

# FOREWORD

The IMF's engagement with its 34 Small Developing States (SDS) members is particularly challenging. These countries represent 18 percent of the Fund's membership and face distinctive economic vulnerabilities, not least related to natural disasters and climate change, while having very limited institutional capacity. The Fund can play a crucial role as a unique source of authoritative advice on macroeconomic management and valuable external financing, but doing so effectively requires recognizing these countries' special needs.

The evaluation finds that the IMF deserves considerable credit for having substantially stepped up its engagement with SDS members over the last decade. This improvement reflects several factors, including the considerable efforts made to develop specific staff guidance for Fund work on SDS, the increased attention paid to climate change and other macro-critical issues for these members, and the rise of capacity development work, underpinned by the strong role played by regional centers.

Nevertheless, the evaluation identifies a number of serious concerns that have adversely affected the Fund's overall value added and traction. Difficulties in staffing SDS country teams have contributed to high rates of staff turnover, affecting the depth of country knowledge and the continuity of relationships. The overall IMF financing architecture has not been especially well suited to the particular needs of SDS and their use of Fund resources has been substantially less than that by other emerging market and developing economies. In the area of capacity development, traction and impact have been hampered by institutional constraints in many SDS.

Based on these findings, the report proposes four broad recommendations and a number of specific suggestions. The four recommendations include a targeted recalibration of the overall approach to the Fund's activities in SDS, operational steps to increase the traction of surveillance and capacity development work, proposals to make better use of the Fund's lending framework to address SDS needs, and further human resource and budgetary commitments to support SDS engagement.

I am pleased that Executive Directors broadly supported the IEO's findings and recommendations and look forward to a strong implementation plan aimed at further strengthening the Fund's engagement with its SDS members.

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