advisors’ responsibilities vis-à-vis country teams, would go a long way in creating a more symbiotic relationship between CD and other functions, potentially expanding the contribution of experts to surveillance and program work. It would also be useful to develop a structure within the Fund to effectively manage the knowledge accumulated in RCDCs across regions. A simple coordination mechanism, with low budgetary requirements, would be the creation of a group with representatives from the existing SDS-related divisions, RCDCs, and ICD. Finally, consultations between country teams and RCDCs experts and the participation of the latter in surveillance missions could be more systematic. The experience during the pandemic has proven that more frequent contact can be effective through virtual means of communication.

177. Country teams and ADs’ role in leading prioritization and planning of country CD work, with greater focus on end-results, should be strengthened, including by making more systematic use of CSNs and RSNs and building on the emerging results from RBM. This centralization of responsibility would help address concerns regarding absorption capacity assessment, dependence on donor financing and preferences, and supply-driven provision. Higher support and attention by ADs to this task would also help.

VII. HUMAN RESOURCE ISSUES

A. Overview

178. As discussed in previous sections, given their capacity constraints SDS typically rely heavily on IMF staff for high quality, sustained and well-tailored macroeconomic analysis and policy advice. At the same time, for many SDS, the effectiveness of Fund engagement can be affected by wide geographical dispersion, long distance from IMF headquarters, and limited travel connections. All of these factors present specific challenges to relationship building, continuity, and effectiveness of engagement, including traction of policy advice, and place a heavy onus on the Fund to ensure that country teams are adequately staffed and incentivized.

179. ADs have devoted a significant share of their resources to work on SDS. For example, 29 percent of WHD economists and 17 percent of APD economists have full or part-time SDS assignments. There are no specific overall HR or budgetary guidelines and rules applying to SDS work. ADs with SDS members are responsible for developing their own approaches, including divisional structure, selection of MCs, mission size and staffing, within the broad set of IMF HR and budgetary procedures. In practice, this has meant distinct approaches being taken in the three main ADs with SDS members (AFR, APD, and WHD). And each department has responded to somewhat different specific circumstances of SDS covered and broader departmental considerations.

180. A distinctive feature of staffing for SDS work is that, across all ADs, SDS MCs were typically either A14 or A15, compared to A15-B3 for country work more generally. Otherwise, the

49 This section draws on Rustomjee, Chen, and Li (2022).
distribution of SDS staff, by grade level, was similar to that in the Fund as a whole: the majority of economists working on SDS comprised staff at the A14 level; and the distribution of SDS economists by grade also closely matched the distribution of non-SDS staff, although the share of SDS economists in grades A11-A12 was somewhat higher than for non-SDS assignments. In terms of staff origin, very few Fund economists came from SDS.

181. Overall, Fund staff working on SDS were perceived to have the relevant skills and experience to support SDS. Country authorities generally praised the high quality of staff analytical work, surveillance and policy advice and for their efforts to tailor analysis to their specific needs and country circumstances. They praised the role played by MCs, considering them highly skilled, professional, and dedicated to their work, with MCs' knowledge of local conditions perceived to have grown over the evaluation period. Similarly, staff working on SDS assignments across departments were perceived by both country officials and IMF insiders to be skilled, experienced professionals.

182. Notwithstanding the considerable commitment of staff resources and the high appreciation for the individual economists working on small states, work on SDS has been hampered by inter-related HR challenges related to high turnover, short tenure, small teams, and limited incentives. These issues are examined in the following sections.

B. Turnover, Tenure, and Continuity of Engagement

183. In the country case studies, officials emphasized concern regarding too short MC and country team tenure and too high turnover. They felt that too short tenure and frequent turnover interrupted continuity of members’ engagement with the Fund, diminished the appreciation for country circumstances, meant that relationships had to be regularly rebuilt, and overall weakened the traction of IMF engagement. These concerns also emerged in interviews with Executive Directors, showing lower levels of satisfaction with MC tenure, team continuity, and country assignment handover than for other countries. Similarly, the staff survey found that high staff turnover was a significantly more severe problem in SDS than in non-SDS. Two-thirds of staff thought that high turnover adversely affected SDS to a great or moderate extent.50

184. Indeed, data confirm that the median tenure of MCs across all SDS was particularly low—only around 2 years compared to the Fund-wide average of 2½ years (Figure VII.1). Examples of very short tenures, of less than six months, occurred on five occasions and there were only two occasions when MCs served for five or more years. The IMF’s Accountability Framework targets of an average of three-year tenure for each AD was met by only 29 out of 154 SDS MCs between 2010–2020.

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50 Other IEO evaluations have also raised concerns about high MC and staff turnover including reports on fragile states (IEO, 2018) and unconventional monetary policies (IEO, 2019).
185. High MC tenure went hand-in-hand with high MC turnover. Indeed MC turnover was high throughout the evaluation period, across all ADs (Figure VII.2). Fund staff conducted 216 AIV missions to SDS between 2010–2020, led by 154 different MCs. Two-thirds of SD MCs (101 MCs) led only a single mission to their designated SDS, before moving to a new assignment. Of those that continued beyond a single consultation, 40 MCs led only one more mission to the same SDS and there were only eleven instances in which the MC led three or more missions to their designated SDS. MC turnover was particularly high for eight SDS, with every AIV mission during the evaluation period led by a different MC. Particularly notable was the absence of any continuity of MCs in four Pacific microstates on a 24-month AIV cycle.
186. Gaps between the end of service of an MC and the appointment of their successor also caused problems in maintaining continuity of Fund engagement with SDS. Over the evaluation period, these gaps lasted one month or more in two-thirds of SDS. Only 10 SDS experienced no gap in continuity of service of MCs. Country officials viewed protracted gaps as a signal of disinterest by the IMF and lack of concern to ensure continuity in the relationship. During these periods, SDS authorities considered that they had no main interlocutor with the Fund, and subsequently would need to devote additional time to informing new MCs of the particular issues and challenges faced by the country once they were appointed. All of this, they felt, again eroded trust and the value for the authorities to invest in the relationship with the Fund.

187. Similar to the experience with MCs, turnover of AD staff on SDS was also high (Figure VII.3). Seventy-one percent of non-MC AD staff participated only once in an AIV mission to a specific SDS. This compares to a (still high) 52 percent for 20 large economies, estimated an earlier IEO evaluation on advice on unconventional monetary policies (IEO, 2019). A further 23 percent returned to the SDS for a second AIV mission, while only 6 percent participated more than twice. All ADs registered single-mission percentages of over 65 percent. Among ADs, the percentage of AD staff who returned for a second or further AIV mission varied widely, as follows: WHD (35 percent); MCD (29 percent), AFR and EUR (24 percent); APD (18 percent).

![Figure VII.3. Area Department Staff Turnover in Article IV Missions to SDS, 2010–2020](image)

Sources: IMF; IEO calculations.
Note: Turnover refers to the share of all AD staff working on an SDS that attended between one and four AIV missions to the same SDS.

51 Unfortunately, comprehensive data have not been compiled on turnover or tenure of desk economists, even though a target of three year was also set for such assignments following the IMF as Trusted Advisor evaluation. However, the implementation plan in response to the Executive Board Endorsed Categorization of Open Actions in Management Implementation Plans (IMF, 2021d) includes a commitment to enhance such monitoring.
C. Incentives to Work on SDS Assignments

188. Incentives to work on SDS assignments can be quite different between MCs and team members. For a SDS MC, the assignment has typically been provided as a first opportunity for mission-leading experience and provides a desirable stepping-stone to career advancement. However, once mission leading experience has been successfully gained, there are then incentives to move on to more visible assignments. Internally, all ADs acknowledged the need to lengthen the tenure of MCs on SDS and took several actions to achieve this goal during the evaluation period, both directly by setting tenure goals and also by incentivizing interest in the work carried out by MCs in SDS, through dedicated efforts to strengthen the flow of institutional resources, knowledge sharing and peer learning elaborated further below.52

189. By contrast, desk economist incentives to take on an SDS assignment were less compelling. On the positive side, SDS economists reported professional rewards and a sense that their work made a difference in a small country setting. However, staff voiced concerns regarding heavy workload, small country team size, limited country level data, and for some, lack of resources. Staff also noted low visibility and insufficient recognition of SDS desk assignments for career advancement, with very few staff seeing long-term career paths in working on these countries. Indeed, there was some sense of stigma attached to working on SDS countries and a general preference to work on larger, systemic countries which many staff saw as more important for career progress and which provided research opportunities with more readily available high-quality data. A survey of staff currently working on SDS was broadly consistent with evidence from interviews (de Las Casas and Subramanian, 2022b), although SDS-related experience was not considered by the majority of respondents as negative for career progress at the Fund.

190. To assess the incentives to work on SDS assignments, the evaluation compared experience among SDS and non-SDS staff, using three metrics: staff performance ratings; promotions; and vacancy and application rates for SDS. Data on staff ratings suggests that staff working on SDS at A15 tended to be better rewarded compared to more junior SDS staff, through higher ratings (Figure VII.4). However, SDS staff at both A13 and A14 levels generally fared less well in attaining the higher “Superior” and “Outstanding” performance ratings compared to their non-SDS peers. This contrast presumably reflects that A15s working on SDS uniformly benefit from the challenges and exposure of being an MC, combined with the fact that higher performing staff have typically received the MC opportunities.

191. Turning to promotion prospects for grades A13-A15, staff working on SDS tended to be promoted less often than staff working on non-SDS assignments. Differences were most pronounced at A13 level, while at A14 and A15, promotion rates were almost comparable among staff working on SDS and on non-SDS assignments (Figure VII.5).

52 For example, as part of the department’s key objectives and deliverables for FY2020, APD included in its Accountability Scorecard for 2020 a new departmental goal to extend MC tenure for small states from two to three years.
192. Evidence of slower rates of promotion among SDS staff accorded with staff perceptions that SDS assignments may offer limited career prospects as well as with staff survey results on prospects for career progression when taking on an SDS assignment. Among survey respondents, just under a fifth of respondents thought that an SDS assignment would negatively affect their career prospects at the Fund, about one-third were unsure, while only a quarter of the respondents considered there to be no difference on their career development between an SDS-related assignment and a non-SDS-related assignment. Staff who worked on an SDS assignment provided closely similar responses to those who had not worked on an SDS assessment.
193. The number of applications for vacant positions also provides a useful indicator of the extent of staff interest in the position, as staff positions are openly advertised when they become vacant and applicants compete for these positions. The evaluation found that in the period 2016–2019, for vacancies at A11–A14 level, interest in SDS positions was on average about 20 percent less than for non-SDS positions, although application rates for SDS rose noticeably in 2020 and for the first time since 2016 exceeded levels of interest in non-SDS assignments (Figure VII.6). By contrast, A15 SDS positions attracted much higher interest throughout 2016–2020, with average numbers of applications (47 applications per SDS position), close to average numbers of applications for A15 positions in ADs (40 applications per non-SDS position).

194. ADs have taken steps to support staff in SDS MC assignments, helping to make the assignments attractive and providing support to newly fledged MCs. For example, in 2015, APD delivered a two-day event with HRD for MCs working on SDS, highlighting opportunities and challenges for MCs, support mechanisms, including toolkits, peer learning, interdepartmental collaboration and leveraging interdepartmental resources; and engaging with development partners. In 2017, APD also developed a comprehensive manual (“SDS Mission Chief Toolkit”), with information and intra-departmental resources, strategy, and cross-country policy issues and analytical work, outreach, IT resources to manage engagement due to large distance between SDS and the regional hub in Fiji.

195. Interviews with staff with close experience of the practice of providing a SDS MC assignment as a stepping-stone to promotion suggested that this approach was effective in strengthening interest in such an assignment but also tended to exacerbate issues with short tenure and high turnover. Staff who were subsequently promoted to A15 level considered the experience of leading a mission to an SDS to have enriched their knowledge and experience, but also felt that opportunities for career progress lay elsewhere once a term of service as MC had been completed.
196. As for SDS desk assignments, to help meet SDS staffing needs, both APD and WHD allowed for co-desk assignments, pairing a SDS desk assignment with a second assignment, which could be on another SDS or on a larger country often in a different division altogether. In APD, almost 30 percent of A14 MCs on SDS assignment were simultaneously serving as a co-desk economist elsewhere. This practice was even more prevalent in WHD, where about 61 percent of A14 MCs working on an SDS assignment were also a co-desk economist on a second country. The prevalence of co-desk responsibilities in SDS meant that many staff in SDS country teams spent only a fraction of their time on the SDS in question. Indeed, some SDS teams are run on a skeleton basis until some months before a surveillance cycle begins. The staff survey found that only one-fifth of staff who responded devoted 100 percent of their time to a single SDS country. About half of respondents spent less than half of their work hours on their SDS assignments and more than a quarter of the respondents spent less than 25 percent of their time on SDS. Overall, this approach proved useful to address staffing issues but also had the effect of diluting staff time spent on SDS and created a sense that the assignment was less important.

197. An initiative announced in 2020 to establish a new career framework for fungible macroeconomists (staff at grades A11-A14) could further increase challenges for staffing many SDS. The framework, which is intended to support career planning and strengthen incentives to work on LICs and FCS, includes a provision, starting in July 2023, requiring a minimum of two years of operational experience in working on PRGT-eligible countries or FCS, before fungible macroeconomists can progress to A15 level. Currently, 17 out of 34 SDS fall into these categories. Several staff raised concerns about the impact of the new framework on incentives and motivation to work on the 17 SDS not included in the FCS/PRGT eligible lists. Some highlighted that the new requirement has already had an impact, reducing the number of applications for some SDS assignments that are not the FCS/PRGT eligible lists; they suggested that to restore the ability of ADs to attract staff to work on SDS members, it would be necessary to include all SDS in the provision. However, other staff emphasized that there is high heterogeneity regarding the attractiveness of working on individual SDS (with higher income SDS often being well-developed and in attractive locations), and therefore, not all of them would require the same treatment.

D. Country Teams

198. Budgetary data clearly show that surveillance resources per SDS were significantly lower than for other groups. On average over the five-year period FY2016–2020, on a per country basis, “standard” surveillance for an SDS member absorbed about 24 percent less than the average spending on “standard” surveillance per Fund member; and about 66 percent less than the average spent per Fund member on “intensive” surveillance (see Figure III.1). MCD and AFR devoted the highest levels of spending per SDS on standard surveillance. In APD, spending per

53 These currently include three SDS classified as FCS, nine SDS that are PRGT-eligible, and five SDS are both classified as FCS and PRGT-eligible.
SDS on standard surveillance was particularly low, slightly less than half of the level of spending in WHD and in EUR; and just over a third of that in AFR (Figure VII.7).

![Figure VII.7. Area Department Spending on Surveillance Per Country, 2016–2020 (In millions of USD)](image)

Sources: IMF; IEO calculations.

199. Departments reported that they had generally been able to staff surveillance work on SDS in line with OBP overall guidelines, albeit with challenges in some instances. In AFR, EUR and MCD, SDS country teams typically comprised an MC (who usually had in addition another country or policy assignment), two desk economists, with at least one dedicated to the country, and the second usually a shared resource. On missions, these country teams were supplemented by another staff member, typically a research assistant or a junior economist from the same department. In WHD, country teams comprised a MC and between 2-4 economists, depending on the SDS; and most economists had additional country assignments. In APD, country teams typically consisted of the MC and one or in some cases two desk economists, all with other assignments absorbing at least 50 percent of their time. In a program context, in all ADs, country teams also included at least one functional department (FD) economist (one from SPR, and possibly others from FAD or MCM).

200. While systematic Fund-wide data on SDS country teams are not available, the evaluation estimated the size of SDS country teams based on a review of Board reports of all AIV missions to SDS between 2010–2020. Excluding MCs, over the evaluation period country team size per AIV consultation averaged 3.4 staff per mission. The largest teams were assembled for AIV missions to MCD (an average of 4.3 staff per mission excluding the MC). By contrast, in APD, team size averaged 3.1 persons (Figure VII.8). This low number partly reflected the prevalence of micro-states among APD SDS where staffing is typically lower.

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54 Country-specific and departmental practices are described in separate evaluation background papers, for selected SDS in APD (Maret and de Las Casas, 2022), WHD (Da Costa and Rustomjee, 2022), and AFR, EUR and MCD (Lane and de Las Casas, 2022).
201. Functional department (FD) participation in SDS AIV consultations was quite limited (see Figure VII.8), although reportedly participation of FD experts increased in the context of virtual missions during the pandemic. On average, over 2010–2020 an FD economist participated in about one in every two SDS AIV missions in WHD and in AFR and about one in every three SDS AIV missions in APD. SPR, FAD and MCM provided two-thirds of these functional economists. Country authorities welcomed the participation of functional economists on AIV and program missions where it did occur, considering FD staff to have specialist expertise relevant to providing more granular advice on addressing particular fiscal policy, growth-related, financial sector issues and challenges related to volatility and shocks.

202. Staff from other departments were included in country teams for SDS much more frequently than for non-SDS, a practice that helped fill gaps in country teams. During 2010–2020, approximately 5 percent of all staff participating in AIV missions came from departments other than AD and FD. However, while useful as a stop gap, their participation exacerbated issues related to high turnover. Staff from other departments rarely returned on successor missions. In four instances, missions were led by staff outside of the AD itself, presumably attracted by the possibility of gaining mission leadership experience, but not providing any continuity of engagement. In five other instances, except for the MC, no AD staff participated in the mission.

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55 AIV missions for Vanuatu (2011, led by staff from OMD); Kiribati (2018, RES), Micronesia (2017, STA), and Tuvalu (2018, SPR).

E. Resident Representatives

203. Resident representatives (RR) generally played a very limited role in SDS work. In 2020, only one SDS (Barbados) benefitted from an individual country RR—out of a total of 50 RR assignments Fund-wide. Most RRs are assigned to program countries, but even SDS with programs typically do not have RRs. Nevertheless, 12 SDS benefit from two RRR offices; one based in Fiji, covering 11 Pacific islands and one in Vienna, covering Montenegro and other countries. In addition to RR and RRR, regional staff also include RCDC coordinators and RCDC advisors when the location of the RCDC is an SDS (see Section VI).

204. Authorities generally praised the role played by Fund staff who were located locally or regionally, including RRs and RRRs, in strengthening the Fund’s engagement with SDS.57 They felt that RRs and RRRs played an important role in promoting visibility of the Fund, maintaining continuity in Fund engagement, providing hands-on advice to authorities and supporting coordination between the Fund, other IFIs and development partners.

205. Officials complained, however, that there were too few RR positions in SDS, particularly in program and near program cases. A number of countries appreciated specifically the role played by the regional office in Fiji but observed that its staff were stretched quite thinly and did not meaningfully reduce problems of gaps in Fund engagement, especially in years between missions. Interviews with staff, including RRs and RRRs for SDS, corroborated authorities’ views regarding the role and contribution of RR and RRR posts, in helping strengthen the quality and depth of Fund engagement with SDS and providing continuity to engagement, but also recognized that these posts were typically under-resourced.

F. Overall Assessment

206. The data and analysis presented in this section confirms the widespread perception that while IMF staff working on small states are well qualified and as committed as their colleagues on other assignments, IMF engagement on SDS is hampered by substantive challenges in staffing this work.

207. Overall, the continuity of Fund engagement with SDS members was limited by high MC and country team turnover and correspondingly short tenures over the evaluation period. MC turnover was persistently high in all ADs and was a particular challenge among microstates and other members on a 24-month AIV cycle. To be sure, high MC turnover and low tenure are problems at the Fund more generally, but the problem was more acute for SDS, with the adverse consequences noted by country officials in interviews. At the same time, gaps in MC assignments occurred too frequently and attention is needed to systematically reduce and close these. In addition to lengthening MCs and desk economist tenure, the lack of continuity problem could be

57 RRs are AD staff. For purposes of engagement with members, SDS do not perceive RRs and as AD staff, but rather as staff who are regionally located and therefore more accessible to authorities.
palliated, to some extent, with more involvement of front office reviewers, who could serve as reservoir of local and regional knowledge and support MCs, including through joining surveillance missions occasionally. More generally, more systematic handover procedures would be helpful to reduce the disruption from frequent MC turnover but cannot fully relieve the problem.

208. High turnover and short tenure observed for SDS related to the difficulties of incentivizing staff to work on these countries. For MC assignments, the opportunity to gain MC experience as a path to promotion was effective in attracting staff to such positions but also contributed to high turnover once such experience had been gained. Turnover was particularly high in APD when the MC was quite often someone from a different non-SDS division. This use of more junior but able economists as MCs can provide a valuable way for filling the MC role—but should be combined with greater commitment to avoid one-off assignments and avoiding gaps in filling the position as well as efforts to ensure that staff are well prepared for their first mission leading role—an area where departments have paid attention, but such efforts need to be regularly followed up.

209. Incentives to take up SDS desk positions were generally quite weak. Data on performance ratings, promotion rates and number of applications for vacant positions all suggested that an SDS desk position was generally less positive for career progression than for non-SDS positions. There have been few initiatives to increase the attraction of an SDS assignment, other than to pair such an assignment with another larger country assignment. The recent decision to require that fungible macroeconomists have work experience on a PRGT-eligible or FCS country for A15 promotion could further complicate the task of recruiting for the 17 SDS desks that are not on either list.

210. In addition to high rates of turnover, SDS teams are also challenged by relatively small size, the high incidence of co-desk assignments, the limited role of FD specialists, and the use of inexperienced economists from other departments. The prevalence of co-desk responsibilities among AD staff working on SDS has resulted in dilution of staff time spent on individual SDS and a sense that the assignment is less important. More FD participation, at least in virtual form, could help address the appetite of SDS officials for greater expertise and granularity in advice identified in Section IV. Use of staff from ODs was generally a stopgap measure to fill mission teams and should be avoided if possible, as the value added is likely to be small and the participation of OD staff can send an adverse message to country authorities. Greater access to research assistant support could help to reduce the burden on country desks from normally routine data management tasks which can be particularly onerous in the SDS context because of inadequacies in official statistics.

211. Where it occurred, the inclusion of staff from regional offices improved visibility, coordination and feel for local conditions, but RRs and RRRs generally played quite a limited role relative to non-SDS. Options to expand the contribution of these offices while limiting associated costs include creating more multi-country RR offices and augmenting staffing in existing RR and
RRR resident offices, through the allocation of additional Fund staff economists as well as local economist staff located in each regional office. This could bring considerable benefits in strengthening continuity and relationships, by allowing for more regular participation in AIV missions and providing follow-up support between missions.

212. Overall, dealing with the challenge of too short tenure, too rapid turnover and poor handovers in SDS is likely to be challenging in the Fund context. The steps taken to strengthen monitoring and reporting of these issues in the recent management implementation plan (MIP) to address such issues more generally in the Fund (IMF, 2021d) will be helpful to strengthen transparency and accountability. However, they will need to be reinforced for SDS in particular to ensure that SDS do not continue to languish at the lower end of the range on turnover issues, particularly given the added incentives recently provided for work on LICs and FCS in the new career framework for fungible macroeconomists by making such work required operational experience for promotion eligibility to the management level.

213. In addition to strengthening HR management, it will also be important to pay greater attention to raising the profile, attractiveness and prestige of SDS work at the Fund to increase the incentives for staff to work on these assignments. Actions could include further steps to demonstrate strong senior Management appreciation of the importance and value of SDS work at the Fund and greater recognition that SDS work can sometimes be at the cutting edge of Fund work on important issues like CC and resilience building.

VIII. Key Findings and Recommendations

214. This section briefly recaps the evaluation’s findings relevant to the Fund’s main activities in SDS, as well as HR issues. It then turns to make some recommendations for how to further strengthen the IMF’s contribution to its small state members.

A. Findings

215. Overall, the IMF deserves considerable credit for having substantially stepped up its engagement with its SDS members over the decade covered by this evaluation. This is a group of countries that, while very small from the perspective of the global economy, represents 18 percent of the membership and faces persistent economic, environmental, and other forms of vulnerability that pose a special challenge for the IMF. Indeed, some of these vulnerabilities are growing, particularly those related to natural disasters and climate change (ND&CC), while continuing fallout from the COVID-19 pandemic has further compromised SDS economic prospects.

216. The Fund’s increased contribution to SDS reflects a number of factors. First has been the considerable efforts to develop specific guidance for Fund work on SDS that identifies the key areas where the IMF can support the special needs of small states. This work built on a growing body of research on SDS economic challenges, first outside the Fund and later inside. Second has