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**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  
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.