Accelerating the Transition out of Fragility: The Role of Finance and PFM Reforms

Sanjeev Gupta
Deputy Director
Fiscal Affairs Department, IMF
London
General Issues

- Definition of fragile states
  - No consensus
  - For example, the IMF has no definition
    - Engagement determined by underlying characteristics of countries
  - However, we will side step this issue
  - Macroeconomic challenges in absorbing and spending aid will also not be discussed
IMF’s Involvement

- Assign a high priority to fragile states
- IMF facilities
- TA in macro critical areas
  - Fiscal TA in the last five years to EPCA (Emergency Post Conflict Assistance) countries
    - 250 missions from headquarters and regional technical assistance centers (one-third on PFM) If LICUS definition of the World Bank is used, the above numbers almost double
Previous Lessons

- Lessons that emerged from our review of rebuilding fiscal institutions in post-conflict countries in 2005
  - Having a realistic overall strategy
  - Starting with simple policies and procedures
  - Ensuring consistency between short and long-term strategy
  - Promoting strong country ownership
Previous lessons

- Developing local capacity—the role of long-term experts; and
- Enhancing donor collaboration

- Steve’s paper suggests that these lessons are still valid
  - Big Question: Why is behavior not changing and why the change not happening
Issues for the Conference

- Questions for country authorities, donors and IFIs
  - What do they need to do more of
  - What do they need to do less of
  - Is there anything missing that is not being done at present
  - Is there something missing in our understanding
Objectives and Process

- Draw on participants expertise to formulate guiding principles and lessons
- Contribution of everyone is essential, particularly in the final session
- Consensus on the principles will be reflected in conference report/IMF Survey piece immediately after the conference/IMF PFM blog
- Take stock after six months and report to participants
Thank You!