

## Small State Forum, October 4, 2009

### Event Summary

Size really matters when the difference is one of quality, not merely quantity: once a certain threshold of population is reached, increases in numbers have only a marginal effect, but until the threshold is achieved diseconomies of scale and the problem of indivisibility (the inability to downsize functions to population scale) are critical hindrances to development and the delivery of social services. This is certainly often the case for the World Bank's 40 member countries with populations under 1.5 million. These developing small states gathered together at the Bank's annual meetings in Istanbul at the annual Small States Forum to show that, when they all cohere and work together, small can be surprisingly powerful.

The World Bank's small states, ranging from Guyana in South America, to Swaziland in Africa, to Kiribati in the Pacific, met in a standing-room-only venue packed with attendees on Sunday, October 4, 2009. The topic on the table was remittances, the huge cash flows sent home by economic migrants working in other countries.

Almost \$4.5 billion in remittances poured into small states last year, dwarfing all financial aid packages. In some countries, remittances are greater than one-fifth of GDP. Of the world's seven most remittance-dependent countries, four are small states: Tonga and Samoa in the Pacific, Lesotho in Africa and Guyana in South America. Overall, on average, remittances matter substantially more for small states than for their large larger developing counterparts. And the worry is that remittances are drying up in the face of the global financial crunch—with a projected decline of 9 percent this year, according to the Forum presentation by the World Bank's Chief Economist, Justin Lin.

Cape Verde's Minister of Finance, Cristina Duarte, says remittances are a huge issue for her country, and one she eagerly discussed with her fellow small state colleagues. "We concentrated a lot on analyzing and discussing the role of remittances—how can we manage better remittances, which are an important capitals inflow for our country." The bottom-line according to Duarte: no single country can survive on its own.

The Minister's comment drew on the opening remarks of the Forum's 2009 Chair, Prof. Peter Katjavivi, Director General of Namibia's National Planning Commission; remarks that were echoed by World Bank President Robert Zoellick in his presentation to the Forum. Zoellick noted in particular the efforts of the Small States Network for Economic Development—a South-South mechanism created by small states to provide peer support and technical assistance among themselves—as a means to amplify the voice of small states and to generate the critical mass needed to overcome the marginalization of small states on the world stage. Zoellick drew attention to the fact that the World Bank did not merely endorse the Network; it had been an active supporter of the Network, funding its project interventions and other initiatives.

While the Small States Forum welcomed the president's remarks, most of its energies were devoted to discussing their own efforts on the remittances front, with the Ministers of Finance of Guyana and Samoa and the Governors of the Central Banks of Vanuatu and Bangladesh, among others, discussing efforts to increase remittance flows and, more important, strengthen their development impact—efforts, they said, that would only be intensified in the face of the global crisis. At the conclusion of the proceeding, an incoming Chair for the 2010 and 2011 Forums was appointed by acclamation: she is Karen Tesheira, Minister of Finance, Trinidad & Tobago.