

# THE CHAIRMAN'S SUMMING UP

## IEO EVALUATION—THE IMF AND FRAGILE STATES

EXECUTIVE BOARD MEETING 18/23

MARCH 22, 2018

Executive Directors welcomed the report by the Independent Evaluation Office (IEO) on the IMF and Fragile States. Directors agreed that helping countries in fragile and conflict situations is a global priority, meriting close engagement by the Fund in its bilateral surveillance, program design and lending, and capacity development (CD). They were pleased with the IEO's assessment about the Fund's critical role and important contributions to these countries, including by helping them to restore macroeconomic stability, build core macroeconomic policy institutions, and catalyze donor support. Directors welcomed the Managing Director's broad support for the IEO recommendations and agreed that more could be achieved through further efforts, taking into account the unique circumstances and challenges facing these countries.

Directors broadly supported Recommendation 1, calling for the Managing Director and the Executive Board to issue a statement on the importance of the Fund's work on countries in fragile and conflict situations that could be endorsed by the IMFC. Directors noted that such a statement would need to be accompanied by concrete steps, with greater value placed on such work within the Fund.

Directors broadly agreed with Recommendation 2, and most Directors welcomed the intention to establish an effective institutional mechanism to better coordinate the work by the Fund and other stakeholders. In this context, some Directors cautioned that such a mechanism should not be duplicative or unduly resource intensive, while a few suggested that the mechanism be chaired by management, and some others would appreciate regular reporting to the Board on staff's work in countries in fragile and conflict situations. A few Directors held the view that greater continuity and prominence could also be achieved within the existing procedures.

Directors also broadly supported Recommendation 3 to develop forwardlooking, holistic country strategies that integrate the roles of policy advice, financial support, and capacity building as part of the Article IV surveillance process. They stressed that requirements for such strategies would need to be flexible and adaptive, to avoid being a bureaucratic administrative requirement, and should not overburden the Article IV process.

Directors expressed different views regarding how the Fund should deliver financial support to countries in fragile and conflict situations as proposed in Recommendation 4. They welcomed the Managing Director's commitment to consider modifications to the Fund's lending toolkit in the context of the 2018 Review of Facilities for Low-Income Countries. Most Directors saw merit in or were open to considering suggestions to raise the access limit for the RFI/RCI and introduce shorter upper-credit tranche financial arrangements, while a number of Directors emphasized that higher access to Fund resources may not be helpful to countries that mainly need grants. A number of Directors cautioned against reducing the strength of program conditionality, while recognizing that program design should be calibrated to domestic implementation capacity. A few Directors suggested that for those countries with weaker implementation capacity, consideration could be given to lengthening program duration to allow for more time to implement policies and strengthen capacity. A number of Directors were skeptical about the case for an extension of the repayment period of loans under the PRGT and

the need for a special financial facility for countries in fragile and conflict situations. Directors emphasized that countries in fragile and conflict situations would benefit from entering into Fund arrangements primarily because of the catalytic role of these arrangements in mobilizing financial support from other development partners.

Directors supported Recommendation 5 to take practical steps to strengthen the impact of Fund CD support to countries in fragile and conflict situations, including increasing the use of on-the-ground experts, employing realistic impact assessment tools, and making efforts to ensure that adequate financial resources are available for CD work in these countries. They noted that weak absorption capacity and governance in fragile and conflict situations could limit CD effectiveness, which warrant particular attention. In this context, most Directors saw merit in the idea of gathering support for a multi-donor trust fund dedicated to such CD, provided that a business case could be made to donors and this would not undermine funding for the Regional Technical Assistance Centers.

Directors agreed on the importance of effective coordination with other CD providers and better tailoring CD work to the specific conditions and long-term needs of countries in fragile and conflict situations.

Directors supported Recommendation 6 that the Fund should take steps to adapt its human resources strategy to provide robust incentives for high-quality and experienced staff to work on individual countries in fragile and conflict situations, and to ensure that adequate budgetary resources are allocated to support their work. They called on the upcoming review of the HR strategy to proactively consider ways of providing stronger recognition of the staff's work in these countries to reduce turnover and attract more experienced staff, and to consider changes to recruitment practices. Some Directors expressed openness to considering enhanced financial and non-financial incentives to staff for work on countries in fragile and conflict situations. A number of Directors called on the Fund to consider best practices of other development institutions regarding interaction, continuous security assessment, and increased field presence in countries in fragile and conflict situations. Directors noted, however, that an increase in field staff presence in high-risk locations should be weighed against the paramount objective of protecting staff safety.

In line with established practices, management and staff will carefully consider today's discussion in formulating a follow-up implementation plan, including approaches to monitor progress.