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## **IEO Releases Evaluation of The IMF and Fragile States**

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) today released its evaluation of the IMF's engagement in fragile and conflict-affected situations (FCS).

In releasing the evaluation report, IEO Director Charles Collyns emphasized that helping these countries is an international priority, given their own great needs and the dangerous implications of persistent fragility for regional and global stability, and that, with its crisis response and prevention mandate, the IMF has a key role to play in these international efforts.

Project leader Shinji Takagi acknowledged the important contributions that the IMF has made in fragile states, including helping to restore macroeconomic stability, build core macroeconomic policy institutions, and catalyze donor support. Despite this overall positive assessment, however, the report concludes that the IMF's impact in fragile member states falls short of what could be achieved. Past efforts to adapt IMF policies and practices to FCS needs have often not been sufficiently bold or adequately sustained, and the staff has tended to revert to treating fragile states using IMF-wide norms, rather than as countries needing special attention.

Based on these findings, the report proposes six recommendations to build a more robust institutional commitment to FCS work than in the past:

- **Message of high-level commitment.** Management and the Executive Board should reinforce that work on fragile states is a top priority for the IMF by issuing a statement of its importance, for IMFC endorsement, to guide the Fund's fragile state work going forward.
- **Creation of an institutional mechanism.** Management should give the IMF's work on fragile states greater continuity and prominence by establishing an effective institutional mechanism with the mandate and authority to coordinate and champion such work.
- **Comprehensive country strategies.** For work on individual fragile states, the IMF should build on ongoing area department initiatives to develop forward-looking, holistic country strategies that integrate the roles of policy advice, financial support, and capacity building as part of the Article IV surveillance process.

- **Financial support.** The IMF should adapt its lending toolkit in ways that could deliver more sustained financial support to fragile states, including for those challenged to meet the requirements of upper-credit-tranche conditionality, and should proactively engage with stakeholders to mobilize broad creditor support for FCS with outstanding external arrears to official creditors, including the IMF.
- **Capacity development.** The IMF should take practical steps to increase the impact of its capacity development support to fragile states, 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 capacity development work in these countries.
- **HR issues.** The IMF should take steps to incentivize high-quality and experienced staff to work on individual fragile states, ensure that adequate resources are allocated to support their work, and find pragmatic ways of increasing field presence in high-risk locations while taking necessary security arrangements even at high cost.

The IMF's Executive Board met to discuss the evaluation on March 22, 2018, and broadly endorsed the recommendations to further enhance the IMF's effectiveness in its work on fragile states.

IMF Management also welcomed the report and will work with staff to implement the recommendations based on a Management Implementation Plan anticipated to be presented to the Board within six months.

The report, the Statement by the Managing Director, the Chair's Summing Up of the Executive Board meeting, along with supporting documents, are available at <http://www.ieo-imf.org>.

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