“Addressing Debt Sustainability in the Pacific in the Aftermath of COVID-19”

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April 6, 2022
Figure 1: Real GDP Growth in Pacific Small Island Developing States (PSIDS) (%)

Source: World Bank Macro Poverty Outlook (MPO) 2022
Debt Environment in the Pacific Region

Figure 2: Public Debt in IDA and Pacific Island Countries (percent of GDP, average)

Figure 3: Fiscal Balance Pacific Island Countries (percent of GDP)

Source: World Bank Macro Poverty Outlook (MPO) 2022
Global Debt Environment cont’d

Figure 4: Risk of External Debt Distress in Pacific Island IDA Countries (percentage shares)

Figure 5: PPG External Debt Composition in Pacific IDA countries (share in total PPG external debt)

* Percentage share of Pacific IDA countries that were rated under LIC-DSF
Pacific IDA countries include Papua New Guinea, Kiribati, Marshall Islands, Micronesia, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

*Cover Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu based on data availability
Small Island Developing States (SIDS) account for two thirds of the countries with highest relative annual disaster losses.

Source: Presentation “Climate Change and Natural Disasters in Small Island Developing States” by Sofia Bettencourt, Rolande Simone Pryce, and Rolande Simone Pryce, World Bank
Building Resilience – WBG Engaging on financing instruments to reduce risk

- Catastrophe Deferred Drawdown Option (Cat DDO) Development Policy Financing (Samoa, Tonga, Fiji, PNG, Solomon Islands, Vanuatu)

- CAT Bonds

- State-contingent debt instruments

- Risk-pooling facilities (Pacific Catastrophe Risk Assessment and Financing Initiative)

- Contingent Emergency Response Component

- Emergency Recovery Loans
World Bank Support to Pacific Island Countries

The Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) to provide the Pacific Island Countries (PICs) with disaster risk modeling and assessment tools

IDA’s most favorable lending terms to apply to all Small States

Enhanced scope for greater use of Contingent Emergency Response Components (CERCs) under the Crisis Response Window particularly beneficial to Small Island Economies vulnerable to natural disasters

Favorable leveraging formula under the Regional Window

Sustainable Development Finance Policy (SDFP) allows calibration of performance and policy actions to specific debt vulnerabilities and government capacity constraints
Figure 4: Total IDA Commitments to PSIDS in US$ million

Financing Terms for Small States

- IDA’s most favorable lending terms continue to apply to all Small States (both island and non-island small economies).
- 10-year grace period and 40-year final maturity.
- Minimum annual base allocation of SDR15 million (equivalent to $21.4 million) maintained in IDA19 and IDA20.

*Including pipeline in the system probability A + B + C.
**Volumes in IDA20 are expected to be similar to IDA19.


Notes: IDA PSIDS are Fiji, Kiribati, Marshall Islands, Micronesia, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Total IDA commitments include Performance Based Allocations (PBA) and windows (except the Private Sector Window).
Thank you!