

AGENCY, TRANSFORMATION AND RESILIENCE: A DEVELOPMENT AGENDA FOR SMALL STATES

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WORKSTREAM 1

2026

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U.S.

An informal engagement
of global think tanks

Agency, Transformation and Resilience: A Development Agenda for Small States

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Abstract

Small states occupy a distinctive position within the global economy. Although they differ substantially in geography, institutional capacity, resource endowments, and levels of income, they often share a common set of structural realities that continue to shape their development trajectories. Small domestic markets, limited economies of scale, high transportation and transaction costs, dependence on a narrow range of economic sectors, and disproportionate exposure to climate and economic shocks combine to create a development context fundamentally different from that of larger economies. For many Small Island Developing States (SIDS) specifically, these challenges are compounded by rising debt burdens, food and energy insecurity, and climate risks that threaten to reverse decades of development gains.

For decades, development policy has largely framed transformation through the lenses of diversification, industrialization, and structural economic change. However, many of the assumptions underpinning these approaches derive from experiences in larger economies and often fail to reflect the realities of countries where constraints associated with geography and scale are enduring rather than transitional. At the same time, governments, development institutions, climate funds, and philanthropic organizations have become increasingly effective at generating plans, strategies, frameworks, and financing instruments while paying comparatively less attention to the systems required to translate ambition into implementation.

This paper argues that the principal challenge confronting many small states is not a shortage of vision, nor even a shortage of financing. Rather, it is a persistent implementation deficit that prevents countries from converting priorities into results, limiting resilience. While development systems have become increasingly sophisticated in planning and resource mobilization, considerably less attention has been devoted to the institutional arrangements that connect planning, financing, and delivery.

Addressing this challenge requires a different conception of transformation, one focused less on diversification for its own sake and more on expanding national agency, deepening domestic economic linkages, and focusing on addressing delivery bottlenecks.

The paper proposes three recommendations for the G20: support country-led delivery architectures that bridge the implementation deficit; promote productivity and resilience through strategic economic linkages and long-term infrastructure investments; and reform development partnerships so that they strengthen capability, commitment, and agency rather than dependency.

Resilience enables countries to withstand shocks. Capability enables them to deliver. Agency enables them to choose their future.

Agency Beyond Vulnerability

Development discourse has too often defined small states by their vulnerabilities rather than their agency. Analyses routinely begin with references to geographic isolation, constrained domestic markets, narrow productive sectors, limited economies of scale, and heightened exposure to climate and economic shocks. While these realities undoubtedly matter, they have also contributed to a narrative that too often defines small states principally by their constraints rather than by their possibilities.

Much of contemporary development thinking continues to be informed by experiences drawn from larger economies. Structural transformation is commonly associated with industrialization, diversification into new sectors, expanded manufacturing capacity, and movement into increasingly sophisticated global value chains. These pathways have delivered substantial gains in many parts of the world. However, they are considerably less applicable in contexts where domestic demand is inherently constrained, transport costs are structurally high, and the scale required to sustain entirely new industries is difficult to achieve.

This challenge has become increasingly visible as industrial policy has returned to the center of global economic debates. Governments across advanced and developing economies are deploying industrial policy to strengthen competitiveness, improve resilience, accelerate climate transitions, and address concerns regarding supply-chain security.

For small states, the question is not whether industrial policy matters, but what form it should take. Many of the examples shaping contemporary discussions originate in countries with extensive domestic markets, large labour pools, sophisticated industrial ecosystems, and substantial fiscal resources. Attempting to replicate such models in small-state contexts often overlooks the realities of geography, scale, and capacity. A more relevant objective is how countries can increase productivity, resilience, and domestic value retention within sectors that already exist. This is particularly true for SIDS, where geography creates enduring constraints but may also shape distinctive opportunities in sectors such as tourism, blue economy industries, renewable energy, and innovative climate services. More often than not, industrial policy for SIDS may mean deepening value creation around existing sectors such as tourism rather than treating diversification as an objective in itself. The challenge is not simply attracting more visitors, but increasing local procurement, strengthening links with agriculture and fisheries, expanding cultural and creative industries, and retaining a greater share of tourism expenditure within domestic economies through greater local ownership and increased local currency lending.

Viewed through this lens, transformation becomes less about overcoming smallness and more about thriving despite it – in other words, restoring some modicum of agency.

Why This Matters for the G20

The issues facing small states have growing relevance for the G20.

Many small states, particularly SIDS, are emerging as global testbeds for some of the defining development challenges of the twenty-first century. From Barbados's efforts to integrate resilience into national development planning, to Vanuatu's leadership on climate justice, to Fiji's innovations in climate diplomacy and the Seychelles' pioneering blue economy financing, these countries are developing practical responses to challenges that increasingly transcend geography and income levels. As climate volatility, supply chain disruptions, and fiscal pressures intensify globally, the lessons emerging from these states will become increasingly relevant to countries of all sizes.

At the same time, debates surrounding reform of the international financial architecture have reached a pivotal moment. Expanding access to climate and development finance remains important. However, financing alone cannot generate transformational outcomes if countries lack the institutional arrangements needed to deploy resources effectively.

Finally, development cooperation itself is evolving. Fiscal pressures, geopolitical competition, migration concerns, and economic security considerations have increased demands among donor countries for demonstrable returns on development spending. The challenge is therefore not how to remove national interests from development cooperation, but how to ensure that partnerships strengthen domestic priorities rather than displace them. At its core, this is a question of agency. While resilience enables countries to absorb shocks, agency enables them to shape their own futures.

Recognizing the Implementation Deficit

If one lesson emerges consistently from decades of development experience, it is that implementation matters just as much as planning and financing.

Across the developing world, governments have produced increasingly sophisticated national development plans, climate resilience strategies, Nationally Determined Contributions, National Adaptation Plans, blue economy frameworks, digital transformation agendas, energy-transition roadmaps, and investment pipelines. Simultaneously, multilateral development banks, climate funds, bilateral partners, and philanthropic organizations have mobilized unprecedented volumes of financing to support these ambitions.

Despite these advances, implementation challenges remain remarkably persistent. The explanation lies partly in the fact that development systems have evolved unevenly. Considerable attention has been devoted to policy formulation, technical assistance, project preparation, and resource mobilization, while comparatively less effort has been directed towards the institutional arrangements that connect planning to budgeting, budgeting to investment, and investment to outcomes.

Over time, development practice has become highly effective at helping countries determine what should be done. It has become somewhat less effective at helping them build the systems required to do it.

Project implementation units have often been established outside core government structures in pursuit of short-term delivery objectives. Climate finance mechanisms have frequently supported

planning exercises and project design without making equivalent investments in implementation capability. Much of the development system continues to reward strategies produced, frameworks launched, commitments announced, and funds approved more than results delivered.

The consequence is a familiar pattern. Countries know their priorities and financing opportunities often exist. But progress remains slower, more fragmented, and less transformational than intended.

The implementation deficit becomes visible when countries and/or their development partners repeatedly diagnose the same challenges, mobilize resources to address them, and nevertheless struggle to sustain execution long enough to produce meaningful change.

Barbados and the Reality of Implementation

Barbados provides an instructive illustration of both the opportunities and limitations associated with addressing the implementation deficit.

Internationally, Barbados has emerged as one of the most influential advocates for reform of the global financial architecture. Through the Bridgetown Initiative, the country helped place issues such as multilateral development bank reform, climate-vulnerable debt instruments, debt pause clauses, and debt-for-climate or debt-for-resilience swaps firmly on the global agenda. In doing so, Barbados demonstrated how a small state can exert significant influence over international policy debates.

Domestically, Barbados has sought to create stronger links between priorities, financing, and implementation. The evolution of the Barbados Economic Recovery and Transformation Programme (BERT), the launch of Mission Barbados, and the development of the Investment Plan for Prosperity and Resilience represent efforts to move beyond isolated interventions and towards a more integrated national development architecture. Mission Barbados seeks to align societal action around a limited number of national priorities, while the Investment Plan provides a Cabinet-approved and Parliament-recognized framework linking resilience, infrastructure, social development, productivity, and investment.

What makes the Barbados experience particularly relevant is the growing emphasis on implementation itself. In the energy sector, Barbados has achieved renewable-energy penetration of approximately 16 percent despite lacking access to significant hydropower or geothermal resources. Achieving this level of penetration in a system without substantial firm renewable generation reflects sustained regulatory reform, private-sector engagement, and long-term policy commitment. Increasingly, however, attention has shifted from target-setting towards delivery. The National Energy Council was established to identify and resolve bottlenecks impeding renewable-energy scale-up, including battery-storage deployment needed to support larger volumes of intermittent generation. Partnerships with institutions such as the International Finance Corporation (IFC) have also sought to advance utility-scale wind power. Together, these efforts illustrate a shift from renewable-energy ambition towards renewable-energy implementation.

Barbados has also sought to strengthen economic linkages across productive sectors. The establishment of a Linkages Board reflects recognition that tourism, agriculture, fisheries, manufacturing, and services should not be treated as isolated policy domains. The objective is to increase domestic value retention by strengthening local supply chains and ensuring that tourism demand generates wider opportunities throughout the economy.

Similarly, the Growth Council has been tasked with addressing broader questions of competitiveness, productivity, investment, and economic transformation, while embedded debt advisory support has strengthened the government's capacity to navigate increasingly complex financing arrangements and debt-management challenges.

None of these initiatives suggest that Barbados has solved the implementation challenge. Capacity constraints remain real. Coordination remains difficult. Competing priorities continue to stretch limited administrative resources. That reality is precisely what makes Barbados such a useful example.

The implementation deficit does not disappear simply because countries possess strong leadership, innovative financing mechanisms, sophisticated strategies, or international recognition. It persists even where governments have demonstrated considerable success. The lesson is therefore not that countries should replicate Barbados. Rather, it is that transformation requires sustained attention to the individuals, institutions, incentives, relationships, and routines that connect ambition to execution.

Building Resilience in Small States: Recommendations and Next Steps for the G20

Effective implementation is ultimately not an end in itself. Its purpose is to build the economic, social, and institutional resilience that allows small states to withstand shocks, adapt to changing conditions, and pursue long-term development objectives. For small states and SIDS alike, resilience must therefore serve as the organizing principle for investment, planning, and international cooperation.

1: Move From Development Commitments to Delivery Commitments

The international community does not suffer from a shortage of recommendations. Over the past two decades, the Paris Declaration, the Accra Agenda for Action, the Busan Partnership, the SAMOA Pathway, the SDGs, the Antigua and Barbuda Agenda for SIDS, and successive G20 communiqués have all emphasized country ownership, institutional strengthening, coordination, and policy coherence.

The challenge today is not a lack of commitments but a persistent implementation deficit that hampers countries' ability to strengthen their resilience.

The G20 should therefore resist the temptation to launch another framework and instead focus on accelerating the implementation of commitments that already exist. A practical step would be the establishment of a **G20 Compact on Delivery and Implementation for Small States**, designed to strengthen the systems that translate priorities, financing, and policies into measurable results.

This proposal builds on existing efforts, including the World Bank's *Roadmap for Engagement in Small States*, which recognized the importance of flexible approaches, reduced administrative burdens, stronger institutional capacity, and delivery systems tailored to the realities of small administrations. While considerable progress has been made in expanding access to finance and mobilizing investment, significantly less attention has been devoted to the institutions and capabilities that sustain implementation over time.

The Compact should focus on three priorities: (i) financing implementation capability alongside infrastructure and investment; (ii) reducing reporting burdens, duplicative processes, and fragmented engagement with development partners; and (iii) measuring success through delivery outcomes, institutional capability, and resilience gains rather than funding volumes or project counts.

This agenda would complement initiatives such as the Coalition of Finance Ministers for Climate Action, which has helped place Ministries of Finance at the center of climate and development decision-making. Increasingly, Ministries of Finance are not simply allocators of resources but conveners of delivery, responsible for connecting planning, budgeting, investment, financing, and implementation.

The G20 should also build explicitly on the priorities advanced by previous presidencies, including India's focus on climate action, multilateral development bank reform, digital public infrastructure, and inclusive growth. The most valuable contribution the G20 can make may not be the creation of new commitments but ensuring that existing commitments produce tangible results.

2: Support National Transformation Platforms Focused on Productivity, Resilience, and Infrastructure

For many small states, transformation is more likely to emerge from strengthening linkages across existing sectors and investing in foundational infrastructure than from pursuing endless diversification.

The G20 should therefore encourage development partners and international financial institutions to support integrated national transformation platforms that connect productivity, resilience, and investment.

Energy transitions provide one example. Rather than financing individual renewable-energy projects in isolation, development partners should support integrated approaches that combine generation, storage, grid modernization, workforce development, regulatory reform, and private investment. The challenge facing many countries is no longer identifying the need for renewable energy. It is overcoming the practical bottlenecks that prevent deployment at scale.

Food security should be approached in a similar manner. This is especially important for many SIDS, where import dependence exposes countries to external supply shocks, transportation disruptions, and food price volatility. The objective may not be self-sufficiency but, rather, linking the fisheries, logistics, tourism, and food-processing sectors so that more value remains within domestic economies.

Most critically, the G20 should elevate resilient infrastructure as a central pillar of productivity and growth. Too often, resilience is treated as a separate environmental agenda rather than as a foundation for economic development. Coastal infrastructure, transportation networks, water systems, energy systems, ports, wastewater treatment facilities, and digital networks underpin virtually every aspect of economic activity. For SIDS, where populations, infrastructure, tourism assets, ports, and economic activity are often concentrated along narrow coastal zones, resilient infrastructure is inseparable from long-term economic competitiveness. Increasing climate risks mean that investments in these systems can no longer be designed around historical assumptions.

Water security deserves particular attention. For many SIDS, freshwater availability represents one of the most significant long-term constraints on development. Tourism demand, urbanization, saltwater intrusion, drought conditions, and changing rainfall patterns are placing increasing pressure on limited water resources. Water resilience is therefore not simply an environmental priority. It is an economic, social, and national security priority.

The G20 should champion new financing models capable of supporting long-term resilience investments. These include resilience bonds, debt-for-resilience swaps, climate-resilient debt clauses, blended-finance vehicles, and long-term infrastructure facilities designed to support proactive investment rather than repeated post-disaster reconstruction.

The objective should be to create development systems in which productivity and resilience reinforce one another.

3: Reform Development Partnerships Around Capability, Commitment, and Agency

The international development landscape is entering a period of significant adjustment. Fiscal pressures across many OECD countries have contributed to reductions in aid budgets and increased scrutiny of development spending at precisely the moment when climate risks, debt pressures, infrastructure needs, and food insecurity are intensifying.

The response should not simply be to accept declining aid levels as inevitable. Rather, the international community should undertake a more fundamental examination of development effectiveness. The central question is not only whether aid budgets are large enough, but whether they are being deployed in ways that strengthen national capability and support long-term transformation.

Too often, development resources are absorbed by fragmented projects, repeated diagnostic studies, standalone technical assistance programs, and external consulting arrangements that leave limited institutional capability behind. At the same time, legitimate concerns regarding fiduciary risk and implementation capacity have encouraged reliance on parallel delivery structures that can unintentionally weaken the very institutions countries ultimately depend upon to achieve development outcomes.

The G20 should therefore champion a shift toward country-led implementation, stronger national systems, and greater institutional capability. This does not imply reduced accountability. It means designing financing arrangements that progressively expand domestic ownership, strengthen public institutions, and leave countries more capable than before.

This is particularly important because resilience is not a project. It is a generational undertaking. This reality is particularly evident in SIDS, where coastal adaptation, water security, ecosystem restoration, and disaster resilience must be sustained across multiple decades and financing windows, as well as electoral cycles.

Development partnerships must therefore align more closely with long-term national strategies and capital accumulation rather than short-term projects and pilot initiatives.

The G20 should also build on the work advanced under Brazil's Presidency regarding the effectiveness of vertical funds. While climate, health, biodiversity, and related funds have mobilized substantial resources, many countries continue to navigate multiple application processes, reporting requirements, and implementation arrangements. Greater coherence among funds, development banks, and bilateral programs, including shared reporting frameworks, coordinated country engagement, joint implementation support, and stronger reliance on national systems, would significantly improve effectiveness.

Beyond financing and implementation, the ultimate objective should be the expansion of national agency: the ability of countries to define priorities, mobilize resources, negotiate partnerships, and shape their own development trajectories. Development cannot be delivered from the outside. External actors can provide finance, expertise, and support, but they cannot substitute for domestic leadership, institutional capability, and political commitment.

As development resources become more constrained, investments must be assessed according to whether they strengthen domestic institutions, build local firms and productive sectors, transfer knowledge and technology, mobilize domestic sources of finance, improve implementation capability, increase resilience and productivity, and expand national agency.

Ultimately, the purpose of development cooperation should not be permanent engagement. It should be to leave countries progressively more capable of financing, managing, and directing their own development.

Conclusion

The defining challenge confronting many small states today is not a lack of vision and increasingly not a lack of financing. It is an implementation deficit that continues to separate ambition from achievement.

Successive generations of development practice have devoted considerable effort to strengthening planning systems, financing mechanisms, and technical frameworks. Comparatively less attention has been paid to the systems that connect these elements to sustained delivery.

Closing this implementation deficit should become a central priority of the G20.

Doing so will require countries to strengthen delivery architectures, development partners to coordinate rather than overwhelm national systems, and international financial institutions to invest as seriously in implementation as they do in project preparation and resource mobilization.

Ultimately, resilience is the ability to withstand shocks. Agency is the ability to shape the future. The central task before the G20 is not to produce another catalogue of recommendations but to help close the gap between the commitments already made and the results still waiting to be delivered. In an era defined by uncertainty, the countries most likely to succeed will not necessarily be those with the most plans or the greatest access to finance. They will be those best equipped to turn ambition into action.

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