners, both in-country and among

[31] One distinction between country program-level evaluations (whether clustered or not) and corporate-/thematic-level evaluations is that the former help foster some accountability at the country program level, whereas this is typically not the focus of the latter.

development partners, both bilateral and multilateral. At the policy level, WBG shareholders, including the Board of Executive Directors, may have interest in CCPE findings, given their traditional interest in, and support for, special provisions and initiatives to address the challenges facing small states. Similarly, policy-makers in the small states themselves—as well as in countries with populations exceeding the strict 1.5 million threshold but sharing many of the smallness-related characteristics and challenges—may find CCPE findings useful. In order to gauge interest among potential audiences and ensure that interested parties have access to CCPE findings, it is envisioned that IEG would use mechanisms for knowledge-sharing, such as the Small States Forum and the Caribbean Growth Forum, to publicize and facilitate debate around CCPE findings (Section VI).

III. Evaluation Questions and Coverage/Scope

Coverage and selection criteria

28. **Three initial criteria—population, income level, and World Bank borrower status—narrowed down the pool of small states from which the CPE countries were selected.** The pool from which WBG country programs were chosen for CPEs was restricted to the group of countries meeting the following criteria: [32] (i) a population of less than 1.5 million in 2013;[33] (ii) a low- or middle-income classification;[34] and (iii) active IDA and/or IBRD borrower status.[35] This gives a pool of 30 low- and middle-income small states with fewer than 1.5 million inhabitants that are active Bank borrowers.[36] While small, they nevertheless account for a significant percentage of current IDA/IBRD client countries. (Attachment 3 provides the list of small states together with a tabulation of these and other criteria by region.)

29. **The CPE countries were then purposively selected from this pool based on several considerations.** The pool displays considerable diversity with respect to location, geography and income levels. Three criteria were used to select the focus countries:

- Criterion 1: Representation of the three main regions where small states are clustered (Caribbean, Pacific, and Africa including the Indian Ocean).
- Criterion 2: Representation of different geographical types.

[32] A WBG country program is defined to include all regional operations and other multi-country activities benefiting the country in question.

[33] This excludes Gabon, Gambia, Guinea Bissau, Namibia, Botswana, Lesotho, and Jamaica.

[34] This excludes Bahrain, Brunei Darussalam, Cyprus, Estonia, Iceland, Malta, Qatar, and San Marino, Equatorial Guinea, The Bahamas, Barbados, and Trinidad and Tobago. Note that St Kitts and Nevis and Antigua and Barbuda were retained as they are part of the OECS.

[35] This excludes the Bahamas and Barbados.

[36] An exception arises with Antigua & Barbuda and St. Kitts & Nevis, which are retained in the pool in spite of being high-income countries. The anomaly arises because the countries are members of the OECS, which the Bank Group serves through a regional partnership strategy.

- Criterion 3: Representation of a range of income levels (within the middle-income classification, where small states are concentrated)

Three additional criteria were then used to filter the focus country selection:

- Criterion 4: Exclusion of country programs that have been covered by IEG evaluations in the past few years.[37]
- Criterion 5: A significant Bank lending program (at least 15 operations during the evaluation period) and analytical work
- Criterion 6: Representation of at least one program in which the Bank Group has taken a regional approach (an added bonus of selecting a cluster of countries that the WBG has served regionally is that it also helps increase the evaluation's country coverage).

30. **Based on these criteria, the WBG programs serving the six OECS countries and the Pacific islands (with a specific focus on Samoa and Tonga), respectively, were selected for R/CPEs, while the WBG programs in several African small states were identified for a more selective assessment[38].** The WBG and other international organizations recognized small states (both islands and other small states) as a country group that require tailored support given their unique challenges. For this reason, country selection includes examples both of islands and non-island states to capture the different challenges that they face. Subject to the available resource envelope, the possibility of looking at WBG support to one or more additional non-island small states will be considered in the course of CCPE preparation. Attachment 5 provides a profile of the OECS countries, Samoa, as well as selected African small states—Cabo Verde, Djibouti, Mauritius, and the Seychelles.

EVALUATION FRAMEWORK AND RESULTS CHAIN

31. **In light of their clustering and planned synthesis, a common framework will underpin the approach and evaluation questions across the country or regional programs.** Country or region specific strategic objectives notwithstanding, given the planned distillation of evaluation findings across the program evaluations, there is a premium on assuring some degree of comparability and aggregation potential across them. As a result, while each country or

---

[37] For example, Timor-Leste was excluded on the grounds that IEG reviewed the WBG program there in a 2010 CPE. Similarly, in light of IEG's 2013 evaluation of WBG support to Fragile and Conflict States, both the Solomon Islands (which served as a case study in that evaluation) and Comoros (which did not) were excluded.

[38] The selected small states encompass: (1) three regions—Africa, East Asia and Pacific, and Latin America and the Caribbean; (2) some geographical diversity, with mostly island countries but also one coastal country (the only landlocked small state with a significant work program, Bhutan, had initially been considered for a full CPE but in the course of the review process its characteristics were judged too *sui generis* to yield many lessons applicable to other small states); (3) lower- to upper-middle income status—the pool includes only one small state with low-income status, Comoros, which was not included in our selection as it is a fragile state (see criterion 4). In addition, (4) there is little recent IEG evaluation work at the overall program level on the selected countries. IEG last assessed the WBG Pacific islands and OECS programs over ten years ago; (5) all selected countries display a significant work program (see Table 3), both in terms of financing commitments and number of operations and of analytical work; (6) the CPE for the OECS and in part the Pacific islands will be approached regionally.

regional strategy will have its specificities in terms of strategic objectives or pillars and results sought which the evaluation will take full account of, these will be mapped to a common but flexible two-pillar taxonomy—with an underlying results chain linking inputs, outputs, outcomes, and long-term goals—developed for the purposes of the evaluation.[39] The two organizing strategic objectives or "pillars" under this taxonomy are: (i) building greater resilience to economic and natural-hazard-related shocks and enhancing sustainability; and (ii) enhancing competitiveness in order to foster strengthened and sustained growth and job creation (see Figure 5). Governance in the public and private sectors is a cross-cutting issue that will be addressed under each sub-objective. In particular, many aspects of public sector governance will be addressed under the heading of fiscal and public debt sustainability.

32. **The program evaluation exercises will also devote particular attention to specific WBG provisions, instruments, and initiatives serving small states, as well as to WBG partnerships and support for gender and capacity building.** Each of the program evaluations will look into and assess the effectiveness of the small state-specific corporate instruments, programs, and initiatives that the Bank Group has developed over the years. Have these instruments, programs, and initiatives helped the Bank Group achieve its relevant objectives, efficiently, in extending support to small states? Given limited capacity, close coordination with other development partners and adopting measures to place the countries at the center of aid coordination is essential. Hence, the CPEs will also pay particularly close attention to how effectively the WBG has used partnerships in providing support to, and in meeting development objectives in, small states. They will also examine the extent to which WBG support has focused on gender aspects of the countries' development. Finally, given the particular relevance of capacity limitations to the challenges confronting small states, the program evaluations will pay close attention to the extent to which WBG programs have addressed capacity limitations and focused on capacity development, and to how effective such efforts have been.

33. **A results chain encompassing the structural interdependence of the challenges confronting small states will underpin the evaluation questions.** One of the most telling difficulties to which these challenges give rise is volatility, which in the long run impedes growth, increases poverty, and worsens income inequality. Hence, one immediate priority for small states is to build resilience. The framework's first pillar will assess the relevance and efficacy of the WBG program in helping to: (i) tailor macroeconomic policies to provide greater resilience to macroeconomic shocks and restore fiscal and public debt sustainability; (ii) enhance resilience against natural disasters and climate change; and (iii) protect and improve human capital through human development and social protection policies, notably by strengthening the population's ability to cope with shocks. In addition, small states have by and large not shared the improved economic growth performance of larger countries in recent years. Given that small states' poorer growth performance relates in part to the high volatility of their growth, policy measures to improve resilience through sound economic and human development policies and to

---

[39] The common framework was developed based on a review of applicable CPSs in the focus countries. Of course, not all country programs need display activities under every one of the sub-objectives of the 2 pillars as set out below. When assessing the overall Bank Group strategy over FY05-14 in each country case, the team will review the appropriateness of the choices made as to what areas to cover (selectivity).

enhance capacity to adapt to and mitigate environmental shocks would contribute to better growth performance. But this alone will not suffice. Small states can also take a number of steps to overcome their size limitations and improve competitiveness to foster more sustainable and inclusive growth, which would require careful attention to structural inefficiencies. The second pillar will assess the relevance and efficacy of WBG support in helping to foster more sustainable and inclusive growth through: (i) trade and exchange rate policies to help small states adapt to the changing global environment; (ii) reforms to improve the overall business climate to enable small states to take advantage of new opportunities from globalization; (iii) reforms to strengthen the financial sector; (iv) reforms to improve the delivery of infrastructure services; and (v) tailored measures for leading or high-potential sectors.

Figure 5. Results Chain of Activities to Address Small States' Challenges

Long-term Goals	• Eradicate extreme poverty and foster shared prosperity in small states.
Outcomes	• Build greater resilience to economic and natural-hazard shocks and enhance sustainability • Enhance competitiveness for strengthened and sustained growth and job creation
Outputs	• Improved macroeconomic policies that provide greater resilience to shocks • Improved fiscal and debt sustainability • Improved public finance management to help manage shocks • Improved capacity for disaster and climate change preparedness and mitigation • Greater financial sector soundness and deepening • Structural reforms to enhance competitiveness, including improved legal and regulatory frameworks for private business; strengthened physical and virtual connectivity (infrastructure/ICT); increased linkage of local companies to multinational corporations, global value chains, export markets • Improved public service delivery and institutional capacity • Regional integration and/or cooperation mechanisms to improve resilience and competitiveness • Improved development and protection of human capital
Inputs	• Regional, sector and country strategies and programs (lending,-AAA, TFs) • Partnership with relevant entities (global, regional, country)

Source: IEG Staff

EVALUATION QUESTIONS

34. **This section presents a set of standard questions for each sub-objective under the two pillars.** Given the heterogeneity in Bank interventions in supporting these objectives, a series of specific questions have been developed that would be used for reporting on evaluation outcomes under each sub-objective, depending on Bank interventions in the three (sets of) countries. It is important to emphasize the questions will vary in terms of their immediate

relevance to the particular country or group of countries concerned. For example, while issues of restoring fiscal and debt sustainability hold particular cogency for the OECS countries, they may have less immediate relevance to the Pacific island states. In addressing the various questions, the R/CPEs would also review whether WBG support encountered tensions between regional and country approaches and tried to set incentives for the former. In addition, the evaluation will pay due attention to the efficacy of cross-sectoral collaboration, which is particularly important in the context of small states given the limited overall resources. For example, in assessing support for improving outcomes and fostering prevention in the health sector, the evaluation will ask whether and how effectively the Bank supported not only measures to support the supply side but also initiatives to strengthen the demand side through community-based interventions (e.g., linked to social protection programs).

35. **Pillar 1**: **The over-arching question concerns the relevance and effectiveness of the WBG programs under review in helping the countries build macroeconomic, environmental, and social resilience.**

36. **Area 1.1. Was the WBG relevant and successful in helping the countries tailor their macroeconomic policies to achieving greater resilience to macroeconomic shocks as well as to restoring fiscal and public debt sustainability?**

37. **Unsustainable fiscal policies correlate with volatility.** A number of the countries, notably in the OECS, are currently pursuing unsustainable fiscal policies that contribute to instability. In addition, natural disasters and other exogenous shocks have had a devastating fiscal impact, prompting the countries to borrow and thereby build up sizeable public debt stocks. As a result, roughly half of small states in general, including many of the OECS countries, are currently facing high debt ratios, which further subdues their growth performance and impedes their ability to respond to future natural disasters and shocks. High debt also restricts their fiscal space for countercyclical spending, resulting in higher borrowing costs because of the higher risk perceived by markets. In addition, there is evidence that countries with high debt levels experienced deeper contractions during and following the 2008-09 global economic crisis than low debt countries.

38. **Has the WBG helped promote more sustainable fiscal management?** The Bank has recently rolled out a comprehensive debt framework in the OECS countries to address the interdependent structural causes of high debt, low growth, and natural disasters, structured around four building blocks: (i) private-sector led growth (discussed under pillar 2 below); (ii) fiscal management; (iii) resilience to natural disasters (discussed under area 1.2 below); and (iv) debt resolution. With respect to fiscal management, the WBG together with the IMF and other partners are supporting reforms to improve fiscal sustainability.[40] To what extent did such engagement endeavor to prevent and/or manage unsustainable fiscal policies and concomitant debt build-up? This section will also assess efforts to strengthen public sector governance and

[40] Remittances policies also impact the macroeconomic framework but will be reviewed under the social resilience sub-objectives.

performance, and to reduce the impact of the public sector (including state-owned enterprises (SOEs) and quasi-fiscal risks) on the limited fiscal space.[41]

39. **Was WBG support for debt management relevant and effective?** The WBG is also providing support to several small states to improve their debt management, frequently a subject of discussion during the Small States Forum. One framework that the WBG has deployed is the Debt Management Performance Assessment (DeMPA), which shows that small states tend to perform significantly worse than other developing countries in debt management, in part due to institutional capacity constraints. The R/CPEs will assess the usefulness of this diagnostic tool as a guide to governments in the formulation of debt management strategies and risk assessments.

40. The questions stated in the table below will aim at assessing the role of the Bank in trying to prevent/manage high debt and bad fiscal policies

Supporting Macroeconomic Resilience:
• How effective was the WB in its interventions in assisting small states in designing and implementing policies and institutions promoting macroeconomic stability and fiscal sustainability in a context characterized by recurrent shocks (e.g. Commodity price fluctuations, environmental shocks)? • To what extent did the WB program reflect small states' exposure to high commodity price volatility? How timely was the Bank's policy advice in light of volatility of the countries' circumstances? Was the program sufficiently flexible to promptly reflect the changes in the macroeconomic environment? • Did the Bank program contribute to improving the effectiveness of government expenditure, to supporting more efficient tax systems, to improving debt management and restoring debt sustainability, and more generally to improving public sector governance and performance?

41. **Area 1.2. How effective has WBG support been in helping to enhance small states' resilience through better disaster risk management, climate change adaptation, and more sustainable use of resources?**

42. **Has WBG support helped reduce vulnerability to natural disasters?** Small island developing states (SIDS) face the highest vulnerability to natural disasters. Half of the 25 countries with average annual natural disaster-related losses exceeding 1 percent of GDP are SIDS (United Nations and World Bank, 2010). Moreover, natural disasters are more likely to affect the most vulnerable members of society, especially women and the poor (IEG, 2012). The WBG has made reducing vulnerability a central part of its strategies for dealing with many small states, as well as a core area of interest for IDA. The R/CPEs will examine the WBG's record in helping the countries in question reduce their vulnerability to natural disasters.

43. **Has WBG support helped build resilience to the effects of climate change?** Many small states and especially island countries face high vulnerability to the effects of climate change. Much of this will come from increases in natural disaster hazards—more intense cyclones and more frequent floods. But there are additional threats posed by climate change, going beyond disaster risk management. Changes in precipitation patterns and loss of snow mass

[41] As with other subjects, coverage of this issue will be determined by the extent to which the Bank Group has been, or should have been, involved in this area.

may increase water stress and the need for storage, or may dramatically change the economics of hydropower. Infrastructure may need to be designed differently to cope with a changing climate. And sea level rise means that coastal areas face higher exposure to a range of disasters; in extreme cases, some low-lying island states face existential threats. The CPEs will assess the extent to which the WBG is helping countries to build resilience to climate and grapple with climate threats.

44. **Has WBG support fostered better environmental and natural resource management policies?** Many small states face particular challenges in other areas of environmental sustainability and natural resource management. As a result of their remoteness and isolation, they may be particularly reliant on local resources, especially for water supply. Natural resources such as fisheries constitute a large portion of the economy for many of the island and coastal states[42], and face a number of governance challenges. Tourism activities are also reliant on natural resources, and consequently on effective environmental regulation and management. Hence, the report will assess whether the countries and the Bank have paid enough attention to the sustainable use of natural resources. The CPEs will assess the extent to which WBG support has helped strengthen environmental policy and natural resource management and governance.

Supporting Environmental Resilience

Disaster risk management:

- Has the Bank worked effectively to increase country capacity to respond to and cope with natural disasters?
- Have Bank interventions helped to reduce the risk from future disasters as well as supporting disaster response? For example, has the Bank helped countries to reduce disaster exposure through land use planning, zoning, or other interventions?
- Has the Bank worked effectively to help countries manage their financial and economic exposure to natural disasters through financial instruments? Are these efforts cost-effective?
- What progress is being made on efforts to adopt regional approaches?
- What role have partnerships particularly with the Global Facility for Disaster Reduction and Recovery had?

Climate change

- Are strategies and operations designed to help countries adapt to future climate change in addition to current climate variability?
- How do explicit climate change adaptation operations compare to mainstreaming approaches?
- Are physical investments being designed in a way that is sensitive to climate risks?
- How is climate and hydro-meteorological information being collected and used – is climate information operationally useful? How is resilience being measured in climate change adaptation operations, especially given monitoring and evaluation capacity constraints in small states?

Environmental sustainability and natural resource management

- Do changes in environmental policies lead to improved environmental outcomes?
- Have environmental protection efforts contributed to economic growth and poverty alleviation?
- How were safeguards and analysis of potential environmental and social impacts carried out in Bank Group operations?

45. **Area 1.3. How relevant and effective has WBG support been in improving the countries' social resilience through better education quality and enhanced labor force employability, improved health policy, and more effective social protection systems?**

[42] Shared resources like ocean fish stocks offer a major source of production, and therefore revenues to households and countries, and food security, as well as tourism revenues.

46. **How relevant and effective has WBG support been in helping the countries build up and retain skills, strengthening their overall capacity?** Many small states face special challenges in building up and retaining human capital. Public employment policies (especially high wages) and outward migration ("the brain drain") may limit the availability of skills to the domestic private sector. "Dutch disease" as a result of large inflows from remittances and primary exports may drive up wages, weakening private sector competitiveness. Unemployment, particularly among youth, is much higher on average than in larger countries at similar income levels, indicating a mismatch between the skills produced by the education system and those demanded by the economy. Labor market policies must thus focus on both supply of and demand for labor, especially for skills critical to key sectors.

47. **How relevant and effective has WBG support been in helping the countries strengthen health policies and systems to protect and enhance human capital?** Some small states have made good progress towards health MDGs, but a number of small states remain off track with respect to infant and under-5 child mortality as well as maternal mortality (see Figure 3). Adolescent fertility rates have remained high. Child malnutrition is one of the main human development challenges and is both a consequence and a driver of poverty in some small states. The incidence of non-communicable diseases and chronic conditions has increased rapidly. They require costlier treatment and account for a growing portion of health spending, thereby posing an increased fiscal risk for small states. Most small states do not have the fiscal capacity to invest in higher-cost specialist care; access to such services thus depends on regional collaboration.

48. **Was WBG support relevant and effective in helping small states shape social protection policies to increase social resilience?** Given the limited capacity and elevated vulnerability of most small states, a critical challenge is the delivery of social services and the provision of counter-cyclical support to adversely affected populations (e.g., through cash transfers). The CPEs will review the numerous safety net programs, social insurance schemes, and labor market interventions that the countries have put in place to address the needs of the vulnerable. In particular, they will assess whether the Bank helped countries design and implement efficient social safety net programs that show responsiveness to shocks and help protect the households from their negative consequences. The CPEs will also review how remittances may have enabled income diversification, thereby contributing to improved social resilience.

Supporting Socioeconomic Resilience
Education ▪ How relevant and effective has WBG support been in helping small states tailor their human development policies to improve the states' overall capacity? Has the WBG facilitated global mobilization of talent by small states? ▪ How effectively has the WBG assisted governments in establishing education, training, and public employment policies consonant with private-sector-led growth? **Health** ▪ How relevant and effective has WBG support been in helping the countries in strengthening health policies and systems to protect and enhance human capital? ▪ How has the WBG assisted governments in prevention? ▪ Has the WBG helped in identifying and managing cost drivers, and in reaping economies of scale from regional collaboration in addressing specific health care needs such as specialized care? ▪ How has the WBG assisted governments in establishing sustainable financing of the health sector? **Social Protection** • Was the Bank Group successful (relevant and effective) in helping small states shape social protection policies so as to increase social resilience? • Has the WBG helped the countries design and implement effective and efficient social safety net programs that respond to their unique challenges? Did these systems show responsiveness to shocks, protecting households against them? • How effective were labor market policies—including wage subsidies, training programs, job search assistance, self-employment assistance and unemployment benefits—to support employment, facilitate transition into labor markets (particularly for youth), and protect job losers? Did the WBG dialogue on labor market policies follow the MILES[43] framework? Did the dialogue encompass a focus on migration and remittances?

49. **Pillar 2: The overarching evaluation question concerns the relevance and effectiveness of WBG programs in helping the countries promote sustainable and inclusive growth through trade and exchange policies, a business-friendly environment, financial sector regulation, delivery of infrastructure services, and support to competitive industries[44].** It is important to recognize a certain element of arbitrariness regarding under which pillar the various areas are considered. For example, while education quality and skills is a critical determinant of long-term growth, this aspect of education policies has been subsumed under the first pillar, given that education contributes equally to building social resilience. Similarly, while remittances can be considered a potential component of income growth and source of income diversification, this aspect of remittances has been subsumed under the social resilience area of pillar 1. In addition to the questions set out under this pillar, the question of whether the WBG has supported development of a viable growth strategy will also be examined. This will include looking at possible cases where sustainable growth cannot realistically be part

[43] MILES stands for Macroeonomic policies, Investment climate, Labor regulation and policies, Education, and Safety nets.

[44] Although there is no intrinsic reason why CPSs/CPFs cannot account for IFC and MIGA activity, even if this is done through global programs, historically CPSs may not adequately account for IFC and MIGA activity. The R/CPEs will therefore look at all actual IFC and MIGA operations, as well as consider areas where such operations are absent despite the potential for them.

of the development solution. To what extent has the WBG engaged client countries on migration and remittances in seeking development solutions? Finally, jobs and employment, a major challenge in small states, is one of the most critical elements in the growth strategies of these countries. The evaluation will focus on the extent to which the Bank Group has endeavored to support employment generation—gender-disaggregated to the extent possible—throughout the various sections under pillar 2.

50. **Area 2.1. How relevant and effective has WBG support (in conjunction with the IMF) been in assisting the countries to manage their trade and exchange rate policies?** Several small states, including the OECS countries, use a pegged or tightly managed exchange rate to limit volatility, which can also have direct implications for the competitiveness of domestic industry. While devaluation can, in some cases, be highly beneficial for competitiveness, any benefits must be balanced against potentially adverse effects on income and wealth.[45] A key question is to what extent WBG engagement has encouraged such balanced and integrated policies. In general, openness to foreign trade (including low protection) is important to domestic industries integrating into regional and global value chains and achieving scale economies not available by serving local markets alone. Balancing the opportunity presented by linking the economy to global markets with the vulnerabilities this creates to shifts in global demand and prices poses a critical policy challenge. In some cases, regional cooperation may overcome some diseconomies of small scale. Facilitating efficient trade through appropriate investments in infrastructure (or creating a conducive environment for private investment) is also important to reduce transaction costs. In some cases, regional cooperation can help. Finally, governments face challenges in removing bottlenecks to flexible private sector responses to price signals and relative price changes.

51. **Area 2.2. Has the WBG—through advisory, investment, lending, and/or policy dialogue work—provided relevant and effective support to small states in promoting an appropriate legal and regulatory framework for market-led growth?** The literature suggests that, given the need for access to global markets, small economies generally need a higher degree of openness and responsiveness to international markets than do larger states, where businesses can achieve economies of scale through domestic markets. This requires a high degree of resource mobility and competitiveness, which relies not only on a liberal trade regime, but also: (i) low transactions costs in starting, operating and closing a business; and (ii) effectively and efficiently regulated input and factor markets. Promoting openness, facilitating resource mobility, encouraging inward investment, and enhancing competitiveness all depend on a legal and regulatory environment that facilitates efficient transactions. IFC advisory services, World Bank AAA, policy dialogue, and both policy and investment lending operations have focused on strengthening conditions for private sector activities and employment creation.

[45] In order to succeed, devaluations require policy credibility of the state, and need to be accompanied by: (a) measures to discipline wages; (b) structural reforms to remove bottlenecks to investment and ensure a flexible private sector response to price signals; and (c) appropriate social safety net policies to protect the poor from the resulting impact on prices.

52. **Area 2.3. Has WBG support been relevant and effective in helping to build deeper and more competitive, yet stable and sound, financial sectors that can contribute to economic growth?** An efficient financial sector can provide vital services in mobilizing and intermediating finance in support of economic growth. Yet financial sectors in small states are often shallow and/or uncompetitive and inefficient. Financial sector development must always proceed with an eye towards risk, as financial sectors can serve as transmission mechanisms of global shocks or sources of domestic ones. Further, weakly regulated financial sectors can become (international) havens for tax evasion or money laundering, generating strong negative externalities globally. Balancing prudent regulation with the need to broaden and deepen the sectors requires sound analysis and strategy, good advice and capacity-building, and use of good practices to promote competition in service of a stable and competitive system providing a full range of financial services. Regional financial organizations (such as the Eastern Caribbean Securities Regulatory Commission) and initiatives (such as the IFC-backed Pacific Microfinance Initiative) may be able to help overcome the inability to realize scale economies and high transaction costs of small-volume financial markets.

53. **Area 2.4. Has the WBG support been relevant and effective in helping to mobilize public and private resources to provide the basic infrastructure (including ICT) needed to underpin economic development, overcome geographic isolation, and increase resilience against environmental and weather-related risks?** In infrastructure, the countries face both the challenge of providing basic services to their populations and that of connectivity to the global economy. Although the limited surface area of the countries may afford an advantage in providing infrastructure coverage, their limited scale and resources as well as (in many cases) their physical isolation can pose critical challenges. In addition, policies to support the public sector/SOEs in the provision of goods and services have often led to inefficiency and weak regulation, and discouraged private sector participation in the broader economic activities. Furthermore, while technological advances in ICT and transport hold the hope of ending the effective isolation of more remote economies, this requires sound policy and regulatory frameworks, investments (whether public or private) and the human capacity to both operate and take advantage of such systems. Where geography and politics allow, regional approaches (such as IFC support for investments in regional airline and ICT services in the Pacific and the World Bank's Telecommunications and ICT Development Project for Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent & the Grenadines) can sometimes overcome some of the limitations of smallness.

54. **Area 2.5. Finally, has WBG support for leading or high-potential sectors been relevant and efficient in building competitive, globally or regionally integrated industries?** While most WBG support to the private sector focuses on enabling conditions, some—such as World Bank support to agricultural competitiveness in Samoa—is targeted to specific sectors.

55. Taking into account heterogeneity in country support to achieve this objective, a set of more specific questions, detailed below, could be pursued under this pillar.

Pillar 2 : Fostering sustainable and inclusive growth

Trade and Exchange Rate Policies

- Did Bank support balanced and integrated exchange rate management policies?
- Has it supported appropriate infrastructural investments to facilitate trade and remove critical bottlenecks for key sectors?
- Did Bank Group interventions contribute to advancing the small states' capacity to specialize in goods and services, building on resource abundance or high value-added niches?
- How did these interventions impacted employment generation?

Business Friendly-Environment

- Was Bank Group support well adapted to small states' context and did it contribute to strengthening conditions for private sector activities and employment creation?

Financial Sector

- Has the array of WBG support (from country to regional initiatives) provided a coherent, balanced, and well-tailored approach for small states—balancing the need for prudent regulation with the need to broaden and deepen the sector with competitive institutions providing a full range of financial services?
- Did country strategies effectively balance the need to serve long-term development with the need to insure against shocks?
- Did the institutions of the WBG coordinate well with each other and with other key players in this domain?
- How have Bank interventions impacted employment generation?

Infrastructure

- Do the diverse WBG interventions including those targeting SOEs, taken together, comprise a coherent and successful strategy for small states?
- Did these interventions including those targeting SOEs, contribute to improving the connectivity of the small states in question (transport, ICT)?
- Did these interventions including those targeting SOEs, contribute to lowering electricity prices and diversifying energy supply?
- Did Bank interventions including those targeting SOEs, help in strengthening the overall regulatory environment?
- How have Bank interventions in infrastructure impacted employment generation?

Competitive Industries

- Did WBG efforts to strengthen key sectors (such extractive industries, fisheries, agribusiness, tourism and manufacturing) yield growth and jobs?
- Were Bank Group interventions targeted to specific sectors purely opportunistic, or strategic in integrating with national or regional development strategies?
- Were these interventions effective in promoting increases in exports or domestic market share?
- Do such sectors generate important linkages and jobs?

56. **Other—cross-cutting—evaluation questions will examine how the WBG has used partnerships, including MDTFs, and how it has endeavored to address gender aspects and capacity limitations, in providing its support to the countries.** What are some specific achievements of partnerships and MDTFs in the countries covered by this evaluation and how do they align with the development needs of the countries (as reflected in country/regional assistance strategies)? Has the WBG used partnerships and MDTFs in a manner that is congruent with its objectives and business needs, and enhanced its ability to assist clients? Has the WBG performed well in the many partnering roles that it performs (host, convener, trustee, implementing agency, chair, and so on)? Has the WBG collaborated effectively with partner

agencies? Were teams working in small states able to manage their various trust funds as a pot of funds?[46] Regarding gender, did the WBG recognize gender issues and impacts in country strategy documents and track any gender-specific outcomes in its results frameworks for the small countries? Did the Bank undertake any gender-focused analytical work? Have Bank programs been effective in identifying and achieving gender-based outcomes related to human development, economic empowerment, and voice and participation in the countries? Did Bank country and regional partnerships focus and have an impact on gender issues (e.g., through collaboration with ministries, participation in multi-stakeholder initiatives, and analysis of gender dimensions)? Finally, regarding institutional capacity limitations (see Box 1), to what extent did country/regional strategies diagnose and focus on these aspects? To what extent did capacity limitations "drag down" portfolio quality in the selected countries? How did WBG programs endeavor to address these limitations? What instruments and design features[47] did the WBG use, and with what results?

[46] The transaction cost of identifying, applying for, implementing, and reporting on TFs usually differs for every TF.

[47] The CCPE will look at models used to address capacity constraints and help implement Bank-supported projects in the countries. For instance, the experience of both Grenada and St. Lucia, which rely heavily on PMUs to coordinate the implementation of Bank-supported projects, may hold lessons for other countries.

Box 1. Building Institutional Capacity

Recognizing that building institutional capacity is a long-term process requiring a systemic approach, demand for improved public sector performance, and supply of well-structured organizations with appropriately skilled personnel, the R/CPEs will assess the extent to which:

- Capacity building approaches are customized to country conditions: Have R/CPSs identified public sector capacity building as a core objective? If this is the case, have the areas selected in which to help build capacity resulted from an adequate evaluative assessment[1/] of capacity needs to prioritize needs, ranging from the most immediate binding constraints to long term capacity requirements? Has this resulted in an appropriate sequencing of measures aimed at institutional or organizational change as well as individual skill building?
- Capacity building approaches are customized to sector characteristics and have benefited from adequate quality assurance at the design stage, both for lending and analytical work: Challenges across sectors vary. Hence the R/CPEs will assess whether the design of capacity-building initiatives was relevant, taking into account for example the mode of service delivery in the targeted sector (e.g., decentralization of service provision).
- Supported activities contributed to building sustained capacity: Have activities with major capacity building aims (ranging from sectorwide programs and budget support operations to more traditional tools such as technical assistance and training) helped build sustained public sector capacity? The team will also review the impact of projects that embed capacity building activities where capacity development may not have featured as an explicit objective.

1/ the OECD-DAC methodology guidelines for example suggest that "the best fit approach to capacity development calls for a systematic effort to think through what might work in the particular circumstances. This can be done by ensuring that adequate attention is given to both individual and organizational issues and to the enabling environment for capacity development at each stage in a process consisting of four main steps or recurrent tasks as follows […]" (i) Understanding the international and country contexts, (ii) Identifying and supporting sources of country-owned change, (iii) in delivering support, (in particular reaching agreement on the specific capacity development outcomes), and (iv) Learning from experience and sharing lessons.

METHODOLOGY FOR REGIONAL AND COUNTRY PROGRAM EVALUATIONS

57. **In order to answer these evaluative questions, the team will largely follow IEG's CPE methodology.** Country program evaluation exercises focus on the over-arching question of to what extent WBG support has achieved its relevant objectives, efficiently, over the evaluation period. Relevant sub-questions then address the relevance of the objectives and of the modalities for achieving them; whether individual activities, notably project or development policy loans, have attained their specific objectives; how effectively the various activities have come together as an overall program; how the portfolio has performed; and so on. A parallel and related—but distinct—overall question concerns how the WBG has performed in planning and delivering its support. Other questions typically addressed include program impact (irrespective of objectives), including unanticipated effects. The framework of reference for the evaluation work under a CPE typically derives from the country-specific WBG strategy document(s) and the results framework(s) that it (they) embodies(y)—which in each case has a customized structure of broad strategic objectives, often referred to as "pillars". Attachment 4 contains a summary of IEG's

country program evaluation methodology. The paragraphs below describe how this methodology is adapted at the regional level for the Caribbean and Pacific countries.

58. **The OECS countries will be covered through a regional program evaluation.** The six Organization of Eastern Caribbean States (OECS) independent member countries—Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines—have been consistently served by the WBG through a regional partnership strategy since 1995. Hence, a regional approach to the OECS program evaluation is consistent with the regional purview of WBG partnership strategies for the OECS for the past three strategy cycles. It also reflects the relatively high level of integration and cooperation among the countries, such as their shared currency and central bank. The proposed methodology for the OECS regional program evaluation includes an assessment of the various aspects of collaboration among countries[48] in particular the various integration or cooperation initiatives (e.g., on macro/trade/HD/environment/private and financial sector issues). Hence, the report will cover regional operations and AAA, but will also include an assessment of Bank engagement with and leveraging of regional institutions. In practice, the assessment will be conducted against the OECS regional partnership strategies' results matrices, which include both regional and country-specific objectives and outcomes, and the CPE methodology is easily adapted to the regional level in the case of the OECS countries. In addition, a correspondence between the regional strategy results matrices and the proposed common reporting framework is straightforwardly established (see Table 3).

Table 3. Regional Strategies in OECS over FY06-FY19

Pillar #	OECS RPS FY06-09	OECS RPS FY10-14	OECS RPS FY15-19
Pillar 1 :	Stimulating Growth and Improving Competitiveness	Enhancing Competitiveness and Stimulating Sustainable Growth	Competitiveness
Pillar 2 :	Reducing Vulnerability	Building Resilience	Public Sector Modernization
Pillar 3			Resilience

59. **The Pacific Island Program will be covered through a hybrid approach combining a selective assessment of the regional program and an in-depth assessment of the WBG programs in Samoa and Tonga**. The decision to adopt a hybrid approach to the evaluation of the Pacific Islands program reflects the WBG's strategic approach in the region. The Pacific island countries were served by the WBG through a Pacific islands regional strategy beginning in May 2000. However, since 2009, the Bank has been under pressure to give more visibility to countries and a set of individual country strategies have been prepared for Kiribati, Marshall Islands, Samoa, Micronesia, Solomon Islands, Tuvalu, reflecting a decision to focus WBG strategy at the country level. Despite this, however, the WBG has consistently adopted a regional

[48] To the extent that these were identified and supported by the Bank Group.

platform for its operational work and is preparing a new regional strategy for FY16. WBG programs are designed on a regional basis through a "platform approach", whereby critical areas of intervention (e.g., ICT, aviation, fisheries, or disaster response) are selected and projects (within a horizontal APL construct) developed that meet the needs of a significant number of islands. A particular sector is selected for its relevance to the region as a whole, and individual operations are then undertaken as a package at the country level with modest variations reflecting country realities. Thus, for example, if the Bank Group assigns priority to fisheries, then similar projects are undertaken in each island in the region for which fisheries is judged to be a high-potential sector. There are two regional institutions, the Pacific Island Forum and the Pacific Community, which take a regional view of programs and administer some economic activities on a regional basis.

60. The program evaluation in this case will assess the regional program, at the same time drilling down into the cases of Samoa and Tonga to assess its relevance at the individual Pacific island country level. Given this approach, the evaluation questions are firstly: Is the WBG adopting a strategy that is relevant and effective for the long-term development of the region as a whole? And is this strategy making an effective contribution to the individual countries in the region? To address these questions, the evaluation team will review both the earlier regional and later country strategies, and the team will visit and consult with the regional institutions. At the country level, the focus of the evaluation will be on Samoa and Tonga where the Bank has significant programs. Desk work and short visits (as needed) will be made to other islands to validate the more general applicability of the findings for Samoa and Tonga.[49] In particular, we plan to review selective aspects of the programs in Kiribati[50], notably those aimed at strengthening environmental resilience, using the findings from a recently completed PPAR. The Pacific Islands program evaluation will identify the special focus on Samoa and Tonga in its title, with sections dealing specifically with Samoa and Tonga under each of the sections of the two evaluation pillars and selected examples from other islands (as needed).

61. **The country and regional program evaluations will be supplemented by a briefer, more selective assessment of Bank Group support to African small states—Cabo Verde, Djibouti, Mauritius, , and the Seychelles.**[51] The achievement of selected outcomes stipulated in the results matrix of each country CPS will be discussed under the two-pillar framework of the

[49] For example, in assessing the tourism sector in Samoa, it is important to note that given the amount of subsidized finance provided to private tourist operators, the true private sector is limited. Under this environment, the sector responds poorly to market incentives (compared to the private sector in other similar PICs under the program). Therefore, work in Samoa has been limited and is not representative of the Pacific Tourism Program regionally. Therefore, we will cover IFC support for tourism projects in other Pacific islands selected small states through desk reviews and/or a field mission (depending on budget constraints).

[50] If budget constraints permit, we would consider a mission to Kiribati to assess other dimensions of the program for comparative purposes.

[51] As a reminder, only Mauritius and Seychelles, Cabo Verde, Comoros, Djibouti, Equatorial Guinea, Sao Tome and Principe, and Swaziland meet the defining population < 1.5 million criterion. Of these, Equatorial Guinea is oil-rich (hence an outlier, with a high per capita income of some $14,320 in 2013) and is not a recent Bank borrower, while Swaziland had adopted only two projects during the 2005-14 evaluation period. Comoros presently has an FCS classification, so was excluded on the grounds that IEG completed an FCS evaluation in 2013.

evaluation. Starting from an initial desk review of the programs and drawing on available self-evaluations (ICRs and CPSCRs) and IEG reviews, elements of the WBG programs that appear to have been particularly effective, innovative, or indeed ineffective (i.e., WBG program elements that offer potential learning value) would be identified. In so doing, balance would be sought across the countries as well as across the two pillars—resilience and competitiveness—and the areas under them. Based on more in-depth fieldwork, the usual CPE methodology (querying the extent to which these WBG program elements efficiently attained their relevant objectives) would be applied in order to confirm or contest the initial conclusions, and lessons would be brought out accordingly. Prior desk work suggests that the team will review bank activities to foster sustainable and inclusive growth (Pillar 2) in Djibouti/Mauritius/Seychelles/Capo Verde and selected measures to improve resilience under Pillar 1 (such as macro resilience in Cabo Verde, social protection in Seychelles and/or Djibouti, environment resilience in Djibouti).

62. **Hence, the assessment of the African small state experience will provide useful benchmarks when distilling CPE findings and drawing general lessons for the overall synthesis of evaluation findings.** For example, a range of effective policies and strategic investments—including some supported by the WBG—helped transform Mauritius into an upper-middle income country with a record of strong performance on economic growth and social indicators. The Seychelles provides an instructive example of successful adjustment during 2008-13 that reversed the previous setback of deteriorating conditions and performance.. The Bank has also provided a set of four PRSCs to Cape Verde, which, despite its many challenges and scarce natural resources, recorded one of the most impressive socioeconomic performances in Africa.

SYNTHESIS OF EVALUATION FINDINGS

63. **An overall "chapeau" report for the CCPE will pull together and interpret CPE findings in a broader small state client context.** Once the individual country/regional program evaluations and the selective assessment of WBG programs in African small states are substantially complete, the chapeau report will provide an overview and distillation of the findings. While its precise structure and content will be adjusted in light of how the evaluation work unfolds and the associated findings, it is envisioned that the synthesis will include certain key elements. One such element is a review of all WBG activities—including financing operations, trust-funded activities, and AAA— in small states in general using a methodology along the lines of that used in IEG's Regional Updates.[52] A second such element will be a distillation of findings regarding the pertinence and effectiveness of WBG initiatives, provisions, and/or instruments tailored—at least among other clients—to small states in general (or to a broad category of small states), such as the IDA "small island exception" clause and the Small States Forum. This will also imply looking into the WBG business model to assess for example the extent of use of simplified procedures to reduce transactions costs. The synthesis report will seek to compare unit cost measures in small versus non-small states. Using findings from

[52] This would include a full description and assessment of these activities by Bank Region based on a review of regional challenges and IEG evaluation findings—at the individual activity level (e.g., from ICR Reviews), at the country program level (e.g., from CPSCR Reviews and CPEs, including those completed under this CCPE), and using any relevant thematic, corporate, or global evaluations.

individual CPEs, the chapeau report will also discuss the implications of graduation to provide a comprehensive picture on how tailored WB financial support to small states has been. A third element would be a discussion of evaluation findings regarding the WBG's strategic approach in small states—assessing strategies along dimensions such as strategic relevance and selectivity of objectives, relevance of design, flexibility, the role of AAA, dialogue and participatory underpinnings, institutional development and capacity building, gender, assessment and mitigation of risks, monitoring and evaluation, and partnerships. A fourth element will be an overall assessment of the results that the WBG has helped achieve under the twin objectives of building resilience and fostering inclusive and sustainable growth. Finally, a fifth element will involve identifying lessons and recommendations with potential applicability beyond the small state programs covered in the CCPE.

IV. Evaluation Design and Evaluability Assessment

64. **The CCPE will draw on a broad range of informational needs and sources as well as data collection and analysis methods, which nevertheless have limitations.** The evaluation design matrix (see Attachment 6) presents the details of the various informational/data needs and sources, as well as of the various data collection and analysis methods to be used, in order to answer each of the main evaluation questions. As is standard in IEG CPEs, a combination of quantitative and qualitative data/information and methods will be used to address the evaluation questions, and the use of different information sources will allow "triangulation" in order to test robustness of findings. Nevertheless, even under ideal conditions of fully successful collection and analysis of information/data from all relevant sources, there are likely to be limitations—notably regarding causal attribution of country-level results to WBG support—on the extent to which the evaluation questions can be answered deterministically.

65. **Information/data needs encompass both factual evidence (qualitative and quantitative) and stakeholder views and opinions.** Factual information ranges from government policies and data on macro- and socio-economic conditions in the relevant country or countries (and comparators), to the findings of analytical work on small states in general, to the details of WBG strategy and activities (including Bank and IFC projects, MIGA operations, economic and sector work, trust-funded activities, and so on) in the country or countries. Necessary details regarding WBG strategy and activities include the relevant country/regional strategy and project-specific results frameworks, implementation and results details (including outturns in relation to outputs and outcomes targeted), and joint activities with other development partners. Related information needs pertain to the views of a broad range of stakeholders: WBG staff and management on the thinking underlying WBG strategy and operations in the country or countries and the corporate approach to small states in general; country officials on overall and specific aspects of WBG support; other country stakeholders, such as beneficiaries and civil society representatives, on specific aspects of WBG support and the quality of consultation; and development partners on the quality of WBG coordination and collaboration with other partners.

66. **In keeping with the diverse informational needs, their sources will also vary.** Sources of information and data on government policies and macro- and socio-economic

conditions will include official government documents (e.g., relevant laws, policy and budget documents, and statistical publications) and government officials, as well as Bank, IMF, and other sources of data (e.g., Doing Business and the Worldwide Governance Indicators). For background and context, an important source of information and data will be the significant analytical and policy literature on small states. On the details of WBG strategy and activities, the principal sources will include relevant policy documents at the corporate level, Country (or Regional) Partnership Strategy (CPS) and Project Appraisal documents, and the corresponding self-evaluations (CPS Completion Reports, Implementation Completion Reports (ICRs), including those for regional approaches tried and tested in the small island states, as well as IFC Project Completion Reports (PCRs) and their IEG reviews, complemented where available by IEG Project Performance Assessment Reports (PPARs) and other IEG country program, thematic, corporate, or global program evaluations.[53] Related sources include the extensive WBG Economic and Sector Work (ESW) completed on small states as well as relevant Quality Assurance Group (QAG) assessments—now discontinued. Sources of information for stakeholder views will include relevant publications and suitable representatives of the various stakeholder constituencies, including; (i) Bank country directors, project task team leaders, IFC Investment Officers, and staff and managers responsible for corporate-level engagement with small states; (ii) relevant country officials and representatives of regional institutions; (iii) country CSO and private sector representatives; and (iv) development partner representatives dealing with the Bank Group on the countries in question.

67. **Methods for collecting the required information will include secondary collection from reputable data sources and semi-structured interviews with stakeholder representatives.** With one or two possible exceptions covering specific aspects (see paragraph 66), no primary collection of quantitative data is envisioned under the CCPE. The key methods for collecting the required information will therefore involve drawing on WBG, country, or other (e.g., IMF or UN) reliable quantitative databases, gathering all the available WBG, IEG, and outside documentation (following a literature search) described above in a Box-based document database, and conducting semi-structured interviews with representatives of the various stakeholder constituencies.

68. **The CCPE will use multiple methods for the analysis of information and data.** Statistical analysis will be used on available macro- and socio-economic data to gauge evolution of, and variations in, conditions over time. Analysis of the WBG portfolio quality will involve tracing the evolution of key summary quality indicators (e.g., extent to which development objectives have been—or are likely to be—met, implementation status, and proactivity indices) over time and effecting comparisons with the same measures in other small states and in WBG programs in general.[54] Desk-based reviews—including content analysis, where relevant—of the

[53] In the case of IFC Investment Services and MIGA operations, the evaluation will largely rely on Extended Project Supervision Reports, Project Evaluation Summaries, and Project Evaluation Reports conducted at operational maturity, usually about two years after financial closure.

[54] The portfolio analysis will include a focus on portfolio quality indicators (covering both the now-closed and still-active portfolios) in order to help form judgments on the efficiency of WBG support.

available WBG, IEG, and outside documentation, as well as of notes from interviews with stakeholder representatives, would be mainly qualitative in nature. Regarding the WBG country strategy and project-specific results matrices, retrospective reviews would be undertaken to compare outturns with outputs and outcomes targeted *ex ante*. In addition, certain thematic areas—climate change and disaster risk management, for instance—have received substantial attention in the WBG's overall development activities in small states, and care will be taken to ensure the requisite focus and technical depth of analysis on these areas.

69. **How the evaluation will set about answering one among many key questions illustrates the methods to be employed and their limitations.** Consider the question of: To what extent has the WBG been successful in helping the countries tailor macroeconomic policies to provide greater resilience to macroeconomic shocks and restore fiscal and public debt sustainability? As detailed in Attachment 6, evidence-gathering will span the results chain. It will include information and data on WBG projects and activities pertaining to macroeconomic and fiscal policy-making, and on country macroeconomic and fiscal policies and performance over time. Sources to be tapped include relevant WBG project and program documentation, WBG and country sources of information and data, the analytical and policy literature regarding macroeconomic and fiscal policy in small states, and interviews with stakeholders, including WBG, country, and development partner representatives. Analytical methods will include desk-based reviews and analysis of macroeconomic and fiscal data and of the relevant parts of WBG results frameworks, comparative analysis of country performance, qualitative review of WBG-recommended and –supported policy measures against any good-practice standards in the analytical and policy literature, and qualitative analysis of stakeholder interviews. However, a major limitation involves the difficulty of attributing outcomes (e.g., improved fiscal and debt-related outcomes) to WBG support, whether in the form of budget support, traditional investment lending, or AAA/technical assistance, particularly in contexts whether the WBG is one of many partners providing support in this area. Consequently, the evaluation will seek to assess the general likelihood of a WBG contribution to results, rather than seeking simple yes/no answers.

70. **The evaluation team will explore the possibility of using social media to collect additional evidence.** The dispersion of many of island states constitutes a challenge for the evaluation team, which is also encountered by the country office for the Pacific in Sydney. Given these constraints, the evaluation team will explore the possibility of generating additional evaluative evidence using social media, through such techniques as: (a) beneficiary surveys using radio/mobile phones; (b) feedback on social media, including a Facebook survey; and/or (c) focus group discussions with Facilitating Partners of Bank programs. Any findings from such sources will be triangulated with feedback from the numerous meetings with representatives of government agencies and partner organizations, and with findings from the literature review. The team will investigate the possibility of using such methods to assess the impact of Bank Group interventions on disaster management and employment.

71. **Evidence will also be gathered in order to answer the evaluation questions on partnerships,[55] gender, and institutional capacity issues**. In collecting evidence to assess the treatment of these aspects, the evaluation team will: (i) ensure that attention to partnerships, gender, and capacity are mainstreamed in interviews with staff, partners, and client representatives; (ii) review the treatment of these aspects in relevant documents and strategies; (iii) undertake portfolio analysis with special reference to these aspects; (iv) conduct in-depth interviews with staff, donors, and partnership representatives specifically focused on these aspects; and (v) review existing evaluations of partnership programs and MDTFs, gender, and capacity development.

V. Quality Assurance Process

72. **Steps will be taken to ensure that the evaluation fully benefits from small state-related analytical as well as development practitioner knowledge and experience.** Through both exhaustive literature reviews as well as individual and group discussions, particular care will be taken to ensure that all state-of-the-art technical knowledge and analysis concerning small states fully informs the evaluation. In the same vein, relevant practitioners—both WBG managers and staff, including those involved in the country programs being evaluated in the CCPE, as well as country policy-makers and other development partners—will be mobilized and their views solicited on the evaluation questions and CCPE coverage. As a first step to these ends, the evaluation team organized a thematic "learning event" over the period December 15-19, 2014, where it exchanged views with key Bank Group managers and staff working on small states—including the Bank's Country Directors for the OECS, the Pacific island countries, and Africa's Indian Ocean countries, as well as practice managers and staff coordinating support to small states at the corporate levels—on the proposed content of the evaluation, even prior to the completion of the draft of the AP and its circulation for WBG Management content. Similar learning events on the country/regional programs will be undertaken prior to the main country missions.

73. **The quality assurance process will be further reinforced through appropriate peer review arrangements and deployment of the full range of IEG knowledge resources.** Jyoti Shukla (who combines significant experience on small states and expertise on infrastructure and private sector development), Ali Mansoor (currently Assistant Director in the IMF's African Department, who has also served as a senior policy-maker in Mauritius), and Alan Gelb (former Bank Director and Chief Economist) have agreed to serve as external peer reviewers. Together, the peer reviewers offer expertise in a range of thematic and operational matters pertinent to small states. In addition, as is standard in major IEG evaluations, team composition reflects broad, IEG-wide thematic and evaluative expertise. Finally, aside from close oversight from

[55] Each team member is in charge of looking at the role of partnerships, gender, and institutional capacity in their respective areas. But in addition, one team member will be in charge of reviewing more specifically selected partnerships in each CPE (e.g., the CCRIF in the case of the OECS countries).

IEGCC Management, the entire IEG Management Team has been mobilized to help shape and review the evaluation, and will be available to support the evaluation team as needed.

VI. Expected Outputs and Dissemination

74. **CCPE outputs submitted to CODE will include two regional program evaluations (**consisting of one regional CPE on the OECS countries, and one "hybrid regional CPE" with a "country drill" on Samoa and Tonga**) and an overall synthesis report.** In addition, IEG will prepare two self-standing case studies on Mauritius and Seychelles, which will be processed as IEG working papers and publicly disclosed in line with the protocol for IEG working papers; and two background papers on Djibouti and Cabo Verde, which will be processed as internal deliberative material for the CCPE. The findings of the two case studies and two background papers will be integrated into the overall synthesis report. A 50-page limit will be imposed on each reports. The two regional program evaluations are scheduled for submission to CODE by May 2016, and the synthesis report by June 2016.

75. **IEG plans to use both traditional and small state-specific means of disseminating CCPE findings.** Plans include publicizing findings using conventional means of dissemination, including through WBG seminars and established evaluation networks such as the Evaluation Cooperation Group, relevant regional conferences and development partner meetings. In seeking to publicize and encourage discussion around CCPE findings, IEG will explore the use of customized media, including PowerPoint presentations and short, made-to-order "learning notes" and/or webcasts. However, efforts will also be concentrated on publicizing and discussing CCPE findings in one or more forums in which key stakeholders in the development of small states convene on a regular basis. Presentation/discussion sessions in such groupings as the Small States Forum or the Caribbean Growth Forum, for instance, would have the advantage of tapping an audience that is normally very dispersed at relatively modest cost.

VII. Resources

76. **CCPE team composition—which will encompass leads on each of the CPEs and thematic specialists—provides for the needed blend of operational, evaluative, and thematic knowledge and experience.** Task team leader Florence Charlier (Senior Economist, IEGCC) will oversee and participate in all CPE sub-teams and the review of WBG programs in African small states. Ali Khadr (STC, IEGCC, and former World Bank country director and Lead Economist/Sector Leader on the Caribbean countries), assisted by co-author Swizen Rubbani (ETC, IEGCC), will lead the regional CPE on the OECS countries. Basil Kavalsky (STC, IEGCC, and former World Bank country director) will lead the hybrid regional/Samoa CPE. . Claude Leroy (Senior Economist, IEGCC) will lead the assessment of WBG programs in the African small states. In each case, the CPE team will include sector/thematic specialists reflecting program composition, including: Chandra Pant (STC, IEGCC, and former senior Bank staff with significant operational and evaluation experience), Andrew Stone (Lead Evaluation Specialist, IEGPE, competitiveness and investment climate); Pia Schneider (Lead Evaluation Officer, IEGPS, human development); Stephen Hutton (Evaluation Officer, IEGPS, environment, disaster risk management, and climate change); and Xiaolun Sun (Senior Evaluator

Officer, IEGCC, private sector development). Anna Aghumian (Evaluation Officer, IEGCC) and Rasmus Heltberg (Senior Evaluation Officer, IEGCC) will cover the partnerships-related aspects. The team includes members with significant experience in all focus regions—the Caribbean, the Pacific, and Africa. Finally, Ms. Charlier, Mr. Khadr, Mr. Kavalsky, Mr. Pant, and Mr. Rubbani—again with inputs from other team members as needed—will be responsible for preparing the overall synthesis of CCPE findings. In selecting team members—whether staff or consultants—special care has been taken to avoid possible conflicts of interest. In particular, where staff or consultants have previously worked on countries where WBG programs are to be evaluated, care has been taken to ensure that such involvement ended at least several years prior to the start of the evaluation period.

77. **The budget needed for the CCPE amounts to US$1.325 million over two fiscal years (FY15-16).** The planned CCPE budget offers significant country coverage at a substantial cost advantage relative to the traditional, single-country CPEs.[56] Staff (including ETC) costs are estimated at some US$750k, and the remaining costs are split between consultant and travel costs (which are substantial, owing notably to the high cost of travel to the Pacific island countries. Finally, a budget of US$35k has been set aside to cover costs associated with dissemination of CCPE findings, bearing in mind that IEG will endeavor to leverage both evaluation- and small-state-related networks in publicizing this work.

[56] This does not take into account the fact that the OECS CPE covers multiple countries, as does the hybrid Pacific island/Samoa CPE, with the latter involving significantly higher-than-average travel costs.

Attachment 1 – Small States: Characteristics and Challenges

1. **The framework underpinning this evaluation reflects the multi-faceted nature of the challenges confronting small states.** The size and location of small states typically generate a set of intertwined challenges: remoteness and insularity result in high trade costs and susceptibility to natural disasters and the effects of climate change; meanwhile, diseconomies of small scale translate into limited economic diversification and competition given the narrow resource base and small domestic markets. As a result, small states tend to rely heavily on external trade and FDI to overcome scale and resource limitations (including paucity of arable land and limited human capital). Moreover, the most striking characteristic of small states is the highly volatile environment that they face as a result of their significant exposure to global economic shocks and natural hazards. Small states' limited institutional capacity, a consequence of the small size (in absolute terms) of their public sectors, further compounds their ability to tailor policies toward greater resilience to such shocks and sustainability. This attachment summarizes elements of a growing literature on small states' characteristics and development challenges.

2. **In small states, the presence of fixed costs in the production of private goods and services engenders diseconomies of scale, translating *inter alia* into limited diversification and competition in their economies and inducing greater openness and outmigration ("brain drain")**. In the private sector, indivisibilities and high fixed costs in the production of tradables often create barriers to entry for private firms. As a result, small states' economies tend to be concentrated in few goods and services that are not scale intensive, and to rely on imports for most tradables. Table 1 shows the greater openness of small states compared to the average for low- and middle-income countries.

Table 1. Openness of small states

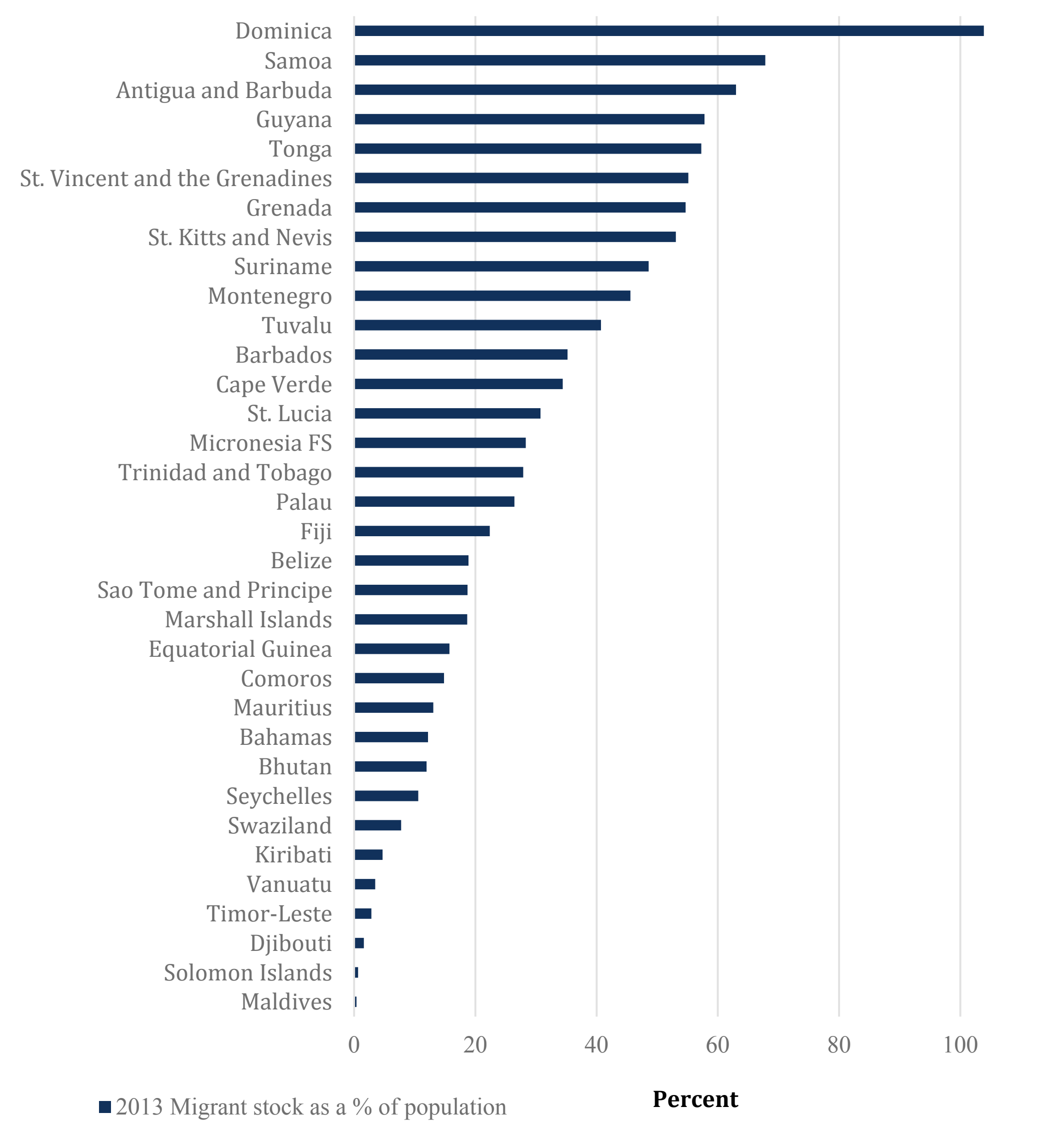
Region	Number of countries with data	Average share of GDP (percent)		
		Exports	Imports	Exports +Imports
Africa	08	72	69	141
Asia & Pacific	10	52	73	125
Caribbean & Latin America	12	54	46	100
Memo:				
All low income countries		23	34	57
All middle income countries		31	29	60

Based on data for exports of goods and services for latest available year in 2004-2012

Source: World Bank Development Indicators database

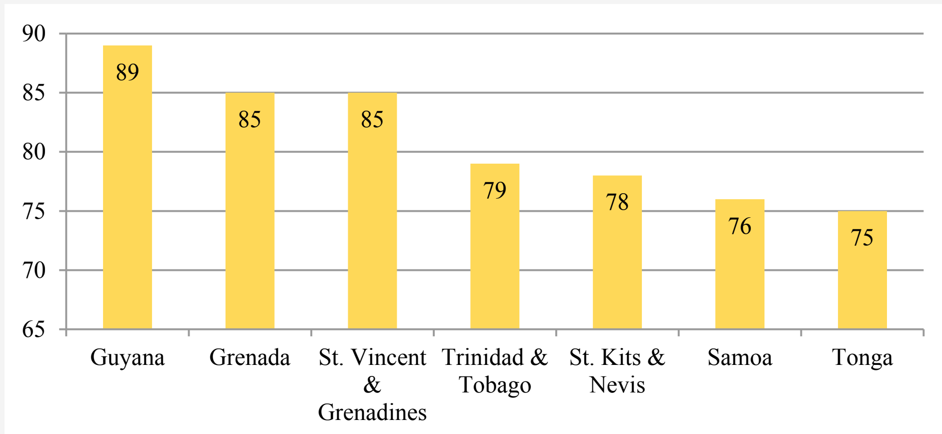
Given the typically narrow economic base and small market size in a small state, competition is low and the economy offers limited opportunities for employment, especially to individuals with specialized expertise, which fuels outward migration among the more highly educated (referred to the "brain drain"; see Figures 1 and 2). Particularly in recent years, there have also been mounting concerns regarding youth unemployment, which tends to correlate with many other social problems (see Figure 3).

Figure 1. Small States with Highest Percentage of Emigrants, 2013



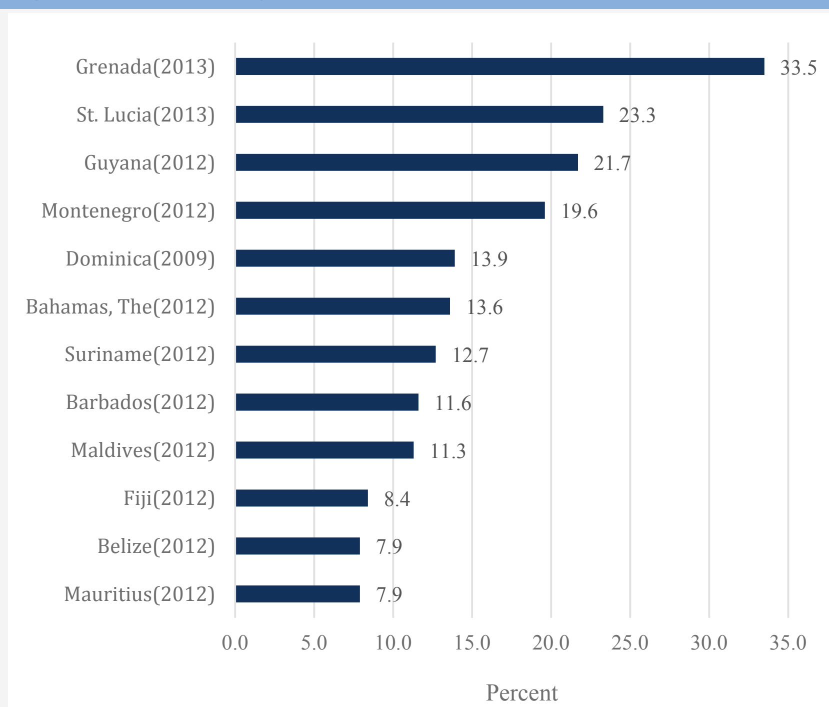
Source: UNPD 2013

Figure 2. Emigration rate of tertiary-educated population (%)



Source: Migration & Remittances Factbook (2011) showing data for the year 2000.

Figure 3. Unemployment Rate in Select Small States

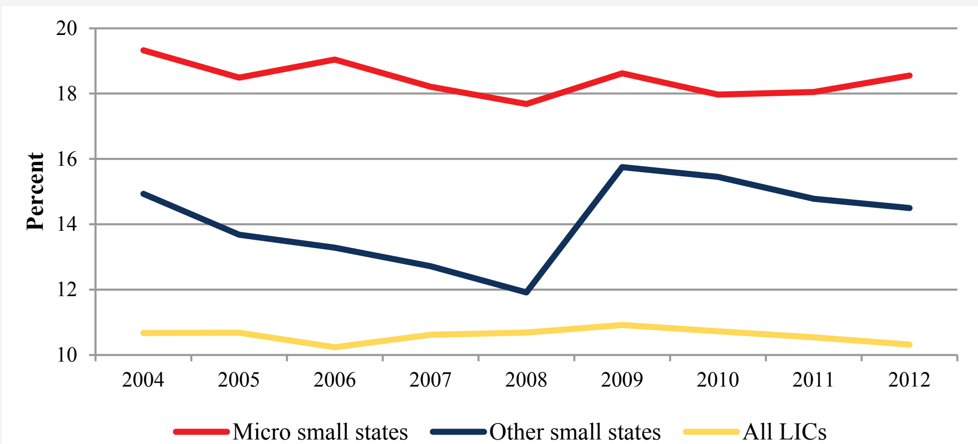


Source: World Development Indicators (modeled ILO estimate), Country authorities

3. **Diseconomies of small scale also affect the provision of public goods and services.** Operation at a small scale raises the average cost of public services and may result in the under-

provision of certain public goods and services (e.g., in education and infrastructure), further hindering the competitiveness of the private sector. In some small states, a widely scattered population adds to the challenge of public service delivery and translates into a (relatively) larger-sized public sector than other countries. In response to the absence of competition in the private sector, small states have frequently seen heavy state intervention in their economies—nationalized banks, public utilities, and state-owned enterprises in agriculture and manufacturing. As a result, small states tend to have relatively larger governments than non-small states—as measured for instance by the ratio of government expenditures to GDP (see Figure 4)—as well as higher wage bills and higher quasi-fiscal risks in relation to the size of their economies.

Figure 4. Government expenditure (% of GDP)



Source: World Development Indicators

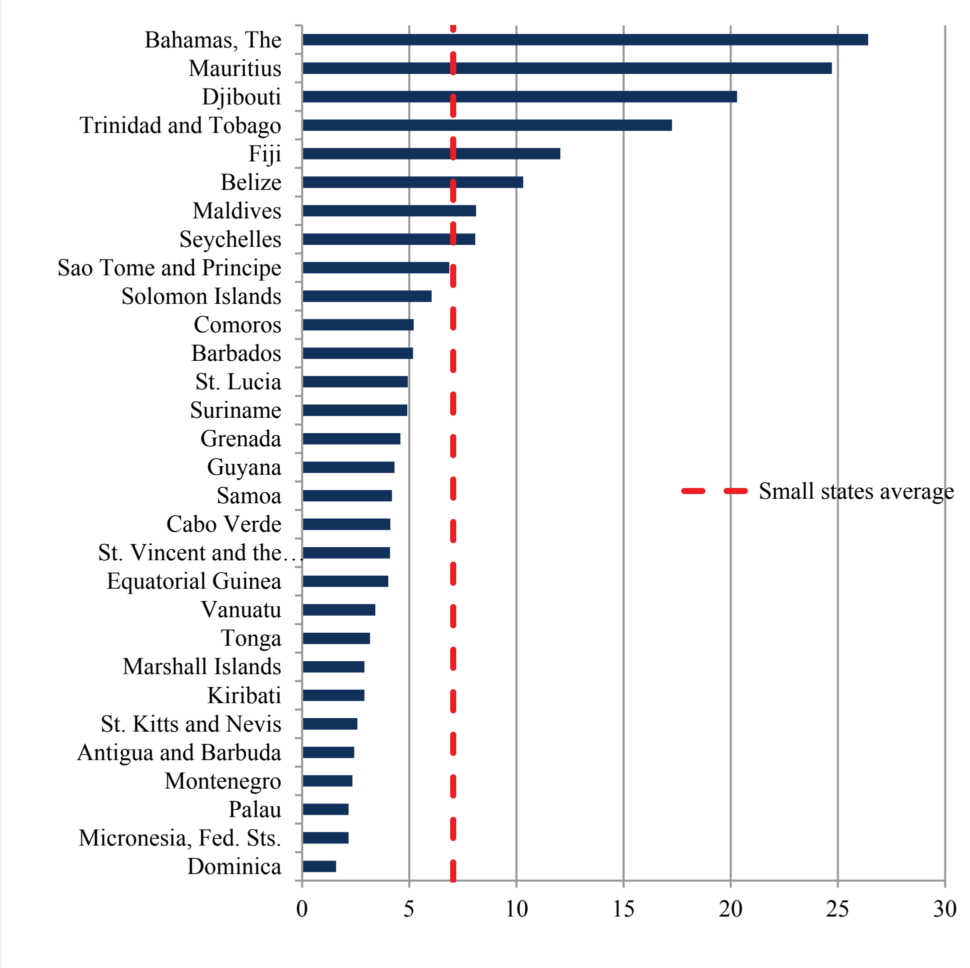
Table 2. Selected indicators for small states, 2004-12

	Micro states	Other Small states	Other LICs	Other MICs
Net ODA received (% of GDP)	7.2	2.7	9.3	0.4
Net flows on external debt, public and publicly guaranteed (PPG) (% of GDP)	2.2	2.3	1.6	0.4
General government final consumption expenditure (% of GDP)	18.4	13.9	10.6	13.9
Current account balance (% of GDP)	-20.8	1.7	-5	1.2
General government revenue (% of GDP) - median	33.4	28.8	18.6	26.4
General government primary net lending/borrowing (% of GDP) median	-3.1	-1.9	-2.5	-1.6

Source: World Bank Development Indicators database

4. **Some—although by no means all—small states are also remote, which results in higher trade costs and makes it more difficult for them to integrate into the global economy.** Remoteness and isolation increase the cost of intermediate inputs and hinders efficiency and innovation. Transportation costs between small states in the Pacific and their main export markets are high, which reduces the competitiveness of exports and leads to larger consumer welfare losses for imported goods (in multi-island small states, high transportation costs can even constrain the development of a domestic market). However, several recent global trends—notably the emergence of global value chains, advances in hard and soft connectivity, and the emergence of new production technologies—offer potential opportunities for the affected small states to address remoteness.

Figure 5. Liner Shipping Connectivity Index, 2013



Note: A smaller number indicates lower connectivity/high transportation costs. Countries with maximum connectivity=100
Source: WDI

5. **Small states also tend to have shallower financial systems and face less favorable access to financial capital on global markets**. Small states' thin economic base reduces lending opportunities for domestic banks.[57] As a result, banking sectors in small states tend to exhibit greater concentration. The lack of depth of the banking sector typically translates into higher lending-to-deposit rate spreads, which further hinders private sector investment and competitiveness. Under such conditions, commercial banks lend disproportionately to the government. Bank soundness and fiscal sustainability are particularly intertwined in small states: on the one hand, banks are heavily exposed to public debt, while on the other hand, traditionally weak supervision and regulatory capacity add to the vulnerability of the domestic financial system, and quasi-fiscal risks, to the extent that they materialize, can jeopardize fiscal sustainability. Small states also tend to have lower access to international financial markets. Creditors may be reluctant to take on exposure to small states, given the risks associated with their vulnerability to macroeconomic shocks and natural disasters, but also owing to the fixed costs of gathering information and monitoring financial transactions, which are higher in relation to the smaller amounts that small states typically need to borrow.

Table 3. Selected indicators of small states

Country Grouping	GDP per capita (current US$) Median		GDP per capita growth (current US$) Median		Domestic credit to private sector (% of GDP)
	1994-2003	2004-2013	1994-2003	2004-2013	2013
All Small states	2,119	4,136	2.0	1.5	45.4
Caribbean small states	4,509	7,366	2.2	1.2	56.2
Asia & Pacific island small states	1,630	2,858	2.4	1.6	42.6
African small states	1,243	3,082	1.5	2.0	28.2
Memo					
All Low Income countries	264	526	1.2	3.9	30.7
All middle income countries	1,272	3,217	2.8	5.3	88.6

Source: World Bank Development Indicators database

6. **Small states tend to face greater vulnerability given their proneness to natural disasters.** Many small states are located in regions that are vulnerable to hurricanes or cyclones, droughts, volcanic eruptions, and/or tsunamis. Small island developing states account for two-thirds of the countries posting (in relative terms) the highest annual losses from disasters (see graph below). The United Nations Disaster Relief Organization has estimated that the 25 most disaster-prone countries (which include 13 small island states) have experienced costs ranging from 28 percent to 1200 percent of their annual GDP as a result of disasters (WB, 2000, p. 11). In the Caribbean, for example, annual damage to infrastructure from natural disasters averages

[57] For those that have large off-shore financial centers, they often tend to serve non-resident markets.

an estimated US$0.5-1 billion. For many island states, exposure to natural disasters is exacerbated by the impact of climate change. In the Caribbean, the estimated cost of climate change—in the absence of adaptation—is projected to double, increasing from 5% to 10.3% of 2007 GDP, between 2025 and 2050 (see Bueno et al., 2008).

Figure 6. Exposure to Natural Hazard – Relative Annual Disaster Loss

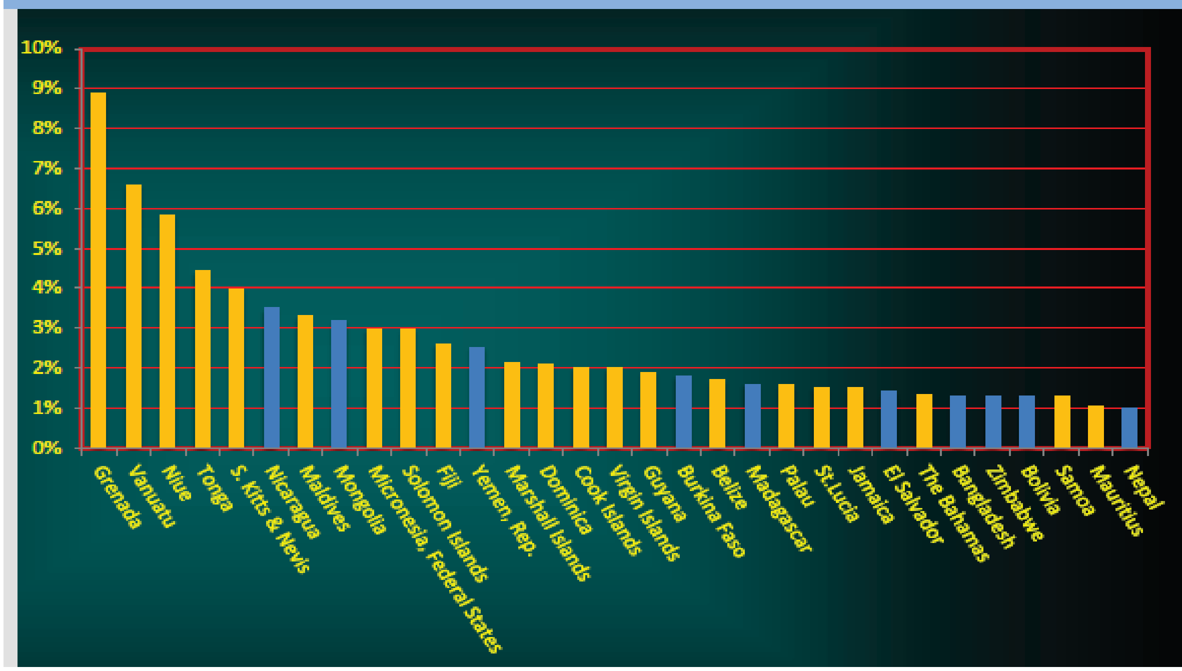


Table 4. Cost and historical probability of natural disasters, 1987-2011

	No. of countries	Cost-to-GDP[1/]			Freq. of extremes[2/]		
		Mean	Std. Dev.	Max.	Mean	Std. Dev.	Max.
All EMDC	146	0.8	2.0	14.1	10.5	12.4	76
Non-Small	114	0.5	1.1	7.8	11.1	13.3	76
Small	32	1.9	3.4	14.1	8.4	8.4	32
Micro	14	3.5	4.7	14.1	8.6	7.5	20
Island EMDC	32	2.0	3.5	14.1	12.4	10.0	32
Non-Island EMDC	114	0.4	1.0	7.8	10.0	13.0	76
Sub-Saharan Africa							
Non-Small	37	0.1	0.2	0.6	3.3	5.7	24
Small	6	0.1	0.2	0.4	4.7	6.4	16
Micro	2	0.1	0.1	0.2	2.0	2.8	4
Asia-Pacific							
Non-Small	15	1.1	1.3	5.6	28.4	20.8	76
Small	12	1.6	4.0	14.1	8.0	10.2	32
Micro	6	2.6	5.7	14.1	6.7	9.0	20
Western Hemisphere							
Non-Small	20	0.9	1.4	5.7	15.8	9.9	32
Small	12	3.3	3.6	11.1	11.7	6.9	20
Micro	6	5.5	3.9	11.1	12.7	4.7	20

Source: WHO CRED (International Disaster Database) and staff estimates.
1/ Ratio of estimated annual damage to annual GDP, averaged over the period.
2/ Share of years (in percent) with a cost-to-GDP ratio in the top decile of the sample.

7. **Greater exposure to macroeconomic shocks is an added source of volatility.** Small states are plagued by highly erratic economic growth. To overcome diseconomies of small scale, they foster more concentrated structures of production and greater trade openness, which renders them more vulnerable to both industry-specific and generalized shocks. Furthermore, natural disasters also cause severe economic disruption through production and export losses. As a result, small states experience greater external sector volatility—their current accounts are much more volatile, reflecting the larger impact of terms of trade volatility. In the same vein, fiscal volatility is also higher in small states. Vulnerability to economic shocks translates into greater volatility in revenue. Government revenues typically rely more heavily on trade taxes on a handful of commodities, which fluctuate with terms of trade shocks, and/or depend on certain services (mainly tourism and financial services) that are subject to the vagaries of the global economy and foster contagion. Similarly, greater volatility affects public expenditures as small states cope with the damage caused by natural disasters.

Table 5. Small States: Volatility measures

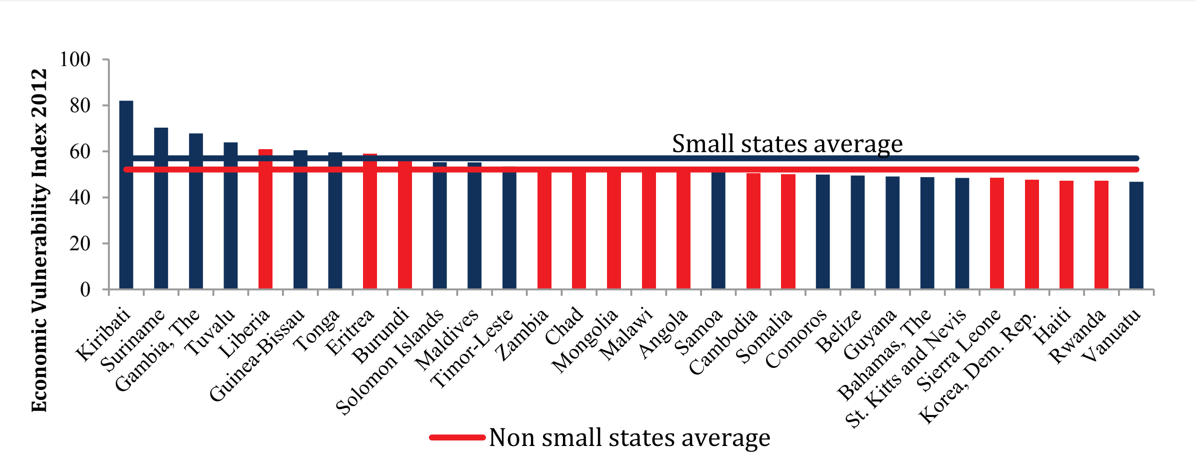
	2005-2012, median		
Country groups/indicators	Micro states	Other small states	Other LMICs
Private capital flows (% of GDP)	3.11	1.17	0.71
Current account balance (% of GDP)	2.97	3.57	0.87
Net ODA received (% of GNI)	1.14	0.2	0.1
GDP growth	1.88	1.88	1.66

Note: Volatility is measured as a five-year backward-looking standard deviation of a variable. For example, the volatility reported for the year 2005 is the standard deviation of a variable x from year 2001 to 2005

Source: World Bank Development Indicators database, IEG Calculations

8. A number of indices have been developed to measure the combined effect of these different sources of vulnerability, allowing for their resilience. The Commonwealth vulnerability index, for example, considers the three most significant determinants of income volatility—lack of diversification, export dependence, and impact of natural disasters—and combines them to form a composite index of the impact of vulnerability. The resulting index is then weighted by average GDP as a proxy for resilience. The results show that small states account for most vulnerable developing countries.

Figure 7. Economic Vulnerability Index (30 most vulnerable states)



Source: UN Development Policy & Analysis Division
Note: Blue bars are for small states & red for non-small states. Averages are computed basing on data for the 30 most vulnerable countries

9. **Chronic fiscal deficits—together with the impacts of repeated external shocks and natural disasters—have led to a sizeable accumulation of public debt in many small states** (see Figure 8). In fact, small states' debt burden varies substantially. Almost half of small states have been able to contain their debt through sound economic management. The remainder has not been able to mitigate risks effectively through appropriate macro-financial policies and has built sizeable debt over time. For these small states, a high debt service burden diverts public resources away from critical social and productive capital expenditures and increases the cost of new borrowing, as markets perceive high risks to be associated with newly-issued debt. As a result, they have limited financial capacity to respond to and recover from natural disasters, and limited fiscal space for counter-cyclical spending. Restoring debt sustainability through growth, fiscal consolidation, and in some cases debt restructuring, is a key challenge for many small states.

Figure 8. Change in Debt to GDP Ratio after Natural Disasters in Caribbean States

Percentage Point change in Debt-to -GDP level

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Antigua & Barbuda	20.5	4.9	10.4	-1.3	-7.0	-23.5	-5.7	-12.5	-0.5	25.4	-12.5	4.1	-5.2
Bahamas, The	-0.9	0.3	2.0	1.7	1.9	-0.5	0.0	1.0	2.9	4.3	7.5	-13.2	3.5
Barbados	6.5	8.5	9.1	-3.2	1.4	-11.4	3.6	7.3	9.1	10.2	12.8	-0.2	-0.2
Belize	23.5	9.5	5.0	13.7	-0.3	-0.1	-9.9	-7.6	-8.0	3.3	2.4	-2.0	-4.1
Dominica	8.7	39.1	5.3	-1.6	-17.8	-7.1	-4.1	-5.2	-9.4	0.6	5.6	1.3	1.5
Grenada	4.2	5.8	42.6	-0.5	18.9	-10.3	6.2	-5.5	-8.8	20.1	5.3	0.9	-4.9
Guyana	-1.1	-10.1	1.7	-11.8	-1.3	-2.5	-22.6	-33.1	1.6	-1.1	0.5	-0.1	-4.8
Jamaica	7.6	15.0	0.7	-0.7	-4.5	-1.9	-9.1	-7.8	39.4	15.3	13.3	2.2	5.0
St. Kitts & Nevis	9.7	17.3	23.2	18.5	12.0	1.4	-6.6	-8.0	-11.3	14.7	14.2	-10.1	-16.0
St. Lucia	4.3	6.7	12.8	-2.1	5.8	1.0	-0.9	1.0	-1.3	9.4	2.1	6.5	7.3
St. Vincent & Grens.	0.9	0.6	2.2	1.8	5.9	2.7	-4.0	-9.3	2.6	5.5	3.4	4.0	2.4
Suriname	17.7	-17.4	-1.6	-7.6	-3.2	-3.5	-6.5	-8.4	-3.1	2.3	3.0	0.6	0.1
Trinidad & Tobago	-2.0	3.0	3.2	-8.3	-6.9	-8.2	-3.8	-3.8	-3.7	11.4	5.1	-3.6	6.3

U.S. Recession

Global Financial Crisis

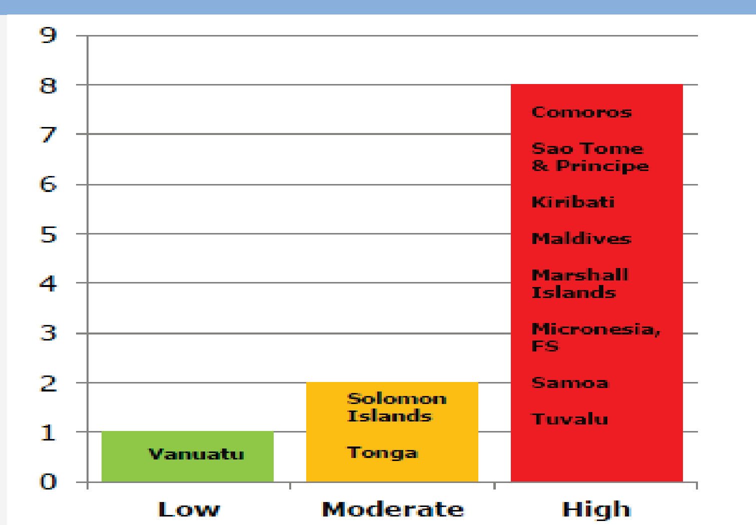
coincides with major natural disaster

Source: WB staff calculations

5

10. Among IDA countries, all but one of the small states are at moderate to high risk of external debt distress. Among World Bank clients, 14 out of 53 countries with moderately high to high risk of domestic or external debt distress are small island states. Similarly, eight of the 15 countries at high risk of external debt distress are small island states (see Figure 9).

Figure 9. Risk of Debt Distress



Source: Joint Bank-Fund LIC-DSAs Bank presentation at 2014 Small States Forum

11. **Small states may also have some countervailing advantages:**

- Small states have no choice but to turn outward, and on balance openness pays off in growth, as has been most vividly illustrated by the case of Singapore. "Any growth disadvantages of …. greater volatility are more than outweighed by the growth benefits of trade openness reaped by microstates by virtue of their necessary large trade volumes" (Easterly and Kray, 1999, p. 3 on microstates) or "growth volatility and volatility of terms of trade shocks as percent of GDP is higher in small states but this is due entirely to their greater trade openness ….. and the net benefits of openness on growth are positive" (Easterly and Kray, 1999, p. 13).
- The expansion of world trade makes a big domestic market less vital for development and new opportunities can be seized. Indeed, a new range of services has become tradable, thanks to advances in ICT as illustrated by the rise in outsourcing and offshoring.
- Small states often benefit from greater social homogeneity and social cohesion, leading to greater social capital. In 1960, Kuznets noted that small states have a small and more cohesive population, which allows them to better adapt to change and build resilience. "Social capital formation is believed to be a significant factor in growth by enhancing social cohesion and so fostering effective policy-making and strategic flexibility … Social capital will continue to be a key source of strength and potential growth for small island states in the future and should therefore be cherished" (Robert Read, 2004, *The Implications of Increasing Globalization and Regionalism for the Economic Growth of Small Island States World Development*).
- Small states may be easier to monitor and comprehend, allowing policy-makers to rely more on common sense and discretion. Nevertheless, public officials are more likely to be subjected to conflicting pressures (Farrugia, 1993).

Attachment 2: World Bank Group Support to Small States

Genesis of Bank Group Engagement with Small States

1. In the late 1990s, when the Task Force for small states was established, there was a view that the WBG model of advice was overly generic, and based on an IDA country "model". This limited the ability of Small States to take full advantage of the Bank Group, and limited the WBG's ability to serve this client group which faces unique challenges and vulnerabilities.

2. WBG recognition of the special issues related to small states began formally in July 1998, when the Bank Group and the Commonwealth secretariat established a joint task force on small states to address the special development challenges facing these countries. The task force's report, submitted to the Development Committee in April 2000, identified an agenda that largely still underpins WBG work in this area, and is based on the common challenges that these countries face, despite their diversity. The WBG convenes an annual Small States Forum (SSF, co-sponsored by the Commonwealth secretariat, EU, IMF, UNCTAD and WTO) in the context of the IMF/WB annual meetings. The forum is intended to raise the profile of small states and provide an opportunity for small states officials to bring their views and ideas to the attention of the international community. Other events are also organized during the year to pursue the Small States agenda. This complements several UN initiatives in this area.

3. Today at the WBG Board, there is an ED Advisor group on Small States. Among Bank staff, there is an internal and informal network of people, coordinated at OPCS, including prominently three country directors (for the Caribbean, Pacific and Indian Ocean areas) as well as working groups as the sectoral level (e.g., the Ocean initiative, the Climate change group, remittances, tourism). The WBG has begun preparing statistics on small states that encompass a number of areas, as a special supplement to the DEC Development Indicators for 2009 and 2011.[58] Flags for the small states are now being mainstreamed in the Development Data Platform. A special internet-based platform is also in place to gather relevant information and events on small states at http://www.worldbank.org/en/country/smallstates.

World Bank Financing Eligibility

4. In 1995, the World Bank implemented a "small island economies" exception to allow small islands to access IDA funding in recognition of their vulnerability to economic shocks and natural disasters despite having GNI per-capita levels above the operational cutoff for IDA eligibility. Although initially limited, and brought in on an exceptional basis, it is now quite widespread in terms of the number of countries covered.

5. Over time, the World Bank has enhanced its financial support to small states under IDA through additional measures:

[58] The Supplement for example contains information on GDP and economic size, MDG achievement, poverty, education, health, labor markets, economic activity including some subsectors, aid dependency, trade, and 'global links'.

- Raising the minimum base of support: As part of its Performance Based Allocation (PBA) system, IDA provides a minimum base allocation to each IDA-eligible country. For small states, this minimum base allocation constitutes the majority of IDA's financial support. The minimum base allocation was increased from SDR1.1 million per year in IDA-14 to SDR3 million per year in IDA-16. As a result, IDA's annual per-capita allocation to small states during IDA-16 was on average twice that for non-small states. And in IDA-17, the raising of the minimum base allocation from SDR3 million to SDR4 million per year was a significant achievement.

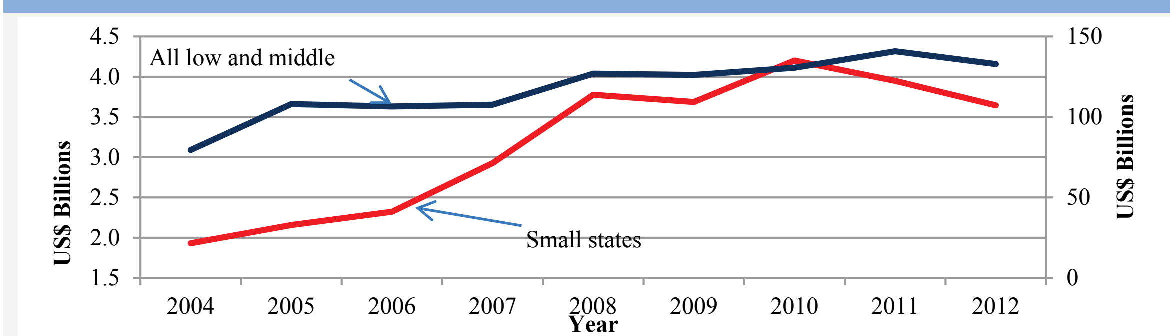
- Providing access to IDA terms under the "small island exception" countries: In IDA-16, the terms of IDA funding for countries under the small island economies exception were changed from blend to regular IDA credit terms, which resulted in longer maturities and grace periods, as well as a lower interest rate.

- Regional IDA programs: Beyond core IDA funding, small states are eligible for funding under regional IDA programs. Provisions have been made to allow for leveraging significantly more financing from the regional program compared to larger IDA clients, with national co-financing capped at 20 percent of annual allocation for small states. In IDA-16, several regional projects ranging from aviation, harbors, and IT/broadband connectivity are being funded in the Pacific and the Caribbean; raising IDA's financing contribution in these small states in addition to country allocations—and with benefits for higher-income small states as well.

World Bank Financing Amounts, Trends, and Composition

6. Official development assistance (ODA) to small states experienced steady growth in the early part of the period, but has been declining in recent years. Net official development assistance received by small states rose from US$1.9 billion in 2004, reaching a peak of US$4.2 billion in 2010 and thereafter declining to US$3.6 billion in 2012. The trend of increasing volumes of ODA was present but less pronounced for low- and middle-income states as a whole (see Figure 1 below).

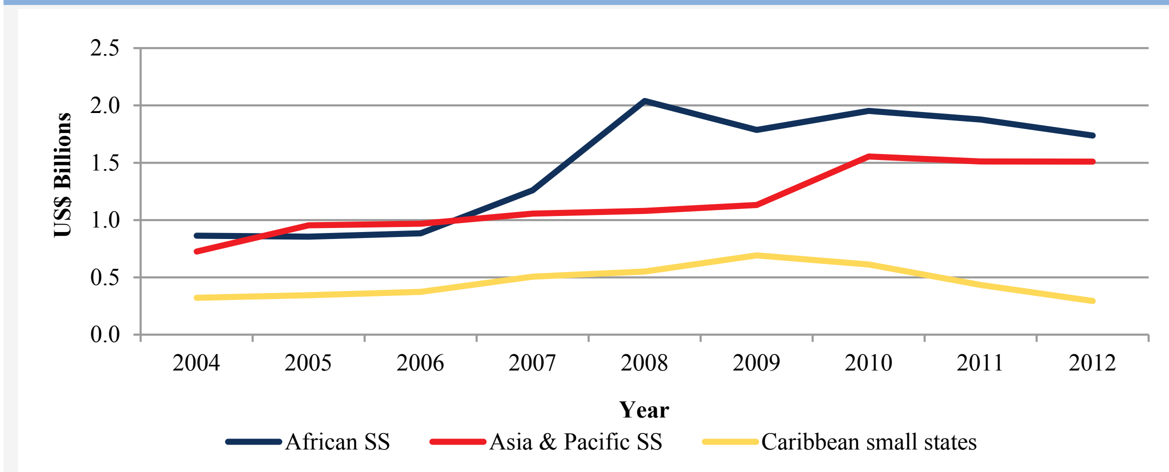
Figure 1. Net official development assistance received



Source: World Bank Development Indicators database

7. The rise in ODA to small states encompassed all regions, but was most pronounced and persistent for the small states in Africa (see Figure 2).

Figure 2. Trends in Aid Flows to Small States (Net Official Development Assistance Received)

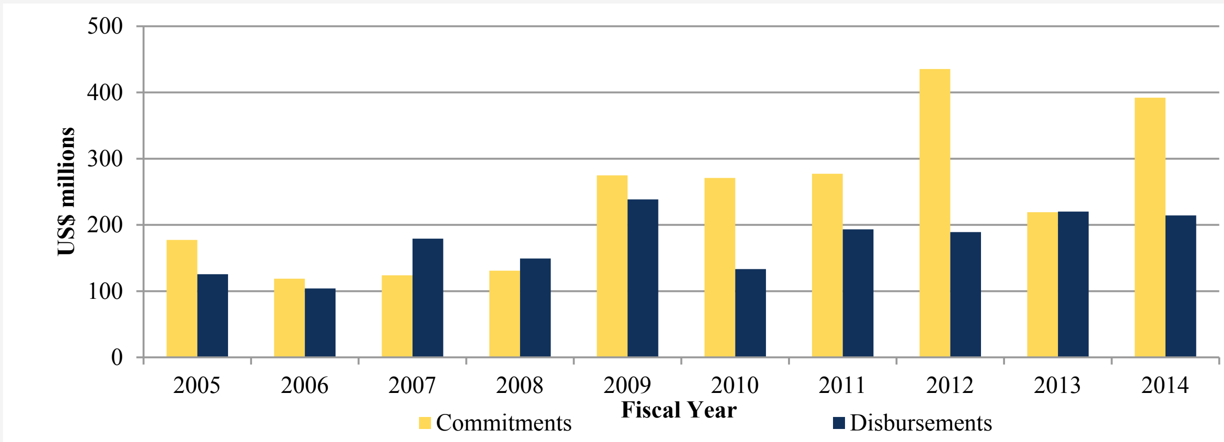


Source: World Bank Development Indicators database

8. The World Bank Group deployed a wide range of financing instruments and knowledge services targeting small states.[59] In the period FY05-14, the World Bank made US$2.4 billion in new commitments, and disbursed US$1.8 billion, to small states. About 83 percent of commitments and 95 percent of disbursements during this period were from IDA/IBRD. Bank lending support to small states rose sharply in response to the global financial crisis and has yet to return to pre-crisis levels. Average annual WB commitments grew from US$138 million during FY05-08 to US$274 million during FY09-11 and then to US$349 million over FY12-14. At US$435 million, the FY12 World Bank commitments reflected the highest level of non-crisis lending commitments to small states.

[59] Note that the definition of small states used in discussing WBG support in this attachment is based on the strict population < 1.5 million criterion.

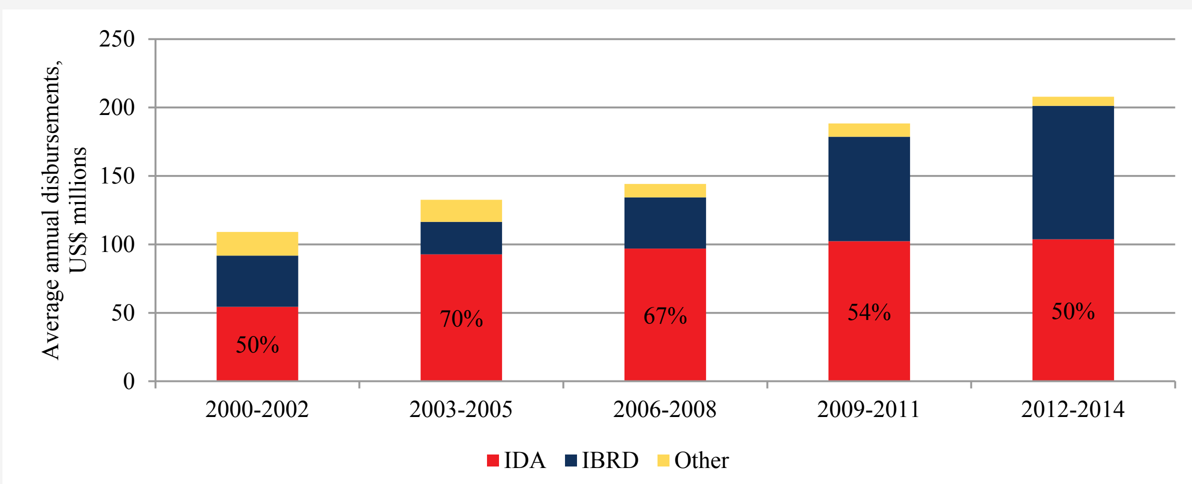
Figure 3. World Bank lending support to Small States



Source: WB BW Database

9. About US$1.0 billion, or 58 percent of the disbursements, were on highly concessional terms from IDA, going mainly to Bhutan, Cabo Verde, Djibouti, Samoa, and Maldives. The share of IDA financing to small states grew from 50 percent during FY00-02 to 69 percent over FY03-FY08 and then fell back to 52 percent over FY09-14 (see Figure 4 below). The principal recipients of IBRD disbursements were Mauritius, Montenegro, St. Lucia, and Barbados.

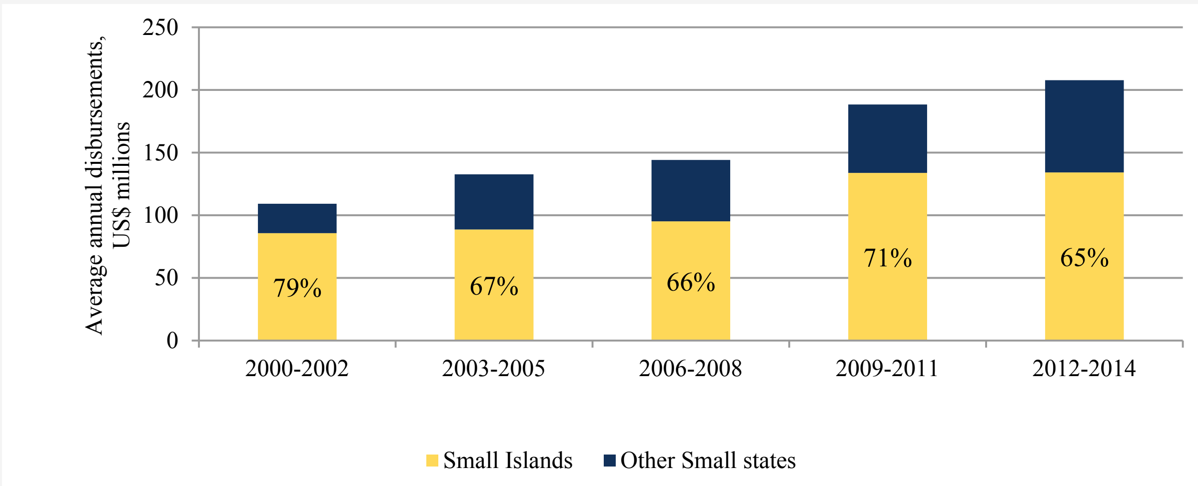
Figure 4. World Bank Disbursements to Small States



Source: World Bank BW database

10. Disbursements to the small island states were US$1.6 billion in the last 10 years, reaching US$134 million annually over the last three years (see Figure 5 below). IDA's share of financing to the small island states was 52 percent compared to 58 percent for small states overall.

Figure 5. Small Islands Share of World Bank Disbursements



Source: Business Warehouse

11. Some small states were also able to leverage financing through the World Bank's regional programs. Bank lending to small states for regional projects during FY05-14 comprised 37 additional commitments totaling US$202 million, and was directed primarily to the small states in the Pacific and the Caribbean, including the OECS. This support to regional projects aimed at, among other things, promoting telecommunications and ICT Development, strengthening labor markets, and providing catastrophe risk insurance to mitigate the effects of natural disasters.

12. Lending to the small states in the Asia-Pacific region and to those in Sub-Saharan Africa made up a higher proportion of commitments to small states over FY05-14. The African small states—which together account for about 38 percent of the overall population of small states—received 37 percent of the commitments and 42 percent of World Bank disbursements to small states during the period FY05-14.

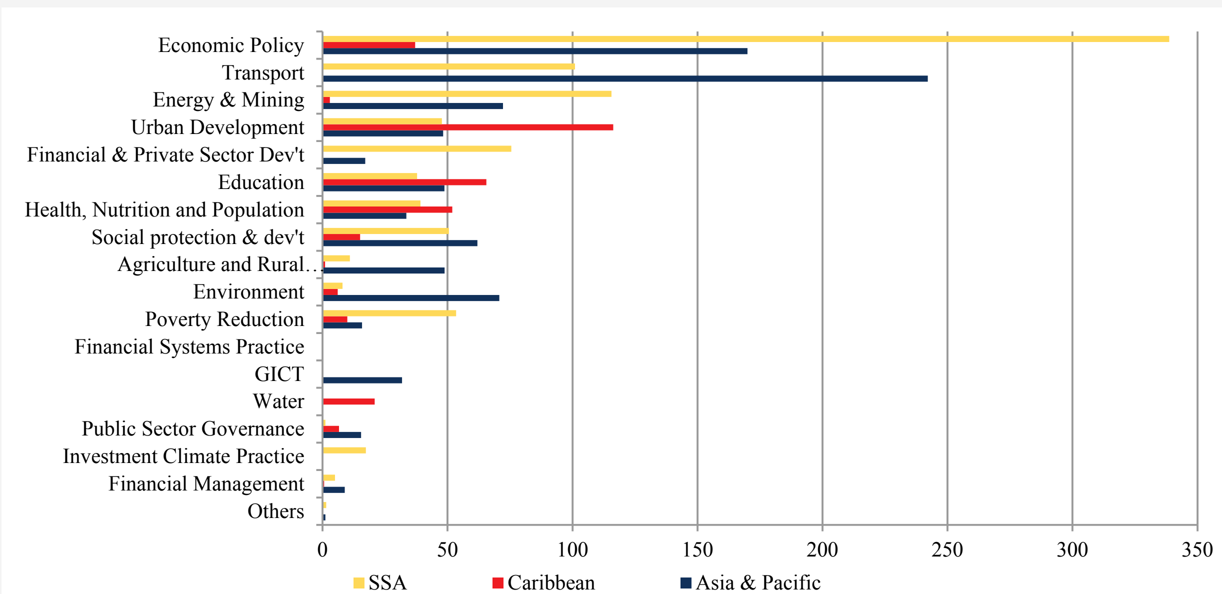
	Sub-Saharan	Caribbean SS	Asia & Pacific
Number of small states in region	7	12	13
Share of 2013 SS Population (%)	38	28	30
Share by value of World Bank 2005-2014 commitments (%)	37	14	37
Share by value of World Bank 2005-2014 disbursements (%)	42	17	32

Table 1. World Bank Support to Small States

Source: Business Warehouse database

13. The sectoral distribution of Bank commitments to small states was broadly similar across all small states but with different thematic areas of focus in the various regions. In the Asia Pacific region, for instance, the transport sector board accounted for the largest share of commitments, while in the Caribbean and Africa, the urban development and economic policy sector boards, respectively, received the greatest share of commitments (see Figure 6 below). Overall, five sector boards—economic policy, transport, energy and mining, urban development, and Financial and Private Sector Development (FPD) together accounted for 60 percent of the value of World Bank commitments to small states.

Figure 6. Share of World Bank Commitments to SS by sector Board (in value terms), FY05-14

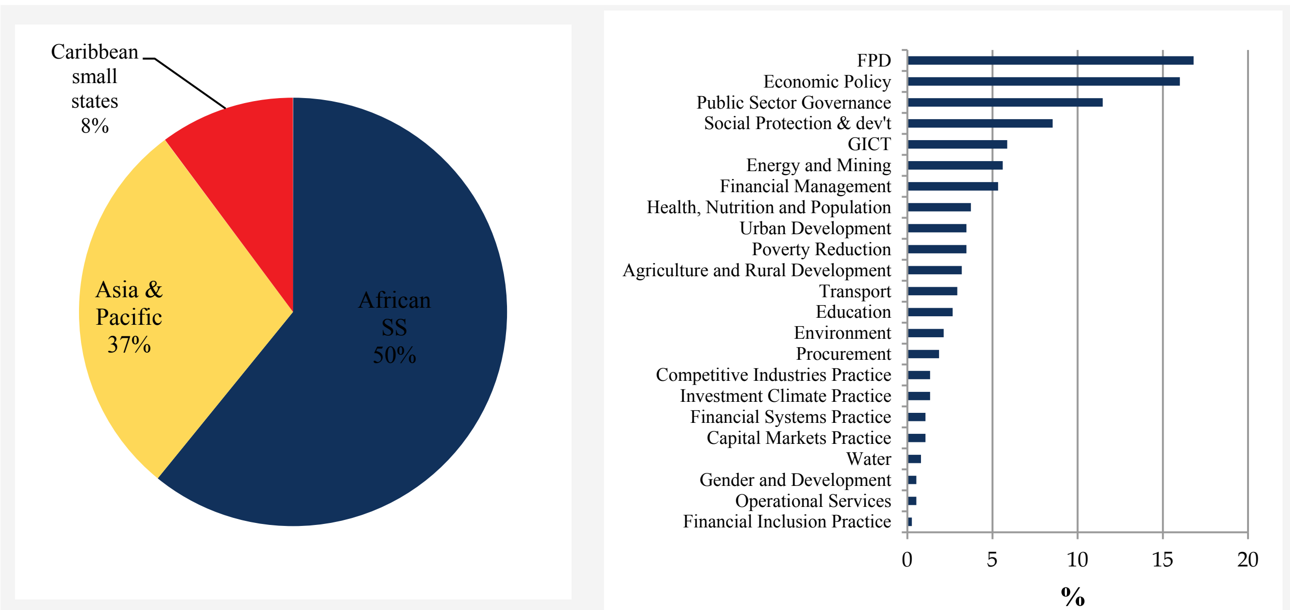


.
Source: World Bank Business Warehouse database

14. **The pattern of World Bank support to small states in the form of analytical and advisory activities (AAA) was similar to lending.** The largest share of AAA products delivered to small states during FY05-14 were to states in the Asia Pacific region which received almost half of the number of AAA products delivered. The FPD sector board accounted for the largest share of AAA products to small states over FY05-14 (see Figure 7). The technical and advisory services to small states covered a broad range of issues, including expanding and improving service delivery for health and education; enhancing the effectiveness and efficiency of public spending; PPPs and SOE reform; debt and macro-financial vulnerability; public financial management reform and strengthening statistical capacity; improving investment climate and private sector development; building resilience; and developing options for scaling up renewable energy and energy efficiency measures.

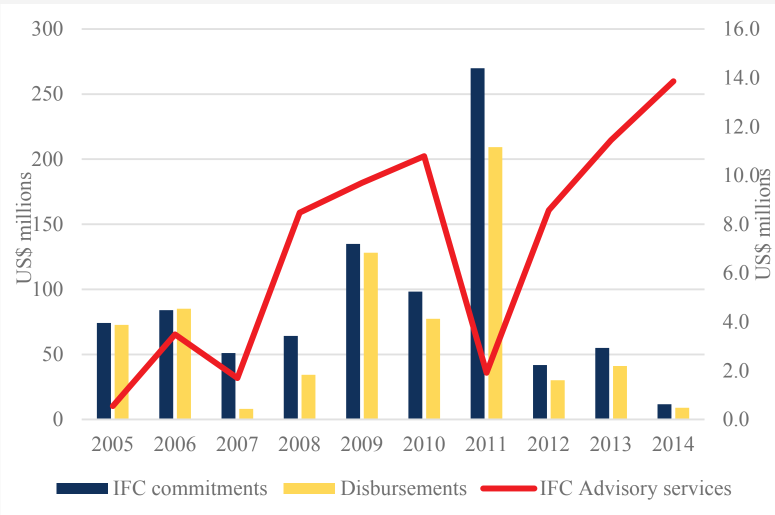
Figure 7. Share of World Bank AAA (count), FY04-14

By Geographical Area | **By Sector Board**

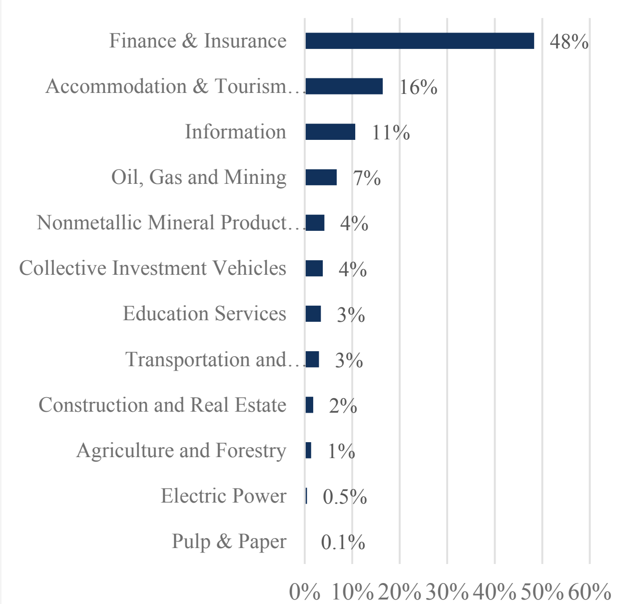


15. **IFC involvement in small states over FY05-14 included the provision of technical and advisory services as well as investments.** To at least 25 of the 34 small states, IFC provided advisory services in the areas of sustainable business, investment climate, access to finance and on PPP partnerships transactions. IFCs investment in small states amounted to US$742 million in 22 small states and US$142 million to three regional investments in the Caribbean. The main sectors of focus for IFC investments in small states were finance and insurance, accommodation and tourism, and ICT, which together accounted for about 70 percent of total investments.

Figure 8. IFC support to small states FY05-14



By primary sector



16. The small states with the largest share of IFC investments included Trinidad & Tobago, Maldives, and Montenegro.

17. In addition to financing from IBRD and IDA, several small states have received substantial assistance in the form of grants from the Global Environmental Facility (GEF) and the Institutional Development Fund (IDF). IDF grants focus on technical assistance and other support for economic management and public sector functions. Over the last ten years, small states have received grants for 53 capacity building projects totaling US$20.1 million. Most of the small states have benefited from IDF grants, and several countries received more than one grant (e.g., Bhutan received 11 separate IDF grants and Djibouti received seven while Bhutan and Jamaica obtained five each). In addition, the World Bank provided IDF grants of US$6.3 million for 12 regional and multi-country projects involving small states, most of them in the OECS or wider Caribbean region (see Table 2 below). Since 2004, GEF support has totaled US$118 million for 26 WBG-implemented projects and was directed not only to individual countries, but also to regions with many small states, such as the OECS and Pacific islands (see Table 3).

Table 2. Use of IDF by Small States

	FY05-09	FY10-14	Total
African small states			
Number of grants	9	5	14
Amount (US$ millions)	3.3	2.2	5.5
Asia & Pacific small states			
Number of grants	11	11	22
Amount (US$ millions)	3.7	4.4	8.0
Latin America & Caribbean small states			
Number of grants	2	4	6
Amount (US$ millions)	0.8	1.4	2.1
Total small states (all Regions)			
Number of grants	22	21	43
Amount (US$ millions)	7.7	8.4	16.2
Total All Countries			
Number of grants	301	245	546
Amount (US$ millions)	112.8	102.7	215.6

Source: Business Warehouse database

Table 3. Use of GEF by Small States

Country	Commitment Amount (US$ M)	Number of commitments
Bhutan	11.7	2
Solomon Islands	7.3	1
Djibouti	6.0	1
Kiribati	5.8	3
Vanuatu	5.6	1
Sao Tome and Principe	4.1	1
Montenegro	4.0	1
Guyana	3.8	1
Seychelles	0.8	1
Regional/multi-country projects		
OECS Countries	12.5	2
Pacific Islands	9.5	1
Caribbean	2.1	1
Total small states	**73.3**	**16**
Total all countries	**2,400.4**	**373**
Share of small states	3%	4%

Source: Business Warehouse database

Table 4. Small States Frequency and Amount of Borrowing from IBRD/IDA

Country	FY15 Eligibility	Number of operations approved		Amount approved Last 10 years ($ Million FY05-14)
		Last 5 years (FY10-14)	Previous 5 years (FY05-09)	
15 Frequent borrowers (>4 operations last 5 years)				
Djibouti	IDA	11	6	90.0
Cabo Verde	Blend	8	8	212.5
Comoros	IDA	8	1	35.4
Samoa	IDA	8	2	117.3
Tonga	IDA	8	2	88.7
Mauritius	IBRD	7	4	368.0
Sao Tome and Principe	IDA	7	2	33.4
Solomon Islands	IDA	7	3	38.2
Montenegro	IBRD	6	8	292.0
Bhutan	IDA	5	8	174.5

Country	FY15 Eligibility	Number of operations approved		Amount approved Last 10 years ($ Million FY05-14)
		Last 5 years (FY10-14)	Previous 5 years (FY05-09)	
Maldives	IDA	5	7	119.5
16 Occasional Borrowers (1-4 operations last 5 years)				
Guyana	IDA	4	2	57.0
Kiribati	IDA	4		49.1
Seychelles	IBRD	4		32.0
Timor-Leste	Blend	4	7	94.1
Grenada	Blend	3	5	48.3
Tuvalu	IDA	3		20.9
St. Lucia	Blend	2	5	49.4
St. Vincent and the Grenadines	Blend	2	1	47.6
Swaziland	IBRD	2		46.9
Antigua and Barbuda	IBRD	1		10.0
Belize	IBRD	1		15.0
Dominica	Blend	1	1	18.4
Marshall Islands	IDA	1		3.0
Micronesia, Federated States of	IDA	1		14.4
10 Inactive Borrowers (no operations last 5 years)				
Vanuatu	IDA & IBRD			..
Fiji, Namibia, Palau, St. Kitts & Nevis, Suriname	IDA & IBRD		2	15.0
Bahamas, Barbados, Trinidad & Tobago	Non-borrowers		1	35.0
Total small states operations		**144**	**77**	**2183.6**

Table 5. Small States: Status and Net ODA received per capita (current US$)

Country Name	Status	2005	2006	2007	2008	2009	2010	2011	2012
Africa									
Cabo Verde	Blend	338.9	287.3	341.5	457.6	402.7	672.5	514.1	497.9
Comoros	IDA	38	51.7	71.1	64.1	75.7	98.4	74	95.7
Djibouti	IDA	95.4	146.3	141	173.8	202.8	158.6	167.4	170.5
Equatorial Guinea	IBRD	63.2	42.2	49	48.8	46.5	121.7	33.9	19.3
Mauritius	IBRD	27.8	15.3	54.6	86.5	121.5	97.8	144.1	137.8
Sao Tome and Principe	IDA	209.8	144.4	312.7	281.3	176.1	276.6	395.2	259.4
Seychelles	IBRD	201.8	161.2	129.8	144	260.7	624.3	252.7	400.1
Swaziland	IBRD	42.2	31.1	44.6	60.6	47.7	76.6	103	71.6
Africa Small States Average		**127.1**	**109.9**	**143.0**	**164.6**	**166.7**	**265.8**	**210.6**	**206.5**
Latin America and the Caribbean									
Antigua and Barbuda	IBRD	94.3	39.3	87.4	102.5	65.4	218.6	173.9	26.4
Bahamas, The	Non Borrower	..	..	..	..	..	..	..	..
Barbados	Non Borrower	-6.6	-7.6	63.4	25.6	42.9	57.8	..	..
Belize	IBRD	44.8	30.9	76.1	81.3	91.6	80.2	71.3	77.7
Dominica	Blend	299.4	276	274.2	313.3	506.4	456	343.7	358
Grenada	Blend	510	259	222.5	318.5	458.4	323.3	116.4	72.5
Guyana	IDA	197.1	227.8	166	214.4	221.9	212.5	200.8	143.9
St. Kitts and Nevis	IBRD	50.9	103.6	68.1	915.7	99.2	218.1	303	408.9
St. Lucia	Blend	63.4	110	114.3	110.5	233.8	232	197.4	148.4
St. Vincent and the Grenadines	Blend	70.7	43.4	603.9	246.1	281.6	154.1	163.4	78.3
Suriname	IBRD	88.4	127.1	295.6	196.9	301.9	199.1	170.9	74.1
Trinidad and Tobago	IBRD	-1.5	10.6	15.9	7.1	5.2	3.3	..	..
LCR Small States Average		**128.3**	**110.9**	**180.7**	**230.2**	**209.8**	**195.9**	**193.4**	**154.2**
Asia and Pacific									
Fiji	IBRD	80.4	67.2	60.8	53.6	83.3	88.8	91	122.7
Kiribati	IDA	309.4	292.1	288.6	285.8	281.9	233.5	644.1	641.6
Marshall Islands	IDA	1,090.90	1,056.80	999.4	1,018.70	1,121.50	1,728.70	1,572.70	1,446.30
Micronesia, Fed. States	IDA	1,003.60	1,026.60	1,093.10	900.9	1,163.30	1,208.40	1,296.90	1,112.60
Palau	IBRD	1,190.00	1,864.90	1,110.40	2,122.80	1,737.60	1,285.30	1,372.40	722.8
Samoa	IDA	242	260	205.6	219.7	418.6	792.8	521.9	638.8
Solomon Islands	IDA	422.9	425.4	500	445.5	399.7	646.8	620.9	554.9
Timor-Leste	Blend	188	209.3	274	268.9	206.3	273.3	249.3	246.4

Country Name	Status	2005	2006	2007	2008	2009	2010	2011	2012
Tonga	IDA	316.8	211.5	301.7	249.7	378.9	676.8	897	745.8
Tuvalu	IDA	949	1,576.20	1,202.40	1,646.90	1,781.20	1,356.50	3,941.50	2,483.80
Vanuatu	IDA	188.6	227.3	257.7	409.4	447	458.4	381.1	410.2
Bhutan	IDA	138.4	152.6	132.2	125	178	182.7	195.3	217.4
Maldives	IDA	254.8	123.9	121.6	173.3	103.9	340	134.9	171.4
Asia & Pacific Small States Average		**490.4**	**576.4**	**503.7**	**609.2**	**638.5**	**713.2**	**916.9**	**731.9**
Europe									
Montenegro	IBRD	6.3	155	171	169.5	121.1	129.5	202.6	166.2

Tailored support

18. **Mitigating external shocks.** While much of the financial assistance provided to small island states is targeted at addressing longer-term development needs, some financing windows in the Bank provide complementary resources to respond rapidly to sudden, unexpected needs, such as the IDA16 Crisis Response Window (CRW) and the recently established Immediate Response Mechanism (IRM).[60]

19. **Other instruments for sovereign risk management.** Examples include weather derivatives against drought risks, call options to help cap the price of maize imports, regional risk pooling schemes (prominent due to the disaster-prone nature of the regions) (the Caribbean Catastrophic Risk Insurance Facility, later "exported" to the Pacific Catastrophe Risk Insurance Pilot Program);[61] and other innovative approaches to leverage concessional funds for adaptation to climate change and mitigation of the impact of natural disasters (the Program for Climate Resilience, Agriculture Risk Insurance). Better adapted instruments such as a Development Policy Operation (DPO) with a Catastrophic Risk Deferred Drawdown Option (Cat DDO) have been used to enable rapid response to a natural disaster. The Cat DDO instrument, which is available to IBRD-eligible countries, can provide immediate liquidity in emergency situations caused by natural disasters and catastrophes. In addition to being a source of bridge financing while other resources are being mobilized, this instrument can support countries' efforts to enhance resilience and capacity to manage natural hazard risk.

20. **TA and AAA.** The Small States Forum (SSF)—the annual gathering of Finance Ministers and Central Bank Governors from small states in conjunction with the World Bank/IMF Annual Meetings—provides a platform for small states to discuss common challenges, learn from each other, interact with development partners, and forge new partnerships. Since the first meeting in 2000, the SSF has covered a wide variety of topics central

[60] In the past year many small states used the CRW, including Tonga, Samoa, St Kitts, St Lucia, etc. The CRW has a cap that benefits small countries.

[61] Japan provided insurance coverage. The Bank's role was more akin to that of a broker.

to small states' development challenges, including: trade; remittance flows; climate change; food and energy security; the impact of the global recession; and sustainability of small states' development and growth. A number of successful projects and initiatives have emerged as a result of the SSF discussions. In addition, for specific states, technical assistance (TA) and AAA are often "embedded" into World Bank operations, or provided as stand-alone initiatives, covering the usual spectrum of issues (better service delivery for health and education; enhancing the effectiveness and efficiency of public spending; debt and macro-financial vulnerability; PFM reform and strengthening statistical capacity; improving the investment climate and private sector development; building resilience and developing options for scaling up renewable energy and energy efficiency measures, etc.).

21. **Bank lending.** A difficulty for the Bank is the high costs (per dollar lent) of single operations, due to the small size of the countries concerned. And this affects pipeline design. Other issues in this context are the extent to which the Bank has been able to undertake regional projects (see also above on IDA regional lending)—which may be desirable especially for developing transportation hubs, etc. Despite the difficulties of single country lending, a number of operations are undertaken each year. Some areas of Bank lending policy such as procurement regulations have special provisions for small states that have in fact only just been introduced under the new OP10.0, which essentially expands special provisions for FCS countries towards small states.

Attachment 3. Summary Table of Country characteristics of small states

Country	Country Characteristics								World Bank Commitments (criterion 5)		AAA (criterion 5)		Trust Fund Commitments (criterion 5)		Recent Country Strategies (criterion 6)
	Island/Mainland/ Landlocked (criterion 2)	2013 Population (millions)	2013 Per capita Income (US$)	WB Region (criterion 1)	FY15 WB Lending category	FY15 Income Group Criterion 3	Small island states exception beneficiary?	FY15 Fragile Situation? Criterion 4	IBRD/ IDA operations approved (FY05-14)		AAA products delivered (FY05-14)		All non- IDA/IBRD commitments (FY05-14)		
									Nos.	Commitment amount ($ millions)	ESW (Nos.)	NLTA (Nos.)	No. of commit.	Commitment amount ($ millions)	
Cabo Verde	Island	0.5	3,630	AFR	Blend	LMIC	YES		16	213	15	3	3	1.98	CPS FY15-17 CPSPR/CPS FY09-12 CAS FY05-08
Comoros	Island	0.7	880	AFR	IDA	LIC		YES	9	35	5	5	5	6.51	CPS FY14-17 ISN FY10-12 ISN FY07-08
Mauritius	Island	1.3	9,300	AFR	IBRD	UMIC			11	368	14	14	3	26.37	CPSPR/CPS FY07-13
Sao Tome & Principe	Island	0.2	1,470	AFR	IDA	LMIC	YES		9	33	5	1	7	8.82	CPS FY14-18 ISN FY11-12 CAS FY06-09
Seychelles	Island	0.1	12,530	AFR	IBRD	UMIC			4	32	4	10	4	3.61	CPSPR FY12-16 CPS FY12-15 ISN FY10-11
Swaziland	Landlocked	1.2	3,080	AFR	IBRD	LMIC			2	47	13	11	2	3.05	ISN FY08-10
Fiji	Island	0.9	4,430	EAP	IBRD	UMIC			..	..	4	6	2	1.28	..
Kiribati	Island	0.1	2,620	EAP	IDA	LMIC	YES	YES	4	49	0	4	5	8.20	CAS FY11-14
Marshall Islands	Island	0.1	4,200	EAP	IDA	UMIC	YES	YES	1	3	..	..	1	1.35	CPS FY13-16
Micronesia, Federated States of	Island	0.1	3,430	EAP	IDA	LMIC	YES	YES	1	14	..	..	..	..	CPS FY14-17
Palau	Island	0.02	10,970	EAP	IBRD	UMIC			..	..	0	2	1	0.24	..
Samoa	Island	0.2	3,430	EAP	IDA	LMIC	YES		10	117	2	4	..	..	CPS FY12-16
Solomon Islands	Island	0.6	1,610	EAP	IDA	LMIC		YES	10	38	8	9	7	14.41	CPS FY13-17 ISN FY10-11
Timor-Leste	Island	1.2	3,580	EAP	Blend	LMIC		YES	11	94	16	35	..	..	CPS FY13-17 ISN FY10-11 CAS FY06-08
Tonga	Island	0.1	4,490	EAP	IDA	UMIC	YES		10	89	2	3	..	..	CAS FY11-14
Tuvalu	Island	0.01	6,630	EAP	IDA	UMIC	YES	YES	3	21	..	..	..	..	CAS FY12-15
Vanuatu	Island	0.3	3,130	EAP	IDA	LMIC	YES		..	..	1	9	..	..	..
Montenegro	Mainland	0.6	7,260	ECA	IBRD	UMIC			14	292	11	9	3	4.84	CPSPR/CPS FY11-14 CPSPR/CPS FY07-10
Antigua & Barbuda	Island	0.1	12,910	LCR	IBRD	HIC			1	10.0	2	0	1	0.31	**RPS** FY15-19 **RPSPR/RPS** FY10-14 CASPR/CAS FY06-09
Belize	Mainland	0.3	4,660	LCR	IBRD	UMIC			1	15	3	4	5	6.85	..

Country	Country Characteristics								World Bank Commitments (criterion 5)		AAA (criterion 5)		Trust Fund Commitments (criterion 5)		Recent Country Strategies (criterion 6)
	Island/Mainland/ Landlocked (criterion 2)	2013 Population (millions)	2013 Per capita Income (US$)	WB Region (criterion 1)	FY15 WB Lending category	FY15 Income Group Criterion 3	Small island states exception beneficiary?	FY15 Fragile Situation? Criterion 4	IBRD/ IDA operations approved (FY05-14)		AAA products delivered (FY05-14)		All non- IDA/IBRD commitments (FY05-14)		
									Nos.	Commitment amount ($ millions)	ESW (Nos.)	NLTA (Nos.)	No. of commit.	Commitment amount ($ millions)	
Dominica	Island	0.1	6,760	LCR	Blend	UMIC	YES		2	18	..	..	..	..	**RPS** FY15-19 **RPSPR/RPS** FY10-14 CASPR/CAS FY06-09
Grenada	Island	0.1	7,460	LCR	Blend	UMIC	YES		8	48	2	0	2	1.35	**RPS** FY15-19 **RPSPR/RPS** FY10-14 CASPR/CAS FY06-09
Guyana	Mainland	0.8	3,750	LCR	IDA	LMIC			6	57	4	4	4	39.59	CAS FY09-12 CAS FY03-05
St. Kitts and Nevis	Island	0.1	13,460	LCR	IBRD	HIC			..	..	1	0	1	0.42	**RPS** FY15-19 **RPSPR/RPS** FY10-14 CASPR/CAS FY06-09
St. Lucia	Island	0.2	7,090	LCR	Blend	UMIC	YES		7	49.4	1	0	1	0.42	**RPS** FY15-19 **RPSPR/RPS** FY10-14 CASPR/CAS FY06-09
St. Vincent and the Grenadines	Island	0.1	6,580	LCR	Blend	UMIC	YES		3	47.6	1	0	..	..	**RPS** FY15-19 **RPSPR/RPS** FY10-14 CASPR/CAS FY06-09
Suriname	Mainland	0.5	9,260	LCR	IBRD	UMIC			..	..	1	0	1	0.30	CPS FY15-19 ISN FY13-14
Djibouti	Mainland	0.9	1030[b]	MNA	IDA	LMIC			17	90	12	17	16	34.07	CPS FY14-17 CPS FY09-12 CAS FY06-08
Bhutan	Landlocked	0.8	2,460	SAR	IDA	LMIC			13	174	23	24	21	27.46	CPS FY15-19 CPSPR/CPS FY11-14 CAS FY06-09
Maldives	Island	0.3	5,600	SAR	IDA	UMIC	YES		12	119	14	21	8	9.85	ISN FY14-16 CASPR/CAS FY08-12
Caribbean	N/A	N/A	N/A	LCR	N/A	N/A		N/A	1	25	13	16	12	53.16	..
OECS Countries	N/A	N/A	N/A	LCR	N/A	N/A		N/A	7	94	5	9	7	11.33	**RPS** FY15-19 **RPSPR/RPS** FY10-14 CASPR/CAS FY06-09
Pacific Islands	N/A	N/A	N/A	EAP	N/A	N/A		N/A	1	2	12	20	9	16.72	CAS FY 2000

Attachment 4. Guide to IEG's Country Program Evaluation Methodology

1. This methodological note describes the key elements of IEG's Country Program evaluation (CPE) methodology.

2. **CPEs rate the outcomes of World Bank Group assistance programs, not the country's overall development progress.**

- A World Bank Group assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the country's development objectives. If a Bank Group assistance program is large in relation to the country's total development effort, the program outcome should be similar to the country's overall development progress. However, most Bank Group assistance programs provide only a fraction of the total resources devoted to a country's development by development partners, stakeholders, and the government itself. In CPEs, IEG rates only the outcome of the Bank Group's program, not the country's overall development outcome, although the latter is clearly relevant for judging the program's outcome.
- The experience gained in CPEs confirms that Bank Group program outcomes sometimes diverge significantly from the country's overall development progress. CPEs have identified Bank Group assistance programs which had:
  - Satisfactory outcomes matched by good country development;
  - Unsatisfactory outcomes in countries which achieved good overall development results, notwithstanding the weak Bank Group program; and,
  - Satisfactory outcomes in countries which did not achieve satisfactory overall results during the period of program implementation.

3. **Assessments of assistance program outcome and Bank Group performance are not the same.**

- By the same token, an unsatisfactory Bank Group assistance program outcome does not always mean that Bank Group performance was also unsatisfactory, and vice versa. This becomes clearer in considering that the Bank Group's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the joint impact of four agents: (i) the country; (ii) the Bank Group; (iii) partners and other stakeholders; and (iv) exogenous forces (for example, events of nature, international economic shocks, and so forth). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three and lead to an unsatisfactory outcome.
- IEG measures Bank Group performance primarily on the basis of contributory actions the Bank Group directly controlled. Judgments regarding Bank Group performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank Group's lending and financial support interventions, the scope, quality and follow-up of diagnostic work and other AAA, the consistency of the Bank Group's lending and

financial support with its non-lending work and with its safeguard policies, and the Bank Group's partnership activities.

4. **Rating Assistance Program Outcome**

- In rating the outcome (expected development impact) of an assistance program, IEG gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank Group do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The Country Assistance Strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEG's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, as well as whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.
- For each of the main objectives, the CPE evaluates the relevance of the objective; the relevance of the Bank Group's strategy toward meeting the objective, including the balance between lending and non-lending instruments; the efficacy with which the strategy was implemented; and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank Group's program achieved a particular Bank Group objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank Group's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank Group, other development partners, the government and exogenous factors.

5. Evaluators also assess the degree of country ownership of international development priorities, such as the Millennium Development Goals, and Bank Group corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key country development constraints. In either case, the consequences could include a diminution of program relevance, a loss of country ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

6. **Ratings Scale**

- IEG utilizes six rating categories for outcome, ranging from highly satisfactory to highly unsatisfactory:

Highly satisfactory:	The assistance program achieved at least acceptable progress toward all major relevant objectives, and had best practice development impact on one or more of them. No major shortcomings were identified**.**
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
Moderately satisfactory:	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
Moderately unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Unsatisfactory:	The assistance program did not make acceptable progress toward most of its major relevant objectives, and either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Highly unsatisfactory:	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

Attachment 5. Country Profile and Bank Group Portfolio of Selected Small states

OECS States[62]

1. The Organization of Eastern Caribbean States (OECS) comprises six independent countries: Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis, and St. Vincent & the Grenadines. The OECS was formed within the larger Caribbean Community (CARICOM) in 1981 to address some of the political and economic limitations posed by its member countries' small size. Since then, economic integration has been deepened through: (i) the maintenance of a common currency, the Eastern Caribbean dollar (EC$) which is issued by a shared Eastern Caribbean Central Bank (ECCB); (ii) an integrated legal system, (iii) collective regulation of banking and securities, telecommunications (the Eastern Telecommunication Authority); and civil aviation (the Eastern Caribbean Civil Aviation Authority), and (iv) attempts to harmonize several policies to support sub-regional development by a coordinating body, the OECS secretariat. The treaty of Basseterre which established the OECS in 1981 was revised in June 2010 to define a regional vision anchored on the establishment of the OECS Economic Union, within which a single financial and economic space would be established with harmonized monetary and fiscal policies and within which goods, people, and capital could move freely. The 2012 OECS growth and development strategy provide directions for the region's development over the next 10 years. Several common policies were established over 2011-14, such as the OECS common tourism policy (2011) and the OECS education strategy (2013). The OECS assembly (consisting of members of parliament) was established in 2012. Despite all these initiatives, it seems that political economy considerations and the lack of resources slows progress and creates obstacles to an effective integration process.

2. The OECS countries are among the top 10 disaster-prone countries in the world. Over the evaluation period, they were hit by several hurricanes[63] and floods[64] which disrupted key economic activities and destroyed infrastructure.

3. **The recent country diagnosis (November 2-14) noted that for years these countries "have been trapped in a spiral of low growth, high debt, limited fiscal space, and growing social problems, exacerbated by external shocks".** In the 1980s, economic growth was driven by agricultural exports benefiting from preferential arrangements with Europe. Growth started to slow down in the 1990s as preferential access was dismantled, and government efforts in the early 2000s to spur growth through increased public investment were not successful and instead crowded out private investment. The 2008 global economic crisis led to a severe contraction of

[62] The material in this section is adapted from the WBG's OECS Regional Partnership Strategy for FY15-FY19.

[63] Hurricane Ivan (2004) (which damaged over 200 percent of Grenada's GDP) and Hurricane Tomas in St Lucia in November 2010.

[64] A tropical storm in St. Vincent and the Grenadines and St. Lucia in December 2013 caused damage of approximately 15 and 7 percent of GDP, respectively.

GDP, with four consecutive years of negative growth (on average 1.5 percent per year). This slower growth is the result of deep-rooted competitiveness problems, driven in part by policies. For example, labor costs are high and have grown faster than productivity, electricity costs are among the highest in the world, and the Doing Business assessment also points to weaknesses in access to finance, contract enforcement, registering property and resolving insolvency. Imprudent fiscal policies (persistent fiscal deficits, public enterprise borrowing, off-balance sheet spending) combined with low growth have generated a high and rising debt burden. Recent debt sustainability analysis revealed that the level of public debt is not sustainable in most OECS countries. Furthermore, inadequate supervision and regulation have also engendered vulnerabilities in the financial sector.

4. **The combination of low growth, significant vulnerabilities, and limited resilience to shocks have slowed down progress against the twin goals of reduced poverty and shared prosperity.** Caribbean countries are now lagging behind the LAC countries in terms of poverty reduction. The recent WBG regional partnership strategy noted small rates of extreme poverty and low inequality, but higher poverty rates than would be suggested by the OECS countries' level of income. Official rates vary from 18 to 38 percent, but most poverty assessments are outdated and do not capture the impact of the 2008 financial crisis. The poverty burden is mostly felt by children and female headed households (WB Social protection and labor discussion paper N1306, 2013).[65] The poor, youth and women also tend to suffer disproportionately from unemployment[66]. The OECS has made progress towards the education MDG and is on track for achieving the MDGs related to maternal and child health, but progress is lagging in some island countries in reducing hunger and accessing water.

5. **Over the evaluation period, the Bank Group supported the OECS countries in building resilience and enhancing competitiveness**. The Bank has developed a comprehensive approach tailored to the Caribbean states, including the OECS, to address the structural interdependence of high debt, low growth and natural disasters "the comprehensive growth and debt framework". The Bank is leading a multi-stakeholder initiative, the Caribbean Growth Forum, to facilitate an action- oriented dialogue around key policy reforms needed to create sustainable and inclusive growth. Beyond country-specific activities, the Bank is supporting reforms in several areas through regional projects. For example, the Bank is supporting governments throughout the region to: (i) improve procurement, tax and customs across the sub-region (e-Government regional integration project); (ii) advance public financial management reform (Supporting Economic Management in the Caribbean project); (iii) build capacity in social protection tools (Social Protection OECS non-lending TA). Bank projects have also aimed at identifying and reducing the vulnerability of critical infrastructure (regional disaster

[65] For instance, 53 percent of Grenada's poor are children; 35.7 percent of Dominica's poor were under age 15; 35.5 percent of the poor in Antigua and Barbuda were children under age 14; one in three children in St Kitts is poor; while over 50 percent of the poor in St. Lucia are under age 20.In St Vincent and the Grenadines, 48.2 percent of the poor were between 0-19 years.

[66] Unemployment rates among the poor reached 35 percent in Grenada (10 points above the national average); 27.8 percent in Dominica; and 25.3 percent in St. Vincent and the Grenadines. Youth also had high prevalence among the unemployed, with rates around 56 percent in 2002 in Dominica, and 42 percent in Grenada.

vulnerability reduction projects). In addition, the Bank has also supported recovery after major disasters through emergency recovery loans and designed the Caribbean Catastrophe Risk Insurance Facility (CCRIF) which provides timely resources to member countries in the aftermath of a natural disaster. The Caribbean Regional Pilot Program for Climate resilience is seeking to increase resilience to the impact of climate change and decrease vulnerability to natural disasters.

Pillar #	Eastern Caribbean CAS, FY02-06	OECS RPS FY06-09	OECS RPS FY10-14	OECS RPS FY15-19
Pillar 1 :	Human and institutional development	Stimulating Growth and Improving Competitiveness	Enhancing Competitiveness and Stimulating Sustainable Growth	Competitiveness
Pillar 2 :	Reducing income insecurity and vulnerability	Reducing Vulnerability	Building Resilience	Public Sector Modernization
Pillar 3				Resilience

Seychelles[67]

6. The Republic of Seychelles is a service-based, highly concentrated, middle-income economy. It has an estimated population of 92,000 (2014) and comprises 115 tropical islands spread over 45,166 hectares in the Indian Ocean. The population inhabits only 10 of the islands, with about 90 percent concentrated on the largest island, Mahé. The nation enjoys a stable political system, good public sector governance, and has better social indicators than comparator small countries. It has already achieved most of the Millennium Development Goals (MDGs), especially for education, health, poverty eradication, and the environment. Poverty in Seychelles is relatively low with less than 2 percent of the population living on less than US$2 per day, but inequality increased between 2000 and 2007.

7. **Given its small size and insularity, Seychelles faces a number of development challenges.** With a limited land surface area of just 455.3 sq. kms. and few options for diversification, Seychelles relies heavily on imports for oil, food, almost all raw materials, and specialized services. The country is thus highly vulnerable to global economic and/or terms-of-trade shocks. Tourism and fisheries (fishing and fish processing) are the economy's two major pillars. Tourism accounts for about 25 percent of GDP, 25 percent of employment, and 70 percent of foreign exchange earnings. Tuna fishing and processing combined account for close to 5 percent of GDP, about 7 percent of jobs, and around 35 percent of export goods, despite the impacts of piracy, environmental factors, and increased regional competition between fishing ports and processing plants. The small manufacturing sector (8 percent of GDP) includes the tuna cannery, small food and beverage enterprises, and a modest construction sector that accounts for 5 percent of GDP.

[67] The material in this section is adapted from the WBG's Seychelles Country Partnership Strategy for FY12-FY15.

8. **Since enduring a major crisis in 2008, Seychelles has managed a turnaround in restoring fiscal sustainability and laying the groundwork for growth**. Five years ago, the country was struggling with several challenges: an overvalued fixed exchange rate, rapidly depleting foreign exchange reserves, a bloated and pervasive public sector, and an unsustainable debt burden—all in the midst of the global financial crisis. By 2007, the fiscal deficit reached 8 percent of GDP, public debt stood at 131 percent of GDP (two-thirds of its foreign), and reserves fell to two weeks of imports. An ambitious reform program launched in 2008 and supported by generous debt relief focused on fundamental liberalization of the exchange regime, significant and sustained tightening of fiscal policy, and a reduction in the state's role in the economy to boost private sector development.

9. **In FY10, the World Bank reengaged with Seychelles after a 17-year hiatus.** Through its lending and knowledge program, the Bank focused on three key objectives: (i) supporting the economic stabilization program; (ii) removing constraints to private sector development; and (iii) addressing the challenge of climate change and natural disaster risk management. The lending program included two DPOs aimed at helping Seychelles establish a stable and sustainable fiscal stance through fiscal adjustment underpinned by public administration and civil service reform and a reduction of the state's role in commercial activities. The operations also supported the establishment of a targeted social safety net as well as reforms to improve public sector effectiveness and the business environment. Under a Reimbursable Agreement for Advisory Services framework, the Bank provided assistance in the areas of social protection, public enterprises, and health financing.

Pillar #	ISN FY10-11	CPS FY12-15
Pillar 1 :	Macroeconomic stabilization: fiscal adjustment, civil service reform and social safety net.	Competitiveness and Employment
Pillar 2 :	Removing constraints to private sector development and supporting private sector investment	Vulnerability and Resilience
Pillar 3 :	Addressing the impact of climate change and infrastructure	Governance and Public Sector Capacity

Cabo Verde[68]

10. Cabo Verde is an archipelago of 10 islands located off the west coast of Africa. It has an estimated population of 500,000 people concentrated on Santiago Island (55.7% of the population). The country has few natural resources and suffers from serious water shortages exacerbated by cycles of long-term drought. The insularity, geographic discontinuity and the

[68] The material in this section is adapted from the WBG Country Partnership Strategy for Cabo Verde for the period FY15-17, dated November 18, 2014.

micro-nature of the Cabo Verde islands have made it difficult right from its inception to have a unified national economy. Cabo Verde has been a country of emigration for many years and the number of Cabo Verdeans living abroad today is estimated to be twice the number of those living within the country.

11. Despite its vulnerability due to its isolated and fragmented territory, the small size of its population, its dry Sahel climate, and scarce natural resources, the country recorded one of the most impressive socioeconomic performances in Africa and graduated from the UN Least Developed Country (LDC) status in 2007. The main drivers of growth in Cabo Verde are the buoyant tourism industry, the high investment rate, remittances from the Diaspora, FDIs and ODA. Fueled by strong external demand, tourism export receipts grew from US$40 million in 2000 to more than US$400 million in 2012. The boom in tourism was driven by large FDI inflows, while the extensive utilization of Official Development Assistance (ODA) enabled the Government of Cabo Verde to increase public investment to about 10 percent of GDP over the last two decades.

12. There has also been noticeable progress in terms of poverty reduction and boosting shared prosperity. The poverty rate dropped from 49 percent in 1988/89 to 37 percent in 2001/2002 and then to 27 percent in 2007. The proportion of the population in extreme poverty also dropped significantly, from 21 percent in 2002 to 12 percent 2007. Income distribution and shared prosperity have improved. The Gini coefficient fell from 0.55 in 2002 to 0.48 in 2007, while the income of the bottom 40 percent as a share of total income increased from 9.9 percent in 2002 to 21 percent in 2007. While the national poverty headcount is about 27 percent, the poverty headcount among agriculture and fisheries workers is 44 percent and 35 percent, respectively. Poverty among households linked to the tourism sector is just 12 percent. Falling poverty rates on other islands have likely been fueled by internal remittances from relatives working in the tourism sector in Sal and Boa Vista.

13. The WBG program in Cabo Verde was articulated around three pillars: (a) promotion of good governance and public sector capacity; (b) improving competitiveness and the investment climate for private sector growth; and (c) strengthening human capital and social inclusion. This support was delivered using a blend of investment loans and a series of four Poverty Reduction Support Credits (PRSCs). The program also included risk identification and mitigation efforts, with the provision of TA to assist the Government in weathering the impacts of the global financial crisis. The main policy areas of engagement under the PRSC series were (i) good governance; (ii) human capital enhancement; (iii) competitiveness; and (iv) infrastructure. Under the competitiveness pillar, Bank support helped raise the country's Doing Business ranking from 146th in 2010 to 122nd in 2012 mainly through the simplification of firms' closure procedures, reduction of registration costs, and a more transparent and predictable investment code. In the fisheries sector, the program successfully established fisheries management tools and is on track to reach the expected results.

Pillar #	Cabo Verde CAS FY05-08	Cabo Verde CPS FY09-12	Cabo Verde CPS FY15-17
Pillar 1 :	Ensuring sound macroeconomic stability and sound public finance and budget systems.	Promoting Good Governance and Public Sector Capacity	Enhancing Macro-Fiscal Stability – Setting the foundation for renewed growth
Pillar 2 :	Enhancing the investment climate and increasing competitiveness through public-private partnerships (PPPs).	Improving Competitiveness and the Investment Climate for Private Sector Growth	Improving competitiveness and private sector development.
Pillar 3 :	Implementing social programs to alleviate poverty and inequity.	Strengthening Human Capital and Social Inclusion	

Djibouti[69]

14. Djibouti is a small country of about 864,617 people, strategically located in the Horn of Africa at the southern end of the Red Sea. Nearly 90 percent of the population lives in urban areas, mostly in the capital city. As with other small states, the small size of Djibouti's economy limits its ability to diversify production and increases its reliance on foreign markets, making it more vulnerable to external market downturns and hampering access to external capital.

15. Djibouti is poorly endowed with natural resources, and has limited arable land, rainfall, and water. The manufacturing sector is weak and agriculture non-existent. As a result, Djibouti's economy is based on rents deriving from its strategic location: port revenues, military revenues, and foreign aid.[70] Some sectors, such as telecommunications and construction have experienced strong growth in recent years, now accounting for close to 75 percent of GDP and employing most private sector workers. Economic growth, which averaged 4.5 percent per year during 2009–2012, reached an estimated 5 percent in 2013. After a marked improvement between 2009 and 2010, the deficit has gradually widened again and is estimated to have increased from 2.7 percent of GDP in 2012 to 3.1 percent of GDP in 2013.

16. Despite a relatively high per capita income (US$1,060 in 2007), the incidence of poverty in Djibouti is high and has been exacerbated by drought conditions since 2007—the worst in 60 years. The drought is estimated to have affected at least half the rural population, with annual economic losses of 3.9 percent of GDP over the period 2008–2011 and a substantial flow of

[69] The material in this section is adapted from the WBG Country Partnership Strategy for Djibouti for the period FY14-17, dated March 13, 2014.

[70] Owing to its proximity to the Persian Gulf, Djibouti hosts military bases for France, the United States, Japan, and the North Atlantic Treaty Organization (NATO), as well as other foreign forces that are located in the country to support anti-piracy efforts.

refugees from neighboring countries. The country's population is relatively young, with nearly 40 percent of Djiboutians under the age of 15, but the ability of these young people to serve as an engine of growth and poverty reduction is challenged by severely limited employment options.

17. These challenges are compounded by the widespread consumption of qat, a leaf that serves as a mild stimulant when chewed. Nearly 90 percent of Djibouti's male population chews qat, leading to adverse social, economic, and health effects on the population. Estimates suggest that Djiboutians spend about 20 to 30 percent of their disposable income on qat, which comes second only to food expenses and well ahead of spending on education (5.4 percent) and health (4.3 percent).

18. The Bank's support to Djibouti was framed around three strategic themes: (i) supporting growth through efforts to strengthen the business environment, with a focus on reducing constraints and costs to private sector development, especially in the power, telecommunications, and financial sectors; (ii) supporting access to basic social services and human development by increasing access to and quality of education and health services and strengthening social protection and direct support to poor people; and (iii) supporting governance and public sector management through policy dialogue and technical assistance to strengthen the budget process and improve monitoring and evaluation. The instruments of Bank support included a combination of advisory services, technical assistance and investment lending. Support through the use of trust fund grants was a key aspect of the Bank's program, especially in response to the drought of 2011. The Power Access and Diversification project (FY05) helped develop medium and low voltage lines that have been used to expand the distribution grid and connect households, while much of the financial sector reform was done in the context of the Financial Sector Assessment Program (FSAP).

Pillar #	Djibouti CAS FY05-08	Djibouti CAS FY09-12	Djibouti CPS FY14-17
Pillar 1 :	Growth & competitiveness	Supporting economic growth	Reducing Vulnerability
Pillar 2 :	Human resources development and poverty alleviation	Supporting access to basic human services & development	Strengthening the Business Environment
Pillar 3 :	Good governance	Supporting governance & public sector management	

Mauritius

19. **In the context of the African continent, the island nation of Mauritius stands out as a social, economic, and development success.** It has undergone a remarkable economic transformation since it attained independence in 1968, and now has one of the highest per capita incomes in Africa.[71] High economic growth rates averaging 4.5 percent between 1990 and 2013 more than tripled Mauritius' GDP per capita, from US$2506 to US$9,210. Underpinning this performance has been a combination of factors including; macroeconomic and political stability,

[71] At US$9,300 in 2013, Mauritius' GNI per capita is several times that of the Sub-Saharan Africa's US$1625.

robust institutions, an efficient administration, a favorable regulatory environment, a well-developed financial system, and effective use of trade preferences, particularly with Europe and India. At independence, Mauritius faced several challenges common to African economies: it was highly dependent on a single commodity, sugar, was subject to significant terms of trade and output shocks, and also faced high population growth coupled with bouts of ethnic tensions.

20. The economy has since diversified into tourism, textiles, financial services, and Information and Communication Technology (ICT). Tourism now accounts for 8 percent of GDP, 30.9 percent of exports and 7.9 percent of employment. Textiles, at 4.9 percent of GDP and 19.2 percent of exports, employ about 13.8 percent of the workforce. A vibrant financial services sector driven by off-shore services has also emerged, accounting for 10.2 percent of GDP. Other sectors such as Information and Communication Technology (ICT), real estate and wholesale and retail trade have each also contributed between 5-10 percent of GDP on average over the past 5 years. This diversification was supported in part by attracting Foreign Direct Investment (FDI) from multiple sources. Net inflows of FDI, which were only Rs 41million in 2005 have since risen by a factor of more than ten, to an annual average of Rs 427 million during FY11-13. Prudent fiscal policy in the years prior to the crisis allowed the government to pursue a set of countercyclical policies that enabled the economy to keep growing during the global financial crisis. At 53.8 percent of GDP in 2013, public debt remains sustainable and within the legally mandated public debt ceiling of 60 percent. Citing a strengthened institutional framework, increased diversification of the economy and the government's significant progress in reducing its debt-servicing burden, Moody's upgraded its sovereign debt rating for Mauritius from Baa2 to Baa1 in 2012.

21. Mauritius' generous social welfare system has been used to distribute proceeds from its sustained high economic growth rates.[72] Although severe poverty is rare in Mauritius compared to parts of the African continent, the country contains a minority of very poor households, most of which are located in rural areas.[73] 12.4 percent of the rural population is poor and disproportionately prevalent on Rodrigues island (40 percent) where livelihoods are derived from subsistence agriculture and fishing. An increase in the country's Gini coefficient from 0.388 in 2006 to 0.413 in 2012 also suggests a less inclusive growth during the period.[74] At 8.0 percent in 2013, unemployment has increased from 7.3 percent in 2009. However, it appears to be largely structural affecting low skilled youth and women. Forty six percent of the unemployed are the

[72] The system provides for free education, free primary health care, universal pension scheme, government subsidies on key food stuffs and free housing for the vulnerable groups.

[73] The proportion of the population living below the poverty line as defined by $1.25 (PPP) per day, was 0.43% in 2013 while proportion of households below the relative poverty line (defined in Mauritius as half the Median monthly household income per adult equivalent) increased from 7.9% in 2006/07 to 9.4% in 2012.

[74] The share of total income going to the 20% of households at the lower end of the income range which was 7.6% in 2006, has decreased to 7.4% in 2012. On the other hand, the share of income of the upper 20% of households increased from 43.7% in 2006 to 43.6% in 2012.

youth between the ages of 15-25 while female unemployment, at 12.6 percent, is double that of men.

22. Over the evaluation period, the Bank Group supported Mauritius in improving public sector performance, maintaining economic stability, and enhancing private sector competitiveness. A number of Development Policy Loans, including a series during the global financial crisis, constituted part of the Bank's lending support. Bank support also included investment loans for manufacturing, services and infrastructure development. AAA was provided to support the government's infrastructure and innovation programs.

23. The Bank also responded flexibly during the crisis and provided just-in-time technical assistance to review business sector vulnerability to the crisis, and provided technical advice on arrangements to facilitate work-outs of distressed businesses.

24. IFC has focused its interventions on three key sectors: infrastructure, tourism, and financial services. Its activities have been targeted at: supporting the mobilization of foreign direct investment to these sectors; introducing climate change mitigation and cleaner production standards and best practices; improving access to finance for Small and Medium Enterprises (SMEs); and promoting South-South exchanges.

Pillar #	Mauritius CAS FY02-04	Mauritius CPS FY07-13
Pillar 1 :	Increased Competitiveness And Productivity	Fiscal Consolidation and Improving Public Sector Efficiency
Pillar 2 :	Improved Social Development And Social Cohesion	Improving Trade Competitiveness
Pillar 3 :	Preservation Of The Environment	Improving the Investment Climate
Pillar 4 :		Democratizing the Economy through participation, inclusion and sustainability

SAMOA[75]

25. As a very small remote economy that is highly vulnerable to external shocks, Samoa faces significant development challenges. Samoa's 189,000 residents live on two main islands located approximately 3,000km from New Zealand and 4,000km from Australia. The small size of the domestic economy and its extreme remoteness from major markets push up production

[75] The material in this section has been adapted from Samoa: First Fiscal and Economic Reform Operation Program: June 2014

costs in Samoa, making it hard for economic activity to be competitive – unless it can capture some form of rent or premium price in markets to cover its higher production costs. Remittances from Samoans living and working abroad are critical to the livelihoods of the resident population, averaging 24.9 percent of GDP over the last four years. Earnings from visitor arrivals are also critical to the economy, averaging 20.5 percent of GDP over the last four years. The limited nature of livelihood opportunities that are available in such small remote economies exacerbates Samoa's already acute vulnerability to external shocks.

26. Since independence from New Zealand in 1962, Samoa has been a stable democracy. Samoa illustrates many of the constraints facing even well performing small island states. Samoa's country policy and institutional assessment is the highest among the Bank's Pacific Island member states and among the top five of all IDA borrowing countries. Strong policy settings for almost two decades have resulted in MDG outcomes and economic performance well above the average for comparable island countries. Yet Samoa's small size, limited natural resources, narrowly based economy, distance to major markets, and vulnerability to exogenous shocks, impose speed limits on growth and have led to a high degree of volatility in recent economic performance.

27. Reflecting strong policy performance and service delivery capacity, Samoa is on track to meet key MDGs. Hunger is almost non-existent, with the 2008 Household Income and Expenditure Survey suggesting that the level of food poverty in Samoa is about 3% of households. Nevertheless, using the national poverty line, the level of basic needs poverty remains persistent at about one in five households. Education access in Samoa is good. The adult literacy rate is 99 percent. Net primary school enrolment is 93 percent, although quality of education remains a concern. Health indicators have improved, although with emerging issues. Samoans are now living, on average, a decade longer than thirty years ago, with life expectancy at birth rising from 62 in 1980 to 72 in 2008. Samoa has met MDGs targets for improved infant, child and maternal mortality rates, and almost all births are attended by skilled health professionals.

28. Since the start of reforms in the mid-1990s, Samoa's economy has until recently shown reasonable growth, underpinned by a stable macro-economic environment and a business-friendly investment climate. Samoa's GDP per capita is about US$2,900 (2012). Since the early 1990s, growth has averaged 3 percent per annum, well above both Pacific and Caribbean comparators. Growth has been accompanied by prudent fiscal policy, which has seen government debt reduced dramatically since peaking at over 100 percent of GDP in the mid-1990s. This has been driven by tax reforms, including the introduction of a VAGST (value added goods & services tax) in 1994 to improve revenue and move away from tariffs, as well as restructuring to contain expenditures while modernizing the public service and improving service delivery. An exchange rate peg to a basket of currencies has proven credible, anchoring inflation expectations. Macro-economic stability has been matched by structural reform to encourage investment.

29. In recent years, however, economic growth in Samoa has been low and volatile, as the country has been buffeted by a series of major external shocks. In FY09, the economy contracted by 5.1 percent, as the global economic crisis hit its major exporter of manufactured goods—

Yazaki, a vehicle parts supplier for manufacturers in Australia—particularly hard. Growth remained low at 0.5 percent in FY10, as Samoa was hit by a powerful tsunami that caused an estimated 30 percent of GDP in damage and losses. The government's policy responses to these two major shocks helped support modest economic growth of 1.4 percent in FY11 and 2.9 percent in FY12, but in FY13 Samoa was hit by a major cyclone estimated to have caused another 30 percent of GDP in damage and losses. Samoa's fiscal situation has deteriorated markedly since the global economic crisis, as the government responded to this succession of major shocks with a fiscal stimulus programs that raised public debt such that Samoa is now at high risk of debt distress. In this context, consolidating the fiscal situation and returning the economy to a more robust growth path are a formidable challenge.

30. The Bank is helping the Government deal with this situation through a proposed DPO series of which the first operation was approved in August 2014. The new DPO series is a central component of the Bank's overall engagement with Samoa, as laid out in the CPS. The design of the development objectives and selection of reform areas are aligned with the CPS's first theme on rebuilding macro-economic resilience and encouraging inclusive growth. A strong economic policy dialogue with the government is the anchor for the Bank's efforts to support this CPS theme, with a programmatic series of DPOs as its centerpiece. There is also a link between the payments system reform area and the second theme of the CPS, on generating opportunities from global and regional integration, including by capitalizing on migration and remittances.

31. The DPO series is complemented by a set of other World Bank Group operations in order to achieve the CPS outcomes. These include technical assistance on debt management reform, procurement reform, and PPPs by the Bank and/or IFC, and an extensive engagement with Samoa as part of the Pacific Payments, Remittances and Securities Settlement Initiative. The tourism sector reform is informed by IFC analysis and complemented by reforms that also support inclusive growth through the agriculture sector, supported by the Samoa Agriculture Competitiveness Enhancement Project. Both the tourism sector and agriculture sector reforms could be complemented by potential work by the IFC on domestic agricultural supply of tourism operators such as hotels and restaurants, under the Pacific Regional Tourism Initiative.

Pillar #	Samoa CPS, FY12-16
Pillar 1 :	Rebuilding Economic Resilience and Encouraging Inclusive Growth
Pillar 2 :	Generating Opportunities from Greater Global and Regional Integration
Pillar 3 :	Overcoming Isolation and Generating Opportunities from Greater Global and Regional Integration

Attachment 6- Evaluation Design Matrix

Evaluation questions	*Information required*	*Information sources*	*Data collection methods*	*Data analysis methods*	*Limitations*
Overarching questions ***1. Has the WBG been relevant, effective and efficient in supporting the development of small state clients?***					
Specific Questions - Relevance of Objectives **1. To what extent have Bank Group objectives (programs, lending and non-lending programs) at both the country and regional level been relevant to the needs of the selected small states?**					
a. Were development objectives appropriate and realistic given country initial conditions (in particular capacity level) and main challenges?	Country socioeconomic context and major development challenges Regional and Country risk profiles	Regional and country strategies	Downloading relevant documents from WBG databases Interviews with key stakeholders : bank group staff, researchers, and experts, government counterparts and country stakeholders	Content analysis, to assess the extent to which objectives reflected priority issues and took into account country context.	Difficulty to generalize based on different political economy in each region Interviewee sample limitations
Relevance of Design **2. To what extend did the intervention focus on the right issues and provide appropriate and adequate solutions to clients' needs**?					
a. How relevant and efficient are WBG initiatives, provisions, and/or instruments tailored—at least among other clients—to small states in general (or to a broad category of small states), such as the IDA "small island exception"					

clause and the Small States Forum?.					
b. Was the Bank Group program, including technical advice and lending **tailored to the country specific needs and political economy**? Was the Bank successful in **fostering multi-stakeholder engagement to inform strategy and project design** and disseminating analytical knowledge to inform the policy debate?	Analytical underpinnings of country and regional strategies and project design Development objectives formulated in the CAS/CPS	Regional and country strategies Project documents AAA Government strategies Official statistics (governments, WBG, IMF, etc.) Relevant literature, analytical work and databases IEG reports Key stakeholders; development partners and area experts inside and outside the bank group	Collation of available data, documents, produced by the Bank Group, authorities, and external sources Interviews with key stakeholders : bank group staff, researchers, and experts, government counterparts and country stakeholders	Literature review Desk review of CAS/CPS, lending portfolio and AAA Interviews Retrospective review of the results frameworks Qualitative analysis of interviews	CAS/CPS may not reflect all activities Availability of documents over the evaluation period Interviewee sample limitations
b**.** Was the program **selective**, focusing on the most critical issues taking into account bank comparative advantage and other DPs ongoing programs?					

c. Was the program **flexible** in design and practice to respond to unforeseen shocks (notably economic and environmental shocks)?					
Effectiveness: **3. To what extent did WBG interventions achieve their objectives relevant to building macro, environmental and social resilience in small states?**					
a. Was the Bank Group successful in helping small states tailor **macroeconomic policies** to provide greater resilience to macroeconomic shocks and restore fiscal and public debt sustainability?	Country performance based on main macroeconomic indicators and analytical reports Cross-country performance comparison Degree of synergy achieved among Bank Group members on these objectives and with DPs	Official statistics (governments, WBG, IMF, etc.) Relevant literature and analytical work Program/project documents IEG reports, ICR Reviews, PPARs CASCR Reviews, etc. Key stakeholders, clients and beneficiaries, development partners and area experts inside and outside the Bank Group	Relevant external documentation. Collation of available Bank Group data and documents. Interviews with key stakeholders.	Desk-based review and analysis of macro indicators, results frameworks, and available monitoring data Statistical analysis of performance over time Desk-based review of: country documentation, relevant AAA products, notes and background paper, lending including joint operations Bank Group and IEG performance data and reports Desk-based comparative performance analysis Qualitative analysis of interviews	Data availability Uneven levels of statistical capacity Attribution problems, especially given the important role played by many donors

b. How effective has WBG support been in helping to enhance small states' resilience through better disaster risk management, climate change adaptation, and more sustainable use of resources?	Evidence on effectiveness of relevant interventions Gap analysis of risks and degree of remaining vulnerability	Project documents, IEG reviews, key stakeholders Official statistics from government agencies (especially impacts of disasters, asset vulnerabilities) Relevant literature and analytical work	Interviews with key stakeholders in government, private sector, civil society, beneficiaries, development partners Field site visits especially comparisons of areas with/without DRM measures that have suffered disaster events Bank Group and external documentation analysis	Desk-based review and analysis of quantitative and qualitative data	Data availability. Difficulty of meaningfully assessing resilience Difficulty of assessing effectiveness of preparedness/risk reduction for a disaster that has not yet happened Uncertainties in degree/timing of long run climate change
c. How effective has WBG support been in improving the countries' **social resilience**—through better education quality and enhanced labor force employability, improved health policy, and more effective social protection systems, including remittances policy ?	Data and analysis relating to education, labor market reforms, health policy, social assistance, socio-economic inclusion, remittances.	Program/project documents and country team documentation. Published literature ISRs, ICRs, XPSRs IEG documents: ICR reviews, CASCR, PPARs, IEG evaluations (youth employment, social safety nets, health financing, education review)	Collation of data on lending and non-lending portfolio (ICR/PPAR) and ongoing projects (ISR) Collation of relevant documents produced by IEG Literature search Interviews with clients	Desk-based review and analysis of results frameworks, management material, and available monitoring data Desk-based analysis of Bank Group and IEG performance-related documents and data including databases, ICR-reviews, XPSRs, PPARs, CASCRs etc. Desk-review of ISRs of ongoing activities Cluster-based AAA assessment of efficacy and sustainability using questionnaire	Same as above Staff turnover in partner agencies can limit feedback on early years in of evaluation

			Interviews with partner organizations		
Effectiveness: **4. To what extent did WBG intervention achieve their objectives, relevant to building sustainable and inclusive growth?**					
a. Was the Bank Group successful and relevant (in conjunction with IMF) in advising and assisting small states in managing their **trade and exchange rate policies**?	Contextual information on trade and exchange rate policies	Country strategy, Trade and IMF report AAA work	IMF Art IV report, country visit and interviews	Data analysis and portfolio reviews at the country and regional level	Data limitations Attribution problems
b. Has the World Bank Group, provided relevant and effective support to small states to promote an **efficient legal and regulatory framework** for market-led growth?	Contextual information for states plus strategy and portfolio information on investment climate priorities and reform; information on baseline conditions and outcomes	Country strategy documents, portfolio documents, Doing Business and Enterprise survey data, other indices, State Department Investment Climate Statements, interviews, IEG evaluations, AAA work	Web-based research, portfolio review, country visits, data and document collection, enterprise surveys, interviews	Data analysis, strategy and portfolio reviews, country case study methodology	There may be mitigating or contributing factors that are difficult to identify such as contributions of local actors and other donors. There are likely to be data limitations and a lack of AAA or strategy/portfolio attention to the issues for some small states
c. Has the World Bank Group provided the countries with relevant and effective support to build deeper, more competitive, yet stable and sound **financial sectors** that can contribute to economic growth?	Information on baseline and subsequent conditions in financial sector, on financial sector depth, stability, growth and accessibility	FSAPs, IMF data and reports, AAA work, enterprise surveys, strategy and project documents, interviews, IEG evaluations, Central Banks, private sector financial players, experts	Web-based research, portfolio review, country visits, data and document collection (including IMF and FINDEX data), enterprise survey data, interviews	Research, data analysis, strategy and portfolio reviews, interviews, country case study methodology	Role of global financial crisis and other regional and global events may overwhelm reform efforts. Challenges in attribution of effects to WBG interventions. Limited data.

d. Has the WBG provided relevant and effective support to countries in mobilizing public and private resources to provide sound basic **infrastructure** to underpin economic development, overcome geographic isolation, and increase resilience against environmental and weather-related shocks	Evidence of infrastructure development. Information and indices on infrastructure availability and performance, and information on degree to which businesses and investment are constrained by infrastructure	AAA work, country-level indices, ITC, transport, energy, trade facilitation data and indices, country strategy and portfolio documents, field and desk interviews, IEG evaluations	Web-based research, portfolio review, country visits, data and document collection (including WDI and LPI), enterprise survey data, interviews	Research, data analysis, strategy and portfolio reviews, country case study methodology	Confounding role of geography and natural disaster in infrastructure status. Limited data for small countries. Challenges in attribution of effects to WBG interventions. Potential weakness of links of infrastructure to economic/business outcomes due to other binding constraints
e. Has World Bank group support to leading or high potential sectors in small states been relevant and efficient in building competitive and globally or regionally integrated industries?	Evidence of growth of leading/high potential sectors; evidence of role of WBG engagement in improved sectoral performance (competitiveness)	AAA work (including relevant ESW), UN COMTRADE data, country-level macro- and microeconomic data and indices, strategy and project documents, field and desk interviews, IEG evaluations	Web-based research, portfolio review, data and document collection, interviews	Research, data analysis, strategy and portfolio reviews, country case study methodology, trade share analysis, microeconomic/sectoral analysis	Data limitations, confounding role of global financial crisis on country and regional trade performance, confounding impact of natural disasters on sectoral performance. Challenges in attribution of effects to WBG interventions. Potential weakness of links of interventions to sectoral performance due to other binding constraints

Building Capacity ***5. Did the WBG work in small states devote enough attention to building capacity? Was design of activities geared to clients' institutional capacity?***					
a. Did the Bank Group devote adequate attention to strengthening institutions and CSOs through its analytical and lending program?	Review of project / program documents, implementation supervision reports, completion reports as available, TTL interviews and surveys, client interview, interviews with management of relevant departments. Field visit data	WBG staff and clients	Downloading of relevant documents Interviews and surveys	Content analysis of documents, Field visit data and questionnaire responses	Limited number of country case studies
Work Quality and Organizational Efficiency **6. Was the WBG work in small countries undertaken effectively in terms of internal and external quality assurance and coordination and use of partnerships?**					
a. Has the WBG met internal work quality standards in preparation, implementation and supervision, and leveraged synergies through coordination?	Review of project / program documents, implementation supervision reports, completion reports as available, TTL interviews and surveys, client interview, interviews with management of relevant departments. Field visit data.	WBG staff and clients	Downloading of relevant documents, Interviews and surveys	Content analysis of documents, field visit data and questionnaire responses	Limited number of country case studies

b. Has the WBG used partnerships and MDTFs in a manner that is congruent with its objectives and business needs, and enhanced its ability to assist clients? What are some specific achievements of partnerships and MDTFs in the countries covered by this evaluation and how do they align with the development needs of the countries (as reflected in country/ regional assistance strategies)? Has the WBG performed well in the many partnering roles that it performs (host, convener, trustee, implementing agency, chair, and so on)? Has the WBG collaborated effectively with partner agencies**?**	Review of relevant WBG country and regional strategies. Review of key documents of selected partnerships and MDTFs such as programs' self- or independent evaluations, annual reports, completion reports, interviews with program managers, client/ beneficiary interviews, Interviews with key donors. Field visit data. Relevant IEG evaluations.	Program websites, WBG staff, key stakeholders of partnership programs	Compiling relevant documents, interviews	Desk–based review and analysis, interviews, field visit data	Data availability. Attribution of results to a single partnership/MDTF.
c. Were WBG monitoring and evaluation standards adequate for accountability and learning and has WBG management used the resulting information to improve performance?	Information on the results frameworks and monitoring and evaluation arrangements for the intervention, on the information collected, and the use made of such information	Project/program AS/AAA documents. Completion reports where available. External reviews. Discussions with TTLs on use of such information.	Review of documents and TTL discussions	Review of results frameworks to assess good practice, review of data on results achieved, and review of use of such data.	Limited information on use of results data.

Attachment 7

Detailed Timeline

Item	Date
IEG One-Stop Review for Approach Paper	January 29, 2015
Submission of Approach paper to Bank Group Management	February 26, 2015
Comments on Approach paper from Bank Group Management	March 19, 2015
Submission of Approach paper to CODE	March 27, 2015
IEG One-Stop Review for Report	March 21, 2016
Report submitted for Internal Bank Group review	April 18, 2016
Report finalized and distributed to CODE	May 30, 2016

Attachment 8

Team and Skills Mix

Staff:

- Florence Charlier, TTL - Macroeconomist
- Claude Leroy, Senior Evaluation Officer -Macro-economist
- Swizen Rubbani, Macroeconomic and fiscal management
- Stephen Hutton, Evaluation Officer - Environment and Climate Change
- Andrew Stone, Lead Evaluation Officer - Private Sector Development
- Xiaolun Sun, Senior Evaluation Officer – Private Sector Development
- Pia Schneider, Lead Evaluation Officer –Human Development
- Ana Aghumian, Evaluation Officer – Partnership Programs, Governance
- Rasmus Heltberg, Lead Evaluation Officer – Partnership Programs

Consultants:

- Ali Khadr, former World Bank country director and Lead Economist on the Caribbean countries
- Basil Kavalsky former World Bank country director
- Chandra Pant, former senior Bank staff – macroeconomic management and private and financial specialist

References

Aghion.P. and Howitt.P.1998. Endogenous Growth Theory. Cambridge: MIT Press

Alesina, A., and R. Wacziarg, 1998, "Openness, Country Size, and the Government," *Journal of Public Economics*, Vol. 69, No. 3, pp. 305–321.

Alesina, A., E. Spolaore, and R. Wacziarg, 2005, "Trade, Growth, and the Size of Countries," in *Handbook of Economic Growth,* ed. by P. Aghion and S. Durlauf (Stanford: Stanford University).

Alexandraki, K. and H. Lankes, 2004, "The Impact of Preference Erosion on Middle-Income Developing Countries," IMF Working Paper 04/169 (Washington: International Monetary Fund).

Timothy Cheston, Aline Coudouel Ludovico Subran and Asha Williams. WP80105- Social Protection and Labor, 2013. Tailoring Social Protection to Small Island Developing States- lessons learnt from the Carribean.

Docquier.F and Schiff.M, 2009. Measuring Skilled Migration Rates: The Case of Small States. World Bank. WP 4827

Easterly.W and Kray A. Small States, Small Problems? 1999. WPS 2139.

Favaro, E. and D. Peretz, 2008, "Overview of Studies of Economic Growth," in *Small States, Smart Solutions: Improving Connectivity and Increasing the Effectiveness of Public Services,* ed. By E. Favaro (Washington: World Bank).

GEF – GEF and Small Island Developing States. Report 33338

Hallegatte, 2012. A Cost Effective Solution to Reduce Disaster Losses in Developing Countries: Hydro-Meteorological Services, Early Warning, and Evacuation

IEG, 2005. Evaluation of World Bank Assistance to Pacific Member Countries, 1991-2002.

IEG, 2006. Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters

IEG, 2006. Small States: Making the Most of Development Assistance.

IEG, 2007. The Development Potential of Regional Programs: An evaluation of World Bank Support of Multi-country Operations

IEG 2007. Evaluation of Development Results in Middle Income Countries.

IEG, 2008. Environmental Sustainability, An Evaluation of World Bank Group Support.

IEG, 2012. Review of the Global Facility for Disaster Reduction and Recovery Program.

IEG 2014. Adapting to Climate Change: Assessing the World Bank Group Experience. Phase III

IMF, 2013. Asia and Pacific Small States: Raising potential growth and enhancing resilience to shocks.

IMF, 2013. Caribbean Small States: Challenges of high debt and low growth.

IMF POLICY PAPER, 2014. Staff guidance note on the fund's engagement with small developing states.

IMF. WP 13/123. Are the Asia and Pacific Small States Different from Other Small States? Patrizia Tumbarello, Ezequiel Cabezon, and Yiqun Wu

IMF. WP 08/39. Big Government, High Debt, and Fiscal Adjustment in Small States. Stephanie Medina Cas and Rui Ota

IMF. WB12/123. Small Island States in the Pacific: the Tyranny of Distance? Chris Becker.

IMF, 2013. Macroeconomic issues in small states and implications for fund engagement

Mlachila, M. and P. Cashin, 2007, "The Macroeconomic Impact of Trade Preference Erosion on the Windward Islands," in *Eastern Caribbean Currency Union: Selected Issues*, IMF Staff Country Report No. 07/97.

Meilak C., 2008, "Measuring Export Concentration: The Implications for Small States," *Bank of Valletta Review*, No. 37

Malik, A. and J. Temple, 2008, "The Geography of Output Volatility," *Journal of Economic Development*, Vol. 90, No. 2, pp. 163–178.

Prasad. A and Pollock. M. Ying Li. 2013. Small States Performance in Public Debt Management. WP6356. World Bank

Robert Read. The Implications of Increasing Globalization and Regionalism for the Economic Growth of Small Island States World Development [2004]

Romer.P (1986). "Increasing returns and Long-Run Growth" Journal of Political Economy. 94:1002-37.

Schiff, M. and Y. Wang, 2012, "North-South Trade-Related Technology Diffusion and Productivity: Are small States different?

Schiff, M and Wang.Y, 2008. "Brain Drain and Productivity Growth: Are Small States Different?"

Schiff.M. 2002. Regional Integration and Development in Small States. WP2797.

United Nations and World Bank. 2010. Natural Hazards Unnatural disasters. The economics of prevention. WP 57060.

Winters, A., and P. Martins, 2004, "When Comparative Advantage is not Enough: Business Costs in Small Remote Economies," *World Trade Review*, Vol. 3, No. 3.

World Bank and Caribbean Growth Forum. 2014. Connectivity for Caribbean Countries: An Initial Assessment Report 89692.

The World Bank and IFC. 2012. Doing Business. Report 65638

The World Bank 2000 – Report of the Commonwealth secretariat- joint World Bank taskforce. Meeting challenges in the global economy