2007 SMALL STATES FORUM: CHAIRMAN'S SUMMARY OF DISCUSSIONS

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Opening

Opening the 2007 Small States Forum, World Bank Vice President of Operations Policy and Country Services Jeffrey S. Gutman introduced the Chair, the Hon. Willie Jimmy Tapangararua, Vanuatu's Minister for Finance and Economic Management. Mr. Tapangararua began his opening remarks, as he had at the 2006 Forum, by drawing attention to the high standards set by previous Forum Chairs, and by asking for members' support in adding to the legacy of the Forum. He thanked Mr. Gutman for the Bank's service on the Forum's behalf, and the Forum's partner institutions for their efforts on behalf of small states. Mr. Tapangararua then introduced Juan Jose Daboub, World Bank Managing Director.

Mr. Daboub began by noting that, as a citizen of El Salvador, a rather small country, he had some experience in a Latin American context of finding that larger countries sometimes seemed to discount the knowledge, experience, and contributions small states had to offer to the development community. As regards the World Bank, Mr. Daboub drew attention to two recent developments that "positively impact small states, though not exclusively, across the range of income status":

- The World Bank Group would contribute $3.5 billion of its income to provide grants and credits to the world's poorest countries through the IDA15 replenishment; and
- The Bank's Board of Executive Directors had recently approved the largest simplification and reduction in loan charges in nine years.

Mr. Daboub concluded by mentioning that the Bank had also prepared and would present to IDA Deputies two proposals that were designed to aid small states specifically, noting that he would leave the details of these proposals to be discussed later in the Forum by World Bank President Robert Zoellick.

I. Coping Strategies for Climate Change-Related Risk: Lessons for Small States and their Development Partners

After thanking Mr. Daboub for his presentation, the Chair introduced the Forum's first session, on climate change-related risk, by noting that for many years now small states had been urgently calling attention to dangers that were particularly threatening to their well being. The Chair then called on Ms. Katherine Sierra, Vice President and Network Head, Sustainable Development, World Bank, to discuss the Bank's approach to the challenges of climate change.

Ms. Sierra began her presentation by noting that the number of climate-related disasters had almost tripled in the last 25 years, and that because of the characteristics of small states, extreme events have a disproportional impact that is not experienced by larger countries. By way of examples of the extremity of economic impact, she noted that the floods in 2005 in Guyana cost that small state some 60 percent of its GDP, while Hurricane Ivan resulted in a loss of 200 percent of Grenada's GDP. She also noted that 15 of the 20 countries with the greatest proportion of their population exposed to hazards of sea level rise are small states.

Given the vulnerability of small states, a project-by-project approach—such as building a stronger dike—is clearly insufficient, Ms. Sierra said. Instead, we must start thinking multisectorally, and we have to think about national institutional capacity to cope. To this end, one World Bank response is framed in the Clean Energy Investment Framework, which is looking in particular at the mitigation side: energy for development and access to the poor; helping countries transition to a low carbon economy; and adaptation and reduction of vulnerability. Ms. Sierra added that while this is a good start and mitigation has many of the pieces of the puzzle, more needs to be done with respect to adaptation. This requires mainstreaming the adaptation agenda into country programs and expanding global policy research.

Speaking of World Bank efforts, she drew attention to four initiatives or approaches. First, she noted the Global Environment Facility (GEF) programmatic approach, as exemplified by $100 million of GEF support for the Pacific Alliances for Sustainability, which aims to develop strategic investment programs on biodiversity, climate change and mitigation, international waters, and cross-cutting issues such as land and water management. Ms. Sierra said that the World Bank views this "as an opportunity to build consensus, to consolidate partnerships, share learning, and harmonize strategies." She then spoke about ADAPT, a screening tool for climate risk that allows practitioners to enter the geographic location of a project and a project description. Having entered this data, the tool provides information, based on the climatic measures that the Bank has and the various models of climate change, on the risks that the project is likely to face over the next 10-20 years. As she explained, "ADAPT will start giving you some red flags—you've got significant climate risk here; here are the kinds of things you need to be thinking about as you develop this project; and here is a database of literature of other places where these problems may have been attempted to be solved, what the latest research is, and who you can partner with as you think about this project."

Ms. Sierra also mentioned the Bank's catalytic role in the development of the Caribbean Catastrophe Risk Insurance Facility, saying that she would defer greater comment on this initiative because it was later in the Forum going to be the subject of an entire session. She then spoke at greater length about the Global Facility for Disaster Risk Reduction (a partnership of the U.N., the World Bank, and major donors to integrate disaster risk reduction into poverty reduction conversations), saying that it is providing "fairly substantial support for technical assistance targeted right now to about 50 countries, to begin to help them integrate risk reduction into their country development strategies."

Ms. Sierra concluded by noting that the challenges are going to be to mainstream a response to climate change into ongoing development planning, and to scale up concessional finance to maintain effectiveness in terms of a changing climate. (Click here for Ms. Sierra's presentation.)

After thanking Ms. Sierra for her presentation, the Chair noted that 2005 saw dozens of weather records broken all over the world, with adverse consequences for people from Brazil to Pakistan, and that 2006 saw those negative consequences hit particularly hard in the Pacific and Indian Ocean. In this context, he said, he was particularly pleased to note that the Forum had present Mr. Maarten van Aalst, a senior representative from one of the leading nongovernmental organizations in the forefront of addressing emerging climate issues, the Red Cross/Red Crescent Centre on Climate Change and Disaster Preparedness, who was going to discuss some of the new thinking in bringing together the topics of adaptation and disaster risk management.

Mr. van Aalst began his presentation by observing that he was going to forgo several slides that in previous years had been necessary as background information because Ms. Sierra's presentation already covered a lot of that ground, which underscored how far the development community had come in terms of raising awareness about the importance of addressing climate change and doing so by integrating adaptation into all its programs. He quickly added, however, that "we have to recognize that we're at an early stage in terms of having the methodologies and the tools all set up and having governments able to integrate across all of your work."

Mr. van Aalst continued by expressing his pleasure at seeing so many ministries of finance and planning now addressing this issue, because in the past the usual governmental actors had been the National Disaster Management offices in a ministry of civil defense or a ministry of the interior, who sometimes lacked the ability to secure sufficient funding and attention to push for risk reduction across all the different sectors.

Mr. van Aalst remarked that the more we reduce greenhouse gasses now, the more we can avoid a long-term disaster that's going to be catastrophic and almost unmanageable in terms of some of the development consequences, particularly for small island states. Even the most optimistic scenarios of current and projected remedial efforts see accelerated temperature rise, possibly tapering off by the end of the century. This means heavier rainfall, more floods, more droughts in many areas, more heat waves, more intense tropical cyclones, more frequent high sea levels—in short, more disaster impacts.

He added that much of the development progress that has been achieved over the past two decades or so has actually increased these risks even in the face of increasing hazards due to climate change, so that it was critical to do better in terms of development planning and reducing the vulnerability side of climate change risk. This, he said, was where the disaster management agenda and the climate change agenda, which have been managed almost entirely separately, come together as a development planning issue.

Mr. van Aalst noted that the recent Stern report calculated that climate change globally may cost up to 20 percent of global GDP, a figure that would be higher in the more vulnerable countries, the bulk of which are small states. He then suggested that a very rough estimate of what it would cost annually to integrate adaptation into development planning in today's dollars would be on the order of $10-40 billion. He added that "this also means it is not just an environmental issue, it is a planning issue, and it is a financial and economic issue."

Small states, he noted, are especially affected, as many of them have very high vulnerability, especially the small island developing states and some of the smaller states in Africa. They also often have limited ability to absorb shocks and a limited ability to assess and address the risks. These risks are far more than just the risk of immediate loss of human life. There is also the risk of underperformance: investments in agriculture in areas where the rainfall changes substantially, will not yield their anticipated development outcomes, with consequent impact on efforts to reduce poverty. And there is a risk of maladaptation—i.e., the risk that development patterns are actually increasing vulnerability rather than decreasing it.

All of this means, he concluded, that, as Ms. Sierra had implied, one cannot simply add another 10 centimeters on top of a dike if the expectation is of a 10 centimeter rise in sea level. Instead, a far more comprehensive and integrated approach is required, one that integrates the efforts of finance and planning ministries, the private sector, NGOs, and international organizations. (Click here for Mr. van Aalst's presentation.)

The Chair thanked both Mr. van Aalst and the Red Cross/Red Crescent Centre on Climate Change and Disaster Preparedness for the important work they have been doing in recent years to bring these issues to the minds of policymakers. The Chair then turned the speaker's lectern over to the final presenter of the first Forum session, Mr. Timi Kaiekieki, Chief Economist at the National Planning Office of the Government of Kiribati. Mr. Kaiekieki began his presentation on mainstreaming climate change adaptation in government development strategies by giving some relevant background information on Kiribati, noting that the country is situated right in the center of the Pacific, comprised of 3.5 million square kilometers, of which only 816 kilometers are land, and that land is composed of 33 low-lying coral atolls, most about three meters above sea level. Mr. Kaiekieki continued by noting that according to a World Bank study done in 2000, up to 80 percent of the northern part of the capital island is expected to be inundated by sea level rise by the middle of this century and that by the end of the century, it is estimated that most land will be under sea water.

Mr. Kaiekieki then discussed the Kiribati Adaptation Project (KAP) funded by the World Bank through GEF, as well as other donors, mainly Australia and New Zealand. Phase one of the project started in 2003 and mainly consisted of preparation and consultation. Phase two began in 2006 and mainly consists of pilot adaptation investments on two islands. Phase three will look at scaling up of adaptation investments. The current phase has five components: (i) awareness—increasing people's understanding of why adaptation is needed and the risks of not adapting; (ii) protection of coastal structures and ecosystems, including public assets; (iii) protection of existing as well as future water sources;

(iv) strengthening capacities at the community level and implementing the adaptation investments; (v) coordination and monitoring of the overall project to ensure that it is on track.

Mr. Kaiekieki then noted that the mainstreaming process entailed ensuring that the operation of these KAP projects elements coincided with the preparation of the current national development strategy articulated in 2003. "In the preparation of the National Plan," he said, "we took into account climate change issues, and that is reflected in the key policy area, which is economic growth—which recognizes that climate change can bring potential risk to economic growth. We also have a strategy in place, down to the implementation level," that involves the relevant implementing agencies (the ministries of Finance, Public Works, Environment, Internal Affairs, Transport, Communications), each of which has its own operational plans with respect to implementing climate change strategies.

Implementation, he noted, also involves the community, through the island councils, so that climate change issues and strategies are incorporated in their operational plans. With respect to coordination, Mr. Kaiekieki said that the Office of the President had the major oversight of the project, assisted by a steering committee—the National Adaptations Committee—chaired by the Secretary for the Office of the President and assisted by the Project Management Unit.

Mr. Kaiekieki then spoke frankly about the challenges facing the project, including inadequate or unsustained commitment both at the policy level and the implementation level. He began by noting that his country had just emerged from an election, and "the perception of climate change is as a long-term issue, so that immediate actions may not be necessary for some ministries or some policymakers." He added that project implementation was behind schedule, which could affect project costs, and that there were long-standing concerns about capacity constraints, which were exacerbated by the additional load to day-to-day work. Finally, there were concerns about sustaining donor involvement. (Click here for Mr. Kaiekieki's presentation.)

The Chair then opened the floor to questions and observations. After conferring with their Caribbean colleagues, St. Kitts & Nevis noted that they had integrated the Ministry of Finance with the Ministry of Environment and Sustainable Development, and that this approach "has helped in terms of sourcing financing for sustainable development issues." Furthermore, St. Kitts & Nevis saw value in making financing for climate change and environmental matters integral to its own budget, so that it was not always looking to the outside for the financing and asking themselves "what happens when discrete projects come to an end?"

Mauritius followed by noting that as small countries, "we cannot really do very much about the global policy on climate change, but we are in need of the sort of programs that have been talked about here in Forum." The delegate then noted that many countries were moving to program-based budgeting—making it the right time to integrate environmental matters in the overall development framework—so the question arises for middle-income countries of whether they can access climate change support on a concessional basis, as happens with the GEF, or whether such support must entail IBRD borrowing for middle-income countries.

In response to the last question, Mr. James W. Adams, World Bank Vice President for East Asia and the Pacific, remarked that the traditional response in this area has been to rely on the normal instruments in terms of the availability of financing, but that there were some grounds for thinking that this situation may change somewhat. In the context of environment change and within the context of the GEF arrangements, Mr. Adams noted that a broader range of activities are being viewed as appropriate to be focused on, and so some additional resources might become available. He added, however, that the high probability would be that as one moves up the scale into middle income status, there would be some willingness to help on the technical capacity side, but the hope would be that the programs themselves would be integrated into overall government programs.

Mr. Indrajit Coomarasamy then commented from the perspective of the Commonwealth Secretariat, noting that the Commonwealth is a series of networks, and that it had been working to mobilize the various networks to address the climate change issue not merely by seeking to ensure that the Commonwealth Parliamentary Association developed a work program to raise awareness amongst parliamentarians but also by supplementing this by bringing together meteorologists, agronomists, architects, urban planners—including through their respective professional associations—to mobilize these networks to facilitate exchange of experience, peer learning, technical support, and capacity building.

Session II. Small States Network for Economic Development: A New Institutional Environment

The Chair introduced the Forum's second session by reminding participants that the 2006 SSF in Singapore had unanimously endorsed the idea of establishing a Small States Network for Economic Development and he called on the main author of the original Network proposal, Professor Lino Briguglio, to remind the Forum of the reasons for the Network and how it would benefit small states.

Professor Briguglio began his presentation by noting that a key function of the Network was to strengthen resilience building, which is especially important for small states because they share several characteristics that render them especially vulnerable to external economic shocks. The Network, he said, would further improve possibilities for resilience building by acting as a clearinghouse to share expertise and technologies specific to small states issues, thus providing countries with just-in-time services on specific policy and institutional development. The Network would also promote appropriate training opportunities, utilizing the considerable experience and expertise available in small states themselves, and would build an inventory of experts so as to foster competitiveness and resilience building and thus support small states in their development initiatives.

In addition, he said, the Network would provide a continuous channel of communication among small states and between small states and the World Bank and other development institutions and act as a permanent structure to support the World Bank-sponsored Small States Forum. It would also serve to reinforce the voices of small states not only in the international arena generally but also within multilateral and bilateral organizations that support their development efforts. Finally, the Professor noted, the Network would help small states by identifying, disseminating, and utilizing existing and new research on matters of particular concern to them. (Click here for Professor Briguglio's presentation.)

The Chair thanked Professor Briguglio for his pithy summary and then called Mr. Henry Chase of the World Bank to report to Forum participants, on behalf of the Board of Executive Directors of the Small States Network for Economic Development, regarding the Network's status. Mr. Chase began by placing the Network in its historical context, noting that everyone at the Forum was embarked on a journey that began back in 2000 with the intervention of the Honorable Owen Arthur, Prime Minister of Barbados. From that came the 2000 Joint Commonwealth Secretariat/World Bank Task Force Report on Small States. This, in turn, led the World Bank to make a corporate commitment to the Small States Forum, and from that Forum, in 2005, under the chairmanship of the Honorable Dr. Denzil Douglas, Prime Minister of St. Kitts and Nevis, and through the initiative of Malta, came a draft proposal for a South-South network of small states.

For its part, Mr. Chase observed, the World Bank committed to supporting this initiative as an additional element of its support to small states, and had worked with colleagues between 2005 and 2006 Forums to refine the idea and to gauge the level of demand for it. As the Chair had recognized, at last year's Forum in Singapore, participants unanimously endorsed the Network and tasked Barbados, Malta, Mauritius, St. Kitts and Nevis, Samoa, Vanuatu, the Commonwealth Secretariat, and the World Bank with reviewing and refining a draft governance statute. In addition, the World Bank was tasked with developing a mechanism for pooled funding to support the activation of the Network. Mr. Chase then reported, on behalf of the Network's Board of Trustees, on success on both these fronts.

In April of 2007, representatives of the mandated states and institutions met in Malta and endorsed an agreed text of a governance statute for the Network. In the months since, the respective governments had each individually reviewed that statute and had endorsed the statute and affiliation with the Network. Two days ago before the 2007 Forum, these governments and institutions had activated the Network, met as a Board of Trustees, and directed Malta to register the Network in Malta in accordance with the laws of Malta. Even earlier than April, Mr. Chase continued, the World Bank began exploring ways to meet the obligation accepted by the Bank regarding a funding mechanism for the Network, and he was pleased to report success on this front, too.

Mr. Chase concluded by noting that although much remained to be done, including developing a work program and a resource mobilization strategy, Forum participants might want at this time to express their appreciation for the governments that had worked so diligently since the 2006 Forum to bring the Network to fruition. Enthusiastic applause then followed.

The Chair then asked Mr. Giovanni Majnoni, a World Bank Executive Director whose constituency—Albania, Greece, Italy, Malta, Portugal, San Marino, Timor-Leste—includes three small states, to say a few words about the challenges facing small states from his perspective. Mr. Majnoni began by noting that his own country, Italy, was until the mid-19th century composed of more than a dozen small states—one of which, San Marino survives until this day as such, and with probably with more than a thousand years of history, was one of the oldest small states at the Forum. Given this history, he said, Italians have remained sympathetic and committed to small states' issues. Mr. Majnoni noted that his personal engagement with small states dated back some five years, when he organized a conference on, and subsequently edited a book about, the challenges small states' financial systems faced in coping with globalization and improving the quality and quantity of services in banking, equity markets, and pensions. He noted that at the time the book was published, the publisher selected a title, *Globalization and National Financial Systems*, that did not explicitly mention small states, on the judgment that this might have limited the book's audience. He quickly added that "I'm happy to say that today this would not be necessary, as small states attract a large and growing audience in their own right."

Mr. Majnoni concluded by wishing the members of the newly created Small State Network great success in their endeavors, and by expressing his interest in collaborating with the Network and in representing their interests jointly with the other Executive Directors in the World Bank Board whose constituencies include small states.

At this point in the proceedings, World Bank President Robert Zoellick joined the Forum, and was welcomed by the Chair, who noted that Mr. Zoellick brought with him a wealth of international experience and expertise having served as the United States Trade Representative in the WTO Doha negotiations, and that Forum members knew that he had an appreciation for the challenges affecting small and vulnerable economies in the multilateral trading system, and a commitment toward a fair and equitable development agenda for all.

Mr. Zoellick thanked the Chair for his kind remarks and noted that his first experience with small states came very early in his tenure as the U.S. Trade Representative, in a meeting with CARICOM colleagues which alerted him to the particular problems and challenges of small states. In light of this knowledge, he continued, he was pleased to learn the good news about the Small States Network for Economic Development.

He was also pleased, he said, to see the Forum take up the issue of climate change. For the Bank's part its focus would remain on the interest and needs of developing countries, and he wanted to make that clear because he was aware that there was some anxiety in some quarters in the developing world that the Bank's interest in climate change would either take away resources from the traditional development agenda or might in some way limit developing countries' growth when developed countries had already achieved higher levels.

In his view, the World Bank Group should work with countries to build adaptation and mitigation strategies into their development plans—and this touches on questions of energy use, land use, and urban policy. In addition, the Bank was starting to take steps to devise some innovative and concessionary financing mechanisms, such as the carbon partnerships and the forest carbon partnerships, and to serve as a clearinghouse and source of expertise on how capital markets could help deal with some of these issues.

There is, he said, an important role to play in helping the private sector attract the capital that is needed to deal with these issues. Indeed, given that the IEA has estimated that the annual requirements to build new electricity generating plants in the developing world amount to about $165 billion (plus another $30 billion if there was a low carbon source requirement), those sums were clearly larger than will be made available from donor governments or from the World Bank Group; however, the Bank's IFC arm could play a role in creating the enabling environment for such investment.

There was also a role for the Bank in helping countries develop the capability to integrate climate change economics and development economics so that as they consider these issues in the future, they would be able to draw on their own knowledge and resource base.

Speaking of the Caribbean Catastrophe Risk Insurance Facility, Mr. Zoellick said that the Bank is now trying to expand the use of its knowledge of capital markets and insurance markets to see how it could help countries deal with these issues of climate change risk. He continued that in the Pacific, both the Bank and IFC have worked on a notion of sustainable financing for renewable energy. In all these cases, Mr. Zoellick said, the Bank intended to reflect the great diversity among countries, well aware that small states included both middle-income countries as well as those that are less developed in the process; he added that the Bank must customize its services to meet client needs.

Speaking of the forthcoming IDA replenishment, Mr. Zoellick said that the Bank was advocating an increase of almost 50 percent in the annual base allocation for IDA countries, which would disproportionately advantage small countries.

Noting that the Bank's real interest is to trying to better serve its clients, and that means listening more than talking, Mr. Zoellick said that he would stop here to listen to the small states representatives assembled at the Forum. In response, a representative from Namibia asked about the possibility of the Bank offering transition facilities to assist middle-income countries that have just graduated from LDC status, noting that it was important to prevent a situation whereby these countries fall back in LDC status. In turn, Mr. Zoellick acknowledged a challenge for countries that are transitioning from IDA status to IBRD, noting that he had asked Bank staff to see how the Bank could deploy its capital and its risk assessments to help with potential blend borrowers. After saying that this may involve doing some things a little differently than the Bank had done in the past, he cautioned that he couldn't "promise you how it's going to come out, but it is an area that I have identified with a number of countries, trying to see what we can do."

Mr. Zoellick was then asked what could be done to assist small countries to overcome the imbalances of trade, and whether the Bank could assist with value addition, so that the production sectors of small state economies could better compete in the global marketplace. In response, Mr. Zoellick drew attention to the role of IFC and private sector development. Returning to his earlier remarks about the World Bank Group setting aside $3.5 billion of its own funds to commit to IDA replenishment, Mr. Zoellick note that the Bank's Board had created a micro equity fund and an infrastructure fund for IFC. He added more generally that there was also an effort by IFC to try to see within Africa and other poorer countries whether something might be done to help countries face the transition into the lower range of middle-income status, including by strengthening the ability of such countries to develop their own export businesses.

Finally, Mr. Zoellick applauded the Forum's focus on climatic issues and the critical area of adaptation, saying that "this goes to the core of what I was just talking about with the Development Committee," and adding that he saw real value in the Bank creatively employing some of the risk management methods of capital markets to deal with uncertainty and risk for natural events, such as droughts and other disasters, so as to be supportive of countries facing uncertainties because of climate or other adverse natural events.

Session III. The Caribbean Catastrophe Risk Insurance Facility: Lessons for the Pacific Going Forward

The Chair opened the Forum's third session—on ways in which the experience of the Caribbean Catastrophe Risk Insurance Facility, or CCRIF, might be applied to the Pacific—by calling on Grenada's Prime Minister, the Honorable Dr. Keith Mitchell. Prime Minister Mitchell began by saying that that although major strides had been made by Grenada in dealing with the destruction left by Hurricanes Ivan and Emily, "Grenada's reconstruction effort is far from complete." He added that while Grenada was grateful for the support received over the last three years, more support from the international community was still needed, particularly in the areas of housing and the agricultural sector.

The Prime Minister then noted that in September 2004, following the passage and devastation of Hurricane Ivan, CARICOM heads of government convened an emergency session and issued a call to the international financial institutions to develop affordable and effective catastrophic risk instruments. Meeting today, he said, just five months after the launch of the CCRIF, was an occasion to applaud the World Bank for its efforts to bring this innovative facility to fruition, and all the development partners who contributed $47 million to capitalize this facility. "This," he said, "is yet another excellent example of the type of innovation which small states in partnership with the Bank can create," and he added that "it is my hope that the newly established Small States Network for

Economic Development … will make innovation the hallmark of its work from its inception."

Prime Minister Mitchell summarized the underlying principles of CCRIF as providing participating governments with immediate liquidity when policies are triggered after an adverse event; and he described its advantages as (i) easy verification of claims, quick payout, and flexible use of proceeds when the policies are triggered; and (ii) as part of a pool, all participants enjoy the benefits of lower premiums (estimated at a savings of 40 percent). However, he added, the Facility currently covers hurricanes and earthquake hazards only, which should be extended to flooding, a point made by both Jamaica and Grenada at the donors pledging conference in February of this year. Moreover, CCRIF policies are sold against government deficit loss, which is a only component of overall countrywide physical loss; he exemplified this by noting that had CCRIF been available following Hurricane Ivan, Grenada's loss of close to $900 million, or 200 percent of GDP, would have been covered by a payout of only $40 million, or less than five percent of the total loss.

Notwithstanding these limitations, the need for this Facility is clear and compelling for at least four reasons: (i) the increased frequency and severity of natural disasters in the Caribbean, with the IMF projecting that the Caribbean would experience a natural disaster every 2.5 years, with damage of more than two percent of GDP; (ii) the huge economic and social costs, both direct and indirect, that result from these disasters; (iii) the immediate need for resources, including cash, in the aftermath of a disaster, rather than awaiting donor pledges; and (iv) small island states are the most susceptible to the damaging effects of natural disasters because of their small size, location, and structure of their economies—a vulnerability clearly magnified by climate change.

In view of Hurricanes Dean and Felix in August and September of 2007, some lessons are emerging, said the Prime Minister. Despite damage estimated to exceed $500 million in Jamaica, St. Lucia, Dominica, Belize, and Grenada, no policies were triggered as recorded wind speeds (the parametric criterion) did not trigger the CCRIF mechanism. The first and obvious lesson therefore, said Prime Minister Mitchell, is the need for better measurement of wind speeds in affected countries. A second lesson is that an additional facility is needed to cover sectoral vulnerability, especially in the agricultural sector, on which the Caribbean countries depend on so heavily. The third lesson is the need to fill the coverage gap for smaller but high frequency events. The CCRIF, as designed, covers a one-in-20 year event. Hurricanes Dean and Felix were one-in-three year events. The fourth lesson is the need for more public education about the Facility, to better explain the benefits and limitations of the CCRIF.

Critical to incorporating all of these lessons, he said, is an expansion strategy to attract more members, thereby diversifying risk and further reducing premiums. The Prime Minister concluded by drawing participants' attention to the fact that the World Bank Country Director for the Caribbean for the past several years, Caroline Anstey, had been selected by President Zoellick to serve as his chief of staff. Noting that although she would very much be missed by the region, "we are confident you will remain grounded in reality of small states and will be sensitive and strategically supportive of our needs, and we wish you the very best in your new responsibilities." (Click here for Prime Minister Mitchell's presentation.)

The Chair then called on Ms. Anstey to summarize from her perspective the value and lessons of CCRIF. Ms. Anstey began by responding to directly the Prime Minister, thanking him for his kind words and saying, "I think you know that I carry the Caribbean very deeply in my heart and will carry those feelings to the 12th Floor, and will hope to continue to be an advocate, not just for the Caribbean, but for small states in general."

Noting that Prime Minister Mitchell had covered the ground very well in his presentation, Ms. Anstey highlighted a very few critical lessons for such a facility going forward. Picking up on the Prime Minister's observation about public education, Ms. Anstey underscored the importance of understanding CCRIF's limitations, which are directly related to its purpose and structure. The Facility is designed to give immediate liquidity, immediate budget support, in the wake of a catastrophic event, because even if, following a disaster, a donors conference could be held and money pledged, it takes a very long time for those funds to materialize. The advantage of having a mechanism that would pay out immediately is that such money goes straight into treasuries and can be spent immediately. However, a mechanism that has an immediate payout, not one based on a damage assessment, has to be based on parametric triggers. Moreover, to keep premiums affordable, it has to be *catastrophic risk* insurance, and not designed to cover every hurricane or every earthquake that may take place.

Speaking of CCRIF, Ms. Anstey drew everyone's attention to the role played by the Government of Japan, which donated $1.8 million to pay for the feasibility studies for the Facility. This was, she said, "in a sense, a free good in terms of the preparation for the region, courtesy of the Japanese"; she added that the World Bank had some years earlier attempted to develop a similar facility, but it had asked its clients to borrow in order to finance the feasibility work, "and that was clearly the wrong approach."

Ms. Anstey then noted that CCRIF ultimately was a Caribbean facility, set up and owned by CARICOM. If CARICOM decided that rather than insuring a one-in-20 year event, it would rather move to one-in-15 year event or one-in-ten year event, that is a decision for CARICOM to make, but that such a decision would have a knock-on effect on the premiums.

Ms. Anstey concluded by noting that while CCRIF serves an enormously important purpose and is filling a gap that the insurance industry wasn't filling and was saving individual countries 40 percent in premium payments, it is not a silver bullet. A range of tools is needed so that each stage of the severity of a response to a hurricane can be addressed, from humanitarian assistance, which often comes in fairly quickly, to elements that the Bank is now working on, such as a cap bond, that would cover one-in-50 year events, at the other extreme, to other contingencies, such as deferred draw-down options and various other schemes. Importantly, none of this work can replace the work that needs to go on in terms of building codes; in terms of retrofitting of schools and community centers; and in terms of preparing for disaster management and establishing warning systems.

After thanking Ms. Anstey for her presentation, the Chair introduced Nigel Roberts, World Bank Country Director for the Pacific, and asked him to brief the Forum on initial Bank thinking on how the region could follow up on the emergent Caribbean experience and apply those lessons to a very different environment, the Pacific islands.

Mr. Roberts began his presentation by noting how devastating natural disaster could be for Pacific islands, saying on an annual basis, it is estimated that the average nature-related GDP losses are somewhere between 2 and 7 percent even in years without any catastrophe. He referenced Samoa, "where an event in one year resulted in losses equivalent to virtually half of GDP, with almost half of the population affected." Mr. Roberts remarked that prevention is, of course, necessary and does to some extent mitigate the potential costs of disasters, but it does not solve the problem because the costs of reconstruction are a repetitive consequence of vulnerability.

Thinking about a CCRIF-like instrument for the Pacific raises a number of tough challenges, he said: among these are the limited capacity to spread the risk; the limited capacity to establish at a national-level financial reserves to cover such events; limited access to international insurance and reinsurance; and a high level of dependence on post-disaster donor support, with all of the difficulties that entails.

Mr. Roberts then offered the example of the Solomon Islands earlier in 2007, where damage in only part of the country cost an estimated $100 million—which is almost the totality of its annual recurrent budget as compared to, say, one percent on average for a similar event in a developed country.

He added that "we're talking here about donors' ability to finance only about 20 percent of the costs incurred, and also those funds, as Caroline mentioned earlier, come very much after the event." Thinking about lessons applicable for the Pacific, Mr. Roberts noted that it would be important to bear in mind the catalytic role that the Facility is playing, in that the Facility allows for the purchase of insurance at a much lower rate collectively than would be possible individually, but that it only covers specific perils with relatively low frequency (i.e., it is *catastrophic* risk insurance rather than regular damage insurance).

An added benefit would accrue, he said, if such a facility is managed well and constructed with forethought, because it can be used to create new business opportunities for the private reinsurance industry. Of course, he added, there are challenges across the board: simple data collection on events and on the valuation of assets, and the modeling process itself—these are some of the technical challenges; operationally, the whole governance environment and how that is managed among a number of states is difficult; and there are financial engineering challenges and, of course, very importantly, the institutional challenges associated with creating such a complex partnership of countries and of donors.

As for applying CCRIF to the Pacific islands, Mr. Roberts said that initial thinking is focused on the feasibility of a pooling mechanism—what can be gained from various mechanisms to spread and reduce costs—and the principle of no cross-subsidization (in other words, the premiums are calculated based on the specifics of different countries' exposure to risk rather than aggregated and averaged risk). Also anticipated is ownership by members of the pool, he said, because "one of the successful features of the Caribbean Facility is the effective ownership by the community, and I think that this is likely to be one of our findings as well." In addition, the Bank is looking toward the following: the pooling of risks such that a diversified risk portfolio is created; a collective reserves accumulation; reinsurance; and the use once again of parametric triggers (in other words, objective measurements that are used to assess an event rather than a specific calculation of loss).

The likely financing structure would be a function of layers of risks over time, with the model being a pool or the collective reserves, which would be used principally to cover the shorter cycle of risks, whereas different levels of reinsurance could be brought in to cover the more catastrophic, longer cycle, events. Mr. Roberts foresaw accessing the Global Facility for Disaster Risk Reduction to support feasibility study work over the next several months, up until April 2008. Following which data would be reviewed, and the catastrophic risk modeling and actuarial work for such a scheme would be undertaken; after which preliminary work on individual and regional catastrophic risk profiles would ensue as well as an examination of the critical institutional and governance issues surrounding such a facility. The goal would be to present findings to Pacific countries in May 2008.

Mr. Roberts concluded by outlining what the World Bank needed from the region: (i) to know whether the islands had a sense that the Bank was on the right track, (ii) whether this feasibility work is something that meets the approval of the Pacific community, (iii) help in identifying three or four countries that would be interested in championing the feasibility study and acting as points of focus as initial work is undertaken, and (iv) a sense of whether the proposed time-frame is reasonable. (Click here for Mr. Roberts' presentation.)

After thanking Mr. Roberts for his presentation, the Chair opened the session up to comments and questions from the floor, with the opportunity being seized in the first instance by a representative from Samoa. With respect to CCRIF, she noted that the Caribbean was in close proximity to the United States whereas the Pacific islands were spread all over the Pacific. One consequence, she said, was that "we would have to first of all centralize our focus on both the framework for such a thing—who would actually buy into it and also where it could be located"—and whether the host country would the capacity for such a mechanism. She continued by saying that the region looked forward to what the World Bank could do in terms of its facilitation role in working with the islands and their development partners, noting that however valuable such a facility would be, the region would probably move somewhat more slowly than the Caribbean because “there are a lot more inhibitors, as we see it right now, to seeing our way clearly through.”

Prime Minister Mitchell echoed Samoa’s observations, adding that the World Bank would be best placed to assess the next steps. In response, the World Bank’s Olivier Mahul, a Senior Insurance Specialist who worked on the development of CCRIF, replied that the two comments were right on target, because “at no point can we just replicate what was in the Caribbean: the context is completely different and the Pacific” region is much larger than the Caribbean. He added that while the Bank had identified some key challenges—technical, financial, institutional and operational—and would use the CCRIF framework, the goal would be to provide a tailor-made product for the Pacific. Among the key differences he cited were the lack of a clear catastrophe risk model in place for the Pacific, making it much harder because it was not possible to just ask the risk insurance firms to expand the U.S. model. The conclusion, he said, was that one purpose of the first feasibility study would be to identify “how far we can go and how fast we can go to develop something. …We think that there is room for expanding or at least replicating or using some of the lessons in the Caribbean for the Pacific, but we need to do much more background work to make sure that this can be done in the Pacific.”

Session IV. Responding to the Challenges of Climate Change: The Enabling Environment

At this point, the Chair opened the Forum’s fourth session, and called on Cletus Springer from the Organization of American States to outline the various factors that comprise an effective enabling environment for responding to the challenges of climate change.

Noting that climate change can pose a significant challenge for fragmented and uncoordinated policy systems and institutional frameworks, Mr. Springer said that this underscored the importance of an integrated hazard risk management framework, as distinct from a purely *disaster* risk framework. An integrated hazard risk management framework, he explained, allows, on an ongoing basis, a balancing of the costs and benefits of risk reduction measures, and also helps build social, economic, and environmental resilience in small states.

To begin with, Mr. Springer said, a strong and diversified economy is required for effective hazard risk management. And it is critical to place that framework within a development planning framework, so that hazard risk management *is* investing in sustainable development. Among the necessary steps are building the capacity of small states’ research and climate institutions to look at the impacts on settlements, and particularly to re-examine meteorological services, which are currently over-focused on airports and air transport. When it comes to early warning systems, the focus should not be limited to floods and droughts but also cover the impact of projects to exacerbate vulnerability to natural hazards. This includes thinking about certification and licensing schemes for contractors and tradesmen, for an early warning of a storm matters little if poor construction dooms housing.

Other important steps are in agriculture, where is a need to look at drought-resistant crop varieties, those that use less water, and at sustainable land management practices. In the area of tourism, there is a tendency to build hotels ever closer to the high-water marks on beaches, which suggests a need to reinforce environmental impact assessments. There is also a need to include the marine sector. The coastal marine sector has not been featured in the debates on climate change, but it is critical to the economic well being of almost all small island states. Mr. Springer added that "in the context of our water resources, the issue of deforestation has to be addressed in a massive, massive way. You look at the effects of a system on the Dominican Republic and Haiti and you very readily get an appreciation of the role of forests and the role of watersheds in attenuating the impacts of natural disasters." Protecting small states from adverse climate impacts also entails, he said, examining the impact of salt water intrusion on groundwater systems and effective land and land use policies. According to Mr. Springer, there are only about three countries in the Caribbean that have national land policies, and only about five that have land use policies.

Going forward, Mr. Springer said, there is a need to look at the conflicts that might arise between development policies and projects and hazard risk management initiatives, because these conflicts do exist. The public sector investment programs of many small countries need to take on board disaster risk management as a critical element of the cost and benefit analyses that are undertaken before projects advance.

A wide range of actors must be brought on board. For example, governments should pay greater attention to principles such as "polluter pays," "user pays," and the "precautionary principle," which is at the heart of climate change adaptation. And civil society has a role as well to play in helping to monitor the actions and responses of government and the private sector, in helping to build community resilience, and in helping with vulnerability assessments—which suggests that there is a case to be made for more money and assistance to go to strong and effective community-based organizations in helping them fulfill that role. And regional organizations certainly have a role to play, not least in devising common regional policy platforms and forging collaboration and common research on hazard risks. This also includes, Mr. Springer noted, playing a larger role in the work of the Global Environment Facility (GEF) Council. Arguing the "GEF is a critical financing tool for us in our adaptation," Mr. Springer said, "we cannot leave the operations of the GEF to the levels of attention that we give it now." Finally, the international community has a role to play in things like global indexing of risk, downscaling of risk assessment models, identifying and placing an appropriate value on risk, and so on, according to Mr. Springer, who concluded by noting that "the World Bank has been leading the charge on this, and I want to take this opportunity to commend them for their work." (Click here for Mr. Springer's presentation.)

After thanking Mr. Springer for his presentation, the Chair opened the session up for comment. In response, Angus Friday, Grenada's Ambassador to the U.N., commended Mr. Springer's presentation, particularly with respect to GEF. Ambassador Friday said that not long ago he had been in the Bahamas, where the GEF Council and GEF constituency was meeting with CARICOM. He noted that GEF is making available $110 million for the CARICOM region, but that "when you look at the way that $110 million has actually been structured, it is clear that we need far more strategic input, because out of that $110 million, only $30 million is being made available for climate change, and out of that, only $6 million for adaptation." This, he said, was a function of the resource allocation framework, and the region needed to be active at a much more senior level in actually helping to structure that framework.

A representative of St. Lucia then commended Mr. Springer for his presentation but said that when one examines the implications of calls for new structures it was necessary to confront the underlying reality of limited capacity in many small states and the resulting tendency to have demands imposed by the international development institutions overload country institutions and staff. If capacity constraints cannot be addressed—by building into all the programs and projects modalities that will allow small countries to attract and to retain experienced personnel who may have left the country—"we're going to be mired more and more in inefficiency and lack of performance, and after a point, it isn't even about the money, because even if the money is available to us from the international organizations and institutions, we cannot effectively absorb it."

World Bank Vice President Mr. Jeffrey Gutman then said that he wished to respond to St. Lucia's observation "because I think it's a very important point. When you see all these presentations and you see the magnitude of what is being asked or suggested, the question comes up in all our minds as to how to sequence these measures under different capacity constraints." The challenge, he said, was to define an appropriate sequencing to be able to gain traction when you look at the whole program coming together.

V. Looking Back/Moving Forward

At this point, the Chair opened Session V, noting that the 2006 Forum had devoted considerable time to the issue of migration, and that as follow-up the 2007 Forum would review new developments on that front, and do so by asking Mike James, the Deputy Treasury Secretary of New Zealand, to speak about recent developments in New Zealand's temporary labor migration policies.

Mr. James began by outlining the Recognized Seasonal Employers (RSE) scheme, noting that the scheme was less than six months old. The RSE policy allows New Zealand horticultural and viticultural employers to recruit seasonal workers from five Pacific countries: Kiribati, Samoa, Tonga, Tuvalu, and Vanuatu. To date, 42 employers have been approved for RSE status, with another 46 applications currently being processed. Early indications from these 88 employers are that they are looking to recruit over 6,600 seasonal workers under the RSE policy.

Under the RSE process, he said, New Zealand employers apply to the New Zealand Department of Labor to achieve recognized seasonal employer accreditation status. To achieve this status they must demonstrate that they are in a sound financial position, have human resource policies and practices of a high standard, have demonstrated a commitment to recruiting and training New Zealanders, have good workplace practices, and have in the past met all relevant immigration and employment laws. The Department of Labor must also be satisfied that the employers will meet other requirements, such as paying market rates and looking after their overseas workers. Having obtained accreditation status, RSEs must then obtain an agreement to recruit (ATR). The criteria for obtaining an ATR relate to the jobs employers want to fill and the terms and conditions offered to workers. Those granted an ATR can employ overseas workers to plant, maintain, harvest, and pick crops. To recruit workers, employers must undertake their own recruitment program, although the national RSE offices can provide assistance and advice if necessary. Prospective workers apply for a seasonal work visa before coming to New Zealand. Applicants must meet health and character requirements and show that they will depart New Zealand at the end of their stay. The intent is to create a virtuous circle: the RSE work policy allows return or circular migration, which in turn allows the industry to benefit from the return of skilled workers, increasing productivity. To date, Mr. James said, 16 agreements to recruit have been approved, with a further 21 currently being processed. The first group of workers from Samoa, Tonga, and Vanuatu are already in New Zealand. The largest agreement to recruit approved to date is for 232 workers from Vanuatu.

One lesson had emerged following industry feedback: many employers, particularly small employers, were not yet ready to meet their obligations and the standards required of RSE employers, and thus be able to meet all the labor shortfalls through the new policy. In response, the government announced it would introduce additional measures to support the transition to the policy by giving employers extra time and assistance to meet the RSE standards, to help them make the step up to become RSEs, while enabling them to meet their critical labor shortages and requirements during the transitional period. The transitional policy will enable employers to recruit people as they transition to RSE over the next two years. Work agreements issued under this policy are only valid for four months and can only be accessed once.

Another emerging concern is that some Pacific countries are likely to find it hard to access the new policy, particularly given the disparity in transport costs to New Zealand. To help overcome such cost barriers, the New Zealand government decided to extend the maximum time frame from seven to nine months for nationals coming from countries where the burden of more expensive travel may hinder or exclude their participation in the policy.

The RSE policy, Mr. James said, recognizes that labor access can make a positive contribution to economic development in the islands, including through the income migrant workers earn and the skills they acquire. In concluding, Mr. James emphasized that New Zealand did not view labor mobility as a substitute for establishing a favorable business environment in the Pacific Island countries. Labor mobility opportunities can be complementary and contribute to social and economic development of Pacific Island countries. (Click here for Mr. James' presentation.)

After thanking Mr. James, the Chair noted that the 2006 Forum had also discussed a major Commonwealth Secretariat/World Bank study: *Toward an Outward-Oriented*

Development Strategy for Small States. To follow-up on that report, the Chair introduced Dr. Vasantt Jogoo and asked him to discuss the implementation status of the recommendations of that study.

Dr. Jogoo began by acknowledging that such a review was naturally constrained by the limited time that had passed since the 2006 Forum, but some tentative conclusions could be drawn. The characteristics that emerge are that of the 13 agencies that were reviewed, only four have global strategies for small states: the Commonwealth Secretariat, the World Bank, the IMF, and the U.N. Dr. Jogoo drew attention to the fact that none of these had specific strategies for small states in Africa, though Africa has a dozen or so small states. Another finding was that of the 14 priority areas for assistance identified in the 2006 review, most are well covered—indeed, he said, “they are so well covered that there is a risk of duplication and overlap.” There were three exceptions as regards good coverage: security and crime, youth unemployment, and debt problems.

Dr. Jogoo then reported on the six main findings of the 2006 study: on aid flows, focus on assistance programs, regional approaches, technical assistance, donor coordination, and knowledge transfer between small states.

- Aid flows have been picked up in the last couple of years, but the rate of growth for small states is not as high as in the other developing middle- and low-income countries. In terms of collaboration, the World Bank and Commonwealth Secretariat should cooperate with OECD to monitor and publish data on aid flows, because at present data is not disaggregated with respect to small states, which undercuts analytical work.
- As regards assistance programs, Dr. Jogoo called for greater effort to match the development partners’ strategies and programs with those of regions and developing countries, and for more emphasis on assistance to address internal or external debt.
- With respect to regional approaches, although most agency strategies have policies for promoting regional integration and regional cooperation, this willingness has not yet been translated into specific and concrete actions and initiatives; moreover small states themselves have lagged in taking concrete action in terms of collaborating with neighboring small states.
- Dr. Jogoo reported that while there were efforts under way to strengthen the quality of technical assistance, there continued to be evidence of overuse of developed country experts at the expense of experts from small states. This fact, he said, made the recent activation of the new Small States Network for Economic Development so important.
- As regards donor coordination, less progress has been found; despite the Paris Declaration and so on, there is still much reluctance on the part of development partners to harmonize their strategies.
- There should be more exploitation of opportunities for knowledge transfer, and greater reliance on small states’ experts, who have the first-hand knowledge of how to operate in a small state context.

Dr. Jogoo concluded by calling for more support for budget and programs in small states, while emphasizing that small states also should take the initiative of developing national development strategies so that these can be used as a framework for donor interventions. (Click here for Dr. Jogoo's presentation.)

Thanking Dr. Jogoo, the Chair remarked that it came as no surprise that implementation is a higher hurdle than recommendation and that much still remains to be done with respect to the recommendations of *Toward an Outward-Oriented Development Strategy for Small States.* The Chair then asked Mr. Dinesh Dodhia, a Commonwealth Secretariat consultant, to inform Forum members about the debt burden that affects small states, particularly those that are middle income.

Mr. Dodhia began his presentation by underscoring that small, mostly middle-income, countries are among the most indebted in terms of public debt to GDP: they constitute seven of the 10 most indebted states, 13 of the top 20, and 17 of the top 30. In the recent period, he continued, there has been a sharp increase in the indebtedness of small states, and not surprisingly primary deficits have played a major contributory role in all these economies, except Jamaica. Other contributing factors were increasing real interest rates and—particularly in the case of Jamaica and Belize—the assumption of contingent liabilities. Key to the longer-term trends in terms of debt in the Caribbean has been a significant slowdown in growth rates from the 1970s and 1980s, a slowdown tied to the pressures that have been put on preferential arrangements and in tourism as a consequence of competition from low price destinations. There has also been volatility and reduction in growth rates imposed by exogenous shocks, particularly natural disasters. Even in the Pacific and Indian Oceans, which had seen some improvement, by the early 2000s they again showed some negative impact on growth rates.

The increased deficits have been financed, he said, particularly in the Caribbean and Indian Ocean, from significantly higher external interest rates, due to the decline in concessional borrowing and ODA. In the case of the Windward Islands, for example, the implicit transfers from European Union trade preferences were about 15 percent of GDP in the 1990s; they had fallen to about 3 percent by 2005, and together with declining ODA, these economies have suffered an annual loss over the last two decades of about 10 percent of GDP.

In this context, Mr. Dodhia said, it was important to focus not only on the traditional approach debt problems—i.e., fiscal discipline and debt restructuring—but on the deeper underlying causes, and to develop a framework that would integrate all factors and that could be applied on a case-by-case basis. Such a framework would have five pillars: fiscal discipline; improved debt management, and debt restructuring where appropriate; insurance and grant financing mechanisms for reconstruction needs following natural disasters and shocks; continued grant and concessional financing for small states, ensuring no premature withdrawal of support; and adequate compensation of preference erosion and support for private investment.

- ***Fiscal discipline.*** While most countries have now embarked on fiscal adjustment, announcing medium-term fiscal strategies with intermediate or final targets, there has been was poor compliance. Perhaps the following would be useful, he said: establishing annual targets; strengthening peer review; implementing public sector reform; and promoting more active discussion with all the stakeholders, both at the national and regional level, on the role of government in the economy to ensure a durable consensus on fiscal prudence that could withstand the pressures of democratic elections.

- ***Debt management and restructuring.*** Instead of simply minimizing costs, the focus should be on better is management of risks vis-à-vis costs so that countries do not fall into debt difficulty in the future. Debt restructuring might draw on the experience of Dominica, and have institutional arrangements tailored to specific small state circumstances, since many small states do not fall within Paris Club or London Club communities.
- ***Mechanisms to respond to natural disasters and other shocks.*** Among the possibilities were strengthened domestic measures of disaster prevention and insurance penetration. While arrangements like CCRIF were important, it must be remembered that CCRIF coverage is not directly related to specific losses and reconstruction costs, so it was very important to establish properly constituted grant financing mechanisms.
- ***Concessional finance.*** The starting point is to reinforce the rationale of the 1985 IDA decision on small state exceptions in the IDA eligibility criteria. There should also be a similar explicit recognition of small states in the concessional windows of regional development banks.
- ***Compensation for preference erosion and promotion of private investment.*** The quickest way of solving debt problems is through improved growth rates. But given the role that trade preferences have played in the past, which have now been substantially eroded and will continue to be eroded after the Doha Round, one of the most important elements of that Round as well as the ACP-EU arrangements would be to come to some arrangement for binding commitments to transfer equivalent financial resources to the preference erosion-affected countries based on the policy agenda for trade and growth consistent with the country's development strategies. (Click here for Mr. Dodhia's presentation.)

Thanking Mr. Dodhia for his comprehensive survey, the Chair called on Dr. Indrajit Coomaraswamy, of the Commonwealth Secretariat, to briefly sum up what he saw as the main messages and next steps. Dr. Coomaraswamy began by noting that taken as a group, small states had grown faster than their larger developing country counterparts throughout the 1970s and 1980s, but since the 1990s that landscape had changed, and over the last 15 years, for various reasons, the challenges facing small states have become more intensified, as was underscored by the 2006 update of the original 2000 World Bank-Commonwealth Secretariat Task Force Report on Small States.

With respect to climate change, Dr. Coomaraswamy said that he well understood that small state representatives at the Forum know better than anybody else the particular challenges that small states face in managing the risks associated with climate, but he added that it was important that these concerns are placed within a growth framework.

The bottom-line question, he said, is how does one climate-proof one's economy while achieving low carbon inclusive growth? That is the issue that should preoccupy policymakers within small states and also development partners who are in a position to assist these countries.

As for the Small States Network, Dr. Coomaraswamy noted that Forum members were indebted to the Government of Malta and the World Bank, and he singled out Professor Briguglio, "who I know has been struggling with this concept for many years, and I think without his persistence, energy, and sheer doggedness, this would not have got to the position that it has reached." Going forward, he said, success is going to depend on the ownership that small states take of it, without such ownership, the Network would falter. Another critical factor would be the continued commitment of the World Bank, which has taken a major step in providing the seed capital and acting as a catalyst. He concluded by saying that "small states need to be in the driving seat, and certainly from the side of the Commonwealth Secretariat, we will do our very best to assist."

Thanking Dr. Coomaraswamy, the Chair ask for a moment to conclude briefly on a personal note, saying, "Two years ago I asked for your help to ensure that as Forum Chair representing the Pacific constituency, we held sessions that met the high standards of those that preceded me. I thank you all for your support. I believe we have succeeded in my goal. Serving as your Chair has been a rich and rewarding experience and one that concludes on an upbeat note, as I call on someone from the African constituency to nominate a candidate to serve for two years as Chair of the 2008 and 2009 Small States Forum, and for another small state to second the nomination. Mauritius then nominated, and Malta seconded, Mr. Helmut Angula, Director General of Namibia's National Planning Commission as incoming Chairman of the Small States Forum. The nomination was unanimously applauded and endorsed. On that note, the Chair declared the 2007 Small States Forum concluded, and wished all participants success in their endeavors and a safe journey home. (Click here for an unedited transcript of the proceedings of the 2007 Small States Forum.)