

No. 22/01

May 17, 2022
Washington, D.C., USA

FOR IMMEDIATE RELEASE

IEO Releases Evaluation of IMF Engagement with Small Developing States

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) released today its new evaluation of IMF Engagement with Small Developing States (SDS), which was discussed by the Executive Board on May 6. This evaluation assesses how effectively the IMF has supported its 34 SDS members, given their distinctive vulnerabilities and needs, focusing on the period 2010–2020.

The evaluation finds that the IMF deserves considerable credit for having substantially stepped up its engagement with SDS. This improvement reflects a number of factors, such as: the considerable efforts made to develop specific staff guidance for Fund work on SDS; the increased attention paid to climate change issues; the rising resources on capacity development (CD) work; and the strong role of regional centers.

That said, the Fund's engagement with SDS has faced a number of serious challenges that have adversely affected its value added and traction. Key concerns include: difficulties in staffing SDS assignments that have contributed to high rates of turnover; questions about whether the IMF lending architecture is well suited for SDS needs and capacities; and issues about limited institutional capacity in SDS to implement Fund advice and continuing political economy concerns about Fund conditionality.

Drawing on these findings, the evaluation offers four broad recommendations together with a number of specific suggestions. The four broad recommendations are:

- *The Fund should pursue a targeted recalibration of its overall approach for engagement with SDS to strengthen the value added and impact of its work.*
- *Steps should be taken at the operational level to enhance the focus and traction of the IMF work on SDS in the areas of surveillance and CD.*
- *The IMF should consider how to use its lending framework in ways that better address the needs and vulnerabilities of SDS.*
- *The IMF should adopt further HR management and budgetary commitments to increase continuity and impact of staff's engagement with SDS.*