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GRAY/21/1169

May 5, 2021

**Statement by Mr. Trabinski and Mr. Gindrat on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy
(Preliminary)
Executive Board Meeting
May 7, 2021**

The Post Program Monitoring (PPM) policy is a key safeguard in the Fund’s financial risk management. By focusing on the assessment of qualifying members’ capacity to repay, it helps preserve the institution’s financial soundness. In light of significant economic uncertainty and downside risks as well as high and rising debt levels, all of the safeguards to the Fund’s finances should be strengthened – or at least not be watered down. The case for maintaining appropriate lending safeguards also rests on higher access triggering higher risks. In this context, we reiterate our call to raise the minimum floor for precautionary balances.

The Board discussion on the PPM is very timely, also given the apparent lack of implementation of the policy. The pandemic has strained staff’s capacities to deliver the envisaged regular analyses even further. We are, however, particularly concerned that the criteria for PPM country coverage leave room for discretion in cases that are problematic from a risk perspective. While some flexibility may be warranted in proposing the initiation of a PPM, it is not clear for how long the expression of interest for a successor program should be a sufficient motive to restrain the implementation of the PPM policy, especially when the risks to the Fund are higher. *Staff comments, as well as more information on the likelihood of quickly reaching program agreements with the countries mentioned in the paper, would be welcome.*

We agree to the temporary modification of the implementation modalities for the PPM policy for the interim period until end-2022, while maintaining the relevant qualification criteria and thresholds as well as its broad coverage. Suspending the policy would not be warranted, especially after the bulk of members were granted (in some cases

nominally large) emergency financing with few conditions attached. In fact, pandemic-related emergency financing requests included only cursory assessments of the capacity to repay the Fund. We call on staff to deepen these analyses, drawing on past PPM reports, for recipients of Fund financing in general. We look forward to the forthcoming combined Article IV and PPM reports comprising the content specified by staff, namely a strong focus on capacity to repay and alternative policy choices.

We call on staff to ensure that all countries with combined Article IV and PPM reports are presented to the Board in a timely way. A timely conduct of the Article IV consultation cycles appears essential to preserve the objectives of the PPM policy under the proposed temporary modification of its implementation modalities. Given the gradual resumption of Article IV consultations and in light of staff's capacity constraints, we are concerned about potential delays in the combined reviews of Article IV and PPM reports. We would appreciate if staff could prioritize joint reviews so that they are presented to the Board without unnecessary delays. Moreover, we urge staff to make sure that the LOT procedure is not used for such joint reviews.

Last but not least, renaming the policy into Post Financing Assessment (PFA) better reflects its coverage and risk mitigation intent.