



INTRODUCTION

This evaluation assesses the IMF's engagement with countries in fragile and conflict-affected situations (hereafter referred to as fragile states or FCS). The role of the IMF in fragile states has been the subject of considerable debate. It is generally recognized that, with its crisis response and prevention mandate, the IMF has a key role to play in international efforts to help these countries, but critics say that it does not sufficiently appreciate the deep-rooted nature of the difficulties such states face or provide financial and technical resources commensurate with their challenges. While many of the issues that demand attention in these countries are outside the IMF's core competence, and the Fund often has to operate in an environment where key decisions including by the international community are made at the political level, there have been recurrent calls for the IMF to increase and enhance its engagement. The evaluation explores these and other relevant issues by reviewing the IMF's overall approaches and how the institution has engaged with a sample of current and former fragile states.¹

State fragility is one of the most urgent global issues of the day and will likely remain so for some time. According to the World Bank, two billion people live in countries affected by fragility, conflict, or violence, and, if the Bank's assumptions hold, the share of the extreme poor living in such countries is expected to rise from 17 percent of the global total currently to almost 50 percent by 2030.² Concerns have been heightened as the rising global incidence of conflict has led to surges of refugees into neighboring countries and as enduring zones of fragility in various parts of the world have become seedbeds of global terrorism. While the need for global support is thus great, weak capacity in most of these countries, compounded by the political instability and security concerns that often accompany fragility, means that the task is daunting.

To be sure, there is no universal definition of state fragility, and there is no fixed list of fragile states. For practical purposes, this evaluation follows the internal approach adopted by the IMF's Strategy, Policy, and Review Department (SPR) to identify FCS, which labels around 20 percent of the IMF's member countries, and about 45 percent of its low-income members, as fragile. But the issues addressed are by no means specific to a particular group of countries. Some countries not on the list may share elements of fragility, and countries on the list in any given year may exit out of fragility while others not on the list may slip into fragility. Irrespective of how the list is compiled, aspects of fragility in a substantial subset of its member countries have posed special challenges to the IMF.

More than a decade has elapsed since the international community launched concerted efforts to improve its engagement with FCS. In April 2007, the ministers and heads of agencies participating in the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) endorsed the "Principles for Good

¹ The evaluation follows similar recent efforts by the evaluation units of other multilateral institutions to assess the effectiveness of their engagement with fragile states (e.g., OPEV, 2012; IEG, 2013, 2016).

² <http://www.worldbank.org/en/topic/fragilityconflictviolence/overview>.

International Engagement in Fragile States and Situations.”³ In November 2011, members of the International Dialogue on Peacebuilding and Statebuilding,⁴ recognizing that “the current ways of working in fragile states need serious improvement,” developed a “New Deal for Engagement in Fragile States.”⁵ In September 2015, the United Nations General Assembly adopted a resolution on the post-2015 development agenda highlighting the special needs of conflict, post-conflict, and the most vulnerable countries and pledging the international community’s support in helping them achieve the Sustainable Development Goals (SDGs).⁶

The IMF itself has repeatedly recognized the special challenges faced by its fragile state members. In October 2007, the Managing Director joined the heads of multilateral development banks in recognizing fragility as “one of the highest priorities of the development community” and agreeing to “deepen [their] efforts” to make their engagement with fragile states more effective, including by adopting “a shared approach to identifying fragility” and, to the extent possible, programming “resources through joint assistance strategies.”⁷ Since 2008, the IMF staff has conducted three reviews of its work on fragile states, with the 2011 review leading to the issuance in the following year of a Staff Guidance Note (SGN) on the IMF’s engagement with fragile states. In 2015, discussing its support for achieving the SDGs, the IMF called it “imperative” that fragile states be “not left behind in the development process” (IMF, 2015f) and declared its commitment to devote “more attention and resources” to FCS work and to enhance the effectiveness of its capacity building work in developing countries (IMF, 2015b).

This evaluation can therefore be considered an assessment of how well the IMF’s work on fragile states has lived up to the Fund’s own commitments. It addresses two aspects of the IMF’s

work: (i) IMF engagement with FCS through three principal activities: surveillance, lending, and capacity development, and (ii) the frameworks and procedures for engagement, both internal to the institution and vis-à-vis cooperation with external stakeholders. The evaluation attempts to establish what has worked well and what has not worked as well, and offers recommendations for addressing identified weaknesses through improving the IMF’s policy and operational work. It recognizes that outcomes of any IMF intervention in fragile states depend on a range of political, military, and security decisions including by international actors that lie well outside its control.

The rest of this report is organized as follows. Chapter 2 poses the evaluation questions and explains the approach followed to answer them. Chapter 3, after discussing the key features of FCS, presents an overview of the IMF’s FCS work, focusing on its engagement through lending and technical assistance. Chapter 4 assesses the effectiveness of the IMF’s various forms of engagement with FCS by considering whether the IMF’s array of lending and non-lending instruments has been adequate to respond to their needs; how effective IMF capacity development work has been in these countries; and whether the IMF’s involvement has been sufficiently tailored to country-specific circumstances. Chapter 5 deals with the frameworks and procedures of IMF involvement with FCS by assessing how well the IMF has collaborated with development partners, how it has managed its human resources for its FCS work, and how it has handled security issues in high-risk locations. Chapter 6 summarizes the major findings from the evaluation and offers recommendations. Detailed information is provided in background papers presenting 16 case studies, an analysis of human-resource and capacity-development issues in the IMF’s FCS work, a statistical analysis of FCS macroeconomic outcomes, and the results of a staff survey.

³ <https://www.oecd.org/dac/conflict-fragility-resilience/docs/38368714.pdf>. The OECD principles highlighted, among other things, the need for “sound political analysis” to “adapt international responses to country and regional context” as well as to “agree on practical coordination mechanisms between international actors.”

⁴ The International Dialogue on Peacebuilding and Statebuilding was officially created in 2008 to develop a set of peacebuilding and state-building objectives and an action plan for effective engagement in fragile states. It involves a group of fragile states (the so-called g7+ group), a group of donor countries and multilateral institutions (the International Network on Conflict and Fragility), and a group of civil society organizations (the Civil Society Platform for Peacebuilding and Statebuilding).

⁵ <https://www.pbsbdialogue.org/en/new-deal/new-deal-principles/>. While the IMF is a member of the International Network on Conflict and Fragility, a constituent group within the International Dialogue, it has not formally subscribed to the New Deal Principles.

⁶ http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E. The SDGs were adopted in September 2015 under the auspices of the United Nations to serve as guiding posts for development until 2030.

⁷ <http://www.iadb.org/en/news/news-releases/2007-10-20/development-banks-commit-to-closer-collaboration-working-in-fragile-situations,4092.html>. The subsequent years saw several multilateral development banks adopt institutional strategies or facilities specially designed for fragile states (e.g., AfDF, 2008; ADB, 2007, 2012; IDA, 2007).