

# Jobs at the heart of the new playbook for Pacific small states



World Bank Vice Presidents visit Vanua Levu, Fiji, February 2026

*Photo Credit: World Bank/Tom Vierus*

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When a 7.3-magnitude earthquake struck Vanuatu in 2024, nearly 80,000 people — roughly one quarter of the population — were affected: lives lost, families displaced, homes reduced to rubble. Severely damaged roads, schools and hospitals impeded essential services. Businesses closed, and tourism and agriculture came to a standstill, putting jobs, incomes and economic growth at risk across the country.

In small island economies with limited diversification, shocks quickly translate into lost employment and increased vulnerability. In Pacific small states, such shocks are not exceptions: they are recurring realities.

Vanuatu's experience reflects the daily constraints small states face worldwide: they are geographically remote, heavily import dependent, with narrow markets, high trade and logistics costs and acute exposure to climate and external shocks. The combination of these structural and exogenous characteristics of small states has led to high costs of doing business for investors and financiers, limited fiscal space for the public sector and, most importantly, low growth and limited job creation for the people who live in them.

Small states need more than a one-size-fits-all approach. Their distinctive development challenges demand focus, speed and tailored solutions. The World Bank Group's new Small States Strategy addresses the challenge with jobs and a framework built on three core principles: Selectivity, Differentiation and Efficiency.

Selectivity means concentrating on priorities with transformative impact. Through six "Lighthouse Initiatives" — spanning health, connectivity, energy, resilient infrastructure, fiscal sustainability and small-business support — we are channelling resources toward sectors that can convert growth into sustainable, private-sector-led job creation.

But selecting priorities is only part of the equation. How they are delivered matters just as much. In the Pacific, this means deploying differentiated approaches that respond to regional and country contexts, ensuring our delivery model is fit-for-purpose. This includes the use of hub-and-spoke regional solutions to increase efficiency and replication.

For example, under the health Lighthouse, our Pacific Healthy Islands Transformation work will support Fiji to become a regional medical hub, with works planned to establish the Colonial War Memorial Hospital as an anchor for tertiary care for the region. Kiribati, Tonga and Tuvalu will connect as spokes through improved tele-health networks, cross-border referral systems and Centers of Excellence. The aim is that regional public goods such as platforms, tools and training, can be built once and shared across all countries, dramatically reducing costs for each individual small state.

But the hub does not need to be a country; it can be a regional shared platform. In small island economies, limited transaction volumes make it difficult to sustain correspondent banking relationships on commercial terms. Individually, these markets often lack the scale global banks require. Collectively, however, they can create it.

Eight economies — Fiji, Kiribati, the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu — are therefore working together, coordinated by the Pacific Islands Forum Secretariat and supported by the World Bank Group, to establish a contingent regional cover arrangement that would be activated if any participating country were to lose its last correspondent banking relationship. A regional provider is expected to be contracted in the coming months to stand ready as this backstop facility.

This initiative also lays the groundwork for the future Pacific Payments Mechanism — a dedicated regional platform designed to aggregate cross-border transactions over time and provide the scale needed to keep trade, remittances and investment flowing across the Pacific.

Selectivity and differentiation ultimately serve a shared objective: achieving efficiency and delivery at scale. This includes unlocking private finance for small states. In some Pacific economies, small businesses are often perceived as too risky by local banks, limiting their access to credit. The International Finance Corporation has stepped in to share 50% portfolio risk with local banks, backed by the International Development Association's Private Sector Window, enabling small and medium enterprises access to credit.

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Building on this model, a recently [signed facility](#) will enable BRED Bank (Fiji), for example, to build a portfolio of up to 27 million Fijian dollars (approximately US\$12 million) in new loans to support rural SMEs in jobs rich sectors like agriculture and tourism. By reducing risk and accelerating credit flows, this approach is expanding access to finance for businesses that need it most, in markets where it was previously scarce.

Small Pacific states cannot change their size or geography. They can, however, build economies that generate jobs, providing income, dignity and resilience against future shocks. A more targeted and efficient approach can help Pacific economies strengthen private sectors, expand opportunities and build resilience over time.

*The Small States Strategy will be available on the [World Bank website](#) in coming weeks.*

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