IEO
Independent Evaluation Office
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BACKGROUND PAPER

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The IMF Framework for Engagement with Small States

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ABBREVIATIONS

APD	Asia and Pacific Department (IMF)
CBR	Correspondent Banking Relationship
CD	capacity development
DSA	Debt Sustainability Assessment
DSF	Debt Sustainability Framework
ECCU	Eastern Caribbean Currency Union
ECF	Extended Credit Facility
ENDA	Emergency Natural Disaster Assistance
EPCA	Emergency Post-Conflict Assistance
ESAF	Enhanced Structural Adjustment Facility
EUR	European Department (IMF)
FCS	fragile and conflict-affected situation
FSAP	Financial Sector Assessment Program
FSSA	Financial Sector Stability Assessment
FSSR	Financial Sector Supervision and Regulation assessment (c. 2000)
FSSR	Financial Sector Stability Review (c. 2018)
GDP	Gross Domestic Product
GNI	Gross National Income
IDA	International Development Association (concessional lending arm of the World Bank)
LIC	low income country
MAC	market access country
MCD	Middle East and Central Asian Department (IMF)
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
RCF	Rapid Credit Facility
REO	Regional Economic Outlook
RFI	Rapid Financing Instrument
ROSC	Report on the Observance of Standards and Codes
SAF	Structural Adjustment Facility
SDA	Special Disbursement Account
SDR	Special Drawing Right
SDS	small developing state
SPR	Strategy, Policy, and Review Department (IMF)
SSF	Small States Forum (World Bank)
WEO	World Economic Outlook
WHD	Western Hemisphere Department (IMF)

EXECUTIVE SUMMARY

This paper examines how the IMF's framework for engagement with small states has evolved over time. It focuses on the period 2010–2020 to support the IEO Evaluation on IMF Engagement with Small Developing States (SDS). The paper aims to shed light on four questions that have a bearing on the enabling environment: 1) What was the status of IMF small state members during the evaluation period? 2) How did IMF governance arrangements affect small state participation and decision-making in the Fund during the evaluation period? 3) How did IMF policies and guidance to staff apply to engagement with small state members during the evaluation period? 4) What were the IMF institutional arrangements for engagement with small state members during the evaluation period? This paper does not assess the effectiveness of the IMF's engagement with small states.

There were notable advances in the IMF framework for engaging with SDS during the evaluation period. In 2010, the Executive Board approved a formal definition of small states based on population and a small country exception to enable the IMF to provide concessional financing to eligible SDS while adhering to the principle of uniformity of treatment. The Board of Governors also agreed in 2010 to protect the quota shares of the poorest members, including those meeting the small country exception. Drawing on two formal Board reviews in 2013 and 2016 and associated discussions, subsequent staff guidance notes were developed for engaging with small states and SDS on IMF surveillance, program design and lending, and capacity development. In addition, changes in access to emergency facilities and special vehicles in response to natural disasters and other catastrophes enhanced the Fund's ability to provide rapid financing for vulnerable member countries, including SDS in particular. To date, there is no Board-approved strategy for engagement with small states or SDS, although this is not necessarily different than the treatment for other country groupings.

Small State Status

The status of small states at the IMF, and particularly the SDS grouping, shifted incrementally during the evaluation period, although at times these shifts were not internally consistent and they lagged changes in other institutions. It took concerted effort on the part of Executive Directors, primarily in the context of a new Executive Directors' Small State Working Group, to push for changes to the formal status and treatment of small states at the IMF at the beginning of the evaluation period and the years following. The small state definition was revised two years after adoption to be consistent with the World Bank, even while the Fund maintains its own SDS list which is different from the membership of the World Bank Small States Forum, which is comprised of a broader grouping. It also took three years following adoption of the small state definition before microstates were formally distinguished. Questions remain about the appropriateness and operational value of the IMF small state definition. Some former and current staff, Offices of Executive Directors, and authority interviewees believed that while population should remain as one criterion, to be more relevant and useful, the IMF small state definition

should also weight vulnerability to shocks (including economic, financial, and climate/natural disasters).

Governance

While the IMF's quota-based framework conveyed negligible voting power to individual small states, the IMF's Executive Board constituency-based system provided considerable voice to small states as a group during the evaluation period. The Executive Directors' Small States Working Group provided an effective coordinating mechanism to bring attention to small state issues, while Executive Directors with small states in their constituencies championed small state concerns at Executive Board meetings.

Low quotas limited the ability of most small states to make use of IMF financing in meaningful amounts. While access levels for the RCF and RFI were increased twice during the evaluation period, in the view of some stakeholders interviewed for this evaluation, the low level of quota hindered the ability of the Fund to respond adequately to provide financing to meet the needs of SDS members, particularly those facing multiple and concurrent shocks, including in a few cases during the emergency phase of the IMF's COVID-19 response. Some IMF staff, Offices of Executive Directors, and authority interviewees suggested that the quota formula should include a metric or weighting for vulnerability.

IMF Policies and Guidance

The 2013 review of the IMF's engagement with small states and the 2016 review of Small States' Resilience to Natural Disasters and Climate Change and the Role of the Fund were followed by the issuance of an operational guidance note for staff. Stakeholder interviewees found the GROWTh framework laid out in the guidance note to be a useful starting point but noted that there is scope for further tailoring to increase relevance. Other than the small country exception to enable access to PRGT resources for some small state members, the remainder of IMF policies applied across the membership and the range of underlying reference to or analysis of small states and SDS was variable.

While bilateral surveillance for SDS followed the same framework as for other members, the periodicity and attention to SDS at the staff and Board level differed as compared to other members during the evaluation period. Staff made relatively greater use of the allowance for a 24-month cycle for SDS members than for other IMF members, and while the use of lapse of time procedures for Article IV surveillance with SDS members was in line with non-SDS members, the use in the case of particular SDS members was quite high. The IMF's region-wide approach to bilateral surveillance for SDS members during the evaluation period was also broadly similar to the rest of the membership.

Interviews and surveys of staff for this study revealed limited utility of the SDS guidance note beyond providing a checklist, although this is not uncommon as compared to other IMF guidance notes. Practices across departments varied with regards to whether there was front office review, and there was no systematic review of implementation of the guidance to staff on SDS matters during the evaluation period. Stakeholders also reported that the linkages between the GROWTh framework and associated guidance across Fund lines of engagement (i.e., surveillance, lending, and capacity development) were limited. These findings point to the need to strengthen the guidance; give further attention to incorporating aspects relevant to SDS across surveillance, lending, and capacity development guidance notes; and increase familiarity of the guidance note among staff. Guidance to staff on the coordination with development partners was found to be highly granular and could usefully be replicated in other IMF guidance applicable across the membership.

Organizational Arrangements

The Fund's organizational arrangements in part enabled tailored engagement with SDS during the evaluation period. As was the case prior to evaluation period, the IMF approach to engagement was undertaken primarily through area departments and to a lesser extent through select functional departments. There is no systematic classification for SDS used for analytical purposes at the Fund, and usage and types of IMF analytical classification of SDS members differed by department. Knowledge sharing began to increase with the creation of an interdepartmental working group on small states at the beginning of evaluation period, which in practice covered only SDS; although its role seems to have diminished towards the end of the period, it was more active following the onset of the COVID-19 pandemic. At the management level, IMF work on small states was delegated to a Deputy Managing Director, while IMF policies, guidance, and high-level inter-institutional agreements were handled by the Strategy, Policy, and Review Department.

IMF external communications did not often explain the Fund's work with the SDS grouping during the evaluation period. Unlike other partners, for example, there was no associated factsheet, list of IMF SDS, or outline of the IMF's approach for engagement provided on the external website. Notwithstanding guidance to staff regarding the importance of outreach in its work with small states, out of 85 IMF Resident Representative offices around the world noted on the IMF external website as of the end of the evaluation period, only one was located in a SDS member country and one of five IMF regional offices was located in a SDS member country.

I. INTRODUCTION

1. This paper examines how the IMF's framework for engagement with small states has evolved over time. It focuses on the period 2010–2020 to support the IEO Evaluation on IMF Engagement with Small Developing States (SDS). This paper aims to shed light on four questions that have a bearing on the enabling environment: (i) What was the status of IMF small state members during the evaluation period? (ii) How did IMF governance arrangements affect small state participation and decision-making in the Fund during the evaluation period? (iii) How did IMF policies and guidance to staff apply to engagement with small state members during the evaluation period? (iv) What were the IMF institutional arrangements for engagement with small state members during the evaluation period? This paper does not assess the effectiveness of the IMF's engagement with small states.

2. Following the introduction, Section II presents historical background and examines a number of aspects related to the status of IMF small state members. Section III analyzes the IMF governance framework and its implications for small state members, including the role of the Executive Board. Section IV discusses the IMF policy and guidance framework in place for engaging with small states. Section V outlines the Fund's organizational structure at the management and staff level for engaging with small developing state members. Section VI draws conclusions.

3. The paper draws on analysis of historical IMF documents; qualitative and quantitative desk analysis; evidence gathered from interviews of IMF staff, Offices of Executive Directors, and small developing state member country authorities conducted by IEO in support of the IEO Evaluation on IMF Engagement with Small Developing States; and surveys of IMF staff and SDS member countries authorities. It also draws on previous IEO evaluations where relevant, in particular as relates to countries in fragile and conflict-affected situations, low-income country issues, and IMF governance.

II. SMALL STATE STATUS AT THE IMF

4. This section provides information on the evolution of the status of small states at the IMF. It answers the following questions: how does the IMF define small states; what are the requirements for eligibility for membership in the IMF; how has small state membership at the IMF evolved; how does the principle of uniformity of treatment apply to small states; and what is the small country exception and how did it emerge?

A. Definition

5. The IMF currently defines small countries (i.e., small states) as countries with a population of less than 1.5 million; this threshold was increased from 1 million in 2012. The IMF also currently defines a subset of very small states with populations below 200,000 as microstates. Small states include advanced and emerging market economies/middle income countries as well

as creditor and borrower nations. Some IMF small state members are currently in or have emerged from fragile or conflict-affected situations.

6. While small states are heterogeneous, today all IMF small state member countries fall above the per capita gross national income (GNI) threshold of low income economies determined by the International Development Association (IDA).[1] Although small states may have unique features, it has been recognized for many decades in the literature that they share a number of similar characteristics, including lack of economies of scale; a high degree of trade openness; volatility; vulnerability; and relatively strong social cohesion.[2]

7. The IMF has traditionally defined small states based on a population threshold, although over the decades it has used differing nomenclature when referring to these countries. For example, in the 1970s, the IMF as well as other organizations at times used the term "micro-states" when referring to what are now termed small states, while "mini-states" was at times used when referring to what are termed today as either small states or microstates, and "very small states" was used when referring to what are termed today as microstates. The IMF has also referred to a subset of small states as tropical island states and small island economies.

8. During the evaluation period, the IMF defined a group of 34 small developing states (see Fig. 1). The IMF SDS list does not include countries with a population greater than 1.5 million—even if they have the same characteristics as other small states—which makes the list distinct from the membership of the World Bank Small States Forum (SSF).[3, 4] The IMF SDS list is based on the population criterion and excludes advanced economies and fuel exporters; by contrast the World Bank SSF list is not bound by the population criterion and also includes advanced economies and fuel exporters. The IMF SDS list also differs from other multilateral organizations.[5]

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[1] This threshold is used to determine eligibility for lending through IDA, the concessional arm of the World Bank Group. The FY21 IDA threshold was US $1,185. Djibouti and Solomon Islands each alternated below and above the threshold during the evaluation period. Comoros surpassed the threshold between the 2017 and 2019 biennial Review of Eligibility to Use the Fund's Facilities for Concessional Financing.

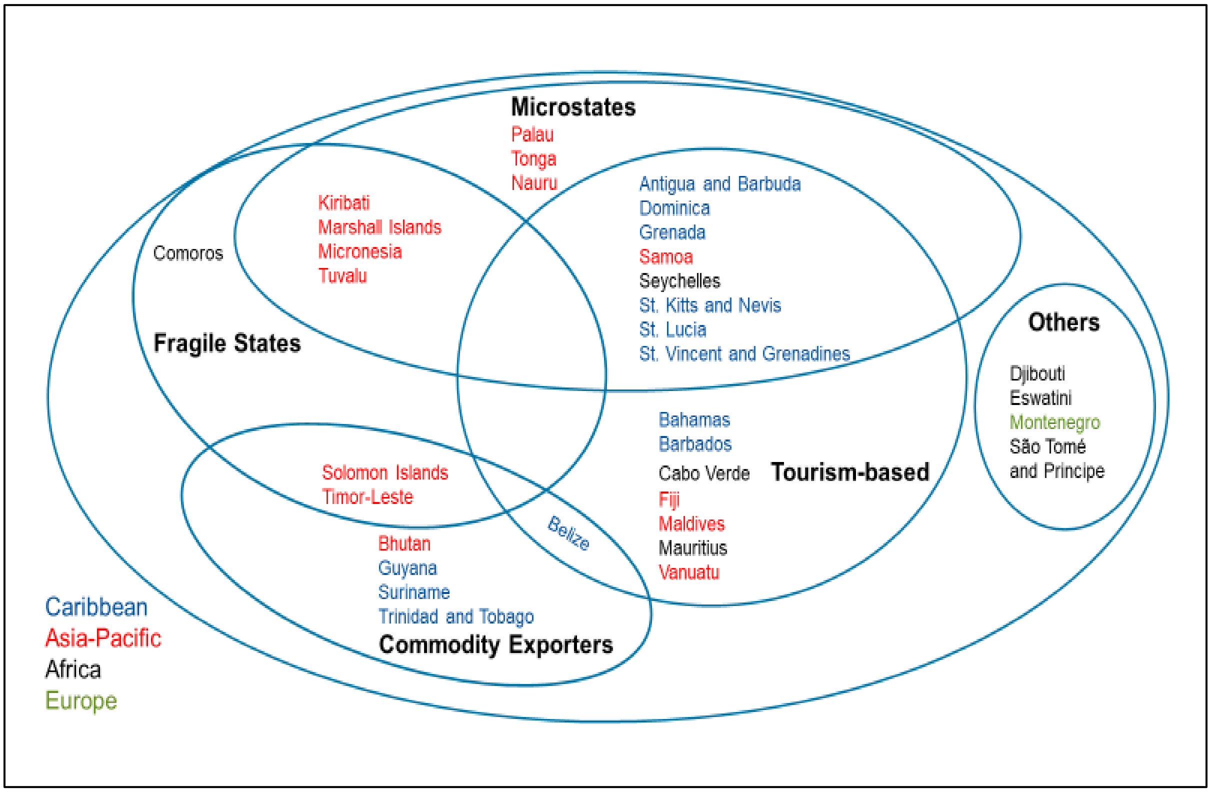
[2] For a select review of the literature on small state economies, see Bruguglio (2022).

[3] The SSF is a platform for high-level dialogue on how the World Bank Group can help to address small states' special development needs. It is comprised of 50 members, inclusive of those countries on the IMF SDS list. The SSF is comprised of 42 countries meeting the small states population definition and eight additional members sharing similar characteristics but which may have a higher population and including some which are fuel exporters. See Appendix I for a list of SSF members.

[4] The IMF participated in some SSF meetings during the evaluation period.

[5] See Appendix I for a comparison of current small state membership in selected multilateral organizations. It bears noting that it is not only the IMF's list that distinctively differs from other organizations. They too have differing lists and nomenclatures as compared to each other. There is no multilateral harmonized list of small states. In IEO interviews with IMF staff and member country authorities for this evaluation, some stakeholders were not clear on whether or why the IMF definition does not apply to certain countries with a population over the threshold but with similar characteristics as other small states as is otherwise the case in most organizations.

Figure 1. IMF Small Developing States, December 2020



Source: IEO; adapted from IMF (2015a).

9. An IEO survey for this study revealed that on average only 44 percent of staff respondents believed the SDS definition was “appropriate and useful” (see Table 1). Among respondents with IMF SDS experience, only 6 percent who had worked on SDS during the evaluation period believed that the definition was “appropriate and useful” while the remainder who held this view were staff who did not work on SDS during the evaluation period. On average, 36 percent of IMF staff respondents did not know whether the definition was “appropriate” or “useful”. This result was higher on average among A11-A13 staff with SDS experience (45 percent) for whom the result was the same as staff without SDS experience; it was particularly acute for A11 staff with SDS experience (67 percent).

Table 1. IEO Staff Survey: IMF Small Developing States Definition

a. In your opinion, the SDS classification [i.e., definition] used by the IMF is:

Response choice (share, in percent)	**SDS Experience**	***(of which, prior only)***	***(of which, during)***	**No SDS Experience**	**Total Average**
Appropriate and useful	49	*43*	*6*	39	44
Appropriate but not useful	14	*13*	*1*	8	11
Neither appropriate nor useful	5	*3*	*2*	5	5
Useful but not appropriate	5	*5*	*0*	3	4
Don't know	27	*24*	*3*	45	36
Total	100			100	100

b. In your opinion, the SDS classification [i.e., definition] used by the IMF is:

Response choice (share, in percent) (SDS Experience)	**A11-A13**	**A14-A15**	**B1-B4**
Appropriate and useful	35	55	53
Appropriate but not useful	11	13	24
Neither appropriate nor useful	4	6	2
Useful but not appropriate	5	5	3
Don't know	45	21	18
Total	100	100	100

Source: Author calculations; raw data from IEO Staff Survey on IEO Evaluation on IMF Engagement with Small Developing States (SDS), March 2021.
Notes: "SDS Experience"=187 respondents who worked on SDS between January 2010–December 2020. "Prior only" refers to those staff whose SDS experience was before January 2010; "'during" refers to those staff with SDS experience between January 2010–December 2020. "No SDS Experience"=149 respondents.

Analytical Classification

10. The IMF does not have a consistent classification for small states or SDS used for statistical and analytical purposes.[6] During a 1985 review of analytical classifications, some Directors expressed support for creating a small-quota low-income countries classification, although no associated change was made at the time.[7] Additional *WEO* analytical subgroupings have since been designated, but to date there is no dedicated classification for small states or

[6] IMF country classifications have historically been used for statistical and analytical purposes. Prevailing classifications have been laid out in the IMF's publication *International Financial Statistics (IFS)* and in large part are aligned with the *World Economic Outlook (WEO)*, but they do not necessarily correspond to particular aspects of the Fund's operations.

[7] The accompanying staff paper proposed a *WEO* memo item subgrouping for 43 small low income countries in order to pay special attention to the issue of indebtedness. During the Board discussion, a Director also asked whether there should not be a classification for small island economies. As was noted by another Director, "[t]he guiding principle for purely analytical work should be to have a basic, simple, permanent classification but to adopt and to abandon additional specific classifications in response to particular analytical needs…. Clearly, nothing would prevent those or other distinctions from being reintroduced in future as the need arose" (EBM/85/10).

SDS. An analytical grouping of small states featured in the Asia and Pacific *Regional Economic Outlook (REO)* over the evaluation period.[8] Ad hoc SDS analytical groupings also featured in some operational staff papers during the evaluation period, such as in IMF (2015a) as depicted in Figure 1 above, although the subgrouping nomenclature was not entirely consistent with that of the *WEO*.[9]

B. Eligibility for IMF Membership

11. All countries are eligible for membership in the IMF as provided in the Articles of Agreement ("the Articles"), irrespective of size (see Box 1). Indeed, in discussions leading to the founding of the IMF it was anticipated that, given the universal nature of the organization, there would be small state members. It was this recognition that led to the creation of basic votes distributed equally among IMF members in addition to votes proportioned to quota share.[10]

12. Per the Articles, the decision to admit a country to the membership is a reserved power of the Board of Governors that cannot be delegated to the Executive Board. In practice, the Executive Board makes a recommendation to the Board of Governors as to whether to approve a country's request based upon review of an application to be considered by the Executive Board Committee on Membership. To assist, staff provide analysis on a number of matters in the context of the Committee on Membership deliberations, such as near- and medium-term risks and, where applicable, possible technical assistance needs; whether the country can fulfill its

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[8] Starting in 2013 through the remainder of the evaluation period, the Asia and Pacific *REO* incorporated an analytical grouping for Pacific Island Countries and Other Small States in the annexes, which included comparable economic indicator data for each SDS in the region and Papua and New Guinea. Between 2010 and 2012, the Asia and Pacific *REO* included selective analysis for this grouping in the body of the report but did not include comparable economic indicator data in the annexes. There was no distinctive small state analytical grouping in the Western Hemisphere *REO* during the evaluation period. For the most part, analytical groupings were assigned based on geography, meaning that countries that were small states were listed among the Caribbean, Central America and South America subregions. Analytical subgroupings were assigned for tourism-dependent countries and commodity exporters in the region, including small states, non-small states, selected dependencies, and members of the ECCU. The countries included in these groupings differed over the evaluation period, and in the latter part of the evaluation period these two analytical groupings noted here were grouped together as a memorandum line item in an annex on main economic indicators while in select earlier years starting in 2014 comparable economic indicator data was provided for each country.

[9] For example, IMF (2015a) classifies a subgrouping as commodity exporters while the *WEO* and other IMF outputs classify a similar subgrouping as fuel exporters.

[10] According to the interpretation of the IMF Legal Department as approved by then General Counsel, Joseph Gold, "[b]efore Bretton Woods it was an accepted idea that the 'small' countries in the organization would outnumber the 'large' ones. Weighted voting power was the answer…. In order to deal with the problem that small states might have no sense of participation in the Fund, the concept was adopted of basic votes in addition to votes proportioned to quota. The solution is recalled to make the point that membership for a substantial number of small states was foreseen, although the number that have emerged and may emerge could not have been forecast" (IMF, 1977a).

obligations to the Fund;[11] and preliminary calculations for a suggested quota range.[12] Select opinions regarding small states membership have also been offered over the years by the Legal Department in the context of a handful of Executive Board Informal Sessions dedicated to small states issues such as those discussed in this paper.

Box 1. IMF Membership

In 1977, then General Counsel Joseph Gold summarized the criteria for IMF Membership as outlined in the Articles of Agreement and provided further interpretation as to how they were to be applied.

"1. The criteria for membership in the Fund to be applied to each applicant are that: (i) the applicant is a country; (ii) the country is in formal control of its external [i.e., foreign] relations: (iii) the country is willing to perform the obligations imposed by the Articles: and (iv) the country is able to perform the obligations imposed by the Articles.

"2. Special criteria do not exist for applicants that are classified as small, however 'small' may be defined.

"3. The criterion of ability to perform the obligations imposed by the Articles has been applied liberally. The criterion cannot be interpreted to mean that a member will be able to observe the optimal obligations immediately on entering the Fund.

"4. If an applicant meets the criteria, membership shall be open to it.

"5. The Fund's authority to prescribe the time frame of and terms for membership cannot be exercised so as to postpone indefinitely membership for an applicant that meets the criteria.

"6. The Fund cannot create a special class of members by prescribing terms that would establish permanent rights and duties for the class that would distinguish it from all other members."

Source: IMF (1977a).

13. Non-sovereign or subordinate entities cannot be members of the IMF, although they may receive some forms of IMF engagement and support, subject to certain conditions. This has been possible in part by virtue of the Articles which provide that when signing the Agreement with the IMF, "all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate" (IMF, 2020a; Art. XXXI, Sec. 2 (g)).[13] The IMF has historically included consultation discussions with a number of such dependencies as

[11] As a matter of legal principle, the IMF makes its own findings regarding whether applicants meet each of the criterion and this decision is solely for the purposes of the IMF. While it may seek and obtain guidance, in all likelihood this would be done only as pertains to the first two criteria given the Fund's expertise relative to the two latter criteria. Recognition of a country by others or by organizations such as the UN is not a legal condition of IMF membership. Notably, however, membership in the IMF is a prerequisite for membership in the World Bank.

[12] Section III of this paper discusses quota in further detail.

[13] Additionally, Art. IV, Sec. 5(a) provides that "[a]ction by a member with respect to its currency under this Article shall be deemed to apply to the separate currencies of all territories in respect of which the member has accepted this Agreement under Art. XXXI, Sec. 2(g) unless the member declares that its action relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies" (IMF, 2020a).

part of the Article IV consultation with the responsible Fund member. It has also provided capacity development to a number of dependencies.[14] In the case of some dependencies, the IMF merely has included respective data and analysis in its research; many but not all of these dependencies or territories are offshore financial centers.

14. A country need not have a central bank to be a member of the IMF. This consideration was recognized at the founding of the IMF, wherein the Articles provided that a member country and the IMF are required to deal with each other only through the treasury, central bank, stabilization fund, or other similar fiscal agency (IMF, 2020a; Art. V, Sec. 1).[15] This provision has enabled a number of countries without a central bank to become IMF members. Some of these countries, including a number of IMF small state members, belong to a currency union and therefore cannot independently control their country's monetary policy.

15. At 190 members, the IMF has a nearly universal membership relative to the number of countries in the world today. In the event a current dependency or territory were to become a sovereign state, it could seek to join the IMF subject to the same eligibility criteria as laid out for all prospective members. Notably, a number of countries that today are members of the IMF are former dependencies which received macroeconomic policy advice or technical assistance prior to joining.

C. Evolution of Small State Membership in the IMF

16. Using today's definition, that is, below 1.5 million in population, 65 IMF member countries (34 percent of the current membership) were small states upon joining (Figure 2); 22 of these are no longer small states and 43 are current small states.[16] At the time they joined the IMF, these 65 countries spanned across all income levels; today all small states are advanced or emerging market/middle income countries. The online interactive view and Appendix III list these 65 countries, respective dates of membership and, where applicable, their change in small state status over the years.

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[14] See Appendix II for a list of select non-member small states and dependencies, including those with which the IMF was engaged during the evaluation period.

[15] All IMF members are required to nominate a depository for the IMF's holdings of its currency. For a member that has a central bank, it must nominate its central bank. If it does not have a central bank, it must nominate another entity acceptable to the IMF's Executive Board. In practice, several small states have nominated commercial banks to act as depositories.

[16] The 43 IMF small state members include seven advanced economies; the 34 SDS; and two fuel exporters, Brunei Darussalam and Equatorial Guinea. Six current IMF small state members were formerly microstates (The Bahamas, Belize, Iceland, Maldives, São Tomé and Príncipe, and Vanuatu). Qatar was initially a microstate upon joining the Fund and has since surpassed the population threshold for small states. An interactive view includes the map in Figure 2, along with respective dropdown boxes noting dates of membership for each of the 65 countries, the number of years the country was or has been a small state and/or microstate after becoming a member of the IMF. For a full list, see Appendix III. Note: the interactive hyperlink is not supported by Internet Explorer. If the default browser is not supported, copy and paste hyperlink into an alternate browser.

Figure 2. IMF Small State Members, 1945–2020

Source: IEO.

17. The number of IMF small state members has fluctuated over the years (Figure 3). The highest number of small states among the membership was in 2002–2003.[17, 18] The 22 former small states were IMF small state (microstate) members on average for 12 years (13 years). Countries in the current SDS cohort have been IMF small state (microstate) members on average for 38 years (33 years). Remaining SSF member countries where the population is still below 1.5 million have been IMF small state (microstate) members on average for 45 years (28 years).[19]

18. The share of small state members relative to the total membership has also fluctuated over the years yet is roughly the same today as when the IMF was founded (Figure 3). Using the current population criterion of 1.5 million, in 1946, 7 of the original 40 members of the IMF or 17.5 percent were small states. This share dropped as the IMF's membership began to grow and reached its lowest point in 1961 prior to the emergence of new small states which began joining in the early 1960s. By 1977, the small states share of the membership had grown to 20 percent; it

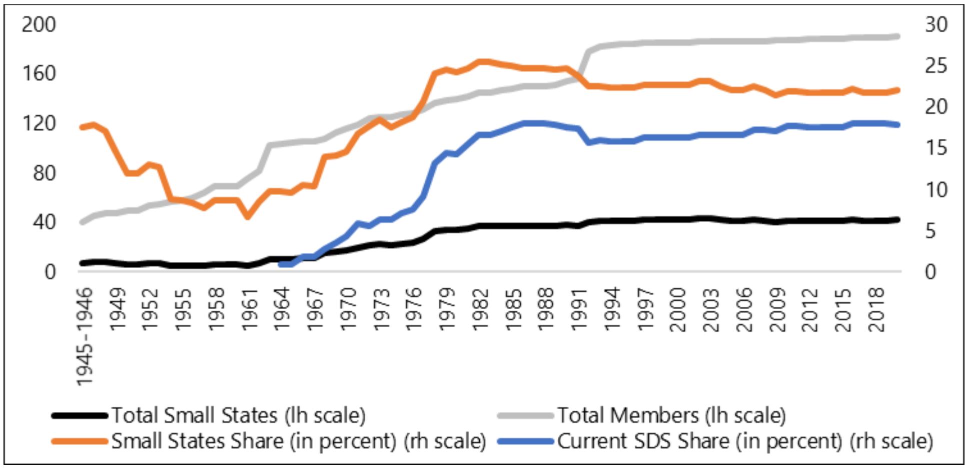
[17] Author calculations per IMF (2020b) (as of December 2020).

[18] Historical increases have been due primarily to additions to the membership and decreases primarily to population growth in existing states.

[19] The time spent as a small state has been primarily due to any number of the special characteristics of small states noted earlier in the paper. Author calculations based upon historical global population tables.

continued to rise to 25 percent by 1985; and it has declined slightly since then. Between 1986 and 2009, small states comprised on average 23 percent of the membership. When omitting advanced economies, SDS countries accounted for 18 percent of the membership at the end of the evaluation period.

Figure 3. IMF Small State Membership Historical Timeline



Source: Author calculations per IMF (2020b) (as of December 2020).

19. All 34 countries currently comprising the SDS list were small states when they joined the IMF.[20] These members each joined after 1962 and all but one joined prior to 2010 (i.e., the beginning of the evaluation period) (Figure 4, upper panel). The SDS pattern is contrasted with that of the broader membership which experienced sizable increases following the emergence of new states in the early 1960s and transition countries in the 1990s. Current microstate members followed the same pattern as SDS overall, although they did not begin to join until the late 1970s. The SDS region pattern is also relatively distinct (Figure 4, lower panel).

20. Significant shifts in the status and treatment of IMF small states coincided with the periods when a higher share of these members joined as compared to other members. Figure 4 (upper panel) shows some of the key periods in the history of the IMF, including the run-up to and the collapse of the par value system, the shift in IMF policy to enable exchange rate flexibility, and the years following the adoption of the Second Amendment to the Articles and the establishment of the Structural Adjustment Facility (SAF). As shown, the bulk of current SDS members joined the IMF between 1971 and 1985. As will be discussed below, it was during these years along with the 2010–2020 evaluation period that most developments occurred relative to the IMF's framework for engagement with SDS members.

[20] Fifteen of these countries are currently microstates. The population of São Tomé and Príncipe surpassed 200,000 in 2016, at which time it was no longer defined as a microstate by the IMF.

Figure 4a. IMF Small State Members, by Period and Type

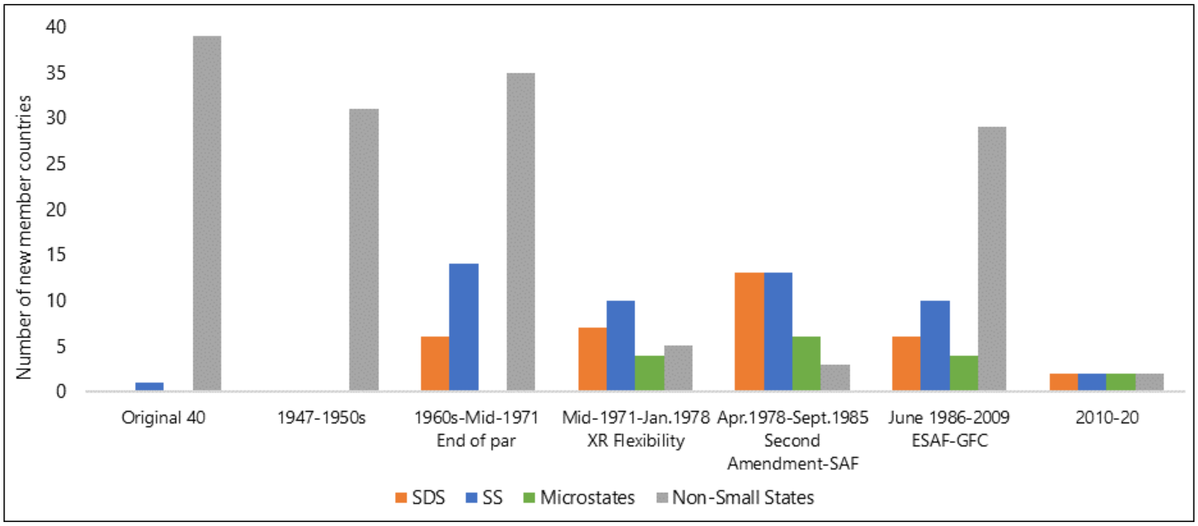
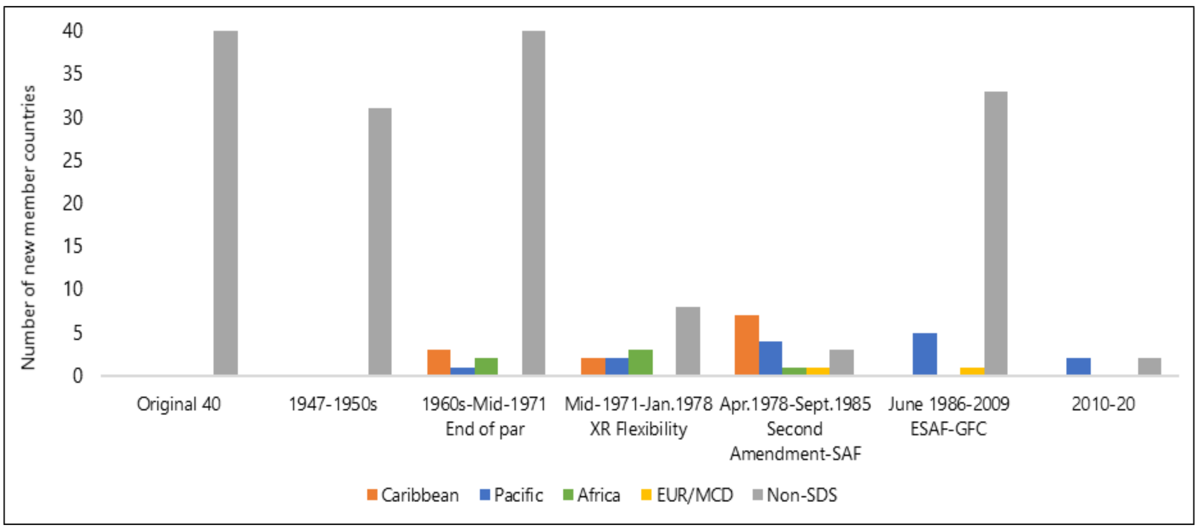


Figure 4b. IMF Small Developing State Members, by Period and Region



Source: Author calculations per IMF (2020b) (as of December 2020).
Notes: SDS=small developing state (IMF; per classification in IMF, 2013a; revised 2016); SS=small states (inclusive of SDS); XR=Exchange Rate; SAF=Structural Adjustment Facility; ESAF=Enhanced Structural Adjustment Facility; GFC=Global Financial Crisis. As of December 31, 2020, there were 190 members of the IMF. Totals shown here are 194, including four original members whose membership status subsequently changed. Microstates are also concurrent small states. SDS are also concurrent SS. EUR/MCD=European Department/Middle East and Central Asia Department.

D. Small Country Exception

21. This subsection briefly contours key developments in the status and treatment of small states since the founding of the IMF and discusses the emergence of the IMF small country exception, a provision by which certain SDS are eligible for IMF concessional financing.

Uniformity of Treatment

22. When the IMF was founded in 1944, the Articles established that the rights and obligations established thereunder were to apply to all members.[21, 22] The principle of uniformity of treatment is integral to understanding why many Fund policies and guidance to staff apply across the membership and why the Fund did not adopt or enable a special class or category for certain countries such as small states. As noted above in Box 1, the Fund cannot create a special class of members by prescribing terms that would establish permanent rights and duties for the class that would distinguish it from all other members. In this sense, the lack of a special class of membership can be viewed as helping to ensure that small state members are treated similarly as other members.

23. Precipitated by discussions during the 1970 General Election of Executive Directors, the Board soon thereafter examined whether there should be a special category of membership for small states, but this approach was rejected.[23] By this time, similar discussions had also taken place at the United Nations (UN) to establish the category of "associate member" for a handful of specialized agencies.[24] However, given the framework of the Articles and the embedded principle

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[21] This is known in part as the principle of uniformity, which is based on two elements. The principle of formal equality established the rights and obligations of members in relation to the financial functions (i.e., operations and transactions related to the General Account and the Special Drawing Account, and later the General Resources Account and the Special Disbursement Account), and regulatory functions (i.e., dealings with the conduct of members in monetary policies). The principle of uniformity provided that the policies adopted by the Fund in the exercise of its financial and regulatory functions must not discriminate among members. These two principles are sometimes referred to singularly as the principle of uniformity, the underlying motivation for which was to "prevent[ ] discrimination in favor of, or against, particular members, without regard to their economic strength or weakness or any other characteristic" (see Gold, 1975).

[22] There were a few exceptions at the start, but they did not relate to the financial or regulatory functions of the Fund. One such exception was the provision that Executive Directors for the five largest shareholders be appointed. This provision was repealed in January 2016 when the 2010 IMF Quota and Governance Reform provisions (Board of Governors Resolution No. 66-2) entered into force. All Executive Directors are now elected.

[23] This suggestion was posed by a Director in the context of a broader discussion on the optimal size and structure of the Board in light of the increases in membership during the 1960s, presumably with the intent to curtail small states. While a staff memorandum on the consequences of potential membership of numerous small states as related to the size and structure of the Board was prepared (IMF, 1971), the Board discussion centered on increases to the size of the Board and additional help for Offices of Executive Directors.

[24] Associate members of select UN agencies are self-governing or non-independent states "without the right to vote or hold office and without the obligation to pay financial assessments" (IMF, 1971).

of universality, this approach was not possible or desired by the Fund. In 1976, this approach was again considered and rejected.[25]

24. In 1984, the Board held an Informal Seminar to discuss the status and treatment of small tropical island countries, although no associated IMF category was created at the time. The Informal Seminar followed a series of interventions, beginning in 1982 with Executive Board consideration of a staff paper on the problems of small-quota countries.[26] An accompanying staff paper again acknowledged the special characteristics and challenges of these and other small states and asked whether, as a result, there was justification for devising or emphasizing certain Fund program or other operational measures for such countries. It also recommended points to consider in bilateral surveillance and programs as well as suggested a research agenda for staff working on these countries (IMF, 1983). A number of Directors supported the associated proposals; however, other Directors were not inclined to provide special treatment to this group of member countries but rather to give special attention to their particular problems, including through possible future studies. The Managing Director noted he would carefully reflect on Directors' suggestions regarding possible future studies on small tropical island countries before asking staff to embark on such research (IMF, 1984).

Small Island Economies Exception

25. In approving the creation of the SAF in early 1986 to assist low income countries,[27] the Executive Board agreed that five small island economies above the IDA operational threshold

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[25] During a 1976 discussion of a small state membership application, the Director noted his concern with the proliferation of microstates (i.e., meaning small states but particularly microstates) seeking to join the Fund and again asked whether there was any provision in the Articles for associate membership or group membership. Subsequently, he led repeated attempts through 1978, supported by less than a handful of Directors, to curtail the admission of new small or microstate members. In 1977, he stated that while he was prepared to support the small state application being discussed on that occasion, "the Fund, the management and staff should refrain from too active and ardent encouragement of Fund membership for small states" (IMF, 1977b).

[26] At its September 1983 meeting, the Interim Committee agreed that the Fund, in implementing its policy on access, should be particularly mindful of the difficult circumstances of the small-quota, low-income countries. At its February 1983 meeting, the Interim Committee asked the Executive Board to review these issues prior to the Eighth General Review of Quotas and at the time the Board considered the position of countries with very small quotas in the Fund. Nonetheless, issues remained and by the end of the year, a subsequent staff paper specifically on Small Tropical Island Countries was prepared and scheduled for informal discussion.

[27] By 1985, the Board also began discussing the need for a new facility that would be financed through the Special Disbursement Account (SDA) to provide balance of payments assistance on concessional terms, on a uniform basis, to members in need. This would become known as the Structural Adjustment Facility (SAF).

could be eligible for SDA resources by way of a small island exception.[28] This step was taken recognizing that a number of small island economies which had recently surpassed the IDA eligibility threshold and would have graduated would nonetheless be in need of concessional resources due to a lack of credit worthiness. Directors also recognized that other small island economies could in the future find themselves at this same boundary.[29] In approving the creation of the Enhanced Structural Adjustment Facility (ESAF) in 1987, the Board affirmed that all countries eligible for the SAF were eligible for the ESAF.[30] However, there was no change on whether to create a special category of IMF small state members.

26. The approach used in adopting the small island economies exception was viewed as consistent with historical precedent. As noted years prior by then IMF General Counsel Joseph Gold, "[e]xperience so far can be summarized by saying that when developing members have sought preferential treatment, and when developed members have been willing to concur in it, both have regarded the treatment as an exception to, but not an abrogation of, the principle of uniformity" (Gold, 1975).

27. No changes were made to the small island economies exception following a 1998 Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States prepared for the Joint IMF-World Bank Development Committee (Commonwealth/World Bank, 2000). The report set out a contextual framework for considering particular development challenges faced by small

[28] The five countries were Dominica, Grenada, St. Christopher and Nevis, St. Lucia, and St. Vincent. Two staff papers on the new facility circulated to the Board in 1985 (April, December) did not discuss eligibility for small island economies. On December 17, 1985, the World Bank Executive Board agreed that the five countries would be temporarily eligible for IDA resources (until the next IDA replenishment), while they indicated the likely eligibility of Tonga pending World Bank review. During IMF Board discussions in early 1986, following the request of two Directors, a number of Directors expressed support for granting eligibility for SDA resources to the six countries as well as on a case-by-case basis to other small island economies in similar circumstances. A revised staff paper (EBS/86/53) noted that in as much as Directors had confirmed that IDA-eligible countries would be eligible for SDA resources, the five countries were included in the implied list, and the Appendix listed the five countries. EBS/86/53 also noted that World Bank management had been given discretion to add to the IDA eligibility list other small island countries that were found to be in similar circumstances. The Board Decision approving the SAF included the revised list in an Annex (Decision No. 8240-(86/56) SAF, March 26, 1986). The initial SAF eligibility list also already included 10 small coastal and island states with per capita GNI under the IDA operational threshold at the time, meaning that as revised it enabled eligibility for 16 small states.

[29] During Board discussions on the SAF, some Directors also reiterated two cautions: 1) the upper income limit set in the initial staff paper was arbitrary and would have *a priori* precluded certain small island economies which, in their view, presented a risk of violating the principle of uniformity of treatment; and 2) relying solely on income to determine eligibility was problematic because of the tendency to understate the incomes of economies with a small external sector and overstate economies with sizable expatriate incomes.

[30] Decision No. 8759-(87/176) ESAF, December 18, 1987.

states, but it did not recommend the creation of a dedicated small states category.[31] Rather, the report concluded that countries should be regarded as lying along a size continuum, with a number of larger states sharing some or all of the same characteristics identified for small states. The report also took note of the Fund's emphasis among the multilateral responses that its framework was based on providing policy advice and lending and technical assistance to member countries—whether large or small—tailored to each country's specific circumstances and needs, including "special factors related to size" (Commonwealth/World Bank, 2000).[32, 33] The report was provided to the Board for information in 2000 but not discussed at the time.

Small Country Exception

28. On the heels of the Global Financial Crisis, in 2009 the IMF established the Poverty Reduction and Growth Trust (PRGT) as a successor to the Poverty Reduction and Growth Fund (PRGF), and before it the SAF and ESAF. Among the new facilities to be supported by the PRGT, the IMF replaced the PRGF instrument with the Extended Credit Facility (ECF) and the Emergency Natural Disaster Assistance facility (ENDA) and the Emergency Post-Conflict Assistance facility (EPCA) with the Rapid Credit Facility (RCF).[34, 35]

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[31] The request to establish the Task Force emerged from the discussions of the 1997 Edinburgh Commonwealth Heads of Government Meeting which encouraged multilateral agencies to review their treatment of small states in recognition of these countries' vulnerability. Following the 1998 Development Committee Meeting, the ministerial Communiqué took note of the report recommendation that the circumstances of small states should be taken into account in the policies and programs of the multilateral trade, finance, and development organizations. The Development Committee supported IMF proposals for its future work program on the issues of small states as set out in the report and agreed that these steps could make a valuable contribution in helping small states face their development challenges. However, the IMF framework included in the report merely described the status quo; it did not offer a new plan. Unlike the case of other multilateral respondents, it also offered no definition of small states and no small state strategy or special approach.

[32] The IMF response also noted that "[s]mall states that have low per capita income are eligible for the Fund's concessional loan facility, the Poverty Reduction and Growth Facility (PRGF) (and ESAF prior). Eligibility for the use of PRGF resources has tended to follow closely the World Bank's decisions on IDA eligibility" (Commonwealth/ World Bank, 2000). The response made no mention, however, of the IMF small island exception or any distinctions regarding applicability to IMF financing at the time or prior.

[33] A significant outcome of the meeting was the creation of the SSF.

[34] The RCF provides low-access, rapid concessional financial assistance with limited conditionality to LICs facing an urgent balance of payments need; it places emphasis on the country's poverty reduction and growth objectives (IMF, 2021b). At the time, two windows were created, a regular window and an exogenous shocks window.

[35] Prior to 2009, ENDA (1965) and EPCA (1992) were available to all members; however, following the 2009 reform of facilities, non-PRGT-eligible members in need of emergency financing had to rely on the Stand-By Arrangement (see Reichmann and de Resende, 2014). Subsequently, in 2011, the IMF created the Rapid Financing Instrument (RFI) to make resources previously available under ENDA/EPCA to be available to all members through the General Resources Account. The RFI provides rapid and low-access financial assistance to member countries facing an urgent balance of payments need without the need to have a full-fledged program in place. It may be used for a broad range of urgent needs (IMF, 2021c).

Box 2. Eligibility to Use the Fund's Facilities for Concessional Financing

Small countries meeting the population definition are eligible for IMF concessional financing from the PRGT by way of exceptional treatment based on the criteria below.

"Small countries that are not currently PRGT-eligible would be considered for entry to the PRGT eligibility list if: (i) the sovereign does not have capacity to access international financial markets on a durable and substantial basis; and (ii) per capita GNI is less than twice the IDA operational threshold for small states [or less than five times the IDA operational threshold for microstates].

"Small countries would graduate from PRGT eligibility on the basis of three criteria:

1) Income: Their annual per capita GNI: (i) has been above the IDA operational threshold for at least the last five years; (ii) has not been on a declining trend in the same period; and (iii) is currently at least three times the IDA threshold [if a small country or at least five times the IDA operational cutoff if the member is a microstate]; or

2) Market access: The sovereign has the capacity to access international financial markets on a durable and substantial basis, and the member's annual per capita GNI is above 80 percent of the IDA operational cutoff (based on the latest available qualifying data) and has not been on a declining trend during the last five years for which qualifying data is available, comparing the first and last relevant data available; and

3) Absence of serious short-term vulnerabilities: Small countries that meet either of the above two criteria would graduate if they do not face serious short-term vulnerabilities. With respect to the risk of a sharp decline of income, a small country would generally not be expected to graduate if there is a serious risk of a decline in income to less than three times the operational IDA cutoff [or less than six times the IDA operational cutoff if the member is a microstate]."

Source: IMF Handbook of LIC Facilities (2014; 2017).
Notes: The Eligibility to Use the Fund's Facilities for Concessional Financing list is subject to periodic review by the Executive Board.
The FY21 IDA operational threshold (also known as the "operational cutoff") was $1,185. The inaugural IMF Handbook of LIC Facilities (2012) did not include entry and graduation thresholds for microstates, consistent with Decision No. 14521-(10/3), adopted in 2010. Text in square brackets reflects additions to the guidance to staff as of 2014, consistent with Decision No. 15350-(13/32), adopted in 2013.
GNI=Gross National Income; IDA=International Development Association; PRGT=Poverty Reduction and Growth Trust.

29. In 2010, the Executive Board approved the criteria for eligibility for the newly established PRGT, including a small country exception for all members below a population of 1 million (Box 2).[36] The eligibility criteria expanded the existing small island exception to all members in the small country category based on a standardized population definition. In approving the small country exception, the Board aimed "to ensure uniformity of treatment for all members with similar vulnerabilities." The accompanying Board paper prepared by staff noted that "[s]mall countries—including but not limited to small islands—are more vulnerable to shocks than large countries given their less diversified economies and exceptionally high degree of openness…. They also have smaller economies of scale, particularly in providing public services. To take into account the higher vulnerabilities facing small countries, the proposed entry and graduation criteria included higher income thresholds" (IMF, 2009). At the time, a number of Directors

[36] Decision No. 14521-(10/3), January 11, 2010.

considered that the population threshold, which was lower than that used by IDA, was "relatively restrictive" (IMF, 2010a).[37]

30. In response to concerns expressed by Directors, in 2012 staff proposed and the Executive Board approved an increase in the population threshold used to define small states to 1.5 million.[38] In the accompanying Board paper on the review of eligibility for IMF concessional financing, staff noted the increase was to align with the definition adopted by the World Bank and "to extend PRGT eligibility to countries that share the key vulnerabilities of small states (limited diversification, openness, insularity, and susceptibility to natural disasters)" (IMF, 2012). Directors called for the next biennial review to be advanced to the following year; and many Directors also called for the next review to assess further options to enhance the flexibility of the PRGT-eligibility framework to cover very small countries (i.e., microstates), for which no specific distinctions had been made (IMF, 2012b).

31. In 2013, the Executive Board revised the small country exception to distinguish microstates, defined as those members under a population threshold of 200,000, thereby enabling specific criteria for entry and graduation from PRGT eligibility.[39] Successive Board decisions on the Eligibility to Use the Fund's Facilities for Concessional Financing have included instructions regarding SDS members and the small country exception has been retained to date.

32. Since 2013, the IMF small states definition has been applied systematically for the purposes of the small country exception, which has enabled the IMF to provide concessional financing to eligible SDS consistent with the principle of uniformity of treatment. To date, there is no Board-approved strategy for engagement with either small states or SDS, although this is not necessarily different than the treatment for other country groupings.

III. GOVERNANCE

33. This section analyzes the position of small states within the quota-based framework of the IMF and explains how IMF governance arrangements (i.e., quota and voice) provided for small state participation and decision-making in the Fund during the evaluation period. IMF quotas serve a number of purposes: they determine the maximum amount of financial resources each member contributes to the IMF, the maximum amount of financing a member can obtain

[37] Staff later noted that the population threshold was kept at 1 million "based on analytical grounds supported by the empirical literature," (IMF, 2012a); however, IMF (2009) did not explicate or cite any of these sources and organizations other than the World Bank (for example, the Commonwealth Secretariat) had been using the 1.5 million cut off years prior.

[38] Decision No. 15105-(12/17), February 17, 2012.

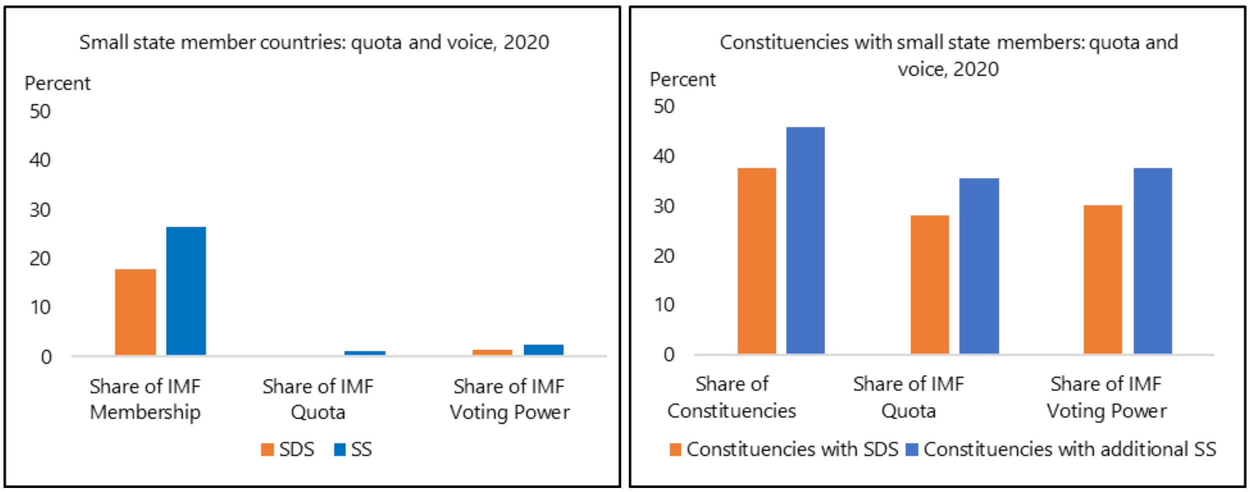
[39] Decision No. 15350-(13/32), April 8, 2013.

from the IMF under normal access, and member shares in the event of a Special Drawing Right (SDR) allocation (IMF, 2021d). Quotas are also a key determinant of voting power.[40]

Quota and Voice

34. SDS members currently comprise 18 percent of the membership and collectively account for 0.4 percent of the total share of IMF quota and 1.35 percent of IMF voting power (Figure 5, left panel). When including other small state members, the membership share is 28 percent; quota share is 1.2 percent; and voting power is 2.6 percent. Nonetheless, these levels effectively convey very little weight.

Figure 5. IMF Quota and Voice: Small States, 2020



Sources: Author calculations; "IMF Members' Quotas and Voting Power, and IMF Board of Governors," December 2020; "IMF Executive Directors and Voting Power," December 2020.
Notes: SDS=small developing state (per IMF, 2013a; revised 2016); SS=small states (inclusive of IMF SDS). See Appendix IV for table results.

[40] Upon joining the IMF, each member country is assigned a specific quota which broadly reflects its relative economic share in the global economy. The calculation is based on a formula (last revised in 2008) which includes GDP, openness (of the economy), variability, and level of reserves. The IMF Board of Governors regularly conduct a general review of quotas to assess adequacy relative to members' balance of payments financing needs and the IMF's ability to meet those needs, at which time quotas may be adjusted. Members may also request ad hoc adjustments outside of a general review (IMF, 2021d). The votes of each member equal the sum of its basic votes (equally distributed among all members) and quota-based votes. As mentioned in Section II of this paper, the concept of basic votes was introduced to ensure the adequate participation of small states in the IMF.

35. However, the constituency-based governance framework of the IMF provides the SDS group with greater scope for influencing decision-making as compared to the cumulative voting power of respective countries alone.[41, 42, 43] As shown in Figure 5 (right panel), currently 38 percent of Executive Board constituencies (nine of 24) comprise at least one, and in some cases, numerous, SDS members. When including small state members, this share is 46 percent (11 of 24). Similarly, constituencies with SDS members currently account for 28 percent of IMF quota and 30 percent of voting power; these shares are 36 percent and 38 percent, respectively, across constituencies with small state members.[44]

36. Within certain constituencies, the number and relative voting power of SDS members as a group are high, although their individual quotas are low (Figure 6, left panel). Among the nine SDS constituencies, the respective share of SDS membership currently ranges from 4 percent to 74 percent. Among the 11 small state constituencies, the respective share of small state membership ranges from 13 percent to 83 percent (Figure 6, right panel). In eight of the nine SDS constituencies, SDS members have a higher share of voting power within the constituency than do all SDS members among the IMF membership. Among constituencies with other small state members, relative quota share and voting power is in some cases much higher than constituencies with only SDS members (Figure 6, right panel).

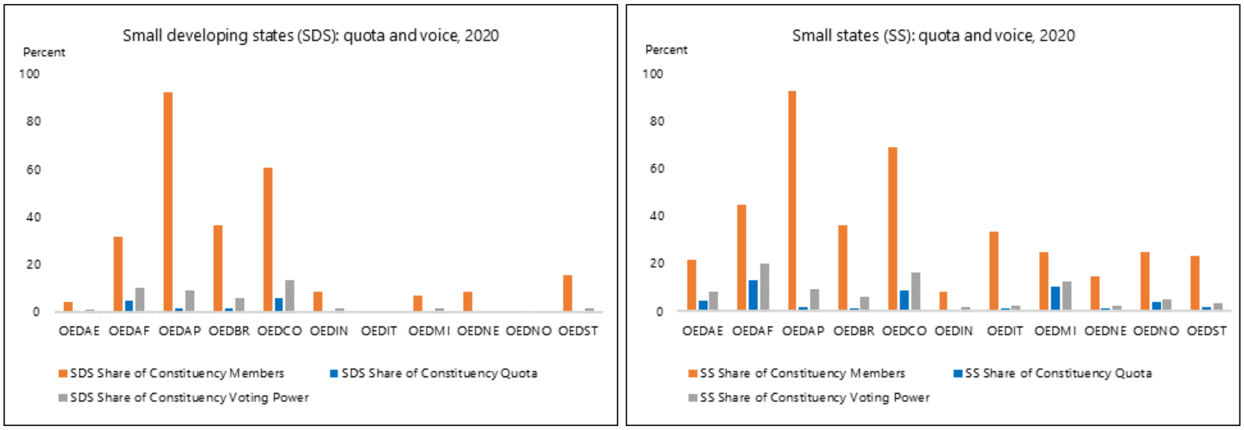
[41] Executive Board composition is based on the principle of voluntary constituency formation. See Appendix IV for end-2020 composition of small state constituencies as well as small state quota and voting power.

[42] Per the governance framework of the IMF, Executive Directors represent their constituency en bloc. No split voting is allowed. Directors' decisions are determined by consensus, rather than a vote, based on the sense of a formal meeting. According to established Executive Board procedures, finding a consensus has at least two dimensions: one relating to voting power and the other relating simply to the number of Directors (irrespective of their voting power) taking positions. If the number of Directors sufficient to have reached the necessary majority if a vote were taken support the question, it will carry (IMF, 2021a).

[43] As with any other grouping of member countries, small states may not necessarily have a unitary view on various issues. However, in the event they were to coalesce around a particular issue or decision and influence the position of their constituencies, this could indeed affect the outcome. See IEO (2018) for a similar discussion relative to emerging market economies as well as the emerging market and developing economies grouping.

[44] Three additional Executive Board constituencies (China, France, and the U.K.) are responsible for non-member dependencies under 1.5 million in population for which the IMF conducted surveillance or delivered CD during the evaluation period.

Figure 6. IMF Quota and Voice: Constituencies with Small State Members, 2020



Source: Author calculations; "IMF Members' Quotas and Voting Power, and IMF Board of Governors," December 2020; "IMF Executive Directors and Voting Power," December 2020.
Notes: SDS=small developing state (per IMF, 2013a; revised 2016); SS=small states (inclusive of IMF SDS list). See Appendix IV for table results.

37. In discussing the 2010 Quota and Governance Reform package, the Executive Board agreed to protect the quota (and thereby voting power) in the Fund of the poorest members, including those falling under the small country exception, thereby making this subset of small states eligible for PRGT resources. This provision was ultimately included in the Executive Board report and revised resolution transmitted to and subsequently approved by the IMF Board of Governors.[45] In February 2020, the Board of Governors acknowledged that the Fifteenth General Review of Quotas could not be completed because agreement on an increase in quotas could not be reached. A new deadline of December 15, 2023 was set for completion of the Sixteenth General Review of Quotas, including inter alia revisiting the adequacy of quotas and determining a new quota formula. At the time, Governors expected that any quota adjustments would likely increase the quota shares of emerging market and developing countries as a whole, "while protecting the voice and representation of the poorest members" including those covered by the IMF small country exception (Resolution No. 75-1, "Fifteenth and Sixteenth General Review of Quotas").

[45] The 14th General Review of Quotas was completed in December 2010. Although not initially included by staff, in the revised draft of Resolution No. 66-2 and accompanying report from Executive Directors to the Board of Governors, language was added to propose that steps be taken to protect the voice and representation of these members. This followed associated run-up Board discussions, where some Directors expressed dissatisfaction with the treatment of small state members, as illustrated in the following comment: "We also note with regret that the process by which this reform effort has proceeded has not been sufficiently inclusive, since the vast majority of the membership has been excluded at the decisive stage. The fact that the voice of smaller members has effectively been curtailed in the process is reflected in the proposed outcome of the quota realignment in excess of the targets agreed by the IMFC [International Monetary and Financial Committee]. It is our sincere hope that an Executive Board that is becoming more attuned to large members will continue to value and recognize the contribution of smaller countries within the constituency-based system. This diversity and proven system of representation is the foundation of the Fund's legitimacy and effectiveness as a global institution" (IMF, 2010b).

Executive Board Engagement

38. In 2011, IMF Governors representing a number of small states asked the Executive Board to find ways to increase the attention devoted to these members by the Fund. This led to the formation by seven Executive Directors of an Informal Working Group (EDs' Small States Working Group) to foster cooperation on issues of common interest regarding the organization's engagement with these countries. This working group has since met routinely under a rotating chair to consider issues relevant to SDS. Both IMF staff and Offices of Executive Director evaluation interviewees believed that the EDs' Small States Working Group was helpful in coordinating views. More broadly, Executive Directors representing constituencies with small state members were viewed by stakeholders as having effectively brought attention to small state perspectives and concerns in the context of Executive Board meetings.

IV. FUND POLICY AND GUIDANCE[46, 47]

39. This section reviews how IMF policies and guidance to staff applied to engagement with small state members during the evaluation period. First, it considers a set of policy reviews and subsequent staff guidance notes dedicated to SDS. Second, it discusses how the broader policy and guidance framework applicable to all members and related to the IMF's three main lines of work (surveillance; lending and instruments; capacity development) applied to small states, with particular attention to five key thematic areas which staff have suggested are particularly relevant for small states and for SDS.

A. Fund Policy and Guidance on Small Developing States

40. During the evaluation period, two IMF policy reviews dedicated to engagement with small states were discussed at formal Executive Board meetings and a guidance note was issued. The Board reviews were a 2013 review of the IMF's engagement with small states and a 2016 review of Small States' Resilience to Natural Disasters and Climate Change and the Role of the Fund.

41. Following the formal adoption of the small states definition in 2010, in 2013, the IMF Executive Board discussed a staff paper (IMF, 2013a) that presented proposals to strengthen the Fund's engagement with small states, including in its analytical work; policy advice and surveillance; lending programs; capacity development; outreach; and working with other institutions. Directors concurred that the Fund's policy advice to small states and the ability to help strengthen the design and traction of economic adjustment programs should be informed

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[46] This section reflects the views of Executive Directors as provided in Summings Up of Executive Board meetings, selected decisions of the Fund, and operational policies and guidance. In many cases, staff papers associated with these policy views and decisions discuss or mention small states; however, as staff papers do not constitute IMF policy, they are not included here except for informational purposes where indicated.

[47] For a detailed list of IMF policies and guidance promulgated during the evaluation period that are applicable to SDS, see Appendix V.

by a strong analytical agenda and an active dialogue with small states; and they saw merit in staff's recommendation to tailor the Fund's analytical tools to the needs of small states. They highlighted a number of important priorities for IMF engagement with small states set out in the report, including fostering improved growth; promoting debt sustainability; further developing financial systems; assessing the effectiveness of exchange rate policies; and helping small states manage volatility associated with natural disasters and other shocks. Directors also agreed with staff's proposal that the Fund could sometimes play a coordinating role with other institutions, including through its resident representative offices; and they encouraged closer collaboration with other international institutions and development partners in meeting the needs of small states, based on their respective mandates and areas of expertise. During the Executive Board discussion, Directors also stressed the importance of technical assistance and training in helping small states build capacity (IMF, 2013b).

42. Following the Board discussion, an initial Staff Guidance Note on the Fund's Engagement with SDS was issued in 2014 after consultation with member countries (IMF, 2014). The note set out the distinctive characteristics of small states and provided operational guidance to staff on how small country size should influence the Fund's surveillance and analytical work, IMF-supported programs design and facilities and instruments, capacity development, and coordination with external development partners. In addition, the guidance note set out a new framework for IMF engagement known by the acronym GROWTh in which five key policy issue areas were identified as likely to be important to small (developing) states in the Fund's surveillance and program-related work: growth and job creation; resilience to shocks; overall competitiveness; workable fiscal and debt sustainability options; and thin financial sectors. The note also mentioned that in applying the guidance, staff should continue to tailor their engagement to specific country circumstances.

43. The 2014 Staff Guidance Note on the Fund's Engagement with SDS (IMF, 2014a) did not provide distinctive guidance for various types of small states. While noting its focus on SDS, the guidance note acknowledged that in practice many countries with populations larger than 1.5 million share small state characteristics. Staff were therefore advised that the note applied, in varying degrees, to those countries as well. The guidance note also recognized heterogenous features of small states and referenced the Guidance Note on the Fund's Engagement with Countries in Fragile Situations. However, no distinctive guidance was provided for the scope or modalities of engagement with PRGT-eligible countries covered under the small country exception versus other middle income SDS; no reference was made to the Handbook for LIC Facilities; and no mention was made regarding the application of IMF debt sustainability frameworks depending on type of small state.

44. In 2016, the Board discussed a staff paper on Small States' Resilience to Natural Disasters and Climate Change and the Role of the Fund (IMF, 2016a). Directors agreed that the Fund had a role to play in helping these countries build resilience to natural disaster risks, while remaining within its mandate and in close cooperation with other international organizations, notably the

World Bank Group. Most Directors saw merit in staff's suggestion that the IMF assess macroeconomic policies in support of small state climate change mitigation and adaptation strategies on a pilot basis. In addition, Directors noted that small state members were less frequent users of Fund arrangements than larger peers and they supported staff proposals to increase the access limits to the RCF and RFI in the case of natural disasters.[48] Directors also supported the expansion of eligibility for the Catastrophe Containment and Relief Trust (CCRT) to members covered under the IMF small country exception.[49] Directors emphasized the role of Fund capacity building in helping small states build resilience to natural disasters and adapt to the challenges from climate change. They underlined the importance of leveraging regional technical assistance centers, and further tailoring capacity building to the absorptive capacity and policy priorities of small states (IMF, 2016b).

45. A revised Staff Guidance Note on the Fund's Engagement with Small Developing States was issued in 2017, drawing on a 2015 Informal Session (To Engage) on Macroeconomic Developments in Small States, the 2016 Board paper on natural disasters and climate change in small states, and a 2017 Board paper on enhancing the financial safety net in response to large natural disasters (IMF, 2017a). The revisions included additional instructions on the Fund's work related to the vulnerability of small states, climate change, and natural disasters, and coordination with development partners. Additional content on the nature of tourism and remittances in SDS was descriptive but did not provide operational guidance.

46. An IEO staff survey conducted for this evaluation revealed that less than half of respondents found the guidance note on SDS to be useful in their work (Table 2).[50] Among those respondents who had worked on SDS during the evaluation period, 26 percent were not familiar with the guidance note and only 19 percent viewed it as useful "to a great extent"; 32 percent of A11-14 staff and desk economists were not familiar with the guidance note (including 58 percent of A11 staff), while only 8 and 15 percent of mission chief and reviewers, respectively, reported the same. All B1-B3 respondents who had worked on SDS during the evaluation period were familiar with the guidance note but very few of these respondents viewed it useful "to a great" or "moderate extent," while 46 percent of reviewers found it useful "to a great" or "moderate extent".

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[48] In July 2015, RCF and RFI access limits were increased by 50 percent in the context of broader discussions on the financial safety net for developing countries. Subsequently, RCF and RFI access limits were rolled back (i.e., halved) in 2016 with the doubling of Fund quotas under the Fourteenth General Review of Quotas, disadvantaging several countries, notably small states. During the 2016 Board discussion on the staff paper on Small States' Resilience to Natural Disasters and Climate Change and the Role of the Fund, Directors supported an increase in access limits. In May 2017, the Board approved a large natural disasters window under the RCF and RFI to enhance the financial safety net for developing countries (see IMF, 2020c, Box 1).

[49] The genesis and framework of the CCRT is discussed below in Section IV.

[50] For complete survey results see De Las Casas and Subramanian, 2022.

Table 2. IEO Staff Survey: SDS Guidance Notes

To what extent have the IMF Staff Guidance Notes on Engagement with SDS been useful in your work?

Response choice (share, in percent)	All	Economist	Mission Chief	Reviewer
To a great extent	19	14	18	38
To a moderate extent	26	25	32	8
To a slight extent	20	16	28	31
Not at all	9	13	14	8
I am not familiar with the SDS Guidance Notes	26	32	8	15
Total	100	100	100	100

To what extent have the IMF Staff Guidance Notes on Engagement with SDS been useful in your work?

Response choice (share in percent)	A11-A13	A14-15	B1-B4
To a great extent	20	20	7
To a moderate extent	23	29	20
To a slight extent	17	17	46
Not at all	4	13	19
I am not familiar with the SDS Guidance Notes	36	21	8
Total	100	100	100

Source: Author calculations; raw data from IEO Staff Survey on IEO Evaluation on IMF Engagement with Small Developing States (SDS), March 2021.
Notes: "All"/"With SDS experience"=187 respondents who worked on SDS between January 2010–December 2020.

47. Among staff interviewed by IEO, views regarding the utility of the guidance note on SDS were nuanced. Some interviewees underscored that it is not uncommon for staff across the Fund not to be aware of or refer to guidelines generally speaking, while others reported that the SDS guidance had been very helpful in their work. Most staff interviewees agreed that there was scope for strengthening the guidance, in particular by re-examining the relevance of elements of the GROWTh framework as well by greater familiarizing staff generally and mainstreaming the guidance itself within key guidance notes across the Fund's work (e.g., surveillance; lending—both for the General Resources Account and PRGT-eligible facilities and instruments).

B. Fund Policy and Guidance Applicable Across the Membership

48. A broader set of IMF policies and guidance are applicable to all members, inter alia including small states. These feature across the IMF's three main lines of work (surveillance; lending and instruments; capacity development) and to five key thematic areas noted below, known collectively as the GROWTh framework.

Surveillance

49. IMF policies and decisions on surveillance do not specify any differentiation of treatment for SDS members. The 2012 guidance note on surveillance was the first to reference size, calling for surveillance to be evenhanded, whether economies are large or small, advanced or

developing, and to pay due regard to country specific circumstances; this language was retained in the 2015 guidance note (IMF, 2015b). Drawing on the 2013 IMF small states policy, the 2015 guidance note also included a section dedicated to SDS members which noted they are vulnerable to external shocks due to narrow production and export bases, reliance on trade tax revenues, and frequent natural disasters; and, in many cases, they have a pegged or heavily managed exchange rate. The guidance note also developed linkages to specific elements of the GROWTh framework, which itself was featured in a box. A supplemental guidance note on surveillance in response to the COVID-19 pandemic was issued in 2021. It did not distinguish treatment for small states.

Program Design, Lending, and Instruments

50. The 2012 Handbook of IMF Facilities for Low Income Countries and successive revisions have included the small country exception for a subset of small states.[51] During the 2013 Review of Facilities for Low-Income Countries and Eligibility for Using Concessional Financing, Directors broadly welcomed the staff paper's proposal for eligibility for microstates within the PRGT-eligibility framework in view of the unique challenges faced by those members. However, a few Directors noted that other small states (e.g., with relatively higher populations) also face similar challenges and vulnerabilities, an issue that they felt should be addressed in future reviews of the PRGT eligibility framework. Directors also generally agreed that the proposed refinements to the market access criterion would help strengthen safeguards against the risks of "reverse graduation" (IMF, 2013c).[52]

51. In discussing the 2018 Review of Program Design and Conditionality, Directors saw scope for better tailoring and streamlining program objectives and structural conditions, particularly for fragile and small states, in light of their economic circumstances and capacity constraints (IMF, 2019a). Many Directors also encouraged staff to ensure the application of the 2017 Staff Guidance Note on the Fund's Engagement with Small Developing States, and to integrate critical resilience-building measures into programs.

52. In part in response to Board-endorsed recommendations stemming from the 2018 IEO Evaluation on the IMF and Fragile States, in the 2018–2019 Review of Facilities for LICs, Directors supported the proposals to increase RCF and RFI access limits (IMF, 2019b). In addition to annual and cumulative access increases under the regular window of RCF and RFI (i.e., generalized access), Directors supported a further increase in cumulative access limits under the RCF and RFI

[51] The 2012 Handbook was developed to provide guidance to staff on implementation of the PRGT reforms that went into effect in January 2010. As discussed earlier in this paper, at this point there was no differentiation for microstates. It was not until the 2014 revision that the guidance included differentiation of microstates. See IMF (2017a) for the current version.

[52] During the 2015 Crisis Programs Review, Directors noted that IMF programs supported through the GRA between September 2008 and June 2013 had shielded a range of small states from the collapse of global trade and financing flows (IMF, 2015b).

natural disasters window to increase the scope for providing Fund support to members that experience urgent balance of payments needs arising from large natural disasters. Directors believed these increases would expand the scope for providing emergency financial support to countries not eligible for concessional financing while preserving broad harmonization of access limits across the two facilities.

53. In response to the COVID-19 pandemic, in 2020 further changes were made to IMF emergency lending facilities.[53] In April 2020, Directors agreed on a six-month temporary increase in access limits under the regular window of the RFI and the exogenous shocks window of the RCF, with annual access limits rising from 50 to 100 percent of quota and cumulative limits rising from 100 to 150 percent of quota. This was subsequently twice extended for six months through end-December 2021. In July 2020, the Executive Board approved a temporary suspension (through April 2021) of the limit on the number of disbursements under the RCF. The suspension was extended through end-December 2021 at which time the limit was reinstated. In June 2021, the Executive Board agreed to temporarily extend the annual and cumulative access limits under the natural disaster windows of the RCF and RFI by 50 percent of quota, to a total of 133.33 percent of quota annually and 183.33 percent of quota cumulatively. In December 2021, the Executive Board approved 18-month extensions of the RFI regular window, the exogenous shocks window of the RCF, and the RFI and RCF large natural disasters window.

Capacity Development[54]

54. IMF policy did not prioritize capacity development (CD) for small states prior to 2014. In 2014, Directors endorsed a statement on IMF Policies and Practices on Capacity Development which noted for staff and other stakeholders that CD prioritization should bear in mind the need for the Fund to sustain efforts to develop capacity in member countries, in particular low income countries and fragile and small states (IMF, 2014b).[55] In discussing the 2018 Review of the Fund's CD Strategy, the Executive Board did not specify small states in particular in its assessment, although Directors underlined the importance of Fund CD activities in fragile states. In 2019, Directors endorsed an updated statement on IMF Policies and Practices on Capacity

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[53] The Executive Board also approved an extension of the increase in the annual access limit to the IMF's GRA, introduced in July 2020, through end-2021, and an increase in both annual and cumulative access limits on concessional lending through the PRGT, through end-June 2021. In July 2021, the Executive Board approved a normal annual access limit under the PRGT of 145 percent of quota effective January 1, 2022. They also increased the PRGT normal cumulative access limit on a non-transitory basis to 435 percent of quota.

[54] See De Las Casas (2022) for an assessment of IMF capacity development for SDS during 2010–2020.

[55] The statement summarized the IMF's policies and practices with regards to the delivery of CD activities, including objectives, scope, prioritization, partnership with donors, delivery, monitoring and evaluations, and transparency. During the 2011 Board discussion on the Report of the Task Force on the Fund's TA Strategy, some Directors spoke to the need to prioritize small island and other vulnerable states. During the 2013 Board discussion on the staff paper on IMF Policies and Practices on Capacity Development, Directors supported recommendations, inter alia, to prioritize CD activities and a few again expressed concern regarding small states; at the time, however, the Summing Up did not mention small states.

Development which reiterated language regarding prioritization for low income countries and fragile and small states (IMF, 2019c).

The GROWTh Framework

55. This section discusses IMF policies and guidance associated with particular SDS policy areas identified in the GROWTh framework.

Growth and Job Creation[56]

56. The 2013 Guidance Note on Jobs and Growth Issues in Surveillance and Program Work discusses common characteristics of SDS members and instructs staff on engagement (IMF, 2013b). It recognizes that these member states often use fixed exchange rates and exhibit high government wage bills, high levels of state intervention, financial sectors that are not fully developed, and heavy reliance on trade tax revenues. It also points out that many SDS members face slow growth, high levels of public debt, and the risk of natural disasters. Guidance to staff calls for addressing country-specific jobs and growth challenges and offers a list of key questions to consider and steps that staff should take relative to SDS members, which were drawn in part from IMF (2013a).

Resilience to Shocks

57. In 2010, the IMF established the Post-Catastrophe Debt Relief (PCDR) Trust to provide debt service relief to low income countries in the face of extreme natural disasters, and enabled eligibility for members covered by the IMF small country exception. As was the case at the time for the PRGT eligibility framework, however, the Trust did not differentiate eligibility criteria for microstates. Additionally, in discussing the proposal, a few Directors argued that special consideration should be given to (other) small countries. To qualify for the PCDR Trust, the shock had to have (i) directly affected at least one third of the population; and (ii) destroyed more than a quarter of the country's productive capacity or caused damage deemed to exceed 100 percent of GDP.

58. In 2015, the IMF transformed the Post Catastrophe Debt Relief Trust to create the Catastrophe Containment and Relief Trust (CCRT), broadening the range of situations covered to include fast-spreading epidemics.[57] As was the case earlier, SDS members meeting the small country exception for IMF concessional financing are eligible for grants from the trust to provide relief on debt service to the IMF. The differentiation for microstates per the revised criteria under

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[56] See Rustomjee, Subramanian, and Li (2022) for an assessment of IMF engagement on growth-related issues in SDS during 2010–2020.

[57] The Trust provides grants to assist low-income countries hit by the most catastrophic of natural disasters or public health disasters to pay debt service owed to the IMF. The purpose of debt relief under the Trust is to free up resources to meet exceptional balance of payments needs created by the disaster rather than having to assign those resources to debt service (see IMF, 2021e).

the PRGT-eligibility framework was also incorporated at this later date. Qualification under the CCRT's catastrophic disaster window follows the same criteria as initially set forth under the PCDR Trust. The second window is used to provide relief when an eligible member suffers a qualifying public health disaster. In March 2020, the Board approved modifications to the CCRT to enable debt service relief for up to two years for 29 CCRT-eligible members affected by the COVID-19 pandemic.

Overall Competitiveness

59. There are no IMF policies dedicated to overall competitiveness in SDS. The 2014 guidance note on the Fund's engagement with SDS (IMF, 2014a) called on staff to explore options to enhance competitiveness inter alia in its assessments, analysis, policy advice, and structural reform design. With regards to tourism-based economies, staff are advised to go beyond the approaches based on the Fund's current analytical approaches for external balance assessment (EBA; EBA-lite), which the note recognizes are often not adequately tailored for application in small states.[58] IMF (2014a) also called on staff to assess the desirability and feasibility of fiscal devaluations. The 2017 guidance note on the Fund's engagement with SDS (IMF, 2017a) reiterated IMF (2014a) while adding that staff working on SDS with narrow economic bases will need to ensure that Fund analysis and policy advice aim to facilitate structural reforms across a number of areas such as energy subsidies, labor markets policies, fiscal structural reforms, infrastructure investment, insolvency reform and financial deepening, while tailoring this work to specific circumstances of SDS.

Workable Fiscal and Debt Sustainability Options[59]

60. There were no IMF fiscal or debt policies specifically dedicated to SDS members developed during the evaluation period, although the prevailing frameworks for debt sustainability assessments during the evaluation period included some guidance on how they should be applied to small states. For example, the 2017 Guidance Note on the Bank-Fund Low Income Country Debt Sustainability Framework (LIC-DSF) calls for a tailored stress test for small states that are vulnerable to natural disasters. The 2013 Guidance Note for Public Debt

[58] The guidance note referenced a 2014 staff paper (IMF, 2014c) which explained that IMF staff had developed a variety of adjustments to standard methodologies taking into account special country circumstances. The most common adjustments were related to countries with concentrated sources of external income, including inter alia from tourism, financial services, and remittances. The paper noted, however, that while justified these adjustments also raise questions regarding accuracy, multilateral consistency, and evenhandedness.

[59] See Heller (2022) for an assessment of IMF engagement on fiscal and debt sustainability issues in SDS during 2010–2020.

Sustainability Analysis in Market Access Countries (MAC DSA) provides some guidance on how this framework should be applied to relevant small states.[60, 61]

Thin Financial Sectors[62]

61. There were no financial sector policies or guidance notes dedicated to small states during the evaluation period.[63] With regards to financial stability, in discussing a 2017 staff paper on Correspondent Banking Relationships (CBR)—Further Considerations, Directors recognized that a there had been a concentration of cross border flows through fewer CBRs or alternative arrangements in a limited number of countries, particularly small and fragile states (IMF, 2017b). They cautioned that this could accentuate financial fragilities in these countries and had the potential to pose financial stability risks and undermine affected countries' long run growth, development, and financial inclusion prospects by increasing costs of financial services. Directors welcomed the Caribbean Initiative to develop regional responses in collaboration with other technical assistance providers including regional development banks; however, their instructions to staff on the issue of CBR withdrawal did not specifically address small states.

V. ORGANIZATIONAL ARRANGEMENTS

62. This section provides information on the IMF's organizational framework for engaging with SDS members during the evaluation period, including at the Management and staff level.

63. During the evaluation period, overall management responsibility for IMF work on small states was delegated to a Deputy Managing Director (DMD), although responsibility for individual SDS and other small state member countries continued to be split among DMDs. A

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[60] The 2013 guidance note provides that for PRGT-eligible countries that are non-IDA only, Fund staff may opt to undertake a MAC DSA instead of a LIC DSA if the country has durable and significant access to market financing. The 2017 Guidance Note on the Bank-Fund Low Income Country Debt Sustainability Framework calls for the LIC-DSF template to be produced for all PRGT-eligible countries that also have access to IDA resources and all countries that are eligible for IDA grants, although it does not explicate that the MAC DSA should be used for non-IDA members. While providing a general guideline regarding switching to a MAC DSA, it calls for World Bank and Fund staff to reach agreement on the framework that will be used.

[61] The IMF began a replacement of the MAC DSA framework in 2021. During an associated Executive Board discussion, a number of Directors emphasized the need to adequately account for the impact of climate change on sovereign risk and debt sustainability. A few Directors questioned the expansion of the existing realism toolkit to cover exchange rate analysis, especially for pegged regimes (IMF, 2021f).

[62] See Marston (2022) for an assessment of IMF engagement on financial sector issues in SDS during 2010–2020.

[63] In 2018, the IMF introduced the Financial Sector Stability Review (FSSR), a demand-driven technical assistance instrument that combines a diagnostic review and an agenda on capacity building needs to help low and lower-middle-income countries strengthen their capacity to implement sound financial sector reforms in support of financial stability. The FSSR is to be prioritized for countries which have neither undertaken a Financial Sector Assessment Program (FSAP) review within the prior five years nor are in the pipeline for an FSAP in the coming three years. Additionally, in 2018, the Board endorsed the Bali Fintech Agenda which underpins Fund engagement in this area. While the policy decision is applicable across the membership, the Agenda itself mentions SDS members.

senior Strategy, Policy and Review Department (SPR) staff member led the work on the small states guidance note and during most of the evaluation period coordinated work on IMF policies on engagement with SDS working in close collaboration with area departments.

64. High-level agreements and initiatives between the IMF and other international organizations on SDS matters were limited during the evaluation period. The IMF maintained an Office of the IMF Special Representative to the UN throughout the evaluation period which was attached to SPR and was engaged in the 2014 SAMOA Pathway Conference. As noted previously in this paper, the IMF participated in meetings of the World Bank Small States Forum during the evaluation period.

65. Direct engagement with small states has been handled through respective area (i.e., region) and functional departments, which each have taken different approaches to this work. In the Asia and Pacific Department (APD), at the beginning of the evaluation period, there was a Pacific Island Unit, a coordinating unit which functioned without dedicated resources. In 2014, this unit was transformed into the SDS Unit and dedicated resources were allocated. In 2016, the unit was elevated to the SDS Division and in 2019, it became the Pacific Islands Division, which is the largest division in APD in terms of number of staff. In the Western Hemisphere Department (WHD), at the beginning of the period SDS work was handled in two divisions, while by the end of the period it was spread across three divisions. In the African Department (AFR), SDS work was spread across a number of divisions. In many cases, area department staff also worked with regional development bank staff on SDS matters.

66. In 2011–2012, staff initiated an informal interdepartmental working group which served as the impetus for creating the APD Pacific Island Unit and a subsequent staff Small Islands Club. The working group, which included staff from APD, WHD, and subsequently AFR and SPR, began to hold monthly meetings to share knowledge and produce and discuss analytical outputs on SDS. The working group engaged with the DMD responsible for SDS to brief on SDS developments and issues and garner support from Management for SDS related initiatives. It also made ad hoc presentations to the EDs' Small States Working Group, which was also formed around that time, and coordinated high-level events such as the Caribbean Breakfast at the IMF Spring and Annual Meetings. Later in the evaluation period, the working group developed a one-stop Knowledge Exchange intranet site on SDS matters, which was regularly updated. According to staff in IEO interviews, meetings of the interdepartmental working group waned in the latter part of the evaluation period, although it has been more active since the onset of the COVID-19 pandemic.

67. Out of 85 current IMF Resident Representative offices around the world noted on the Fund's external website at the end of the evaluation period, only one was located in a SDS member country (Barbados), while one of five IMF regional offices was located in a SDS.[64] The

[64] Of the remaining 16 SSF countries, as of December 2020 the IMF had a Resident Representative Office in Guinea-Bissau and Jamaica.

Barbados Resident Representative also covers Eastern Caribbean Currency Union (ECCU) members. The IMF Regional Resident Representative Office based in Suva, Fiji covers 11 Pacific Island SDS and one additional SSF member country in the Pacific.[65] The Regional Office for the Western Balkans covers 4 IMF member countries, including one SDS, Montenegro.

68. The IMF did not provide information on its overall engagement with SDS in its external communications during the evaluation period. There is no factsheet on IMF small states or SDS unlike the case for example for low-income countries, nor does the IMF external website provide a list of IMF small states or SDS or outline the IMF's approach for engagement with these members unlike the case respectively for other international or multilateral organizations.

Surveillance

69. While bilateral surveillance for SDS follows the same framework as for other members, the periodicity and attention to SDS at the staff and Board level has differed as compared to other members. Consultations for member countries without a Fund arrangement are normally expected annually, within a 3-month grace period.[66] Staff made relatively greater use of the allowance for a 24-month cycle for SDS members than for other IMF members during the evaluation period. Approximately 32 percent of SDS members without an arrangement during the evaluation period were on a 24-month cycle at the end of the evaluation period, as compared to approximately 5 percent of non-SDS members without an arrangement during the evaluation period.[67] This represents an increase from approximately 25 percent of SDS members on a 24-month cycle as compared to two percent of larger member countries earlier in the evaluation period (IMF, 2013a).

70. While the use of lapse of time (LOT) procedures for Article IV surveillance with SDS members was in line with non-SDS members, use in the case of particular SDS members was quite high. Overall, 20 percent of IMF Article IV consultations concluded on a lapse-of-time (LOT) basis during the evaluation period were attributable to SDS member countries. However, on average during the evaluation period, Article IV consultations were concluded by LOT for 50 percent of AFR SDS member countries, 50 percent of WHD SDS member countries, and 35 percent of APD SDS member countries, whereas the average for non-SDS member countries was 8 percent, 50 percent, and 40 percent, respectively. Prior to reliance on virtual consultations

[65] Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. The office also covers Papua New Guinea.

[66] Members with a Flexible Credit Line or Precautionary Liquidity Line arrangement are also automatically placed on the 12-month consultation cycle, while those with other Fund arrangements, a Policy Support Instrument, or a Policy Coordination Instrument are automatically placed on a 24-month cycle. With some exceptions, the Executive Board may decide to put members without an arrangement on a longer cycle up to 24 months, but only with the member's consent and after consulting with its Executive Director. Emergency lending (e.g., RCF, RFI) does not count as a Fund arrangement. The periodicity and deadlines for the completion of individual consultations with members are expressed in terms of an expectation rather than an obligation.

[67] Author calculations based on internal IMF databases.

arising due to the COVID-19 pandemic, bilateral surveillance across the membership was conducted primarily in person and was for some members accompanied by occasional interim staff visits, most often in the case of program countries.

71. The IMF's region-wide approach to surveillance for SDS members was broadly similar during the evaluation period to the rest of the membership in two respects. First, SDS members featured at times in respective *Regional Economic Outlooks*, although as noted previously in this paper, the analytical treatment of small state and SDS groupings differed within and among regions throughout the period. Second, region-wide surveillance was undertaken for a limited number of regional groupings at the IMF, including currency unions and a few clusters of countries. The IMF routinely conducted a review of common policies for member countries of the ECCU during the evaluation period, as was the case for the Euro area and the West African Monetary and Economic Union (WAEMU). The IMF also conducted cluster surveillance exercises for the Nordic and at times the Baltic group, but not for clusters in other regions such as for Pacific Island member countries.

72. There was no review of implementation of the guidance to staff on SDS matters during the evaluation period. Practices across departments varied with regards to whether there was front office review. There was also no dedicated or systemized SPR review of surveillance inputs, processes, or outputs for small states or SDS at the country or region level nor was there any review for coherence between surveillance and capacity development on behalf of these members.

73. Following the onset of the COVID-19 pandemic, Management temporarily suspended staff work on Article IV consultations.[68] When Article IV consultations resumed in the latter part of 2020, they were to be focused primarily on the crisis and related issues, including for countries with significant vulnerabilities, combined with regular informal Board briefings on cross-cutting surveillance issues. In discussing staff's proposal for resumption, some Directors called for staff to devise a systematic, risk-based approach for prioritization, including inter alia a focus on countries, particularly small states, that had limited capacity and could benefit the most from the Fund's analysis and advice.[69]

[68] In April 2020, the Board agreed to extend the expected consultation cycle for all members and the expected consultation deadlines for each of the currency unions by six months (Dec. No. 16767-(20/49) and Dec. No. 16768 -(20/49), respectively). Soon thereafter, these decisions were amended to extend another six months to April 22, 2021. As soon as July 2020, an Informal Board meeting was held to gather Directors' views on a staff proposal for a gradual resumption of Article IV consultations.

[69] These Directors represented a broad spectrum of the membership, including SDS and non-SDS small states, members responsible for small state-similar dependencies, and constituencies not responsible for any small state members.

VI. CONCLUSIONS

74. There were notable advances in the IMF framework for engaging with SDS during the evaluation period. In 2010, the Executive Board approved a formal definition of small states based on population and a small country exception to enable the IMF to provide concessional financing to eligible SDS while adhering to the principle of uniformity of treatment. The Board of Governors also agreed in 2010 to protect the quota shares of the poorest members, including those meeting the small country exception. Drawing on two formal Board reviews in 2013 and 2016 and associated discussions, subsequent staff guidance notes were developed for engaging with small states and SDS on IMF surveillance, program design and lending, and capacity development. In addition, changes in access to emergency facilities and special vehicles in response to natural disasters and other catastrophes enhanced the Fund's ability to provide rapid financing for vulnerable member countries, including SDS in particular. To date, there is no Board-approved strategy for engagement with small states or SDS, although this is not necessarily different than the treatment for other country groupings.

75. This paper aimed to shed light on four questions related to the enabling environment for Fund engagement with small states during the evaluation period, including the status of IMF small state members; how IMF governance arrangements affected small state participation and decision-making in the Fund; how IMF policies and guidance to staff applied to engagement with small state members; and the IMF institutional arrangements in place for engagement with small state members. These questions are addressed in turn below.

Small State Status at the IMF

76. The status of small states at the IMF, and particularly the SDS grouping, shifted incrementally during the evaluation period, although at times these shifts were not internally consistent and they lagged changes in other institutions. The small state definition was revised two years after adoption to be consistent with the World Bank definition, while the World Bank and other organizations such as the Commonwealth of States had been using an updated threshold for many years prior. It was not until three years following adoption of the definition that the IMF formally distinguished microstates. Likewise, when initially created, the Post-Catastrophe Debt Relief Trust did not distinguish microstates. It took concerted effort on the part of Executive Directors, primarily in the context of a newly formed working group, to push for changes to the formal status and treatment of small states at the IMF at the beginning of the evaluation period and the years following.

77. Questions remain about the appropriateness of the small state definition used at the IMF. The Fund maintains its own SDS list, which is different from the World Bank's SSF list comprised of a broader grouping of small states. In IEO interviews for this evaluation, some former and current staff, Offices of Executive Directors, and authority interviewees were not clear about the operational value of the small state definition. Some believed that while population should

remain as one criterion, to be more relevant and useful, the IMF small state definition should also weight vulnerability to shocks (including economic, financial, and climate/natural disasters).

Governance

78. While the IMF's quota-based framework conveyed negligible voting power to individual small states, the IMF's Executive Board constituency-based system provided considerable voice to small states as a group during the evaluation period. The Executive Directors' Small States Working Group provided an effective coordinating mechanism to bring attention to small state issues, while Executive Directors with small states in their constituencies championed small state concerns at Executive Board meetings.

79. Low quotas limited the ability of most small states to make use of IMF financing in meaningful amounts. While access levels for the RCF and RFI were increased twice during the evaluation period, in the view of some stakeholders interviewed for this evaluation, the low level of quota hindered the ability of the Fund to respond adequately to provide financing to meet the needs of SDS members, particularly those facing multiple and concurrent shocks, including in a few cases during the emergency phase of the IMF's COVID-19 response. Some IMF staff, Offices of Executive Directors, and authority interviewees suggested that the quota formula should include a metric or weighting for vulnerability.

IMF Policies and Guidance

80. The Fund had two dedicated formal Board policy reviews on engagement with small states during the evaluation period, which were followed by the issuance of an operational guidance note for staff and a subsequent revision. These reviews were the 2013 review of the IMF's engagement with small states and the 2016 review of Small States' Resilience to Natural Disasters and Climate Change and the Role of the Fund. Stakeholder interviewees found the GROWTh framework laid out in the guidance note to be a useful starting point but noted that there is scope for further tailoring to increase relevance. Other than the small country exception to enable access to PRGT resources for some small state members, the remainder of IMF policies applied across the membership and the range of underlying reference to or analysis of small states and SDS was variable.

81. While bilateral surveillance for SDS followed the same framework as for other members, the periodicity and attention to SDS at the staff and Board level differed as compared to other members during the evaluation period. Staff made relatively greater use of the allowance for a 24-month cycle for SDS members than for other IMF members, and while the use of lapse of time procedures for Article IV surveillance with SDS members was in line with non-SDS members, the use in the case of particular SDS members was quite high. The IMF's region-wide approach to bilateral surveillance for SDS members during the evaluation period was also broadly similar to the rest of the membership.

82. IEO interviews and surveys of staff revealed limited utility of the SDS guidance note beyond providing a checklist. According to staff and as corroborated by other IEO evaluations, this is not uncommon as compared to other IMF guidance notes. Practices across departments varied with regards to whether there was front office review and there was no systematic review of implementation of the guidance to staff on SDS matters during the evaluation period. Stakeholders also reported that the linkages between the GROWTh framework and associated guidance across Fund lines of engagement (i.e., surveillance, lending, and capacity development) were limited. These findings point to the need to strengthen the guidance; give further attention to incorporating relevant aspects across surveillance, lending, and capacity development guidance notes; and increase familiarity of the guidance note among staff. Guidance to staff on the coordination with development partners is highly granular and could usefully be replicated in other IMF guidance applicable across the membership.

Organizational Arrangements

83. The Fund's organizational arrangements in part enabled tailored engagement with SDS during the evaluation period. As was the case prior to evaluation period, the IMF approach to engagement was undertaken primarily through area departments and to a lesser extent through select functional departments. Knowledge sharing began to increase with the creation of an interdepartmental working group on small states at beginning of evaluation period; although its role seems to have diminished towards the end of the period, it has been more active since the onset of the COVID-19 pandemic. Overall management responsibility for IMF work on small states was delegated to a Deputy Managing Director, and IMF policies, guidance, and high-level inter-institutional agreements were handled by the Strategy, Policy, and Review Department.

84. IMF external communications did not often explain the Fund's work with the SDS grouping during the evaluation period. Unlike other international organizations, for example, there was no associated factsheet, list of IMF SDS members, or outline of the IMF's approach for engagement on its external website. Notwithstanding guidance to staff regarding the importance of outreach in its work with small states, out of 85 IMF Resident Representative offices around the world noted on the IMF external website as of the end of the evaluation period, only one was located in a SDS member country and one of five IMF regional offices was located in a SDS.

APPENDIX I. SMALL STATE MEMBERSHIP IN SELECTED MULTILATERAL ORGANIZATIONS, 2020

Country	IMF SDS (*)	World Bank SSF	World Bank SIEs	UN SIDS (**)	Commonwealth (***)
Antigua and Barbuda	x	x		x	x***
Bahamas, The	x	x		x	x***
Bahrain		x		x	
Barbados	x	x		x	x***
Belize	x	x		x	x***
Bhutan	x*	x			
Botswana		x			x
Brunei Darussalam		x			x
Cabo Verde	x*	x	*x*	x	
Comoros	x*	x		x	
Cuba				x	
Cyprus		x			x***
Djibouti	x*	x			
Dominica	x	x	*x*	x	x***
Dominican Rep.				x	
Equatorial Guinea		x			
Estonia		x			
Eswatini	x	x			x
Fiji	x	x	*x*	x	x**
Gabon		x			
Gambia, The		x			
Grenada	x	x	*x*	x	x***
Guinea-Bissau		x		x	
Guyana	x	x		x	x***
Haiti				x	
Iceland		x			
Jamaica		x		x	x***
Kiribati	x*	x	**x**	x	x***
Lesotho		x			x
Maldives	x*	x	**x**	x	x***
Malta		x			x***
Marshall Islands	x*	x	**x**	x	
Mauritius	x	x		x	x***
Micronesia, Federated States of	x*	x	**x**	x	
Montenegro	x	x			
Namibia		x			x
Nauru	x	x		x	x**
Palau	x	x		x	
Papua New Guinea				x	x***
Qatar		x			
Samoa	x*	x	x	x	x***

Country	IMF SDS (*)	World Bank SSF	World Bank SIEs	UN SIDS (**)	Commonwealth (***)
San Marino		x			
São Tomé and Príncipe	x*	x	**x**	x	
Seychelles	x	x		x	x***
Singapore				x	x***
Solomon Islands	x*	x	**x**	x	x***
St. Kitts and Nevis	x	x		x	x***
St. Lucia	x*	x	*x*	x	x***
St. Vincent and the Grenadines	x*	x	*x*	x	x***
Suriname	x	x		x	
Timor-Leste	x*	x		x	
Tonga	x*	x	**x**	x	x***
Trinidad and Tobago	x	x		x	x***
Tuvalu	x*	x	**x**	x	x***
Vanuatu	x*	x	**x**	x	x***
American Samoa				x**	
Anguilla				x**	
Aruba				x**	
Bermuda				x**	
British Virgin Islands				x**	
Cayman Islands				x**	
Commonwealth of Northern Marianas				x**	
Cook Islands				x**	
Curacao				x**	
French Polynesia				x**	
Guadeloupe				x**	
Guam				x**	
Martinique				x**	
Montserrat				x**	
New Caledonia				x**	
Niue				x**	
Puerto Rico				x**	
Sint Maarten				x**	
Turks and Caicos				x**	
U.S. Virgin Islands				x**	

Notes: SDS=Small Developing State; SSF=Small States Forum; SIE=Small Island Economy; UN SIDS=Small Island Developing States (United Nations).
*PRGT-Eligible; **IDA-Only;** *IBRD-IDA Blend*.
**Non-UN Members/Associate Members of the Regional Commissions.
***Commonwealth Small Island States.

APPENDIX II. IMF ENGAGEMENT WITH SELECTED MEMBER COUNTRY DEPENDENCIES AND NON-MEMBER SMALL STATES, PRIOR TO AND DURING 2010–2020

	Offshore Financial Center (OFC)	Article IV Surveillance		Capacity Development: Technical Assistance (TA)						
				FSSR (Prior) FSSA (During)		ROSC		National Accounts (2010–20)	Statistics (2010–20)	Other
	(Y/N)	Initial	During	Prior	During	Prior	During	During	During	
Anguilla	Y	1965*	2011	Y			Y			CARTAC Other TA
Aruba	Y	1986	2010 2013 2015 2017 2019	Y (OFC)			Y	Y	Y	Other TA
Bermuda	Y			Y		Y		Y	Y	XS (1973) CARTAC Other TA
British Virgin Islands	Y			Y	Y			Y	Y	XS (1973) CARTAC Other TA
Cayman Islands	Y			Y		Y		Y		CARTAC Other TA
Cook Islands	Y			Y		Y		Y	Y	PFTAC Other TA
Curacao		1970*	2011 2014 2016 2018 2019							
Gibraltar	Y			Y		Y				
Guernsey	Y			Y	Y	Y	Y			
Jersey	Y			Y	Y	Y				
Isle of Man	Y			Y	Y	Y				
Liechtenstein	Y			Y		Y				Other TA
Macao, SAR	Y	1998	2014 2016 2017 2018 2019	Y	Y		Y			
Monaco	Y			Y		Y				
Montserrat	Y	1965*	2011	Y		Y				CARTAC
Netherlands Antilles	Y	1971*		Y		Y				
Niue	Y							Y	Y	PFTAC
Sint Maarten		1970*	2011 2014 2016 2018 2019							CARTAC
Tokelau								Y	Y	PFTAC
Turks and Caicos				Y	Y	Y		Y	Y	CARTAC

Source: Article IV Staff Reports and Information Annexes; List of Past IMF Staff Assessments on Offshore Financial Centers, 2019.
Notes: *=Recent Economic Developments; FSSR=Financial Sector Supervision and Regulation assessment (may also include Basel Observance); FSSA=Financial System Stability Assessment (may also include Basel Observance); ROSC=Reports on Standards and Codes; CARTAC=Caribbean Regional Technical Assistance Center client; PFTAC=Pacific Regional Technical Assistance Center client; TA=Technical Assistance; XS=Exchange System Analysis. Data on training not included.

APPENDIX III. IMF SMALL STATE MEMBERS, 1945–2020*

Former small states

Country	**Date joined IMF**	**Number of years IMF small state**	**Number of years IMF microstate**	**Current SDS**	**Current SSF**
Bahrain	7-Sep-72	45			x
Botswana	24-Jul-68	27			x
Congo, Rep. of	10-Jul-63	11			
Costa Rica	8-Jan-46	17			
Gabon	10-Sep-63	52			x
Gambia, The	21-Sep-67	37			x
Guinea-Bissau	24-Mar-77	32			x
Honduras	27-Dec-45	4			
Jordan	29-Aug-52	15			
Kuwait	13-Sep-62	19			
Lebanon	14-Apr-47	7			
Lesotho	25-Jul-68	16			x
Liberia	28-Mar-62	10			
Libya	17-Sep-58	3			
Mauritania	10-Sep-63	16			
Namibia	25-Sep-90	0			x
Nicaragua	14-Mar-46	8			
Oman	23-Dec-71	14			
Panama	14-Mar-46	23			
Paraguay	28-Dec-45	5			
Qatar	8-Sep-72	36	6		x
UAE	22-Sep-72	14			

Current small states

Country	**Date joined IMF**	**Number of years IMF small state**	**Number of years IMF microstate**	**Current SDS**	**Current SSF**	**Current microstate**
Andorra	16-Oct-20					x
Antigua and Barbuda	25-Feb-82	38	38	x	x	x
Bahamas, The	21-Aug-73	47	4	x	x	
Barbados	29-Dec-70	50		x	x	
Belize	16-Mar-82	38	11	x	x	
Bhutan	28-Sep-81	39		x	x	
Brunei Darussalam	10-Oct-95	25			x	
Cabo Verde	20-Nov-78	42		x	x	
Comoros	21-Sep-76	44		x	x	
Cyprus	21-Dec-61	59			x	
Djibouti	29-Dec-78	42		x	x	
Dominica	12-Dec-78	42	42	x	x	x
Equatorial Guinea	22-Dec-69	51			x	
Estonia	26-May-92	28			x	
Eswatini	22-Sep-69	51		x	x	

Current small states

Country	Date joined IMF	Number of years IMF small state	Number of years IMF microstate	Current SDS	Current SSF	Current microstate
Fiji	28-May-71	49		x	x	
Grenada	27-Aug-75	45	45	x	x	x
Guyana	26-Sep-66	54		x	x	
Iceland	27-Dec-45	75	23		x	
Jamaica	21-Feb-63				x	
Kiribati	3-Jun-86	34	34	x	x	x
Luxembourg	27-Dec-45	75				
Maldives	13-Jan-78	42	8	x	x	
Malta	11-Sep-68	52			x	
Marshall Islands	21-May-92	28	28	x	x	x
Mauritius	23-Sep-68	52		x	x	
Micronesia, Fed. States of	24-Jun-93	27	27	x	x	x
Montenegro	18-Jan-07	13		x	x	
Nauru	12-Apr-16	4	4	x	x	x
Palau	16-Dec-97	23	23	x	x	x
Samoa	28-Dec-71	49	49	x	x	x
San Marino	23-Sep-92	28	28		x	x
São Tomé and Príncipe	30-Sep-77	43	28	x	x	
Seychelles	30-Jun-77	43	43	x	x	x
Solomon Islands	22-Sep-78	42		x	x	
St. Kitts and Nevis	15-Aug-84	36	36	x	x	x
St. Lucia	15-Nov-79	41	41	x	x	x
St. Vincent and the Grenadines	28-Dec-79	41	41	x	x	x
Suriname	27-Apr-78	42		x	x	
Timor-Leste	23-Jul-02	18		x	x	
Tonga	13-Sep-85	35	35	x	x	x
Trinidad and Tobago	16-Sep-63	57		x	x	
Tuvalu	24-Jun-10	10	10	x	x	x
Vanuatu	28-Sep-81	39	22	x	x	x

*Small states and microstate definition as per IMF (2010), i.e., small states population at 1.5 million or below, and per IMF (2012), i.e., microstates population at 200,000 or below. Duration of small state and microstate status calculated based upon historical global population tables. Historical names of members are subsumed. SDS=small developing state; SSF=Small States Forum (World Bank).

APPENDIX IV. SMALL STATE CONSTITUENCY IMF QUOTA AND VOTING POWER, END-2020

Constituency	Share of Constituency Members (in percent)		Share of Constituency Quota (in percent)		Share of Constituency Votes (in percent)	
	SDS	SS	SDS	SS	SDS	SS
OEDAE	4.3	21.7	0.15	4.41	1.09	8.43
OEDAF	31.7	44.7	4.80	13.18	9.98	20.31
OEDAP	92.5	92.5	1.69	1.69	9.15	9.15
OEDBR	36.4	36.4	1.36	1.36	5.94	5.94
OEDCO	60.6	68.9	6.11	8.62	13.20	16.31
OEDIN	8.3	8.3	0.64	0.64	1.56	1.56
OEDIT	0.0	33.3	0.0	1.09	0.0	2.46
OEDMI	6.7	24.8	0.19	10.36	1.31	12.51
OEDNE	8.3	14.6	0.08	1.29	0.61	2.24
OEDNO	0.0	25.0	0.0	3.68	0.0	5.19
OEDST	15.8	23.4	0.24	1.75	1.56	3.61

Constituency	Constituency Quota (percent)	Constituency Votes (Percent)	SDS IMF Quota (SDR m)	SDS Share of IMF Quota (percent)	SDS IMF Votes (number)	SDS Share of IMF Votes (percent)
OEDAE	2.56	2.99	17.8	0.00	1,636	0.03
OEDAF	1.01	1.62	230.1	0.049	8,133	0.16
OEDAP	3.54	3.78	284.8	0.076	17,428	0.35
OEDBR	2.91	3.07	188.3	0.036	9,173	0.18
OEDCO	3.21	3.38	932	0.202	22,442	0.45
OEDIN	3.11	3.05	94.5	0.02	2,403	0.05
OEDMI	2.33	2.52	20.8	0.004	1,666	0.03
OEDNE	5.29	5.47	21.4	0.004	1,672	0.03
OEDST	4.19	4.34	48.5	0.015	3,401	0.07
Total	28.16	30.22	1,838.20	0.41	67,954	1.35

Constituency	Constituency Quota (percent)	Constituency Votes (Percent)	SS IMF Quota (SDR m)	SS Share of IMF Quota (percent)	SS IMF Votes (number)	SS Share of IMF Votes (percent)
OEDAE	2.56	2.99	538.1	0.10	12,703	0.25
OEDAF	1.01	1.62	632.0	0.14	16,550	0.32
OEDAP	3.54	3.78	284.8	0.08	17,428	0.35
OEDBR	2.91	3.07	188.3	0.04	9,173	0.18
OEDCO	3.21	3.38	1,314.9	0.28	27,737	0.56
OEDIN	3.11	3.05	94.5	0.02	2,403	0.05
OEDIT	4.19	4.13	217.5	0.05	5,107	0.10
OEDMI	2.33	2.52	1,150.9	0.23	15,899	0.32
OEDNE	5.29	5.47	325.2	0.06	6,176	0.12
OEDNO	3.23	3.29	565.4	0.12	8,586	0.17
OEDST	4.19	4.34	349.8	0.08	7,880	0.16
Total	35.60	37.63	5,661.4	1.20	129,642	2.58
Memo:						
Inc. Andorra	35.60	37.63	6,069.1	1.28	138,102	2.75

Source: Author calculations per IMF (2020b) (as of December 2020).
Notes: SDS=small developing states; SS=small states. See www.imf.org for constituency acronyms.

APPENDIX V. FUND POLICY AND GUIDANCE RELATED TO SMALL DEVELOPING STATES (SDS), 2010–2021*

Topic/issue	Key documents	Fund view/ instruction for staff re: SDS	Fund view/ instruction for staff applies across membership or income grouping; implications for SDS	Mentions SDS
	Small Developing States			
	Macroeconomic Issues in Small States and Implications for Fund Engagement, March 2013	x		
	Small States' Resilience to Natural Disasters and Climate Change: Role for the IMF, December 2016	x		
	Staff Guidance Note on the Fund's Engagement with Small Developing States, March 2014	x		
	2017 Staff Guidance Note on the Fund's Engagement with Small Developing States, December	x		
	IMF Surveillance			
	2011 Triennial Surveillance Review		x	
	Decision on Bilateral and Multilateral Surveillance, 2012 (Integrated Surveillance Decision)		x	
	2014 Triennial Surveillance Review		x	
	2018 Interim Surveillance Review		x	
	2021 Comprehensive Surveillance Review, May 2021		x	
	Bilateral Surveillance Guidance Note, December 2010		x	
	Guidance Note for Article IV Consultations, September 2012	x		
	Guidance Note for Surveillance Under Article IV Consultations, March 2015	x		
	Memo: 2011 Triennial Surveillance Review—Staff Background Studies; 2014 Triennial Surveillance Review—Staff Background Studies; Comprehensive Surveillance Review—Midpoint Note, 2019 (Internal)			x
	Review of Data Provision to the Fund, November 2012			
	Data Provision to the Fund for Surveillance Purposes—Operational Guidance Note, June 2013		x	
	The Use of Third Party Indicators in Fund Reports, November 2017		x	
	Guidance Note for the Use of Third-Party Indicators in-Fund-Reports, July 2018 *[Note: applies to all country, policy and multilateral reports, not just surveillance]*		x	
	Streamlining Procedures for Board Consideration of the Fund's Emergency Financing During Exceptional Circumstances Involving a Pandemic, 2020 Memo: Also covers select Article IV consultations		x	

[*] This list includes and provides links to Board-approved policies as reflected in Summings Up, as well as operational guidance to staff. In many cases, respective associated staff papers discuss or mention small states; however, as staff papers do not constitute IMF policy, they are not included here except for informational purposes where indicated.

Topic/issue	Key documents	Fund view/ instruction for staff re: SDS	Fund view/ instruction for staff applies across membership or income grouping; implications for SDS	Mentions SDS
	IMF program design, lending, and instruments			
Poverty Reduction and Growth Trust/ concessional lending	Eligibility to Use the Fund's Facilities for Concessional Financing, 2010; 2012; 2013; 2015; 2017; 2020	x		
	Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic, July 2021		x	
	Handbook of IMF Facilities for Low-Income Countries, March 2012; 2014; 2015; 2016; 2017	x		
	Review of Facilities for Low-Income Countries and Eligibility for Using Concessional Financing, April 2013 (including 2012 stage)	x		
	2018-19-Review-of-Facilities-for-Low-Income-Countries-Reform-Proposals—Review of the Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries, June 2019	x		
Emergency financing/access	The Fund's Financing Role—Reform Proposals on Liquidity and Emergency Assistance—Rapid Financing Instrument (RFI), November 2011; and amended		x	
	Review of FCL, PLL, and RFI, March 2014		x	
	Proposals to Enhance the Fund's Emergency Financing Toolkit, April 2020		x	
	Streamlining Procedures for Board Consideration of the Fund's Emergency Financing During Exceptional Circumstances Involving a Pandemic, April 2020		x	
	Temporary Modification to the Fund's Annual Access Limits, July 2020		x	
	Extension of Increased Access Limits Under RCF and RFI, October 2020		x	
	Temporary Increases to Access Limits Under the Large Natural Disaster Window of the RCF and RFI, June 2021		x	
	Temporary Extension of Cumulative Access Limits in the Fund's Emergency Financing Instruments, December 2021		x	
	Ex Post Evaluations of Exceptional Access Arrangements—Revised Guidance Note, February 2010		x	
	The Fund's Lending Framework and Sovereign Debt—Further Considerations, May 2014 (Exceptional Access)		x	
	Review of Access Limits, Surcharge Policies, and Other Quota-Related Policies, January 2016		x	

Topic/issue	Key documents	Fund view/ instruction for staff re: SDS	Fund view/ instruction for staff applies across membership or income grouping; implications for SDS	Mentions SDS
Global financial safety net/new facilities	The Extended Rights to Purchase Policy Reduction of Blackout Periods in GRA Arrangements—Operational Guidance Note, May 2013		x	
	Financing-for-Development-Enhancing-the-Financial-Safety-Net-for-Developing-Countries, July 2015 *NB: Increase in access limits for PRGT-supported facilities*		x	
	Large Natural Disasters—Enhancing the Financial Safety Net for Developing Countries, May 2017	x		
	Adequacy of the Global Financial Safety Net—Proposal for a New Policy Coordination Instrument, July 2017 *NB: Per Selected Decisions and Selected Documents of the IMF, the PCI is TA*		x	
	Adequacy of the Global Financial Safety Net—Review of the Flexible Credit Line and Precautionary and Liquidity Line, and Proposals For Toolkit Reform—Revised Proposals, December 2017		x	
	IMF COVID-19 Response—A New Short Term Liquidity Line to Enhance the Adequacy of the Global Financial Safety Net, April 2020 (Internal) Memo: https://www.imf.org/en/About/Factsheets/Sheets/2020/04/17/short-term-liquidity-line		x	
IMF safeguards/ other	Review of the Safeguards Assessments Policy, July 2010; October 2015		x	
	Operational Guidelines for Safeguards Assessments, March 2017 (internal)		x	
	Reforming the Fund's Policy on Non-Toleration of Arrears to Official Creditors, December 2015		x	
Program design and conditionality	Handbook of IMF Facilities for Low-Income Countries, [dates as above]		x	
	Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines, Revised—January 25, 2010		x	
	Operational Guidance Note on Conditionality—July 2014 Revisions		x	
	Crisis Programs Review, November 2015	x		
	Program Design in Currency Unions, February 2018		x	
	2018 Review of Program Design and Conditionality, May 2019	x		
Longer-Term Program Engagement (LTPE)	Ex Post Assessments of Members with a Longer-Term Program Engagement, February 2010		x	
	Staff Guidance Note for the Conduct of Ex Post Peer-Reviewed Assessments of Members with Longer-Term Program Engagement, August 2016		x	

Topic/issue	Key documents	Fund view/ instruction for staff re: SDS	Fund view/ instruction for staff applies across membership or income grouping; implications for SDS	Mentions SDS
Post Financing Assessment (PFA)	Guidance-Note-on-the-Implementation-of-Post-Program-Monitoring, March 2010		x	
	Strengthening-the-Framework-for-Post-Program-Monitoring, June 2016		x	
	Guidance-Note-on-Post-Program-Monitoring, February 2017		x	
	IMF Executive Board Approves Temporary Streamlining of Procedures for Post Program Monitoring During the Pandemic and Renaming of the Policy to Post Financing Assessment		x	
	IMF Capacity Development			
	Report of the Task Force on the Fund's Technical Assistance Strategy, October (2011 TA Review) (see PDF available in Box Policy/Guidance folder)		x	
	The Fund's Capacity Development Strategy—Better Policies Through Stronger Institutions, June 2013 (2013 CD Review)		x	
	2018 Review of the Fund's Capacity Development Strategy, November Memo: 2018 Review of the Fund's Capacity Development Strategy		x	
	IMF Policies and Practices on Capacity Development, August 2014; October 2019	x		
	Building-fiscal-capacity-in-fragile-states, June 2017	x****		
	Cross-cutting			
IMF Governance	Quota and Governance Reform 2010	x		
IMF Communications	Review of the IMF's Communication Strategy, July 2014		x	
Fund Transparency	2013 Review of the Fund's Transparency Policy, June		x	
	Guidance Note on the Fund's Transparency Policy, March 2010; Updated December 2010; 2013; Updated 2014		x	
IMF self-evaluation	Principles and Best Practices in IMF Self-Evaluation, August 2016		x	x
Sustainable Development Goals/ Agenda 2030	Financing for Development—Revisiting the Monterrey Consensus, July 2015 Memo: Board paper discusses SDS		x	
	Review of Implementation of IMF Commitments in Support of the 2030 Agenda for Sustainable Development, June 2019		x***	
	The GROWTh Framework			
	Growth and job creation			
Growth	Jobs-and-Growth-Analytical-and-Operational-Considerations-for-the-Fund, March 2013			x
	2013 Guidance-Note-on-Jobs-and-Growth-Issues-in-Surveillance-and-Program-Work	x		
Inequality/ Gender	How to Operationalize Inequality Issues in Country Work, June 2018		x	
	How to Operationalize Gender Issues in Country Work, June 2018		x	

Topic/issue	Key documents	Fund view/ instruction for staff re: SDS	Fund view/ instruction for staff applies across membership or income grouping; implications for SDS	Mentions SDS
	Resilience to shocks			
Macro frameworks	Macroeconomic and Operational Challenges in Countries in Fragile Situations, June 2011			x
	Macroeconomic and Operational Challenges in Countries in Fragile Situations—2015 (Download broken; access on www.imf.org)	x		
	Macroeconomic-Developments-and-Prospects-in-Low-Income-Developing-Countries—2016		x*	
	Macroeconomic Developments and Prospects in LIDCs—2018	x		
	Macroeconomic Developments and Prospects in Low-Income Developing Countries—2019		x	
	Global Risks, Vulnerabilities Facing LICs, November 2012		x	
	Guidance-Note-on-Letters-and-Statements-Assessing-Members-Economic-Conditions-and-Policies, January 2011; 2018		x	
Budget support	Staff Guidance Note on the Use of Fund Resources for Budget Support (Internal), March 2010		x	
Reserves	Assessing Reserve Adequacy, February 2011		x	
	Assessing Reserve Adequacy—Further Considerations, December 2013	x**		
	Assessing Reserve Adequacy, April 2015	x**		
	Guidance-Note-on-the-Assessment-of-Reserve-Adequacy-and-Related-Considerations, June 2016	x		
Capital flows	The Liberalization and Management of Capital Flows—An Institutional View, November 2012		x	
	Guidance Note for the Liberalization and Management of Capital Flows, April 2013	x		
	Managing Capital Outflows—Further Operational Considerations (Guidance), December 2015		x	
	Review-of-Experience-with-the-Institutional-View-on-Capital-Flows, December 2016		x	
Climate/natural disasters				
Climate Change Policy Assessment (CCPA)	*Management-initiated pilot project. No dedicated guidance. See 2017 Staff Guidance Note on the Fund's Engagement with Small Developing States*			
Natural disasters	Large Natural Disasters—Enhancing the Financial Safety Net for Developing Countries, May 2017	x		
Disaster Resilience Strategy (DRS)	Building Resilience for Developing Countries Vulnerable to Natural-Disasters, May 2019	x		

Topic/issue	Key documents	Fund view/ instruction for staff re: SDS	Fund view/ instruction for staff applies across membership or income grouping; implications for SDS	Mentions SDS
	Overall competitiveness (None identified)			
	Workable fiscal and debt sustainability options			
Fiscal sector				
Fiscal space	Assessing Fiscal Space: An Update and Stocktaking, June 2018		x	
Social spending	Review of Social Safeguards in Low-Income Countries, June 2017		x	
	A Strategy for IMF Engagement on Social Spending, May 2019			x
Revenue mobilization	Revenue Mobilization in Developing Countries, March 2011		x	
International taxation	Corporate-taxation-in-the-global-economy, February 2019 Memo: Board paper notes distinct challenges for SDS		x	
Debt				
Debt limits	Review of the Policy on Debt Limits in Fund-Supported Programs, March 2013		x	
	Reform of the Policy on Public Debt Limits in Fund-Supported Programs, December 2014 Memo: Board paper mentions SIDS		x	
	Staff-Guidance-Note-on-the-Implementation-of-Public-Debt-Limits-in-Fund-Supported-Programs, May 2015		x	
	The Evolution of Public Debt Vulnerabilities in Lower Income Economies, January 2020 Memo: Summing Up mentions natural disasters		x	
Debt relief	Post-Catastrophe Debt Relief Trust, June 2010	x		
	Catastrophe Containment and Relief Trust (CCRT), February 2015; March 2020	x		
	Streamlining Procedures for Board Consideration of the Fund's Emergency Financing During Exceptional Circumstances Involving a Pandemic, April 2020 Memo: Also covers CCRT		x	
DSF/DSA	Modernizing the Framework for Fiscal Policy and Public Debt Sustainability Analysis, August 2011 Memo: Board paper mentions natural disasters in small economies, including one SS		x	
	Review of the Joint IMF-World Bank Debt Sustainability Framework for Low Income Countries, February 2012; September 2017		x	
	Staff-Guidance-Note-on-the-Application-of-the-Joint-Fund-Bank-Debt-Sustainability-Framework for LICs, January 2010; November 2013		x	
	Guidance Note on the LIC DSF, December 2017	x		
	Staff-Guidance-Note-for-Public-Debt-Sustainability-Analysis-in-Market-Access-Countries, May 2013		x	

Topic/issue	Key documents	Fund view/ instruction for staff re: SDS	Fund view/ instruction for staff applies across membership or income grouping; implications for SDS	Mentions SDS
Sovereign debt restructuring	Sovereign Debt Restructuring—Recent Developments and Implications for the Fund's Legal and Policy Framework, May 2013		x	
	Memo: Board paper mentions St. Kitts and Nevis, Grenada			
	Strengthening the Contractual Framework in Sovereign Debt Restructuring, September 2014		x	
Thin financial sectors				
Financial sector				
Macroprudential policy	Staff-Guidance-Note-on-Macroprudential-Policy, November 2014		x	
	Staff-Guidance-Note-on-Macroprudential-Policy—Detailed-Guidance-on-Instruments, November 2014		x	
	Staff-Guidance-Note-on-Macroprudential-Policy—Considerations-for-Low-Income-Countries, November 2014		x	
Correspondent banking relationships	Recent-trends-in-correspondent-banking-relationships, April 2017	x		
FSAP	Review of the Financial Sector Assessment Program, September 2014		x	
FSSR	Financial-Sector-Stability-Reviews—Integrated Guidelines 2019 (Internal)		x	
Financial inclusion	*See Guidance Note on Macroprudential policy*			
Fintech	The Bali Fintech Agenda, October 2018		x	
	Memo: The Bali Fintech Agenda mentions SDS			
	Review of Fintech—The-Experience-So-Far, June 2019			

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