

CHECK AGAINST DELIVERY

MAURITIUS INTERNATIONAL MEETING

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Mr. Secretary-General, heads of state, honorable ministers, heads of agencies, distinguished guests, ladies and gentlemen:

Small developing states, particularly the poorest small island developing states, face great challenges in the pursuit of sustainable development and poverty reduction. Smallness limits their ability to diversify and to 'self-insure' against shocks, adding to their vulnerability. Because of these natural disadvantages, small states can least afford being marginalized by the international community or to make policy mistakes.

The World Bank is committed to support the development of small states and assist them to learn from the experience of other Bank members. The Bank's analytic and advisory work, as well as its technical assistance, can be particularly important in this regard. Financial assistance is also vital. In the last ten years, the World Bank disbursed US\$2.2 billion to small states. The Bank is committed to making sure that no small state is graduated prematurely from eligibility for borrowing from the World Bank. Twenty small states have access to concessional resources from the

International Development Association (IDA) and their basic allocations are being increased in 2005. Nine of these countries have relatively high per capita incomes but continue to access IDA as a result of the small island country exception which recognizes their special vulnerabilities.

The Asian tsunami disaster has shocked the world in recent days and highlighted how vulnerability to natural disasters can set back development. The World Bank is working to help with reconstruction and rehabilitation in the Indian Ocean region and to provide advice and financing where requested, as it is doing in the Maldives. Many small island states are in a particularly vulnerable situation. Human-induced climate change is projected to increase sea levels, leading to a loss of land and the potential displacement on tens of millions of people in low-lying coastal areas, the areas most sensitive to tsunamis and other catastrophes. In a warmer world, natural vulnerabilities will increase.

Vulnerabilities. The Bank's country programs in small states address the particular vulnerabilities of small economies. The Bank is supporting several Caribbean states in their rehabilitation and reconstruction efforts in the wake of Hurricane Ivan. Similar activities in Tonga in the wake of Cyclone Waka and in Samoa in the wake of Cyclone Heta, and mitigation and adaptation activities in Samoa and Kiribati, are helping to build resilience to climate change vulnerabilities. In response to the experience with weather-related vulnerabilities, the Bank's Caribbean department has developed a model for a regional catastrophe risk insurance project, which is also being studied by Pacific Island countries. The Bank is committed to helping all member countries, including small states, address vulnerabilities

created by HIV/AIDS. Operations for African and Caribbean small states have been approved, and we are prepared to broaden this assistance as needed.

Small States Agenda. To help ensure that the concerns of small states are not marginalized by the international community, the World Bank plans to continue hosting a Small States Forum each year on the occasion of the World Bank Group/IMF Annual Meetings. The Forum provides an opportunity for representatives of the 45 participant small states and partner institutions to exchange information and ideas, assess progress on the agenda set out in the 2000 Task Force report, *Small States: Meeting Challenges in the Global Economy*, and set priorities for future work. In 2005 efforts are underway to strengthen the participation of small states' representatives in the Forum and to review the relevance of the Task Force Report agenda.

Harmonization and Aid Coordination. The World Bank and the international community are increasingly conscious of the burdens placed on small states' inherently limited institutional capacity by multiple, and sometimes overlapping and inconsistent, donor policies and procedures, and is committed to help tackle this problem. Harmonization and alignment of donor policies and procedures are important to improving the effectiveness of assistance to small states. This is an area where we have started to make significant progress in recent years. Country leadership will be critical. The bilateral as well as multilateral agencies are now actively collaborating on key harmonization themes to facilitate, support and monitor progress on harmonization and alignment with country priorities and systems which is of potentially great benefit to small states.

Trade. Large countries may gain many of the productivity benefits of specialization and scale from internal trade, but for small countries, the potential of international trade is vital — without it they will not be able to realize sustained growth. The Bank will use and adapt its lending authority and analytic and advisory work to respond to the specific challenges posed by the Doha Development Agenda. We work with small states to assess the nature and magnitude of adjustments, and we stand ready to assist in designing policies, institutional reforms, and investment programs aimed at addressing key obstacles to trade expansion and managing the impact on affected population groups. We aim to provide support in mobilizing and coordinating additional donor resources.

Anti-Money Laundering/ Combating Financing of Terrorism. The Bank is working in close partnership with others to assist to strengthen regulation in offshore financial centers to combat money laundering and the financing of terrorism. Financial Sector Assessments have already been completed for 10 small states, with 5 more planned in the coming 18 months. In many cases grants have been provided to small states for capacity building in follow up to these assessments, and this will continue. The Bank is also working with the global community to address tax competition issues. An International Tax Dialogue conference is planned for March 2005 to address several topics that are especially important to small states, such as VAT in small island economies.

Private Sector Development The Bank, together with the International Finance Corporation (the Bank Group's private sector financing arm), is working to help small states in the area of private sector development. This includes undertaking Investment Climate Assessments; six such studies for small states plus a regional study in the Pacific have been completed, or are underway or planned. The Bank Group's Foreign Investment Advisory Service has also been very active in small states, helping to identify administrative barriers to private sector investment and develop appropriate legal and regulatory frameworks. Additional analytic work done at the World Bank recently, both about the investment climate (for the *World Development Report*) and on the costs of doing business (*Doing Business 2005* report), was discussed at the Side Event on Tuesday.

In Conclusion, now is the time to focus on implementation, with a view to achieving results. Going forward, the international community will need to focus selectively on development objectives that are achievable in the medium-term, and monitor progress toward meeting them. International organizations, bilateral, and regional partners all have a key responsibility. The World Bank is deeply committed to play its role working with small states to meet their vital development challenges.