

SMALL STATES UPDATE



INSIDE THIS NEWSLETTER, YOU WILL FIND UPDATES ON:

Summary of FY26 WBG Operations in Small States	1	Introducing Implementation in Practice	6
Small States Strategy Implementation Tracker	3	WBG Knowledge on Small States	8

Summary of FY26 WBG Operations in Small States

By the end of the 2026 fiscal year (FY26; covering the period from July 1, 2025, to June 30, 2026), the World Bank's active portfolio in small states amounted to \$8.9 billion. These investments were distributed across verticals as follows:

- **Infrastructure (\$4.6 billion):** This financing supports transport infrastructure, urban development, energy access and affordability, and sustainable infrastructure finance. In FY26, notable approvals included the \$515 million [Bhutan Dorjilung Hydroelectric Power Project](#)—which will cover roughly one-third of Bhutan's energy generation once completed—as well as the [Sustainable Economic Corridors and Urban Resilience Project in Tonga](#), one of the first projects approved in a small state to use the [Full Mutual Reliance Framework with the Asian Development Bank](#).
- **Prosperity (\$1.6 billion):** Our Prosperity projects help countries build stronger economies—improving financial inclusion, public institutions, and economic policy to reduce poverty and drive sustainable growth. Today, our active portfolio supports fiscal resilience in small states like [Comoros](#), [The Gambia](#), and [Grenada](#).
- **Planet (\$1.2 billion):** From climate action to sustainable agriculture, water security, and environmental management, our Planet projects work toward a more livable world. Our largest new and active projects in small states for FY26 are focused on improving access to basic services in [Gabon](#), enhancing water security in [Barbados](#), and waste management reform in [Montenegro](#).
- **People (\$1.0 billion):** People projects advance global health, inclusive education, and social protection. Active projects in small states include supporting early childhood development and female empowerment in [Belize](#) and strengthening health emergency resilience through the Multi-Phase Programmatic Approach (MPA) in [Botswana](#).
- **Digital (\$0.4 billion):** We are accelerating digital access in small states like [Eswatini](#), where we are increasing access to affordable broadband internet and improving government capacity to deliver digital public services.

Terminology: “World Bank Small States” vs. “small states”

The term “World Bank Small States” refers to the 33 current World Bank client countries with populations of 1.5 million or less. The Small States Update uses the term “small states” more broadly to refer to all 41 current World Bank client countries that are members of the Small States Forum (SSF), including those with populations above the 1.5 million threshold that face similar development challenges. Find the full list of SSF members [here](#). The operations data shown here pertains to the “small states.”



SMALL STATES UPDATE

In FY26, the International Finance Corporation's (IFC) portfolio exposure in small states totaled \$682 million at the year end, with the majority concentrated in Africa (63%) and Asia and the Pacific (21%), spanning the following sectors:

- ▶ **Infrastructure & Digital Connectivity (\$413 million, 61%):** IFC is supporting investments in critical transport, digital connectivity, and renewable energy infrastructure across small states. Key investments include the development of the Kinguélé Aval hydropower plant in [Gabon](#), solar power generation and battery storage in [Timor-Leste](#), and local-currency financing to strengthen electricity transmission infrastructure in [Bhutan](#). IFC is also supporting the modernization of [Gabon's](#) Transgabonese railway and airport upgrades in [Cabo Verde](#), improving connectivity and energy security.
- ▶ **Tourism & Health (\$140 million, 21%):** IFC is supporting small states through investments in sustainable tourism and healthcare systems. Tourism investments include resort, hotel, and marina developments such as Adriatic Marinas in [Montenegro](#), financing for [The Gambia's](#) first luxury spa resort (Coco Ocean), and support for [Cabo Verde's](#) Oásis Atlântico hotel group, strengthening a key economic driver for many small states. In healthcare, IFC is improving access to quality healthcare services across Africa, including through Ciel Healthcare's regional network in [Mauritius](#).
- ▶ **MSMEs and Financial Inclusion (\$113 million, 17%):** IFC supports MSMEs in small states by strengthening local financial institutions through direct lending, risk-sharing guarantees, and funds to expand access to finance for underserved small businesses, while mobilizing private capital. Recent investments include IFC's first ever debt fund transaction in [the Caribbean](#) (Caribbean Community Resilience Fund (CCRF) Debt Sub-Fund) to support MSMEs and climate-resilient infrastructure. IFC's Small Loan Guarantee Program is also expanding MSME access to finance, through partnerships with BRED Bank [Fiji](#), National Bank of [Samoa](#), BRED Bank [Vanuatu and Solomon Islands](#), and [Tonga](#) Development Bank.
- ▶ **Housing Finance (\$15 million, 2%):** IFC is working to scale affordable housing finance in small states through targeted investments in housing-focused financial institutions. A key example is IFC's investment in the banking and microfinance subsidiaries of Letshego [Namibia](#), which will expand access to affordable mortgages and home improvement loans for underserved individuals and households, while encouraging greater private sector participation in the housing market.

By the end of FY26, the Multilateral Investment Guarantee Agency's (MIGA) gross outstanding exposure in small states totaled \$790 million across 22 projects:

- ▶ **Financial Sector (\$436 million):** This sector anchors MIGA's portfolio, focusing on optimization of commercial bank capital, mobile-money, and non-honoring structures to deepen access to finance and stability in small states. Major positions include transactions with [Absa Bank](#) (Mauritius and Seychelles), [FirstRand](#) (Botswana, Eswatini, and Lesotho), and [Airtel Mobile Money](#) (Gabon and Seychelles).
- ▶ **Infrastructure (\$302 million):** Financing supported by MIGA guarantees is strengthening energy, transport, and connectivity, advancing reliability and regional integration in small states. This includes support for the [Ghoubet wind power station](#) in Djibouti; [SETRAG rail](#) in Gabon; [Orange Bissau](#) (telecom in Guinea-Bissau); the [Tina River hydropower project](#) in the Solomon Islands; and the [Ejuva](#) and [Karibib](#) solar parks in Namibia.
- ▶ **Services (\$33 million):** Activities in this sector include urban and crisis-response operations such as [Mezz Tower](#) in Djibouti; and a [project installing streetlights and CCTV](#) in St. Lucia.
- ▶ **Tourism (\$18 million):** Exposure from a single project, the [Safari Hotel](#) in Namibia, supports recovery and jobs.
- ▶ **Trade Finance (\$2 million):** A focused line for [HFC Bank](#) Fiji facilitates import/export flows.

Small States Strategy Implementation Tracker

The **World Bank Group (WBG) Small States Strategy** was launched in April 2026, representing a new vehicle for delivering the WBG’s commitments to our 41 small state clients, working with them to confront challenges and open doorways to greater opportunities.

The Small States Strategy focuses WBG support to small states on six Lighthouse Initiatives: Health Delivery and Services; Physical and Digital Connectivity; Access to Affordable, Reliable Energy; Resilient Infrastructure and Disaster Preparedness; Fiscal Sustainability and Sound Public-Debt Management; Support to Micro, Small, and Medium Enterprises (MSMEs).

It also commits the WBG to working differently in small states in four respects: more effective financing, more efficient operations, more impactful knowledge, and stronger partnerships. Six months after the launch of the Small States Strategy, we are launching the first edition of the [Small States Strategy Implementation Tracker](#). This article explains what the Tracker shows and how to read it.

WHAT THE TRACKER IS

The Tracker is a public web page, updated bi-annually at the Spring and Annual Meetings, that reports on delivery of the Strategy’s key components: selectivity around the six Lighthouse Initiatives, and the four areas in which the Strategy commits the WBG to work differently. It comprises over 35 indicators. A companion page, “Implementation in Practice,” provides a qualitative overview of the implementation process for each Lighthouse Initiative to date, with examples from operations that illustrate how the Strategy is being put into action. The status reported in this first edition of the Tracker is current as of FY26, covering the Strategy’s first six months of implementation.

WHAT FY26 SHOWS

The Tracker leads with key results. WBG commitments to small states reached \$2.8 billion in FY26. Thirty of the 41 small states now have at least one pre-arranged crisis financing instrument in place, and four of those arrangements were activated in FY26 and early FY27, releasing a total of \$72 million within days of a request. Partners committed \$3.8 billion alongside WBG financing in FY26, of which \$2.1 billion was private capital mobilized.

Tracker Headline: FY26 delivery, crisis financing coverage, and partner capital, with climate, gender, and jobs as cross-cutting results.

WBG DELIVERY

\$2.8B

WBG commitments to small states, FY26

CRISIS FINANCING

30 of 41

small states with at least one pre-arranged crisis financing instrument

PARTNER CAPITAL

\$3.8B

External co-financing mobilized from multilateral and bilateral partners and private investors, FY26

\$2.1B

of which **private capital mobilized**

RESULTS ACROSS THE STRATEGY

CLIMATE CO-BENEFITS

58%

IBRD/IDA

share of FY26 commitments to small states with climate co-benefits; MIGA 0%

40%

IFC (own account)

GENDER

2.0M

people in small states expected to benefit from actions to advance gender equality

Active portfolio, June 2026

JOBS

reporting in progress

More and better-paid jobs

To be included in the Spring 2027 update

SMALL STATES UPDATE

The selectivity that the Strategy promised is visible in newly approved projects, which are focused on Lighthouse Initiatives. Of the 64 IBRD/IDA country and regional operations approved for small states in FY26, 60 support at least one Lighthouse Initiative (94%). The three country and regional partnership frameworks delivered since the launch of the Strategy—for Belize, the Solomon Islands, and nine Pacific island countries—are all anchored in three to five Lighthouse Initiatives.

The three country and regional frameworks delivered since launch, and the Lighthouse Initiatives each anchors on.

	Health delivery and services	Physical and digital connectivity	Affordable, reliable energy	Resilient infrastructure and disaster preparedness	Fiscal sustainability and debt management	Support for MSMEs
Belize CPF FY26–35	☐	☒	☒	☒	☐	☒
Pacific Islands RPF for PIC9, FY26–31	☒	☒	☒	☒	☒	☐
Solomon Islands CPF FY26–31	☐	☒	☒	☐	☒	☐

WORKING DIFFERENTLY

The actualization of a commitment to work differently is shown clearly through operational indicators.

Preparation time for operations in the remote micro and small states has fallen from 12 months in FY22 to seven in FY26, and in the group of connected micro and small states, from 13 to nine, showing that much-needed operations are getting under way faster. In every group, the average operation size is larger as of FY26 than it was five years ago, which brings economies of scale to preparation and supervision. Conversely, time to disbursement—a critical marker of project success—does not yet show meaningful reduction. The cost of preparing and supervising a small-state operation remains about four times that of non-small state clients per dollar disbursed—a major structural constraint that the Strategy’s regional and programmatic approaches are meant to address: 72 regional operations now reach 34 of the 41 small states.

Preparation time, time to disbursement, cost per dollar disbursed, and size of new operations, by country group, FY22 to FY26



Reading over the Tracker by group highlights that small states are a diverse group. Differentiation among these states is a key aspect of the Strategy, which sorts small states into three groups by size and distance to markets. The Tracker reports on differences in Strategy implementation among the groups, which helps give the WBG the basis for a differentiated approach in its operations. For example, crisis financing coverage extends to nine of 11 in the remote micro and small states, 15 of 22 in the connected micro and small states and six out of eight in the connected larger small states group. Climate co-benefits in IBRD/IDA commitments are lowest in the remote group, at 41 percent—but almost all of those commitments, 92 percent, go to adaptation. In the other two groups, the climate co-benefits share is higher and mostly focused on mitigation. The same indicator is reported by institution, 58 percent for IBRD/IDA and 40 percent for IFC’s own-account long-term finance. Where the groups do not differ, as on alignment with the Lighthouses Initiatives, the Tracker says so, and reports one figure.

Small states with at least one Crisis Toolkit arrangement, by country group, as of August 2026





SMALL STATES UPDATE

Introducing Implementation in Practice

The “[Implementation in Practice](#)” section of the new Small States Strategy Tracker examines how the six Lighthouse Initiatives are being put into action. Each Lighthouse-focused sub-section highlights short case notes from projects and programs, using these vignettes to illustrate implementation processes from the ground. The examples below demonstrate the diversity of these implementation processes, and the variety of projects and regional and programmatic approaches that are being harnessed to deliver the Lighthouses in small states.

EXPANDING RENEWABLE ENERGY IN SMALL ISLAND DEVELOPING STATES ACCESS TO AFFORDABLE, RELIABLE ENERGY

Implementation of the **Access to Affordable, Reliable Energy Lighthouse** is focused on strengthening affordable, reliable, and resilient energy systems tailored to diverse country contexts. The **SIDS-RISE program (Small Island Developing States - Resilient Islands for Sustainable Energy)** exemplifies a **programmatic approach** that shows how the WBG’s energy work in SIDS is undergoing a fundamental shift—from isolated, project-by-project interventions to a systematic, demand-aggregated model, integrated into Country and Regional Partnership Frameworks across Caribbean, Pacific, and Indian Ocean SIDS. For example, in April 2026, the Central Electricity Board of **Mauritius** launched a first competitive tender for Solar photovoltaic + Battery Energy Storage projects, under the International Solar Alliance (ISA)–World Bank SIDS e-marketplace. The Mauritius anchor tender is designed as a programmatic template to be replicated across SIDS.

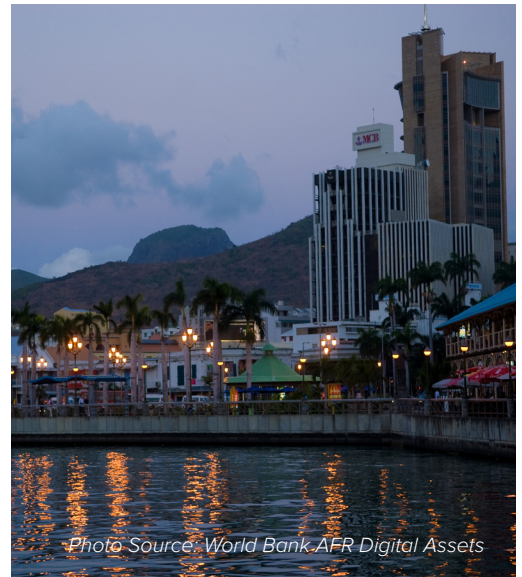


Photo Source: World Bank AFR Digital Assets



Photo Source: World Bank EAP Digital Assets

PROMOTING HEALTHY PACIFIC ISLANDS HEALTH DELIVERY AND SERVICES

Small states face a range of structural constraints in the health sector: small and dispersed populations, chronic shortages of specialized health workers, reliance on overseas referrals, high and growing non-communicable disease (NCD) burdens, growing fiscal pressures and high exposure to climate and disaster risks. The **Health Lighthouse Initiative** aims to address these challenges, with an implementation strategy based on three mutually reinforcing pillars: **Health Compacts** at both regional and national level; **One WBG Support** deploying IBRD/IDA lending, IFC investment, and MIGA guarantees; and **MDB and Partner Co-Investment** to deepen scale. The **Pacific Healthy Islands Transformation (PHIT) Project** embodies the **Small States Strategy** by adapting good global practices to the Pacific context and pioneering innovations that can be shared across small states. PHIT provides a \$239.5 million regional financing platform to strengthen health systems in Fiji, Kiribati, Tonga, and Tuvalu, while extending access to training through the Pacific Community to Naoero, Samoa, Solomon Islands, and Vanuatu. The project demonstrates how small states can pool resources, scale innovation, and use regional institutions to share lessons across the Pacific Community.



SMALL STATES UPDATE



LINKING COMMUNITIES AND MARKETS ON THE TRANSGABONAIS PHYSICAL AND DIGITAL CONNECTIVITY

Both physical and digital connectivity—from broadband and digital services, subsea cables and satellite connections, to roads, ports, and airports—are critical for small states, helping connect people, businesses, and whole countries to information, markets, and essential services. For example, the Transgabonense Railway (Transgabonais) underpins an estimated 20 percent of **Gabon's** economy. Connecting communities across the country, the railway is critical for manganese ore exports, forestry, passenger and freight transport, and Gabon's broader economic diversification. **A joint IFC-MIGA** project is supporting the third phase of the Transgabonense railway rehabilitation plan with financing and guarantees. This includes rehabilitation and modernization of critical railway infrastructure, track upgrades, drainage improvements, rolling stock investments, and modern train control and communication systems. It does so by supporting SETRAG, the railway concessionaire, including by refinancing part of SETRAG's outstanding debt. The project directly implements the small states strategy by mobilizing private capital for large-scale projects, supporting economic diversification and improving regional integration.



BUILDING RESILIENCE ACROSS THE CARIBBEAN THROUGH DEBT FUND INVESTMENTS RESILIENT INFRASTRUCTURE AND DISASTER PREPAREDNESS

Across the Caribbean, small states reckon with natural hazards that can dramatically disrupt development gains, and face long-term financing gaps that hamper business growth and investment. To address these challenges, **in 2026 IFC invested \$15 million in the Caribbean Community Resilience Fund (CCRF) Debt Sub-Fund**, marking its first-ever debt fund transaction in the Caribbean. The investment aligns with the Small States Strategy in its focus on strengthening resilience, expanding economic opportunities, and mobilizing private capital. The CCRF Debt Sub-Fund will deploy financing across **13 small states in the Caribbean basin**, helping to build disaster resilience through critical infrastructure financing; expanding credit access to unlock private sector growth and job creation; and advancing climate finance and renewable energy to reduce the region's net greenhouse gas emissions.



SMALL STATES UPDATE

WBG Knowledge on Small States

WBG REPORTS

The [Djibouti Country Private Sector Diagnostic](#) report finds that private investment is held back by several economy-wide constraints: costly electricity, scarce serviced land, and limited access to finance. Against this backdrop, the new CPSD identifies three sub-sectors where private investment can be boosted by concrete policy actions: off-grid solar energy, data centers, and tourism. Across all three sectors, the report's recommendations converge on a common set of priorities: strengthening regulatory institutions, reducing energy costs, improving access to finance, and investing in workforce development.

The [Tonga Country Growth and Jobs Report](#), the country's first-ever growth and jobs diagnostic, explores how Tonga can unlock stronger growth and create more jobs through a more dynamic private sector. The report highlights key constraints, including declining labor force participation, limited financial intermediation despite large remittance inflows, and a subdued private sector. It identifies opportunities to boost productivity-enhancing infrastructure, reengage and upskill workers, enable private sector growth and investment, and improve access to finance. A comprehensive reform agenda could nearly double Tonga's potential growth and generate 20 percent more jobs over the coming decades.

The [Fiji Country Climate and Development Report](#) finds that climate change could reduce GDP by 3-7% by 2050, with severe shocks causing much larger short-term losses. Yet well-targeted adaptation and development reforms can offset 60-100% of this damage while supporting growth and jobs.

WBG RESEARCH

Research papers published by the WBG delve into the unique challenges and opportunities faced by small states. This quarter, we highlight a new demographic model that estimates gaps in care for children and elderly people across East Asia and the Pacific.

TITLE	SUMMARY	DATE PUBLISHED
The Potential Market for Care in East Asia and Pacific	This paper develops the Care Simulation Model, a demographic model that estimates gaps in childcare and eldercare in 21 countries in East Asia and the Pacific, including Fiji, Samoa, Solomon Islands, Timor-Leste, and Tonga. The paper quantifies unmet family care needs and translates them into estimates of potential market size, defined as the share of households likely to require care services outside the family and the corresponding potential employment creation in childcare and eldercare. By 2030, after accounting for family availability and current care employment, the unmet need across all 21 countries translates into a potential gap of 19.9 million jobs in childcare and 34.1 million jobs in eldercare.	June 29, 2026

Upcoming Events

[The Small States Forum, October 16, 2026 at the 2026 IMF and WBG Annual Meetings in Bangkok, Thailand.](#)



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