



**Executive Board Minutes 21/44-1**

May 7, 2021–10:00 a.m.

**Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy**

Documents: SM/21/58; and Sup. 1, and Sup. 2

Staff: Unteroberdoerster, FIN; Chabert and Velculescu, SPR

Length: 1 hour, 10 minutes

ISSUED: September 22, 2022

APPROVAL: September 29, 2022

CEDA OGADA  
Secretary

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<sup>1</sup> Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Transparency Policy and Open Archives Policy.

## THE ACTING CHAIR'S SUMMING UP

Executive Directors welcomed the opportunity to discuss the proposals for temporarily modifying the modalities for Post Program Monitoring (PPM) in response to the challenges posed by the pandemic. They emphasized that the increase in Fund lending, including due to emergency assistance, and the corresponding higher risks to the Fund underscore the importance of maintaining appropriate safeguards to the Fund's balance sheet, of which PPM policy is a central element. Directors broadly acknowledged, however, that in the current circumstances, it remains difficult to undertake frequent engagements with the authorities of member countries under PPM due to ongoing constraints in both the Fund and the countries concerned.

Directors generally agreed that temporarily streamlining the implementation modalities of the PPM framework is warranted to address the abovementioned constraints. They stressed, however, that the objective of PPM to safeguard Fund resources and members' capacity to repay should be maintained. Thus, Directors reaffirmed that the existing PPM application criteria with respect to the absolute and quota-based thresholds, as well as the broad coverage under PPM of all financing instruments, remain appropriate.

Directors generally supported the proposal to temporarily suspend annual standalone PPM reports and to conduct PPM discussions at the time of the Article IV consultation, with the Article IV Consultation staff report also to include all the elements of the PPM discussion under the title of the Article IV report. A few Directors would prefer that these joint reports not be considered by the Board on a lapse of time basis. Given the temporary streamlined modalities, Directors emphasized the need to undertake timely Article IV consultations to preserve the objectives of the PPM policy, and for staff to maintain close communication with members under PPM during the period between Article IV consultations. They requested that the Board be informed in a timely manner should concerns with the capacity to repay of a country under PPM arise in between reports or should there be slippages in the timetable of Article IV consultations with these members. Directors also requested that the Board be updated in a timely manner on developments in countries where a successor program is under consideration. They agreed that the streamlined modalities will apply to all existing and future members subject to PPM until end-2022, after which the standard modalities would resume, including the stand-alone PPM report.

Going forward, and separate from the temporary change in PPM modalities, Directors agreed to rename the policy, from Post Program Monitoring to Post Financing Assessment (PFA), to reflect more appropriately that it not only covers outstanding credit resulting from Fund-supported programs but also credit from outright purchases in the GRA or PRGT disbursements.

## EXECUTIVE BOARD DECISION

The Executive Board took the following decision:

### **Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy**

Decision No. 13454-(05/26), adopted March 14, 2005, as amended, is further amended to read as follows:

1. If outstanding credit to a member exceeds any of the thresholds specified below:
  - a. 200 percent of quota for credit from the Fund’s General Resources Account (GRA), or from the Fund as Trustee of the Poverty Reduction and Growth Trust (PRGT), or a combination thereof; or
  - b. an amount equivalent to SDR 1.5 billion for credit from the Fund’s GRA; or
  - c. an amount equivalent to SDR 0.38 billion from the PRGT,

and the member does not have a program supported by a Fund arrangement or is not implementing a staff monitored program with reports issued to the Executive Board, or the member does not have a program supported by a Policy Support Instrument (“PSI”), or Policy Coordination Instrument (“PCI”), the member will be expected to engage in Post Financing Assessment (PFA) discussions with the Fund involving the monitoring of its economic developments and policies upon the recommendation of the Managing Director. Where the above criteria are met, the Managing Director shall recommend PFA to the Executive Board, unless, in the view of the Managing Director, the member’s circumstances (in particular, the strength of the member’s policies, its external position, or the fact that a successor arrangement, PCI, PSI or a staff monitored program is expected to be in place within the next six months) are such that the process is unwarranted. PFA will normally cease when the member’s outstanding credit falls below all of the applicable thresholds above.

2. The Managing Director may also propose PFA to the Executive Board in cases where outstanding credit as defined above is below the above-specified thresholds if, in the view of the Managing Director, there are developments that suggest the need for closer monitoring of the member’s capacity to repay, and particularly, where developments call into question the member’s progress toward external viability.

3. For members subject to PFA, there will normally be one standalone PFA paper issued for Executive Board consideration in a twelve-month period. The member will be expected to engage in discussions with staff on its policies, which shall include a quantified macroeconomic framework. The staff will report to the Executive Board on the member’s policies, the consistency of the macroeconomic framework with the objective of medium-

term viability, and the implications for the member's capacity to repay the Fund. PFA papers should also examine the risks to the member's capacity to repay the Fund.

4. The Executive Board's consideration of a PFA paper will be reflected in a press release. The publication of the press release will follow the normal press release procedure, including the requirement of the member's consent.

5. For the period from [the date of the adoption of this decision] through December 31, 2022, the modalities set out in paragraphs 1-4 above for PFA shall be modified as follows: PFA discussions will be combined with the Article IV consultations with such members, and reported in the Article IV Consultation staff report issued to the Board normally once in any twelve-month period, with the Article IV press release also covering PFA considerations.

6. All References in other Fund decisions to "Post Program Monitoring" are revised to read "Post Financing Assessment." (SM/21/58, 04/23/21)

Decision No. 17037-(21/44), adopted  
May 7, 2021

### **Post Financing Assessment—Proposed Decision on Countries**

Bangladesh, Mongolia, Nigeria, and South Africa are expected to engage in Post Financing Assessment with the Fund in accordance with Decision No. 13454-(05/26), as last amended by Decision No. 17037 (SM/21/58, Sup. 1, 04/23/21)

Decision No. 17038-(21/44), adopted  
May 7, 2021

**EXECUTIVE BOARD ATTENDANCE<sup>2</sup>**

G. Okamoto, Acting Chair

**Executive Directors**

A. Andrianarivelo (AF)

C. Huh (AP)

A. Bevilaqua (BR)

L. Levonian (CO)

D. Palotai (EC)

R. von Kleist (GR)

T. Tanaka (JA)

P. Hilbers (NE)

M. Poso (NO)

A. Mahasandana (ST)

P. Trabinski (SZ)

S. Riach (UK)

**Alternate Executive Directors**

O. Odonye (AE)

J. Corvalan (AG), Temporary

Z. Zhang (CC)

J. Romero (CE)

P. Rozan (FF)

N. Thiruvankadam (IN), Temporary

M. Massourakis (IT)

M. El Qorchi (MD)

A. Alhosani (MI)

L. Palei (RU)

F. Rawah (SA), Temporary

S. Senich (US), Temporary

H. Al-Atrash, Acting Secretary  
 R. Dall'Orto, Summing Up Officer  
 L. Briamonte, Board Operations Officer  
 M. McKenzie, Verbatim Reporting Officer

**Also Present**

African Department: A. Coronel Andrade, M. Kamel Farid Mohamed Farid, C. Mills, J. Rahman. Asia and Pacific Department: O. Brekk, A. Gulde, R. Moussa. Communications Department: N. Ismail. European Central Bank: D. Rakitzis, R. Rueffer. Fiscal Affairs

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<sup>2</sup> For countries in each constituency, please see the Constituency Codes in the annex.

Department: A. Senhadji. Finance Department: M. Kida, T. Krueger, C. Mumssen, Z. Murgasova, O. Unteroberdoerster. Independent Evaluation Office: C. Collyns. Legal Department: M. Henriquez, K. Kwak, G. Rosenberg, B. Steinki, N. Stetsenko, R. Weeks-Brown. Middle East and Central Asia Department: A. Arvanitis, N. Gigineishvili, E. Mottu, N. Porter. Office of Internal Audit and Inspection: B. Fosu. Strategy, Policy, and Review Department: J. Andritzky, G. Chabert, B. Joshi, C. Koh, N. Meads, A. Paret Onorato, C. Pazarbasioglu Dutz, J. Schauer, D. Velculescu. Executive Directors: S. Bhalla (IN), H. Hosseini (MD), I. Mannathoko (AE), M. Mahmoud (MI), P. Moreno (CE), M. Mouminah (SA), A. Mozhin (RU), E. Shortino (US). Alternate Executive Directors: B. Alhomaly (SA), H. Azal (EC), F. Fuentes (BR), S. Geadah (MI), A. Grant (AP), L. Herrera (AG), Y. Indraratna (IN), C. Just (EC), F. Mochtar (ST), W. Nakunyada (AE), R. N'Sonde (AF), F. O'Brolchain (CO), D. Ronicle (UK), B. Saraiva (BR), J. Sigurgeirsson (NO), F. Sylla (AF), C. White (AP). Senior Advisors to Executive Directors: W. Abdelati (MI), H. Andrianometiana (AF), X. Bai (CC), E. Cartagena (CE), M. Choueiri (MI), J. Damgaard (NO), A. Ekelund (NO), I. Fragin (GR), M. Gilliot (FF), R. Goyal (IN), M. Ismail (AE), R. Mahabir (BR), S. Naka (JA), Son T. Nghiem (ST), T. Nguema-Affane (AF), C. Sassanpour (MD), M. Sidi Bouna (AF), L. Smith (CO), F. Spadafora (IT), R. Velloso (BR), J. Weil (CO), B. Yoo (AP), M. Zhunusbekova (SZ). Advisors to Executive Directors: A. Abdullahi (AE), F. Al-Kohlany (MI), P. Al-Riffai (MI), C. Becker (AP), A. Biriukv (RU), B. Boostani (MD), T. Cham (AE), T. Chrimes (UK), D. Cools (NE), K. Dacharux (ST), R. Edwards (CO), D. Fadhel (MI), K. Florestal (BR), A. Korinthios (IT), A. Maciá (BR), M. Merhi (MI), R. Moral Betere (CE), K. Nelson (UK), T. Persico (IT), B. Piasecki (SZ), B. Rankin (CO), M. Shimada (JA), B. Singh (IN), I. Valdes Fernandez (NO), A. Zaborovskiy (EC), R. Gindrat (SZ), F. Lopez (CE).

**DISCUSSION RECORD<sup>3</sup>**

*The Acting Chair (Mr. Okamoto):*

We are kicking off this morning with a meeting on Post Program Monitoring (PPM) during the pandemic and a proposal for streamlining the procedures, as well as a renaming of the policy. Just to note for the record, we have had gray statements issued by all Directors, and the European Central Bank representative is in attendance at this meeting.

Just to kind of set the table for this morning, PPM or Post Program Monitoring is a key safeguard for Fund resources, which provides a framework for engagement with our members with substantial outstanding credit to the Fund and no program relationship otherwise. We meet today to discuss two papers and proposals that aim to balance the need to safeguard Fund resources, in line with the objectives of the policy, which, as we know, are more important today, given the increased risks to the Fund's balance sheet, following the pandemic, against the resource constraints that both member countries and staff continue to face.

The first paper is going to propose maintaining the existing PPM application criteria, streamline PPM procedures temporarily until the end of 2022, and rename the policy to Post Financing Assessment (PFA), what will come to be familiar as PFA. The second paper proposes to initiate PFA for four additional countries that have breached the relevant thresholds and are not in a program relationship nor in negotiations for a new program. I would like to remind us all that we do not intend to publish the second paper.

I note that gray statements broadly support these proposals, and they emphasize the need for all members exceeding the PPM/PFA thresholds to undertake timely engagement with staff and the Board, including by resuming Article IV consultations, including conducting staff visits and engaging with the Board through informal briefings, as needed. Since the staff has provided written responses to Directors' questions in writing, we will go straight to all their views for discussion, and the staff will come back at the end.

*Mr. von Kleist:*

We acknowledge and support the case for modifying the PPM framework temporarily during this extraordinary period and can support staff

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<sup>3</sup> Edited for clarity.

proposals. Allowing PPM discussions to be temporarily conducted at the time of the Article IV consultations appears to be a reasonable compromise. We also broadly agree that PPM thresholds remain adequately calibrated and, accordingly, that a modification would not be justified.

That being said, the proposed duration of the temporary modification of the PPM framework appears rather long, as it clearly exceeds the duration of other temporary measures taken in the context of the COVID-19-related crisis. Moreover, we caution that the modified approach critically hinges on Article IV consultations for PPM countries being completed at least broadly on time. We, therefore, underline the importance of avoiding delays in bilateral surveillance.

PPM, as Chair stressed in his opening remarks, is and remains an important safeguard for the Fund. As for cases where the authorities have expressed an interest in follow-up programs, we expect timely updates to the Board in case of protracted program negotiations.

Lastly, on the question of renaming the policy, we can go along with the proposal to change the name to Post Financing Assessment. However, the term “Post Financing Monitoring” might be even more appropriate, since it would emphasize that this is a process, rather than a one-off assessment.

*Ms. Riach:*

We issued a joint gray statement, in which we recognized that the emergency crisis response to the pandemic means that we are in an extraordinary time and that it is right that, in these extraordinary times, we should look at the PPM framework to consider whether some additional flexibility is needed on a temporary basis. Nevertheless, we also said in the gray statement that we do see it as a key safeguard and that it is, in fact, a safeguard that is particularly important at a time when the Fund has taken on significant new credit risk. I think the Chair put it well, in his introductory remarks, when he talked about the need for balance here.

With that in mind, in our gray statement, we broadly supported the staff proposals with a few caveats.

First, reflecting the points that Mr. von Kleist has just made, about the importance of Article IVs, it becomes even more important that those Article IVs are undertaken in a timely way; and for countries where we are looking at new programs, again, the Board needs to be kept updated on how those

discussions are going. Particularly I think at a time when we know that negotiating new programs is going to be more difficult than it ever has been, when it is not possible, in many cases, for the staff to travel and when there is such huge uncertainty, it seems very likely that many of these programs will be delayed beyond an envisaged time scale.

Turning to the responses that the staff gave us to the questions in our gray statement.

For the eight countries for whom no new program is envisaged, we found the staff responses to be helpful and to be reassuring there, given that they set out that, for all eight of these countries, an Article IV is envisaged either by the end of this year or early in 2022. That seems, to us, like a good timetable, but we would emphasize that if there is any slippage in those timelines, we would expect the Board to be kept fully up to date on that.

For the 10 countries for whom a new program is envisaged, we, frankly, found the staff answers a bit less satisfactory here. And if there is any more detail that the staff could give us on the planned timelines for those 10 countries, we would really appreciate it.

As we said in our gray statement, we do expect the staff to ensure that there is some form of assessment undertaken and reported to the Board within a timely period. And we would set 12 months as being that timely period. So we would expect, within 12 months of the end of the program or the Rapid Credit Facility/Rapid Financing Instrument (RCF/RFI) disbursement, for there should either to be an Article IV, a new program, or some sort of an assessment made informally by the staff and reported to the Board. I have no problem with that being done through the country matters and the regional briefings. I think that would be a good way of doing it. But these are quite new tools, so I should be very clear that we would expect a comprehensive update in whatever form that comes. And I would like it recorded that our agreement to the staff proposals is absolutely conditional on that being undertaken. That is basically everything I wanted to say in terms of the reports.

There are a couple of additional points I wanted to pick up. One is, I noted in the gray statements of Mr. Bevilaqua, Mr. Palotai, and Ms. Shortino references to the role of the Office of Risk Management (ORM). It would have been good to see a clearer and forward-leaning role from the ORM, but I do feel that we are at a point now where, —hopefully, the ORM is going to operate in a somewhat different way. I had my introductory call with the new

head of ORM this week, and I am really optimistic about the plans she has in place. To be absolutely clear, that in the future, we would expect the ORM to be producing information that would inform these discussions in a much clearer way than has been the case this time.

Finally, I just wanted to say a point on the press notice. We were slightly concerned by the wording in the press notice around these changes being made because of resource constraints on the Fund. It seemed somewhat too explicit on that point for us. Obviously, resources are a part of the picture, but it is a much more complex picture than that. And I am not sure that we would want to be publicly messaging that the Fund is not delivering for its members because it does not have the resources to do so, so I think we can nuance that language a little bit.

*The Acting Chair (Mr. Okamoto):*

Point noted on the press release. We will take that under advisement.

On ORM, I did note that in several of the gray statements. And I can assure Ms. Riach that she is going to have a great call with Ms. Boulwood. She has really been hitting the ground running. I have been meeting with her quite routinely since she started. She has a lot of ideas on how to better fold ORM into the process for looking at policy changes, like the one that we are discussing this morning, so that is definitely on the horizon.

*Ms. Levonian:*

I would just say right at the start that I could not agree more with what Ms. Riach just said on all the points, including the press release point, which I will just elaborate on a tiny bit at the end, and hopefully just add a little bit of nuance to what Ms. Riach just said. But I agree 100 percent with her.

We issued a joint gray statement, along with Ms. Riach and Mr. Pösö, in which we recognized the need to be pragmatic on this issue but also flagged concerns which have been articulated. Our main two concerns were the ones that have been mentioned, on ensuring that the Article IV consultation process proceeds on schedule, and the reports were largely silent on that.

Second, for the countries in group three, the report did not discuss the status of program discussions to help the Board satisfy itself, but this is an appropriate use of management's discretion. So, as has been said, and like Mr. Hilbers in his gray statement, we requested a bit more information on

that; but again, like Ms. Riach, the response to the questions was somewhat helpful but not quite--did not go all the way for us in helping to dispel our concerns. We would just repeat our request for additional information on the status of program negotiations for the countries in group three, including a sense of which programs may take longer to conclude. I think absent this information, we risk not making a fully informed decision on these important matters.

On the press release, I thought the changes that we made were more around supporting the membership, as opposed to resource constraints. I would not want to say it in a public forum that the core to the mandate of the Fund is being constrained by resources. I really strongly support Ms. Riach's point there.

And I hate to say it, too, but I kind of concur with Mr. von Kleist on the name. But I am fine with the new name as well.

*The Acting Chair (Mr. Okamoto):*

On timeline and countries, particularly for group three, the staff can provide a more nuanced view. I went over this with the team yesterday. It is hard to predict. I am in full agreement with kind of where many of the gray statements landed, which is slippage in that timeline does basically create issues for a key safeguard on the Fund's resources. So not letting that slip too far into the future is necessary.

I think there is the central tendency--I will put it in a way that maybe is a little more precise.

We expect most of the countries in group three to have programs in place, hopefully by the end of the year. Right? So that would allow for a timeline. If there is a material change over the next six to nine months on program prospects, either because of political developments in the country or rapid economic improvements, where they would not need Fund resources, then I would certainly be personally inclined to invoke PFA so that we can make sure that that safeguard is maintained. There is, as Ms. Levonian acknowledged, some discretion from management in that respect, but that gives us my perspective on how to treat the discretion that we do have. Hopefully, that adds a little bit of color to things.

*Ms. Senich:*

We issued a gray statement, broadly in support of the proposal, so I will just touch on three points.

First, we view PFA, or PFM, as a few Directors have proposed and we are fine with either name, as a very important part of the system to safeguard the Fund's resources, as the Chair, and other Directors have stated. We note that the pandemic has made regular production of PPMs difficult. We can, therefore, support the streamlining of these monitoring discussions, but we would strongly emphasize that the modalities should return to prepandemic modalities no later than end-2022, as proposed.

Second, we note that the Greece Article IV was being possibly considered as coming to the Board on a lapse of time (LOT) basis. We would like the staff to comment on whether the Article IV would include a discussion of the PFA or whether we would not expect to see a PFA discussion until the follow year. As we noted in our gray statement, we would not be comfortable with lapse of time Board consideration of countries above the PFA threshold under the streamlined modalities--I should clarify, which we did not clarify in our gray statement, but I will clarify here—that I am referring specifically to these streamlined modalities. In the staff's response to questions, they cited the 2016 summing up discussion of the lapse of time consideration, but I would just add that I do not know that it was envisioned that the streamlined modalities would be present in a Post Program Monitoring situation, where we would approve it on a lapse of time.

Finally, we appreciate the staff's answers to the questions on the ORM's role, and we would welcome hearing ORM's response to the bilateral consultation on the impact of these proposals.

*Mr. Tanaka:*

As we issued a gray statement, we will be very brief.

Like others, we believe that PPM is an important safeguard for the Fund's resources, especially in the current circumstances, with elevated credit risks. On the other hand, we fully understand the necessity of flexibility to address the resource constraints, both in the Fund and authorities. Therefore, we support the proposal to temporarily streamline the modalities of PPM and to rename the policy as PFA.

At the same time, we would emphasize the importance of maintaining the effectiveness of PFA through close communication with authorities. In this context, as Mr. von Kleist and others mentioned in their gray statements and remarks, it is critical to have combined Article IV and PFA in a timely manner, given the current situation where the Article IV cycle is being extended due to the pandemic. Furthermore, as Ms. Shortino and others also mentioned, an interim update for the Board is essential if concerns arise around the country's capacity to repay.

*Mr. Palotai:*

While we supported the renaming of the policy, we expressed a contrarian view regarding the staff's proposal to alter its implementation. There are three reasons for that.

First, the economic fallout from the pandemic justifies more, and not less, engagement with the membership. This is especially true for the countries that had significant vulnerabilities before the COVID-19 shock. The main reasons why we need PPM are very well explained in the 2016 paper, and we are of the view that the pandemic has made them even more compelling.

Second, risk management considerations. As it was concluded during the 2016 discussion--I am quoting--staff reports for combined Article IV PPM discussions tend to provide only very brief coverage of issues specific to the member's capacity to repay the Fund. We are concerned that this time may not be different. To avoid the risk of falling asleep at the wheel at times when debt levels are reaching historical highs and the medium-term viability of some members is strained, we urge the staff to maintain the highest quality of PFA assessments.

Third, the learning culture at the Fund. PFA is crucial for comprehensive stocktaking, both in cases of successes and failures. We encourage the staff to seize these learning opportunities, especially when Fund-supported programs have gone off track or have delivered mixed outcomes.

*The Acting Chair (Mr. Okamoto):*

We note the contrarian view, but it is one that I think helps inform a rich discussion here, which I think also dovetails with what Directors mentioned in terms of timeline. Because of the level of emergency finance

and how prevalent that was and how many safeguards are not in place for emergency finance, but this being one that does remain, it does underscore that we need to make sure that we are doubly certain that we are covering this adequately in the streamlined format.

*Mr. Bevilaqua:*

We issued a gray statement, in which we support the name change from Post Program Monitoring (PPM) to Post Financing Assessment (PFA), as the exercise also covers situations where there is no program involved. We took note of suggestions for the PPM to be named “Post Financing Monitoring.” However, while our expectation would, indeed, be that of a continuous monitoring in relevant countries, the periodic exercise that would be carried out looks more like an assessment to us, perhaps based on data gathered through close monitoring. Hence, we would be happy to go either way, with PFA or PFM.

We are also willing to go along with temporarily integrating the PPM/PFA into Article IV consultations but expect that staff would continue to closely monitor developments in countries and that the Board will be properly informed of risks associated with a member’s capacity to repay, particularly for members with substantial credit outstanding from the Fund.

Like other Directors, we underscore the importance of timely Article IVs and consider that, within the existing resource constraints, priority should be given to those combined Article IV/PFA reports.

As stated in our Gray, we firmly believe that, while the Fund must thrive to serve its membership during a period of crisis, it should continue to ensure that all safeguards are in place to preserve its role on an enduring basis. In this regard, we would request that management informs the Board early on about any potential difficulty to return to regular standalone PFAs in 2023, including on resource constraints that may need to be addressed.

We believe existing thresholds to trigger PPMs/PFAs remain adequate at this juncture. We note, however, suggestions of a combined threshold for countries tapping at the same time in the General Resources Account (GRA) and Poverty Reduction and Growth Trust (PRGT) and would be interested in staff’ views on its implications on the number of countries that would be subject to the exercise.

As Ms. Shortino and others, we also expect that combined Article IV and PFA reports would not be reviewed on a lapse of time basis.

Finally, we support Ms. Mannathoko's call to ensure the appropriate treatment of sensitive information, notwithstanding the temporary merging of PFAs with Article IV reports, and Ms. Riach and other colleagues' remarks on the need for a much more nuanced press release.

*Mr. Rozan:*

We thank staff for the very good paper and proposal, which we think strikes an overall reasonable and acceptable balance. I thought that the response to the technical question that we got was very useful in addressing the point that we raised in the gray statement. As underlined in our gray statement, we would like to recall that PPM constitutes just one element of the Fund's multilayered framework for managing credit risk. And it is our understanding that the Managing Director always had the flexibility to initiate a PPM, whatever the circumstances or the level of outstanding credit may be.

We also support the renaming of the PPM to PFA. I think it should come with a clear communication to the market and observers. In that sense, I would tend to agree with Ms. Riach and others on the phrasing of the press release. Maybe, we could be a bit clearer on the reasoning.

Let me just add one general point. While we fully support the temporary combination of both Article IV consultations and PFA discussions, we emphasize the importance of continuous close engagement with the authorities, risk monitoring, and regular information of the Board on any issue that would materialize and jeopardize the Fund's resources or the member's capacity to repay. In particular, for groups two and three of countries, we encourage the staff to provide the Board with regular updated information on the situation of these countries and the scheduling of Article IV consultations and, as the case might be, their willingness to involve a plan to commit to a PFA until a consensus is reached between the authorities and staff on a program.

*Mr. Hilbers:*

We understand the need to adjust the application of PPM to the current pandemic, given the resource constraints on the side of both the staff and the authorities. In our statement, we, therefore, supported the proposed temporary changes to the implementation modalities of this policy. However, we believe

there is good reason to normally have biannual discussions for PPM countries. The proposed temporary changes to the implementation of the policy weakens the monitoring of risks by the Board in member countries with substantial outstanding credit. We would, therefore, expect that if new risks capacity to repay the Fund would arise in PPM countries, they be reported to the Board.

The proposed policy changes do not affect the flexibility of the Managing Director to not recommend PPM when this it is unwarranted, in particular, when the expectation exists that a program will be in place within six months. We notice that this practice can result in limited monitoring for extended periods of time for countries in which a program is expected but no agreement is reached. This seems undesirable from a risk management perspective, and it would be interesting to hear from the staff if they see options to prevent that the current policy leads to such long periods without Board discussions on members' policies.

Finally, on the name of the policy, the Fund already uses many acronyms. We believe we should be a bit cautious with changing names too often because this can be not only confusing to the outside world but also to ourselves. The staff mentioned the drawbacks in reference to programs in the term PPM and proposes to replace it with financing. The most straightforward thing to do would be to change the name of the policy from PPM to PFM, so I support Mr. von Kleist on this one; although, for us, leaving it as is would also have been fine.

*Mr. Pösö:*

I have issued a comprehensive gray statement with Ms. Levonian and Ms. Riach, so I will limit my remarks to two points.

First, we consider the PPM to remain a critical safeguard and see a need to closely monitor credit risks related to the Fund's largest exposures. At the same time, we recognize that human resources are stretched in member countries and in the Fund due to the pandemic response. Therefore, we can agree with the streamlined modalities for groups one and two on a temporary basis. However, we have serious concerns about the proposal not to initiate PPM for any of the 10 countries in group three. Experience shows that there can be a significant lag between expressing an interest in a successor program and the agreement on an actual program. Moreover, there can be cases where a successor program never materializes.

I appreciate Chair's remarks on the possibility of invoking a PPM in case of negotiation slippages, but I am not sure how his remarks could be taken into account in the proposed decisions to alleviate our concerns.

We know that a few of the exposures in group three are large, both in absolute and relative terms, and would call on the staff to ensure that the Board is updated on these exposures regularly. Like Ms. Levonian, I would also appreciate if the staff could elaborate on their written responses to the questions related to program status. Are only 3 of the 10 countries in group three in active program negotiations?

My second point is on the timeline. Like Mr. von Kleist, we would have preferred a shorter duration for the new streamlined modalities, for instance, until the end of this year. Depending on the developments, the new modalities could either be extended until end-2022 through an LOT procedure or the standard modalities could resume in January 2022.

Finally, I would like to share the concerns expressed by Ms. Riach and Ms. Levonian on the press release.

*Ms. Mahasandana:*

We have issued a gray statement, so I will be brief and will offer three comments.

First, we welcome the staff proposal to maintain the PPM threshold and temporarily streamline its procedures, as well as rename it to the PFA. We view that the proposals are sensible and provide sufficient flexibility. However, we underscore the importance of following the Fund's established risk acceptance framework to mitigate risks to its resources and reputation. In this regard, like Ms. Riach and other Directors, we support and expect an increased role for the ORM related to PPM.

Second, we welcome the staff's plan to continue the close engagement and monitoring of the relevant countries' risks and macroeconomic policies. We encourage them to update the Board in a timely, comprehensive manner if risks to repay the Fund arise.

Lastly, we support Ms. Riach, Ms. Levonian, and others, on adding more nuance on the reasoning in the press release.

*Mr. Odonye:*

We issued a gray statement and support the proposed decisions, so I would like to make the following comments.

One, we acknowledge that PPM remains an important part of the Fund's risk mitigation toolkit. While emergency financing has helped face the COVID-19 pandemic, it has substantially increased the outstanding lending, and raised the risk to Fund resources, we are comforted that the changes proposed by the staff seek to preserve members' capacity to repay the Fund, provide early warning on potential problems, help countries with policy advice to resolve the challenges, and keep the Board informed.

Second, on the duration for the PFA, we are willing to endorse the staff proposal on account of the pandemic and uncertain path. The pandemic continues to strain staff and authorities in meeting the effectiveness of the current assessment frameworks. Given the Board will not have a huge opportunity to review a comprehensive stand-alone report that may impact a member's ability to repay the Fund, we join Mr. Hilbers, Ms. Shortino, and others, in urging the staff to keep close contact with the authorities and alert the Board, if warranted. We caution against delay in the Article IV discussions for countries that are undergoing the PFA; and, if delayed, the Board should be alerted to any material developments that might affect the capacity to repay.

Third, and finally, we encourage the Managing Director to use her discretion to recommend the initiation of PFA to mitigate any potential risk if the upper-credit-tranche-quality program negotiations with group three countries become lengthy. We stress the need for clear Fund communication in the future to alert countries when assessing emergency financing at levels that could trigger PFA.

*Mr. Zhang:*

In addition to my written gray statement, I would like to focus on two points in my intervention.

First, we concur with the staff's proposal to renaming to Post Financing Assessment. We understand that a few members may have concerns over the broader program, and the renaming could more accurately reflect the new reality, as a few members have only received the funding but without any formal program. Also, we think "assessment" is more appropriate

than the word “monitoring” to better reflect the engagement between the staff and the PFA member authorities.

Second, considering the resource constraints faced both by the Fund and the members, we support the proposal to temporarily modify the policy framework until end-2022 to allow conducting PFA discussions at the time of Article IV consultations, with the Article IV consultation report also reflecting PFA discussions. This modification could provide flexibility and facilitate the IMF to help members focus on managing potential near-term shocks and uncertainties. This said, I support the comments expressed by Ms. Riach on the wording of the press release.

In the meanwhile, we suggest the staff to keep close communication with the PFA member authorities, including by virtual meetings, dynamically evaluate their policies and the macroeconomic framework, and update the developments to the Board in a timely manner, when the Fund’s resources could be potentially jeopardized.

*Mr. Massourakis:*

We fully understand the reasons behind the temporary streamlining of PPM procedures and, thus, we support the staff’s proposals, including the renaming of the PPM.

We acknowledge that, for the time being, a PPM has not been initiated for the 10 countries that have expressed an interest in a successor program, and negotiations may be ongoing. In this regard, we want to underscore the flexibility embedded in the current policy and the important discretionary role played by the Managing Director in this respect. Therefore, we call on management to keep the current practice, as contained in footnote five in the report, of reconsidering the case of PFA periodically, at least at six-month intervals.

Finally, two countries in our constituency, Albania and Greece, are already subject to PPM; in the case of Greece, since before the pandemic. And they see favorably the proposed consolidation of their Article IV and PPM reports until the end of 2022.

On Ms. Senich’s point, I have to mention that the Strategy, Policy, and Review Department has approved a LOT basis consideration for the Article IV on Greece.

With respect to capacity to repay, I have to inform the Board that Greece has already prepaid a large part of its IMF loan, with the last payment coming in mid-2022. I do not see why the consolidation of the two reports as an obstacle to a LOT procedure, especially since the capacity to repay has always been part of the Article IV report. I would like the staff to comment.

*Mr. Andrianarivelo:*

We thank the staff for an insightful report and for the responses to our questions. We share the staff's assessment that an increase in the Fund's lending during the pandemic to assist member countries in their efforts to confront the crisis has heightened the risks to the Fund's balance sheet. Safeguarding the Fund's resources is crucial, and we agree that the implementation of the PPM policies plays a key role in this regard by ensuring that the countries that exceed their credit outstanding threshold under the policy and do not intend to engage in program discussions are adequately monitored.

We have issued a gray statement, in which we have supported the proposal to temporarily streamline PPM modalities, and would like to make the following brief comments for emphasis.

First, like Mr. Palotai and Mr. Bhalla, we are concerned by the Fund's resource constraints and its implications on the implementation of the PPM policy. We stress that it is time for us to discuss the resource constraints issue; thus, we look forward to the discussion on a structural budget increase later this year.

Second, while we fully support the proposal to adapt the PPM framework by combining Article IV consultations with PPM until the end of 2022, we wonder whether the proposed time frame should not be extended beyond 2022, given the ongoing elevated global uncertainty, as such a name change is appropriate to be considered.

Finally, we would like to underscore the importance of maintaining all elements of the PPM framework during the period in which it is combined with Article IV consultations.

*Mr. Romero:*

I want to start by saying that we confirm and reaffirm our support to the Articles of the IMF in these times. It is understood that additional risks are

to be taken at this moment, but monitoring shall continue to be a priority for the Fund.

As we stated in our gray statement, in general, we support the proposal from the staff in order to adapt PPM to the current reality of the world and the Fund. We think that that is the message that we have to make in the press release and in all the communications. We have to emphasize that these changes are to adapt the program or the implementation or the compliance with the rules to the reality. And this is to facilitate monitoring work during this time and not a way for softening or reducing the importance of these procedures.

We also support the change of the policy name from PPM to PFA. We think that it is more explicit to use the PFA and is more according to the reality of what it is being done by the Fund.

We agree with the integration of the PPM review in Article IV consultations and the application of the new streamlined modalities in cases until 2022. We think that we have to be pragmatic. We have to know that we have limitations of people, limitations of being able to travel, lockdowns in every country. And we have to find ways to comply with these duties in the best way possible.

We align ourselves with the comments of Ms. Riach and Ms. Levonian regarding group three. It is very important for the staff to prepare a periodic analysis of the status of this group of countries, preferably, every six months, which is the term to analyze this, because we need that information in order to do our fiduciary duty as members of the Board.

*Mr. Huh:*

Considering the extraordinary situation during the pandemic, we support the proposed temporary modification of the PPM framework, including the change of the policy name to the PFA. As we issued a gray statement, we would like to briefly highlight two additional points.

First of all, we thank the staff for providing the current status of Fund program negotiations for the 10 countries in group three. We note that there is high uncertainty regarding the timing of a new program and more than half of these members have exceeded the PFA threshold for more than six months, a few for as long as 14 months. We believe that management made an appropriate assessment of the initiation of the PFA for now. However, like

many previous speakers, we also suggest the staff to reconsider periodically the case of the PFA for all 10 countries, as per policy, and update the Board on their assessment in a proper way.

Second, even though the temporary modification of the PPM framework is planned to return to normal administration in January 2023, we would like to suggest a review: how to improve the PFA administration after the pandemic. With the adoption of the hybrid working modality, I wonder if it still could be the best option to come back to the current framework at that time. With a fast-changing way of work, we suggest the staff to review the PFA framework for improvements by incorporating the lessons learned.

*Mr. Alhosani:*

We issued a gray statement, so I will limit my intervention to two points.

First, we concur with many speakers, for the need to maintain appropriate safeguards to the Fund's balance sheet, and we see the PPM as an important safeguard. However, we did acknowledge in our gray statement the challenges associated with implementing the PPM policy during the current unprecedented times of the pandemic, and we support the proposed decision.

In order to preserve the PPM policy's objectives, it is important to ensure that Article IV consultations are carried out in a timely manner. We also welcome the reassurance that the staff will continue to engage with authorities through staff visits and resident representative offices, which allows for continued dialogue and close monitoring.

Our second point is that we would like to express concern that the proposals would temporarily reduce the frequency of their reporting to the Board under PPM. We, therefore, appreciate the staff's assurance that they will continue to keep the Board informed of relevant country matters through regional briefings and informal sessions on individual members. It is essential that the Board be informed in a timely manner, should concerns with the capacity of a country under PPM arise in between the reports.

*Mr. Palei:*

We broadly support the initiative to streamline the modalities of PPM/PFA in our gray statement; I just want to highlight a few additional points, in light of today's discussion.

First, we welcome the staff's reassurances that, over the suggested period, the Board will be kept informed of relevant country matters through regional briefings and informal sessions on individual members, in addition to the aligned annual Article IV and standard PPM/PFA consultation staff reports. This is a balanced decision.

Second, we note that certain countries in group three remain without PPM/PFA for an extended period. In this respect, we encourage the management and staff to ensure that the initiation of PPM/PFA is not unduly delayed for countries engaged in protracted new program consultations.

On the press release, we believe that it accurately reflects the reasoning presented in the paper.

Finally, the abbreviation "PFM," as suggested by some Directors, is already taken. It stands for "public financial management," with a well-established and popular blog on our external website. So PFA would work in this particular case. As we have so many abbreviations, it is difficult to keep track of them, not just outside the Fund but also for the insiders.

*The Deputy Director of the Strategy, Policy, and Review Department (Mr. Chabert):*

I would like to first thank Directors for their comments, their support to the proposal, and also the level of engagements that we have had to guide us to prepare the proposal.

I see five groups of questions. I will leave the last one, on safeguards and thresholds, precautionary balances, to my colleague Mr. Unterroberdoerster from FIN and will try to address the remaining four, starting with the new name of the policy.

We hear different views. Should it be PFA or PFM? frankly, this is a discussion we had internally too. We came to the conclusion that it would be preferable to have PFA to avoid the acronym PFM, which is usually, as was mentioned, used in the context of public financial management. And to prevent confusion between public financial management and Post Financing Monitoring, we have suggested to have Post Financing Assessment, but the contents of the policy remain exactly the same. There is no issue about it.

The second group of questions is I think the concerns expressed by many for group one and group two countries. So those countries where there

is already a PPM/PFA in place is group one. The second paper proposed today will trigger a PPM/PFA for the four countries in group two. And whether Article IVs would be delayed and how we could secure that the assessment of the capacity to repay would be done in a timely manner. So those points, of course, are very crucial.

What we can say is that, out of the eight countries under group one and group two, six of them plan to complete their next Article IV consultation before the end of the year and the two others in early 2022. In case of any slippages or any exceptional circumstances, we will, of course, brief the Board very early.

The third question, perhaps more complicated, is group three countries. Many, many Directors mentioned the fact that the 10 countries in group three, there are uncertainties about the finalization of the ongoing negotiations on programs, and there was a desire to have more information on those countries.

In our assessment, for those 10 countries, a program is expected within the next six months, so by early November of this year, which is the reason why staff has suggested not to trigger PFA/PPM for this group by this time. It is difficult for staff to provide specific details with regard to the precise Board dates for those future programs because each situation is different.

In group three, there are ongoing negotiations with each of the 10 countries. The staff assessment is that negotiations should be concluded in the next six months, which is the reason why we do not suggest triggering PFA. Should that not happen for one or the other reasons, we would, of course, brief and update the Board, and reassess the situation, in line with this timeline.

The fourth question was on the duration of this temporary procedure. Several Directors mentioned the fact that end-2022 is too long a duration; while others, of course, would think that having it only until end-2022 would be too short a period. It was a balance in relation to the differences of situations in relation to the pandemic, according to the different countries. On balance, the staff believes that end-2022 is appropriate for these temporary procedures.

*The staff representative from the Finance Department (Mr. Unteroberdoerster):*

There was a question, also in the gray statements, on combining the absolute thresholds. I just wanted to explain briefly.

As we know, combined thresholds are already in place for the quota-based thresholds. And this is because, from a country's perspective, the total obligations to the Fund for capacity to repay matter.

For the absolute thresholds, those were introduced in the 2016 reforms to reflect situations where, from the Fund's perspective, the exposures may be sizable. And two separate thresholds reflect the fact that the Fund has two balance sheets, the GRA and the PRGT, and that the absorptive capacity, the risk absorption capacity, as we point out in the paper, on those two balance sheets are quite different, given the different sizes of the operations.

Now, if we were to combine the exposures into one absolute threshold, conceptually, it would mean that the loss absorptive capacities in the two different balance sheets would be substitutes, but they are not. A loss in the PRGT cannot be absorbed by the GRA and vice versa. This is why we look at the two separate thresholds and why PPM or PFA would be triggered whenever one of these thresholds is already surpassed.

*The Acting Chair (Mr. Okamoto):*

I do note, there is a lot on staff and management's shoulders to appropriately execute the discretion that we have, in particular, with respect to when to trigger those in group three. As I said before, that is something that I take very seriously. Certainly, if the next six months transpires and there are countries that do not come forward with a negotiated program, to me, the threshold for justifying a further extension rises substantially, and we should seriously consider triggering the policy. We will do that, as well as come back to the Board in due course with frequent updates to the Board on any changes therein on capacity to repay for those countries.

*The Acting Chair (Mr. Okamoto) adjourned the discussion.*

## ANNEX

- Gray Statements
- Staff Responses to Executive Directors' Technical Questions
- Constituency Codes

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GRAY/21/1142

May 5, 2021

**Statement by Mr. Tanaka, Mr. Chikada, Mr. Naka, and Mr. Shimada on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the concise paper. Post program monitoring (PPM) is one of the important safeguards for the Fund’s resources, which we see more important than ever, given elevated credit risks due to the COVID-19 pandemic. At the same time, we fully understand that the resource constraints both in the Fund and the authorities would require some flexibility. We are of the view that warranting some flexibility while ensuring the effectiveness of PPM would be in line with the discussion in the review of PPM in 2016<sup>1</sup>. Against this backdrop, **we support the staff proposals** and provide the following comments.

**We concur with staff that the criteria of PPM should not be modified.** As rightly mentioned in the paper, the rationale behind these criteria, namely the minimum floor of precautionary balances of the GRA, the reserve balance of the PRGT and the quota-based criteria for the GRA surcharges, have not been materially changed since 2016. Also, it is not appropriate to exclude emergency financings from the credit outstanding, given emergency financings could pose greater risk due to no ex-post conditionalities.

**We support the proposed temporarily streamlined PPM modalities. However, we would expect that staff and the authorities continue to have close communication even under the new modalities.** Especially for the countries where PPM would be initiated because of the delay of the agreement on successor UCT programs, not because of unnecessary of the programs, such close communication is indispensable due to higher risks. In this regard, we

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<sup>1</sup> The summing up says “Directors agreed that the policy should be implemented in a flexible and streamlined manner, while ensuring the strongest safeguards to Fund resources.”

welcome that the report mentioned “staff continues to engage with the authorities through staff visits and Resident Representative offices, which allows for continued dialogue, close monitoring, and timely provision of policy advice between Article IV consultations(para 13)”. We would call on staff to brief to the executive board in a timely manner (could be in the timing of Briefings on Country Matters), should concern arise.

**Finally, we support the proposal to rename PPM to Post Financing Assessment (PFA).**

It is true that the word of “program” could have the misleading message, given that PPM would be triggered by only emergency financing.

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GRAY/21/1143

May 5, 2021

**Statement by Mr. Mozhin, Mr. Palei, and Mr. Biriukov on Post Program Monitoring  
During the Pandemic—Proposal for Temporary Streamlining of Procedures and  
Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

1. We thank staff for the report. Taking into consideration serious challenges the pandemic brings to the implementation of the Post Program Monitoring (PPM) policy, **we broadly support the initiative to streamline its modalities subject to clarifications of the issues outlined below.**
2. **We support staff’s proposal to maintain the existing PPM application criteria with respect to the absolute and quota-based thresholds, as well as the broad coverage under the PPM of all financing instruments.** The thresholds are broadly aligned with the Fund’s loss absorption capacity. At the same time, *we would appreciate additional comments with respect to the approaching dissolution of the SCA-1 and its potential implications for the recalibration of thresholds.* Applicability of the PPM should not depend on the type of financing instrument. Exempting countries that exceed the PPM thresholds due to emergency financing alone may be inappropriate, given the absence of ex-post conditionality.
3. **We remain to be persuaded on the need to reduce the frequency of reporting to the Board under the PPM.** At the same time, we note the suggestion to limit distraction of the authorities from frequent engagement with the Fund to facilitate their greater focus on recovery management. As a compromise, we could have an intermediate country update to the Board with a focus on a member’s capacity to repay the Fund mid-way between a unified annual Article IV report and standard PPM consultation staff reports. This way the Board will still be able to detect early signs of forthcoming problems with future repayments, if any, by the member state with substantial outstanding Fund credit. *Staff comments are welcome.*

4. **We have no objections to renaming the Post Program Monitoring by the Post Financing Assessment (PFA).** The current reference to “program” could be, indeed, misleading and does not reflect the true sense of the exercise.
5. **We agree with the suggested timeframe (until end-2022) for the application of the new modalities.** The application of the current PPM (PFA) modalities should resume in January 2023 unless a different decision is taken by the Board.
6. *On a separate issue, we are also curious about the exact deadline for the PPM (PFA) initiation for countries with credit outstanding above the relevant thresholds and no program relationship, including Bangladesh, Mongolia, Nigeria, and South Africa.*

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GRAY/21/1144

May 5, 2021

**Statement by Mr. Bevilaqua, Mr. Saraiva, and Ms. Florestal on Post Program  
Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures  
and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the concise papers on a relevant topic that fully deserves Board attention. We concur with the proposed name change from Post Program Monitoring (PPM) to Post Financing Assessment (PFA) as this exercise also covers financing with no program involvement.

**While the rapid and unprecedented increase in emergency financing in response to the pandemic was appropriate, it poses greater risks to the Fund’s balance sheet.** We therefore concur with staff that increased risks call on the Fund for maintaining its ability to evaluate a member’s capacity to repay the Fund and retaining the PPM/PFA application criteria. As in the interim period staff will continue to closely monitor developments that could affect a member’s repayment capacity, we can go along with temporarily integrating the PFA into Article IV consultations.

**At the same time, we want to be reassured that the proposed streamlined modalities would indeed uphold the PPM/PFA’s objectives.** We take note that the current pandemic environment and increased workload for both country authorities and staff make the stand-alone PPM/PFA exercises highly burdensome. However, we are concerned that the proposed streamlining would reduce the frequency of reporting on countries under PFA. Accordingly, we would suggest preparing a calendar of upcoming PFAs, with a clear indication of how this schedule would compare to the one that would have prevailed in the absence of this streamlining proposal.

**We acknowledge the Managing Director’s discretion under the PPM/PFA policy but believe that more detailed information on potential PFA cases should have been presented in the supplement.** In the cases in which a new program is expected within the next six months, we agree that a PFA would not be warranted. That said, the 2017 guidance note clearly states that the Managing Director should “take into account the likelihood of a

program being agreed quickly, and the period that has elapsed since the member's last arrangement expired: the longer the time that has elapsed, the greater the presumption that the Managing Director would propose the initiation of PPM." As the decision should be taken "drawing on systematic analysis of risks to a member capacity to repay," such information should be shared with the Board to allow it to adequately fulfill its fiduciary duty. *Along those lines, we would like to know what was the role of the Office of Risk Management in the process?*

In closing, while the Fund must thrive to serve its membership during this unprecedented crisis in a timely and effective manner, it should continue to ensure that all safeguards are rightly in place to preserve Fund's role on an enduring basis.

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GRAY/21/1145

May 5, 2021

**Statement by Mr. Palotai, Mr. Azal, Mr. Just, and Mr. Zaborovskiy on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the paper and note their proposal for temporary streamlining of procedures and renaming of Post Program Monitoring (PPM) to Post Financing Assessment (PFA).

**While we agree with the proposal to change the name of PPM to PFA to better reflect its coverage, we remain unconvinced about the need for altering its procedures, even temporarily.** The need for better risk management amidst growing risks to the Fund’s balance sheet and increasing concentration of the Fund’s credit portfolio does not justify the proposed move. On the contrary, the PPM (PFA) application should be strengthened in the current circumstances and discussing PPM (PFA) reports at separate Board meetings should be the norm and not the exception, as it will help mitigate risks of “blind spots” and enhance the “learning culture” at the Fund.

We would also like to underscore that the 2020 Risk Report stressed the importance of steadfastly applying the Fund’s safeguard policies. PPM (PFA) enhances the Fund’s ability to detect risks to the member’s repayment capacity and thus safeguards the Fund’s resources. We consider this all the more important as the Covid-19 shock may have impacted in particular the medium-term viability of IMF members. *In this regard, we would like the Office of Risk Management to comment on whether staff’s proposal for temporarily modifying the specific implementation modalities of PPM policy is consistent with the Fund’s evolving risk profile and thrust of the 2020 Risk Report recommendations?*

We note staff’s conclusion that “*applying PPM without any modifications during the ongoing crisis is likely unfeasible, given resource constraints*” (bullet 9, page 6 of the paper). However, crisis hiring was meant to address resource constraints and boost staff’s ability to accommodate crisis-related work pressures. *Could staff provide detailed comments on where the main bottlenecks are and how to address them without altering the PPM policy implementation?*

Finally, we reiterate our call for having dedicated PPM (PFA) Board discussions on all Fund-supported programs that went off-track. In our view, this is very much in line with the risk-based and focused PPM (PFA) framework implementation, approved by the Board.

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GRAY/21/1146

May 5, 2021

**Statement by Mr. von Kleist and Mr. Fragin on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy**  
**(Preliminary)**  
**Executive Board Meeting 21/44**  
**May 7, 2021**

We thank staff for the concise and insightful report. As noted by staff, **the PPM framework plays an important role as a key “safeguard” to help identify risks early and facilitate the provision of advice on policies that will, subject to PPM thresholds, assist members in addressing program risks and help ensure that they can repay the Fund.** With credit outstanding to the Fund rising to record levels in the context of the global pandemic, and the corresponding increase in risks from the Fund’s exposure, **we consider effective risk mitigation tools more important than ever to safeguard Fund revolving resources as well as the Fund’s reputation.** It is therefore concerning that the requirement under the currently applicable PPM framework of two reports to the Board over a 12-month period is being missed in all respective current cases. This is in particular so with regard to one case where neither an Article IV consultation nor a PPM report were completed since the onset of the crisis. It would also have been welcome if staff had been a little more pro-active in this context, and not wait for the Board to request action.

At the same time, we agree that the “unprecedented” pandemic is posing serious challenges to the implementation of our PPM policy – as it does for Fund surveillance in general. **We therefore acknowledge the need for modifying the PPM framework temporarily during this extraordinary period and can support the proposed temporary streamlining of PPM modalities.** Allowing PPM discussions to temporarily be conducted at the time of the Article IV consultations appears a reasonable compromise, also in view of tight constraints on staff’s and authorities’ resources. Nevertheless, we note that, according to staff, only four countries would currently fulfil all conditions for initiating a PPM and most countries exceeding the PPM thresholds are engaged in program discussions with the Fund. Concerning the application of the modified policy, we underscore staff’s remark that the respective Article IV reports would need to discuss all the elements that would have normally been included in standalone PPM reports, in line with the 2016 guidelines. We also broadly

agree that PPM thresholds remain adequately calibrated and, accordingly, that a modification would not be justified.

**To be meaningful, the modified approach hinges on Article IV consultations for PPM countries being completed at least broadly on time.** While this appears provided for in theory, given that the 12-month extension of Article IV consultation cycles has expired in April (as well as the suspension of the framework to address excessive delays in the completion of Article IV consultations), we wonder whether, due to pandemic-related capacity constraints, there is a risk of longer de facto consultation cycles than usual. *We consider that this issue would have merited discussion in the report and would welcome comments by staff. According to staff's assessment, what are the implications of the risks of delayed Article IV consultations for the effectiveness of the PPM framework going forward? Can staff also provide preliminary estimates on forthcoming Article IV consultations for the eight countries in question? Are there Fund-wide "prioritization"-guidelines to ensure that PPM discussions are not delayed further than absolutely necessary?*

**We would also welcome more information on why staff has opted for such a rather long duration of this "temporary" modification of the PPM framework.** With well above 1.5 years, the proposal clearly exceeds the durations of other temporary measures taken in the context of the Covid19-related crisis. Given that we are now more than a year into the pandemic, the proposed duration appears on the overly long side. Staff merely contends that challenges to the implementation of PPM are likely to continue "as long as the pandemic persists" [Tz. 8], but we remain not fully convinced that this provides sufficient grounds for maintaining streamlined PPM modalities until end-2022. Perhaps staff could consider a shorter duration, which could always be extended if warranted by the continued impact of the global pandemic. *Staff comments would be welcome.*

**On the question of renaming the policy, we can go along with the proposal to change the name of PPM to Post Financing Assessment (PFA).** We agree that dropping the reference to a "program" is plausible, as outright purchases or disbursements without programs can also trigger the policy. At the same time, we continue to consider the term "monitoring" as highly applicable for a *process* that is ongoing and without an ex-ante termination, rather than a single *assessment*. Keeping the term "monitoring" would also provide for conceptual continuity thus underlining the fact that the fundamental safeguarding objectives of the PPM-framework should continue to be of high priority. Therefore, **Post Financing Monitoring (PFM)** might be even more appropriate.

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GRAY/21/1149

May 5, 2021

**Statement by Ms. Mannathoko, Mr. Odone, Mr. Ismail, Mr. Abdullahi, and Mr. Cham  
on Post Program Monitoring During the Pandemic—Proposal for Temporary  
Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the informative reports. We support the proposed decisions and broadly agree with staff proposals.

We agree that the proposed name change from Post Program Monitoring to Post Financing Assessment (PFA) more accurately reflects actual practice and will accommodate exposures linked to the surge in pandemic related emergency financing since 2020. The assessments of members' capacity to repay remains important to address evolving risks to Fund resources and proffer advice on policy reforms to enhance recovery while meeting Fund obligations.

We support the temporary change in the PPM framework. We note that merging PFAs with Article IV consultations during COVID through end-2022, is necessary to accommodate resource constraints and adapt the PPM framework to current circumstances. Fund staff are stretched by pandemic related work emanating from the surge in financing requests while the administrative capacity in many countries is equally strained in the efforts to tackle the crisis and save lives and livelihoods. In this regard, the proposal to reduce the frequency of the assessment strikes the right balance.

As countries' exposure to the Fund has increased in the context of emergency financing, elevating balance sheet risks for the Fund, we note the absolute threshold of SDR 1.5 billion and the quota-based threshold of 200 percent have been breached for some countries, triggering the need for a PFA assessment. We look forward to staff advice that will inform post financing assessment measures by country authorities as they seek to enhance their capacity to repay the Fund under different downside scenarios. *However, we emphasize that staff guidance should ensure that the broader discussion in the Article IV consultation report, combining the outcome of the PFA, does not introduce market sensitive information into Article IV reporting.*

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GRAY/21/1150

May 5, 2021

**Joint Statement by Ms. Levonian, Mr. Pösö, and Ms. Riach on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

**Thanks to staff for their reports concerning potential temporary reforms to the Post Program Monitoring (PPM) framework which we view as a key safeguard.** At a time when the Fund has taken on significant new credit risks in response to the COVID-19 crisis, including through significant exposures to members that have not sought Fund support in some time, it is especially important to have early warnings of risks to the Fund's balance sheet.

**We recognize the need to be pragmatic as the membership continues to respond to the pandemic, but we are concerned about the risks associated with reduced frequency of monitoring in the current challenging and fluid environment.** In this regard:

- For countries in Groups 1 and 2, we support the proposed decision to temporarily streamline PPM modalities, subject to those countries having an Article IV/PPM by the end of the 2021 calendar year, or certainly no later than the timing due on their 12-month Article IV cycle. *Could staff confirm whether Article IV's dates for these countries have been agreed and further to this, could that information be shared with the Board?*
- For countries in Group 3, we would have welcomed additional information to support the proposal to delay the initiation of PPMs. *Given heterogeneity in situations across the ten countries, could staff provide additional information on the status of their program discussions?* We note that the Managing Director will periodically reconsider the case for PPM for these members, including reassessing whether a program agreement can be agreed quickly – and that the Managing Director will propose to the Board the initiation of a PPM for a member for which a program is no longer expected. Nevertheless, we are concerned that if program negotiations stall, there could be a significant gap in time before the Board receives any form of assessment. We therefore expect staff to ensure that there is some form of proper assessment, whether through preparations for a new program, an Article IV/PPM or an informal update to the Board, no more than 12 months

after either i) the end of the previous program or ii) the disbursement of an RFI/RCF that triggered the PPM application criteria. *Could staff comment on whether this request can be met?*

**As an overall point, the decision to twin the Article IV and PPM processes makes timely Article IV consultations critical.** We therefore stress the importance of the normalization of bilateral surveillance as well as the Framework to Address Excessive Delays in Article IV Consultations.

**The spike in emergency lending in response to the pandemic highlights necessary policy changes.** We support the decision to change the name of the policy to Post Financing Assessment (PFA) in recognition of the broader lens required where emergency lending pushes credit outstanding above the relevant thresholds. Staff should also consider whether the requisite guidance is in place, should Management recommend delaying the initiation of PFA where the breach in the relevant thresholds is due to an exogenous shock causing urgent balance of payment needs (e.g., natural disasters, pandemics, conflict, etc.). *Staff comments are welcome.*

**We support the maintenance of existing criteria with respect to PPM thresholds given elevated exposures and associated risks.**

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GRAY/21/1156

May 5, 2021

**Statement by Mr. Huh, Mr. Yoo, and Mr. Becker on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the succinct and elaborated paper. The Post Program Monitoring (PPM) is an important part of the Fund's safeguards and has served as an early warning by assessing members' capacity to repay the Fund. The crisis caused by the Covid-19 pandemic has brought Fund lending and credit outstanding to record levels. We acknowledge that a balance needs to be sought between appropriate safeguard to the Fund's balance sheet and practicality in implementing Fund policies given the need for effective use of resources to respond to the immediate crisis. **Therefore, we support the proposed temporary modification to the PPM framework until the return to normal administration of the PPM in January 2023.**

**We agree with staff's assessment that PPM thresholds remain adequately calibrated and the application of PPM framework to emergency financing also remains justified and appropriate.** Given a large increase in credit outstanding, existing safeguards, including PPM, must be kept in place to carefully monitor elevated risks to the Fund's resources. We take note that the GRA absolute threshold (SDR 1.5 billion) is equivalent to 10 percent of the minimum floor on precautionary balances which remains unchanged at SDR 15 billion and the balances in the reserve account of the PRGT have also not changed materially, standing at SDR 4 billion. The quota-based threshold (200 percent) remains adequate given that the cumulative access limit in the GRA has been unchanged. The PPM framework should be applied regardless of the type of financing instrument as it is introduced to safeguard overall Fund resources. It is also noted that, without ex-post conditionality, emergency financing would be exposed to higher risks compared to Fund programs. *We are interested to hear from staff if there is a need to set another absolute threshold for combined credit from the GRA and PRGT given the nature of the PPM safeguarding overall Fund resources.*

**We broadly support staff's proposal to temporarily streamline PPM modalities by conducting PPM discussions at the time of the Article IV consultations until end-2022.**

We note that, due to capacity constraints affecting authorities and the impact of the pandemic on the Fund, bilateral surveillance was suspended last year. As a result, no member currently under PPM had two board reports completed (in the past 12 months), as is required by the PPM policy. As the pandemic persists, it is important to maintain monitoring of risks and capacity to repay for all countries subject to PPM at least on an annual basis while reducing administrative workload. We encourage staff to continue to engage with those member authorities through various modalities and occasions between Article IV consultations. We note that PPM has not been initiated for 10 countries given ongoing negotiations. *Could staff elaborate on their assessment of whether a successor arrangement is expected in the next six months for each of these countries?*

**We also concur with the change of the policy's name to Post Financing Assessment (PFA).** The new name of the policy would better reflect its coverage and enhance the acceptability and traction as it is applied, irrespective of the type of financing instrument.

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GRAY/21/1159

May 5, 2021

**Statement by Mr. Zhang and Mr. Bai on Post Program Monitoring During the  
Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the  
Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We would like to thank staff for the comprehensive report. Since the Spring Meetings, global recovery continues to gain momentum. However, the pace of vaccination in most EMDCs is still lagging, and the recent surge in COVID cases due to virus mutations makes the global near-term economic outlook even more fraught and uncertain. Therefore, we agree with staff's view that there are serious challenges to the implementation of the PPM policy, and the Fund needs to continue focusing on the crisis response.

**To facilitate the IMF to help countries manage potential near-term shocks and uncertainties, we concur with staff's proposals:** (i) change the name of PPM to Post Financing Assessment (PFA); and (ii) temporarily modify the policy framework until end-2022 to allow conducting PPM discussions at the time of Article IV consultations with the staff report on Article IV consultation to also reflect PPM discussions for PPM members.

**At the same time, we underscore the importance of ensuring safeguards for the Fund's resources.** Therefore, we suggest that staff keep close communication with the member authorities under PFA, dynamically evaluate PFA member authorities' policies and macroeconomic framework, and update the developments to the Board in a timely manner when the Fund's resources could be potentially jeopardized.

**Moreover,** in the first paragraph of page 4, the report mentions: "PPM reports are generally considered by the Board roughly mid-way between annual Article IV consultation staff reports. Staff should also endeavor to sequence PPM missions roughly mid-way between annual Article IV consultations, so that two staff reports

are presented to the Board every 12 months.” *In practice, given generally there is also a staff visit between two annual Article IV consultations with a member under PPM, how did staff coordinate the regular staff visit (if there is any) and the PPM mission? Would the previous procedures be kept unchanged for PFA after end-2022?*

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GRAY/21/1161

May 5, 2021

**Statement by Ms. Shortino and Ms. Senich on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the papers and bilateral outreach to our office. Post Program Monitoring (PPM) is an important safeguard to the Fund's balance sheet, particularly following the exceptional increase in Fund lending. We appreciate that staff are not proposing a change to the existing PPM application criteria, as we believe the criteria are still appropriate. **We support the proposed decisions to change the name of the engagement to Post Financing Assessment (PFA) and to temporarily combine the Article IV consultation with PFA discussions, but stress the need for timely Article IV consultations.** We would expect that Article IV consultations that include PFAs will not meet the Lapse of Time criteria nor would they be reviewed by the Board on a Lapse of Time basis.

**We support the proposed decision to initiate PFAs for four countries. We urge staff to carefully monitor circumstances of the additional ten members whose credit outstanding exceeds the thresholds but are interested in successor arrangements, and to proceed with PFA in a timely manner if a successor arrangement does not materialize.** We highlight the high degree of uncertainty around the expectation that new programs for these ten countries will be agreed within the next six months. We would expect management to regularly update the Board on timing of potential programs and to initiate PFAs for those countries where program negotiations are delayed beyond six months.

**For all countries that exceed the PFA thresholds, we expect that staff and the authorities will continue to have close communication even during the period between reviews.** We note that the proposal retains the ability to monitor risks and capacity to repay the Fund for all countries that exceed the PFA thresholds and that staff will continue to engage authorities through a continuing dialogue. Combining the Article IV and PFA discussions means that the Board will only receive updates on some countries every twelve months. We would request that staff brief the Board in a timely manner should concerns with a PFA country's capacity to repay arise in between reviews.

**The Office of Risk Management should be consulted as part of this streamlining exercise to assess the impacts on enterprise risk management.** We would like to understand the impact of these changes on the risk assessment for the use of Fund resources, and we did not see any reference to consulting with ORM as part of developing this proposal. *Staff comments are welcome.*

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GRAY/21/1162

May 5, 2021

**Statement by Ms. Mahasandana, Mr. Nghiem, and Mr. Dacharux on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the informative report and well-written proposed decision paper. We broadly share staff's views and welcome the proposals for temporary streamlining of post-program monitoring (PPM) procedures and renaming of the policy.

**While recognizing the important roles of safeguard measures to help mitigate against risks to Fund resources, we are of the view that the temporary modifications to PPM as outlined in the paper are warranted given the challenging circumstances of the pandemic.** We also agree that resource constraints on both sides of the authorities and the Fund make it difficult for the full implementation of PPM modalities at this juncture, and PPM procedures and surveillance could be normalized when the current crisis abates. We note staff's assessment that the current PPM thresholds remain valid given the risk-based approach introduced in 2016 and thus welcome the proposal to maintain them to safeguard the Fund resources. Staff's argument against exempting PPM application to users of emergency financing also appears justified in view of the risks presented by these facilities on the Fund's overall resources.

**We welcome the proposals to change the name of PPM to Post-Financing Assessment (PFA) and to integrate the discussion of authorities' capacity to repay and related risks into Article IV consultations.** The temporary reduction of standalone PPM/PFA reports would promote efficiency during the pandemic and avoid overburdening authorities amidst the challenges they are tackling in fighting the virus war. At the same time, this will also help lessen the overstretched workloads of Fund staff including the difficulties in remote engagements across time zones as travel restrictions are yet lifted, while also alleviate the tight schedules of the management and the Board.

**We view it sensible to apply this streamlined PFA until end-2022.** However, given the uncertainties associated with the complicated pandemic trajectory and the large divergences in terms of adverse impacts across countries, we would appreciate staff to come back at around mid-2022 to

update the Board on the one-year implementation, including any issues that may arise or the need to resume the normal procedure earlier than expected.

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GRAY/21/1164

May 5, 2021

**Statement by Mr. Herrera and Mr. Corvalan Mendoza on Post Program Monitoring  
During the Pandemic—Proposal for Temporary Streamlining of Procedures and  
Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

**We thank staff for the report on Post Program Monitoring (PPM) during the pandemic.** The document provides an update for every eligible PPM country's current situation, as well as an assessment of financial resources disbursed in the aftermath of the COVID-19 pandemic. The human, social, and economic toll of the COVID-19 pandemic has been very large, and the convergence path of PPM countries with Advanced Economies (AEs) has become more challenging.

**We support the proposal to maintain the existing PPM application criteria with respect to absolute and quota-based thresholds, as well as the broad coverage under PPM of all financing instruments.** While risks to the Fund's balance sheet have augmented, it is also true that engagement with the authorities would remain difficult, taking into consideration the challenges posed by the pandemic. As we have seen in various IMF reports, emerging divergence observed between and within countries is paramount and its speed is clearer seen when comparing low-income countries (LICs) with other groups of countries.

**We support a temporary modification of the specific implementation modalities of the PPM and applying the new streamlined modalities until end-2022.** The recovery of EMDCs is expected to be slow and incomplete due to limited and declining policy support, slow vaccine coverage, and emerging scarring effects. Meanwhile for LICs, this situation could turn into a knock-on effect from previous positive strides to reduce poverty and inequality. Job opportunities for youth, women, informal, and low-skilled workers are a concern. Therefore, it makes good sense to alleviate the burden of countries' authorities to solve urgent situations in their countries until end-2022.

**We agree with renaming the policy from Post Program Monitoring (PPM) to Post Financing Assessment (PFA).** Appropriate deployment of emergency tools like the Rapid Credit Facility and Rapid Financing Instrument, and arrangements under the Extended Credit Facility were well received by the membership. It is encouraging that 10 of the 18 PPM-eligible members might be transitioning to Fund UCT-standard arrangements. This will allow a more focused approach to discuss needed structural reforms and implementation of macroeconomic policies for a sustained recovery. We deem it appropriate for the Fund to work closely with its members and as the pandemic wanes to translate all these emergency financial tools to upper-tranche credit (UTC) facilities.

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GRAY/21/1166

May 5, 2021

**Statement by Mr. Hilbers, Mr. Cools, and Mr. Hanson on Post Program Monitoring  
During the Pandemic—Proposal for Temporary Streamlining of Procedures and  
Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the paper on Post-Program Monitoring (PPM) during the pandemic. PPM is important to safeguard Fund resources and it ensures that the Board can monitor members' capacity to repay the Fund. As credit risks increased over the past year, we believe that more instead of less monitoring would be preferable. However, we fully acknowledge the constraints on staff resources. We therefore see the case for a temporary modification of implementation modalities.

**We see risks in suspending the stand-alone PPM report.** We are open to the proposed flexibility in PPM reporting, by moving temporarily away from the standard 6-month Article IV-PPM reporting cycle. However, to ensure that the Board can continue to exercise its oversight function, it is important that the Board is informed timely and fully on risks to the Fund's resources. We therefore expect that the Board is informed as soon as possible whenever doubts emerge on members' capacity to repay the Fund.

**We agree with the non-recommendation of Post Financing Assessment (PFA) for members for which a successor arrangement, PSI or SMP is expected to be in place within the next six months, but we call for a swift proposal for a recommendation of PFA if this expectation changes.** We see a risk that members with high exposure to the Fund experience extended periods without a Board discussion on their policies, be it through PFA or the regular Art. IV cycle. This jeopardizes the ability of the Board to scrutinize the risks to the Fund. *Can staff provide an overview of the status of the discussions with the 10 countries for which a successor arrangement is expected, and can staff provide the expected timing of their next Art. IV consultations?*

**We support the initiation of a Post Financing Assessment for Bangladesh, Mongolia, Nigeria, and South Africa.**

**We can accept the renaming of PPM to PFA although we are not fully convinced by the merits of the proposal.** We believe the term "monitoring" more adequately describes the desired process of engagement with members to which the Fund has an elevated exposure than the term "assessment".

In addition, we are not fully convinced by the suggestion that the term “Post Program Monitoring” would deter countries from requesting emergency financing. *Can staff indicate whether borrowing countries expressed such concerns?*

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GRAY/21/1167

May 5, 2021

**Statement by Mr. Buissé, Mr. Rozan, and Ms. Gilliot on Post Program Monitoring  
During the Pandemic—Proposal for Temporary Streamlining of Procedures and  
Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for their insightful paper and the pragmatic approach proposed to streamline Post Program Monitor (PPM) procedures in times of Covid-19 pandemic, while keeping its main objectives of safeguarding Fund resources and members' capacity to repay against rising risks. Overall, we think that the modifications put forward on the paper are straightforward and balanced, and do not present a risk of a weakening of the PPM application criteria. Besides, while PPM allows the Fund to monitor and help strengthen policies affecting the repayment capacity of members with credit outstanding beyond the program period, PPM constitutes only one element of the Fund's multilayered framework for managing credit risk. We also believe that the existing flexibility of the MD to propose to the Board such procedure in cases where it is deemed required, including when outstanding credit stands below the relevant thresholds, is an additional and important safeguard to the overall process.

**We hence support all the temporarily streamlined PPM modalities proposed to be applied until end-2022 as well as the change of the name of PPM into Post Financing Assessment (PFA). This change should be communicated clearly.**

Notwithstanding this, we wish to offer the following additional comments for emphasis:

- We support the temporary aggregation of both Article IV consultation and PFA discussions, with a combined press release as we also see a case for better coordination, supported by the best available data, for instance on debt sustainability. Regular risk monitoring and engagement with authorities on a regular basis will be important, and the Board should be alerted on any issue that would constitute a material danger for the Fund's resources and/or member's capacity to repay.
- More specifically, we agree that there is a strong rationale for ensuring that users of emergency financing are subject to the post-financing assessment, as such financing does not include ex-post conditionality.

- Regarding Group 2 of countries with credit outstanding above the relevant thresholds and without program relationship, we agree with the proposed decision that the MD initiates a PFA under the temporarily streamlined PFA modalities until end-2022. *Could staff tell us what is the envisaged timing for the article IV consultations of these countries?*
- With regard to Group 3 of countries, we note that the uncertainty regarding the timing of a new program for some of these members can be partly offset by the MD periodically reconsidering the case for a PFA for all the members of this group. We encourage staff to continue to provide the Board with information on the situation of these countries as done up to now, and to set up a PFA if the prospect of a program is delayed for too long.

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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 21/44  
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.

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GRAY/21/1172

May 5, 2021

**Statement by Mr. Mohieldin, Mr. Alhosani, and Ms. Choueiri on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

1. We thank staff for the clear and concise paper. The increase in Fund lending in the aftermath of the Covid-19 pandemic, including emergency financing, has led to a record number of requests for financing last year, and to an unprecedented amount of credit outstanding, as noted by staff. This reinforces the important role of the Post Program Monitoring (PPM) as a safeguard for the Fund's resources by providing a framework for deeper and closer engagement with members that have substantial outstanding Fund credit but are not in a program relationship. In this connection, we support the staff's proposal to maintain the existing PPM application criteria with respect to the absolute and quota-based thresholds, as well as the broad coverage under PPM of all financing instruments. We, however, acknowledge the challenges associated with implementing the PPM policy during the current unprecedented times of the pandemic. We, therefore, recognize the need to modify the PPM framework temporarily and support the proposed decisions.

2. The proposal to temporarily modify PPM modalities will temporarily reduce the frequency of reporting to the Board under PPM. *We would be grateful for staff's views on ways to keep the Board informed in a timely manner of members' potential payment difficulties.* The proposal to temporarily integrate the PPM into Article IV consultations is reasonable. *Can staff indicate whether this proposal would also include countries with credit outstanding above the relevant thresholds and no program relationship, including Bangladesh, Mongolia, Nigeria, and South Africa?* We wonder whether Article IV consultations for countries exceeding the PPM thresholds are expected to be delayed due to budget and prioritization constraints, and what would the implications be for PPM. *Staff's comments would be appreciated.*

3. We concur with the proposed name change from PPM to Post Financing Assessment to include Fund financing that does not entail a program engagement.

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GRAY/21/1173

May 5, 2021

**Statement by Mr. Romero Tarazona on Post Program Monitoring During the  
Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the  
Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank Staff for the very informative papers and all the work around this very sensible and relevant topic for the fund.

**In general, we support the Staff's proposals to adapt the Post Program Monitoring to the current realities of the world and the Fund.** This is the correct path to take. It is key to find alternatives to comply with the very important and prudential function, in extraordinary times, in the best way and with the available human resources capabilities. These decisions should not be viewed as flexibilization of monitoring policies; rather as a way to strengthen the procedures and make them more efficient and applicable to current needs.

**We support the change of the policy name from Post Program Monitoring (PPM) to Post Finance Assessment (PFA).** We agree that it is more appropriate: it is an assessment that allows a more comprehensive analysis, and it covers all financing, not only one under a specific program. The new name provides a broader scope in adapting this work to an evolved situation. This is under the stated understanding that the PFA will maintain the existing PPM application criteria with respect to the absolute and quota-based thresholds, as well as the broad coverage under PPM of all financing instruments.

**We agree with the integration of the PPM review and the Article IV consultation and report until December 31<sup>st</sup>, 2022.** Activities, efforts and human resources of specialized missions, shall be able to allow a high standard review and to comprehensively monitor the situation of sensible countries, with emphasis in its ability to repay debts with the Fund. However, as proposed the suspension of the annual standalone PPM/PFA must be temporary. During these times, when the Fund has had to react and respond to member countries' extraordinary needs, and the financial risks are much higher, the permanent monitoring of the integral situation of each of the countries is even more relevant and important to warranty the stability of the Fund in the future. Again, the application of new streamlined modalities in all PPM/PFA cases until December 2022, should be seen as a way to operationalize and

facilitate the monitoring work during this time, and not as way to soften or reduce the importance of these procedures.

**We are confident that Managing Director will reconsider periodically the case for PPA/PFA for all members, under a prudential and necessity analysis.** We welcome the manifestation in the supplement in which it is recognized that “in the event that agreement on a program is no longer expected, the Managing Director would bring to the Board a proposal for initiation of PFA for the relevant countries.” However, we consider Staff should prepare an analysis of the current status of member countries of Group 3, which are not currently expected to have a program engagement any time soon and/or have spent more than 6 months without reaching an agreement. We also consider important to evaluate the timing of the review of Group 2 (and eventually Group 3), and whether the Staff considers that such review at the time of the next Article IV, in many cases next year, will suffice the needs of the policy. *We welcome additional staff’s comments on this regard.*

**Finally, we want to confirm and reaffirm our support with the active role of the IMF in the global COVID-19 pandemic.** It is understood that additional risks are to be taken. On the other side of this policy, but part of the same coin, it is required to make permanent follow up and monitoring to anticipate future situations to provide support at the right moment, while protecting the financial stability of the Fund.

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GRAY/21/1174

May 5, 2021

**Statement by Mr. Mouminah, Mr. Alhomaly, and Mr. Rawah on Post Program  
Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures  
and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the well-focused paper. We broadly agree with the staff's analysis and appraisals and would like to offer the following comments for emphasis.

- 1. We support the proposal for temporary streamlining of the PPM procedures and renaming of the policy.** The COVID-19 pandemic has understandably led to a record number of financial requests last year together with a large increase in credit outstanding, which is expected to remain elevated for some time, suggesting increased risks to the Fund's balance sheet. This underscores the need to have in place appropriate safeguards to protect Fund's resources. However, in view of the difficulty to conduct frequent engagement under the PPM due to resource constraints and the importance of shifting the focus towards supporting the membership to respond to the daunting circumstances, we support temporary modification to the implementation modalities of PPM policy to allow the PPM discussions to take place at the time of the Article IV consultations until end-2022.
- 2. We expect immediate resumption of the standard PPM modalities beginning 2023 once crisis abates.** However, if the situation continues to be critical, we would like to express our openness to consider a possible extension provided that early engagement with the Board takes place.
- 3. We positively note staff's assessment that the PPM thresholds remain adequately calibrated to the current risks to the Fund's balance sheet, and therefore agree with staff's proposal to maintain them.** At the same time, we agree with staff that the application of the PPM framework should not depend on the type of the financing instrument and that the application of such framework to users of emergency financing remains justified and appropriate.

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GRAY/21/1175

May 5, 2021

**Statement by Mr. Andrianarivelo and Mr. Sidi Bouna on Post Program Monitoring  
During the Pandemic—Proposal for Temporary Streamlining of Procedures and  
Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

**We thank staff for the report on Post Program Monitoring (PPM) during the pandemic and welcome the opportunity to discuss the proposed temporary streamlining of procedures and renaming of the policy.** The substantial increase in Fund lending during the pandemic to support members' response to the crisis has heightened the risks to the Fund's balance sheet. As a result of increased borrowing, a few countries have exceeded their credit outstanding thresholds under the PPM policy. Four countries, in particular, are expected to undertake a PPM to help mitigate risks to the Fund's balance sheet, as they have not only exceeded their absolute or quota-based thresholds under the PPM but are also not envisaging to engage in program discussions with the Fund.

**We note that resource constraints and pressures on staff as well as on the membership due to the pandemic are making it difficult to implement the PPM framework at the present and we support the proposed temporary streamlining of its modalities.** It is unfortunate that a lack of resources is hampering the implementation of an important policy that was put in place to help mitigate risks to the Fund's balance sheet. We look forward to the discussions later this year on an increase in the Fund's structural budget notably to help address similar situations where limited resources are adversely affecting the implementation of Fund policies. In the meantime, we can go along with the proposal to adapt the framework for the members that are subject to the policy, by combining PPM with Article IV consultations until the end of 2022. However, given the uncertain path of the pandemic, in our view a longer timeframe should be considered. *Staff comments are welcome.* We broadly agree with the analysis presented in the report and would like to emphasize the importance of maintaining all the elements of PPM during the period that PPM is combined with Article IV consultations. We also support the principle of including emergency financing in the PPM as part of the credit outstanding since it also represents a credit risk to the Fund. *From a resource perspective, could staff provide specific details on how the proposal is expected to generate savings compared to a standalone PPM? Also, if excessive delays occur in Article IV consultations during the rest of 2021 and in 2022 for the countries that will require a*

*PPM, how will these cases be addressed under the current proposal to combine Article IV consultation and PPM?*

Finally, we support the proposed renaming of the policy from PPM to Post Financing Assessment (PFA).

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GRAY/21/1177

May 5, 2021

**Statement by Mr. Bhalla and Mr. Natarajan on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

1. We thank the staff for the crisp paper proposing temporary modifications in the Post Program Monitoring (PPM) modalities during the pandemic. The Fund has exhibited agility in responding to the economic difficulties of the members in the wake of the COVID-19 pandemic. We recognize that temporary modifications in certain modalities in PPM is an effective means to maintain balance between preserving safeguards and managing the resource constraints.
2. The level of lending and credit outstanding has increased substantially during the pandemic both in terms of numbers of cases as well as quantum of lending. Periodic assessment of members' capacity to fulfil their outstanding obligations is key to safeguarding Fund's resources. Moreover, there has been a sharp rise in emergency financing which does not have ex-post conditionalities. Considering the need to mitigate the elevated risk levels, we agree that there is no justification to exclude them from the safeguards.
3. Implementation of PPM policy is constrained due to sudden increase in the number of cases as well as administrative and resource limitations. Under these circumstances, temporary modification of specific implementation modalities of PPM policy till end-2022 without weakening the safeguards is justified. We agree with the proposal for the conduct of PPM discussions at the time of Article IV consultation for the members subject to PPM. In general, the issue of resource constraints is expected to manifest in the Fund's activities for a long period due to the severe impact of the pandemic. This call for a review and long-term planning of all resources, particularly human resources. *Staff may comment.*
4. We agree with the proposal to change the name of PPM to Post Financing Assessment as this would imply covering all types of Fund financing. We concur with

maintaining the existing criteria of absolute and quota-based thresholds with broad coverage under all financing arrangements.

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GRAY/21/1178

May 6, 2021

**Statement by Mr. Massourakis, Mr. Spadafora, Ms. Korinthios, and Mr. Persico on Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

- We thank staff for an informative set of reports making the case for a temporary streamlining of PPM procedures. This has become necessary as the increase in Fund lending in the aftermath of the pandemic – largely due to the proliferation of emergency financing – has resulted in an unprecedented amount of credit outstanding; this confronts with strained resources on the side of both Fund staff and country authorities, which complicate the full implementation of the current PPM policy.
- Two countries in our Constituency – Albania and Greece – are already subject to a PPM – in the case of Greece since before the pandemic – and they see favorably the proposed consolidation of their Article IV and PPM reports until the end of 2022. Thus, our Chair supports staff’s proposals. We also support the proposal to rename this policy from Post Program Monitoring to Post Financing Assessment (PFA), to better reflect its scope.
- We acknowledge that, for the time being, a PPM has not been initiated for the ten countries that have expressed an interest in a successor program and negotiations may be ongoing. In this regard, we want to underscore the flexibility embedded in the current policy and the important discretionary role played by the Managing Director. We call on management to keep the current practice (footnote 5) of reconsidering the case for PFA periodically, at least at six-month intervals.

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GRAY/21/1179

May 6, 2021

**Statement by Mr. Hosseini and Mr. Sassanpour on Post Program Monitoring During the  
Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the  
Policy  
(Preliminary)  
Executive Board Meeting 21/44  
May 7, 2021**

We thank staff for the concise paper and express our support for the proposed decision for temporary streamlining of Post Program Monitoring (PPM) procedures and its name change to Post Financing Assessment (PFA) that reflects the nature of the exercise more appropriately.

The unprecedented increase in Fund emergency financing and program augmentations during the COVID-19 crisis have significantly elevated risks to the Fund's balance sheet, at a time when the heavy work load of staff and country authorities have made it difficult to undertaking annual stand-alone PFA risk assessment exercises as required by the PFA guidelines. We agree with staff that, from the risk perspective, temporary modifications to the specific modalities of the PFA policy, while maintaining the absolute and quota-based thresholds at their current levels, would be fully justified. The staff's recommendation to integrate PFA and Article IV consultations into a single exercise offers a reasonable temporary solution as long as the PFA-related issues, including the members' repayment capacity to the Fund, are fully captured in the joint report.

The timing of the joint PFA-Article IV exercise should be guided by staff assessment of risks to the Fund's balance sheets and the country's external viability, particularly in cases where such risks are deemed significant, rather than the traditional Article IV consultation cycles.

We acknowledge the discretion of the Managing Director to propose PFA to the Executive Board if developments suggest closer monitoring (for risks to the Fund and the country's external viability) even though the outstanding credit is below the thresholds, or alternatively, if the outstanding credit is above the thresholds but

developments are favorable and there are clear prospects of a Fund arrangement. Such decisions should be communicated to the Executive Board in a timely manner.

The end-2022 timeframe for temporary modification of PFA modalities is naturally contingent on the dynamics of the pandemic. We would encourage staff to brief the Board, possibly mid-way to end-2022, if there are any reasons to expect the timeline to slide back if the pandemic becomes protracted, and even barring that, for any relevant issues foreseen for the normal resumption of the PFA in 2023.

## STAFF'S RESPONSES TO EXECUTIVE DIRECTORS' TECHNICAL QUESTIONS

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**Post Program Monitoring During the Pandemic—  
Proposal for Temporary Streamlining of Procedures and Renaming of the Policy**  
[EBM/21/44], [May 7, 2021]

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| <i>Staff's responses to all questions are below.</i> |
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### **Policy proposal on streamlining of PPM/PFA modalities**

*1. Perhaps staff could consider a shorter duration, which could always be extended if warranted by the continued impact of the global pandemic. Staff comments would be welcome.*

*2. We can go along with the proposal to adapt the framework for the members that are subject to the policy, by combining PPM with Article IV consultations until the end of 2022. However, given the uncertain path of the pandemic, in our view a longer timeframe should be considered. Staff comments are welcome.*

**Answers 1, 2:** The duration and further course of the pandemic is still uncertain. While some countries may expect a normalization of the situation later this year, this is not the case for many other parts of the world, where new strains are emerging, or vaccination campaigns are taking significantly more time. Just as the Article IV consultation cycles gear up gradually after their temporary extension, the proposal strikes a balance between allowing for sufficient time for all members to return to normal practices and safeguarding the objectives of the PPM/PFA policy.

*3. The proposal to temporarily modify PPM modalities will temporarily reduce the frequency of reporting to the Board under PPM. We would be grateful for staff's views on ways to keep the Board informed in a timely manner of members' potential payment difficulties.*

*4. As a compromise, we could have an intermediate country update to the Board with a focus on a member's capacity to repay the Fund mid-way between a unified annual Article IV report and standard PPM consultation staff reports. This way the Board will still be able to detect early signs of forthcoming problems with future repayments, if any, by the member state with substantial outstanding Fund credit. Staff comments are welcome*

**Answers 3, 4:** As noted in the paper, staff will continue to engage with the authorities through staff visits and Resident Representative offices, which allows for continued dialogue and close monitoring. Staff will also continue to keep the Board informed on relevant country matters through Regional Briefings and informal sessions on individual members.

**5. However, we emphasize that staff guidance should ensure that the broader discussion in the Article IV consultation report, combining the outcome of the PFA, does not introduce market sensitive information into Article IV reporting.**

**Answer 5:** PFA discussions are generally expected to be covered in a standalone section of the Article IV staff report. The treatment of market-sensitive information is governed by the Fund's transparency policy, which continues to apply to the Article IV staff reports that include PFA discussions.

**6. Staff should also consider whether the requisite guidance is in place, should Management recommend delaying the initiation of PFA where the breach in the relevant thresholds is due to an exogenous shock causing urgent balance of payment needs (e.g., natural disasters, pandemics, conflict, etc.). Staff comments are welcome.**

**Answer 6:** Staff's current proposal does not envisage excluding or delaying the initiation of PFA on account of emergency financing. This is consistent with the 2005 decision to include emergency financing under the applicable exposure thresholds, as PPM/PFA aims to monitor capacity to repay for members with access in excess of the relevant thresholds, irrespective of financing instrument. Existing guidance is in line with this principle as laid out in [SM/05/86,3/14/2005](#).

**7. In practice, given generally there is also a staff visit between two annual Article IV consultations with a member under PPM, how did staff coordinate the regular staff visit (if there is any) and the PPM mission? Would the previous procedures be kept unchanged for PFA after end-2022?**

**Answer 7:** Prior to the pandemic, a mid-year staff visit was usually used to conduct the PPM mission for members subject to PPM and resulted in the conclusion of a standalone PPM report. This is not the case under the streamlined procedures until end-2022, when staff visits would not need to result in a PFA report (and hence would save resources for both staff and the authorities). However, after end-2022, the normal modalities would apply, and teams would be expected to produce a standalone PFA report in between Article IV consultations.

**8. In addition, we are not fully convinced by the suggestion that the term "Post Program Monitoring" would deter countries from requesting emergency financing. Can staff indicate whether borrowing countries expressed such concerns?**

**Answer 8:** As emphasized in the paper, the references to "program" in the name of the policy could be misleading. (Staff was made aware that such sensitivities could arise.) The proposed change aims to reflect more accurately the objectives of the framework, which covers safeguards to all Fund credit outstanding, including one-time purchases or disbursements under emergency financing.

## **Resource implications**

**9. From a resource perspective, could staff provide specific details on how the proposal is expected to generate savings compared to a standalone PPM?**

**10. We note staff's conclusion that "applying PPM without any modifications during the ongoing crisis is likely unfeasible, given resource constraints" (bullet 9, page 6 of the paper). However, crisis hiring was meant to address resource constraints and boost staff's ability to accommodate crisis-related work pressures. Could staff provide detailed comments on where the main bottlenecks are and how to address them without altering the PPM policy implementation?**

**11. In general, the issue of resource constraints is expected to manifest in the Fund's activities for a long period due to the severe impact of the pandemic. This call for a review and long-term planning of all resources, particularly human resources. Staff may comment**

**Answers 9-11:** Fund resources, while reinforced, remain strained by the unprecedented number of financing requests (from nearly half of the membership) and the need to maintain close engagement with member countries in a rapidly changing environment. Besides Fund staff, resource constraints are also evident for member countries.

While country teams continue to follow closely developments in member countries and provide succinct briefings to management or the Board as appropriate, the undertaking of a staff report—including mission, review process, and Board discussion—is relatively more resource intensive. This process, typically stretching over several months, is also less suited to reflect the quickly changing circumstances of the pandemic. Staff's proposal is thus expected to alleviate resource constraints temporarily, while safeguarding the objective of the policy.

## **Thresholds**

**12. At the same time, we would appreciate additional comments with respect to the approaching dissolution of the SCA-1 and its potential implications for the recalibration of thresholds.**

**Answer 12:** As noted in the staff paper, the absolute thresholds are calibrated relative to the Fund's loss-absorption capacity. For credit outstanding from the General Resources Account (GRA), the loss absorption capacity is calibrated relative to the minimum floor set for precautionary balances. At the last review of precautionary balances in October 2020, the minimum floor was confirmed at SDR 15 billion, compared with an actual level of precautionary balances, which can fluctuate, of about SDR 16.6 billion at the time.

Precautionary balances are estimated to have reached SDR 19.5 billion at the end of FY2021 (Review of the Fund's Income Position for FY 2021 and FY 2022, see EBS/21/35, April 12,

2021). Even without the balances in the SCA-1 reserves would thus remain well above the minimum floor of SDR 15 billion set at the last review of precautionary balances in October 2020.

***13. We are interested to hear from staff if there is a need to set another absolute threshold for combined credit from the GRA and PRGT given the nature of the PPM safeguarding overall Fund resources.***

**Answer 13:** Regarding the absolute thresholds, the [2016 PPM Review](#) concluded that, for members that simultaneously have outstanding credit from both GRA and the PRGT, a member would be expected to engage in PPM if either its exposure to the GRA exceeds SDR 1.5 billion or its exposure to the PRGT exceeds SDR 0.38 billion. The rationale for such an approach is that GRA and PRGT credits relate to different balance sheets, each with its own loss absorption capacity. At the same time, it was recognized that Management could take the size of total credit into account in deciding whether to exercise flexibility. In addition, the 2016 PPM review retained the relative quota-based threshold since, from a member's perspective, capacity to repay the Fund depends on its total obligations to the Fund. Members receiving a mix of funds are therefore also assessed based on the sum of their outstanding credit from the GRA and the PRGT as a percentage of quota.

### **Role of ORM**

***14. The Office of Risk Management should be consulted as part of this streamlining exercise to assess the impacts on enterprise risk management. We would like to understand the impact of these changes on the risk assessment for the use of Fund resources, and we did not see any reference to consulting with ORM as part of developing this proposal. Staff comments are welcome.***

***15. We would also like to underscore that the 2020 Risk Report stressed the importance of steadfastly applying the Fund's safeguard policies. PPM (PFA) enhances the Fund's ability to detect risks to the member's repayment capacity and thus safeguards the Fund's resources. We consider this all the more important as the Covid-19 shock may have impacted in particular the medium-term viability of IMF members. In this regard, we would like the Office of Risk Management to comment on whether staff's proposal for temporarily modifying the specific implementation modalities of PPM policy is consistent with the Fund's evolving risk profile and thrust of the 2020 Risk Report recommendations***

***16. We acknowledge the Managing Director's discretion under the PPM/PFA policy but believe that more detailed information on potential PFA cases should have been presented in the supplement. Along those lines, we would like to know what was the role of the Office of Risk Management in the process?***

**Answers 14-16:** The Office of Risk Management (ORM) assesses the enterprise risks at the aggregate level and reports to the Board through Risks Reports and Updates. Regarding the countries completing a program, ORM regularly assesses the probability of a country requesting Fund financing within the next 12 months, which is included in the aggregate demand forecast for Fund financing.

ORM has been asked bilaterally to weigh in on the discussion on the impact of the PPM/PFA thresholds for the risk profile. The proposed streamlining of the PPM/PFA procedures can be expected to mitigate human capital and budget risks, to a degree, and avoid crowding out resources for other areas, such as program work and Article IV consultations. Repayment risks could increase by weakening the monitoring of the capacity to repay, but it would be mitigated by continued engagement with the authorities through staff visits and resident representative offices to some extent. Additional work would be required to more fully assess overall end-to-end PPM/PFA process risks.

### **Initiation of PFA for Group 2 countries**

*17. We are also curious about the exact deadline for the PPM (PFA) initiation for countries with credit outstanding above the relevant thresholds and no program relationship, including Bangladesh, Mongolia, Nigeria, and South Africa.*

*18. The proposal to temporarily integrate the PPM into Article IV consultations is reasonable. Can staff indicate whether this proposal would also include countries with credit outstanding above the relevant thresholds and no program relationship, including Bangladesh, Mongolia, Nigeria, and South Africa?*

**Answers 17, 18:** The paper entitled “Post Financing Assistance—Decision on Countries” proposes that PFA be initiated for these four countries with a Board decision at this meeting. Following this decision, these countries would be expected to hold PFA discussions at the time of the next Article IV consultation and include these discussions in upcoming Article IV staff reports to be discussed by the Board until end-2022, after which the standalone PFA staff report will be resumed.

### **Timing of AIV for Group 1 and 2 countries; dealing with AIV delays**

*19. For countries in Groups 1 and 2, we support the proposed decision to temporarily streamline PPM modalities, subject to those countries having an Article IV/PPM by the end of the 2021 calendar year, or certainly no later than the timing due on their 12-month Article IV cycle. Could staff confirm whether Article IV’s dates for these countries have been agreed and further to this, could that information be shared with the Board?*

**20. Can staff also provide preliminary estimates on forthcoming Article IV consultations for the eight countries in question? Are there Fund-wide “prioritization”-guidelines to ensure that PPM discussions are not delayed further than absolutely necessary?**

**21. Also, if excessive delays occur in Article IV consultations during the rest of 2021 and in 2022 for the countries that will require a PPM, how will these cases be addressed under the current proposal to combine Article IV consultation and PPM?**

**22. We wonder whether Article IV consultations for countries exceeding the PPM thresholds are expected to be delayed due to budget and prioritization constraints, and what would the implications be for PPM. Staff’s comments would be appreciated**

**23. According to staff’s assessment, what are the implications of the risks of delayed Article IV consultations for the effectiveness of the PPM framework going forward?**

**Answers 19-23:** Our preliminary information suggests that the majority (6 out of 8) countries in Groups 1 and 2 are planning to complete the next Article IV consultation in the course of 2021. Two countries (one of which has already had an Article IV consultation this year) would do so in early 2022.

While staff do not expect delays in Article IV consultations for countries in Groups 1 and 2, updated guidelines on the practical implementation of the temporarily modified PFA modalities will also provide an impetus to these countries to complete their Article IV consultations in a timely manner, in addition to the Fund’s [legal framework to tackle excessive delays](#).

**24. Regarding Group 2 of countries with credit outstanding above the relevant thresholds and without program relationship, we agree with the proposed decision that the MD initiates a PFA under the temporarily streamlined PFA modalities until end-2022. Could staff tell us what is the envisaged timing for the article IV consultations of these countries?**

**25. We also consider important to evaluate the timing of the review of Group 2 (and eventually Group 3), and whether the Staff considers that such review at the time of the next Article IV, in many cases next year, will suffice the needs of the policy. We welcome additional staff’s comments on this regard.**

**Answers 24, 25:** Two countries in Group 2 are expected to complete their Article IV consultations (including PFA discussions) in the course of 2021, and then again in 2022. The other two countries would do so in early 2022 (including because one of them already had its 2021 Article IV consultation earlier this year). Staff considers that the temporarily streamlined procedures provide an adequate balance between the need to preserve the objectives of the policy while being mindful of resource constraints during this exceptional period. All members eligible

for PFA would revert to normal procedures (standalone Article IV staff reports followed by standalone PFA staff reports) starting in 2023.

**26. However, we are concerned that the proposed streamlining would reduce the frequency of reporting on countries under PFA. Accordingly, we would suggest preparing a calendar of upcoming PFAs, with a clear indication of how this schedule would compare to the one that would have prevailed in the absence of this streamlining proposal.**

**Answer 26:** As noted in the paper, due to the exceptional pandemic circumstances, even countries already under PPM have been unable to report to the Board twice per year. During 2020, only two countries (Albania and Greece) were able to produce a PPM staff report, but no Article IV staff report. Cote d'Ivoire completed an Article IV consultation but no PPM staff report. Ghana was not able to complete either an Article IV consultation or a PPM staff report. Thus, staff's proposal aims to balance the need for adequate reporting to the Board on countries' capacity to repay with the feasibility to do so given resource constraints. As noted above, all countries in Groups 1 and 2 are expected to complete an Article IV staff report including a PFA discussion in the course of 2021, or very early in 2022.

**27. We would expect that Article IV consultations that include PFAs will not meet the Lapse of Time criteria nor would they be reviewed by the Board on a Lapse of Time basis.**

**Answer 27:** The procedures for Lapse of Time (LOT) including the criteria for eligibility for an item to be proposed under LOT procedures remain unaffected by the decision. As such, staff remains guided by the Summing Up of the [2016 review](#) of the policy stating that "Directors agreed to retain the current risk-based approach to the usage of LOT procedures, whereby it would be possible for the Board to conclude PPM consideration on an LOT basis if no major issues have arisen." As is currently the case, any Director can request a Board meeting.

### **Group 3 countries**

**28. For countries in Group 3, we would have welcomed additional information to support the proposal to delay the initiation of PPMs. Given heterogeneity in situations across the ten countries, could staff provide additional information on the status of their program discussions?**

**29. We note that PPM has not been initiated for 10 countries given ongoing negotiations. Could staff elaborate on their assessment of whether a successor arrangement is expected in the next six months for each of these countries?**

*30. Can staff provide an overview of the status of the discussions with the 10 countries for which a successor arrangement is expected, and can staff provide the expected timing of their next Art. IV consultations?*

*31. 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.*

*32. However, we consider Staff should prepare an analysis of the current status of member countries of Group 3, which are not currently expected to have a program engagement any time soon and/or have spent more than 6 months without reaching an agreement.*

*33. Nevertheless, we are concerned that if program negotiations stall, there could be a significant gap in time before the Board receives any form of assessment. We therefore expect staff to ensure that there is some form of proper assessment, whether through preparations for a new program, an Article IV/PPM or an informal update to the Board, no more than 12 months after either i) the end of the previous program or ii) the disbursement of an RFI/RCF that triggered the PPM application criteria. Could staff comment on whether this request can be met?*

*34. We acknowledge the Managing Director's discretion under the PPM/PFA policy but believe that more detailed information on potential PFA cases should have been presented in the supplement. In the cases in which a new program is expected within the next six months, we agree that a PFA would not be warranted. That said, the 2017 guidance note clearly states that the Managing Director should "take into account the likelihood of a program being agreed quickly, and the period that has elapsed since the member's last arrangement expired: the longer the time that has elapsed, the greater the presumption that the Managing Director would propose the initiation of PPM." As the decision should be taken "drawing on systematic analysis of risks to a member capacity to repay," such information should be shared with the Board to allow it to adequately fulfill its fiduciary duty.*

**Answers 28-34:** As noted in the staff paper, upon consultation with staff, and in line with reporting practices to the Board in previous cases when PPM was not initiated (e.g. 2005, 2016), Management is not proposing to initiate PFA for Group 3 countries at this time, given the expectation that a new program would be in place within the next six months (although uncertainty regarding the timing of a new program remains for a few cases). About half of these members have exceeded the PPM/PFA thresholds for 5-8 months. The other half have exceeded the PPM/PFA thresholds for 10-14 months (of this latter group, 3 countries are in active program negotiations, one of which has already reached a staff level agreement; the other two are also discussing programs, and both have had a Board meeting during March 2021). In line with the policy, the case for PFA for all these members will be reconsidered periodically (at least every 6 months), including by reporting to the Board in individual informal meetings or regional Board briefings.

## CONSTITUENCY CODES

### OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

### OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

### OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

### OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

### OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

### OEDCC

China

### OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

### OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

### OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

### OEDFF

France

### OEDGR

Germany

### OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

### OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

### OEDJA

Japan

### OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

### OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

### OEDNE

Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

### OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

### OEDRU

Russian Federation and Syrian Arab Republic

### OEDSA

Saudi Arabia

### OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

### OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

### OEDUK

United Kingdom

### OEDUS

United States