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2023 HANDBOOK OF IMF FACILITIES FOR LOW-INCOME COUNTRIES

EXECUTIVE SUMMARY

This Handbook provides guidance to staff on the IMF's concessional financial facilities and non-financial instruments for low-income countries (LICs), defined here as all countries eligible to obtain concessional financing from the Fund.

It updates the previous version of the Handbook that was published in December 2017 (IMF, 2017e) by incorporating modifications resulting from the 2018–19 Review of Facilities for Low-Income Countries and Review of the Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries (IMF, 2019a, b), approved by the Board in May 2019; the reforms introduced in 2021 on the basis of the Board paper Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic (IMF, 2021a), approved in July 2021; and a number of other recent Board papers.¹

Designed as a comprehensive reference tool for program work on LICs, the Handbook also refers, in summary form, to a range of relevant policies that apply more generally to IMF members. As with all guidance notes, the relevant IMF Executive Board decisions including the terms of the various LIC Trust Instruments that have been adopted by the Board, remain the primary legal authority on the matters covered in the Handbook.

¹ These include the 2019 Review of the PRGT Interest Rate Structure (IMF, 2019d); the May 2019 and January 2020 Board papers on the Eligibility to Use the Fund's Facilities for Concessional Financing (IMF, 2019e and 2020a); the June 2019 Board paper on Building Resilience in Developing Countries Vulnerable to Large Natural Disasters (IMF, 2019c); the April 2020 Board paper on Enhancing the Emergency Financing Toolkit—Responding to the Covid-19 Pandemic—Supplementary Proposal on Handling PRGT High-Access Procedures Under Emergency Financing Requests (IMF, 2020b); the July 2020 Board paper on Temporary Modification to the Fund's Annual Access Limits (IMF, 2020c); the August 2020 Board paper on Policy Safeguards for Countries Seeking Access to Fund Financial Support that Would Lead to High Levels of Combined GRA-PRGT Exposure (IMF, 2020d); the March 2021 Board paper on Temporary Extensions and Modifications of Access Limits in the Fund's Lending Facilities (IMF, 2021c); the June 2021 Board paper on Short Extension of the Temporary Increases in PRGT Access Limits and the Review of the Interest Rate Structure Under the PRGT (IMF, 2021d); the December 2021 Board paper on the Review of the Temporary Modifications to the Fund's Access Limits in Response to the COVID-19 Pandemic (IMF, 2021b); and the October 2022 Board papers on the Proposal for a Food Shock Window under the Rapid Financing Instrument and Rapid Credit Facility (IMF, 2022e), and the Proposal for a Staff-Monitored Program with Executive Board Involvement (IMF, 2022f).

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Acronyms and Abbreviations

ACs	Assessment Criteria
APR	Annual Progress Report
AFP	Annual Feedback Process
BoP	Balance of Payments
BTO	Back-to-Office Report
CCRT	Catastrophe Containment and Relief Trust
CF	Common Framework
COM	Communications Department
CSO	Civil Society Organization
CtR	Capacity to Repay
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DRA	Debt Relief Analysis
ECF	Extended Credit Facility
EDD	Economic Development Document
EFF	Extended Fund Facility
ENDA	Emergency Natural Disaster Assistance
EPA	Ex Post Assessment
EPCA	Emergency Post-Conflict Assistance
ESF	Exogenous Shocks Facility
ESF-RAC	Rapid Access Component of the Exogenous Shocks Facility
FCL	Flexible Credit Line
FCS	Fragile and Conflict-affected States
FfD	Financing for Development
FIN	Finance Department
FSAP	Financial Sector Assessment Program
FSW	Food Shock Window
GRA	General Resource Account
HCC	High Combined Credit
HIPC	Heavily Indebted Poor Country
IADB	Inter-American Development Bank
IDA	International Development Association
IFIs	International Financial Institutions
IMF	International Monetary Fund
I-PRSP	Interim-Poverty Reduction Strategy Paper
JMAP	Joint Management Action Plan
JSAN	Joint Staff Advisory Note
LEG	Legal Department
LIA	Lending into Arrears
LICs	Low-Income Countries

LICFR	Low-Income Countries' Facilities Review
LIOA	Lending into Official Arrears
LOI	Letter of Intent
LOT	Lapse of Time
LTPE	Longer-Term Program Engagement
MAC	Market-Access Countries
MD	Managing Director
MDBs	Multilateral Development Banks
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEFP	Memorandum of Economic and Financial Policies
MPCC	Monetary Policy Consultation Clause
NDA	Net Domestic Asset
NIR	Net International Reserves
NPV	Net Present Value
PCs	Performance Criteria
NTP	Non-Toleration Policy
PCDR	Post-Catastrophe Debt Relief
PCI	Policy Coordination Instrument
PCR	Post Catastrophe Relief
PCM	Policy Consultation Meeting
PFA	Post Financing Assessment
PN	Policy Note
PIR	Poverty Implementation Review
PLL	Precautionary and Liquidity Line
PMB	SMP with Executive Board Involvement
PPM	Post-Program Monitoring
PRA	Peer-Reviewed Assessment
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
PRGS	Poverty Reduction and Growth Strategy
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PS-HCC	Policy Safeguards for High Combined Credit
PSI	Policy Support Instrument
PV	Present Value
RAC	Rapid Access Component
RAP	Rights Accumulation Program
RCF	Rapid Credit Facility
RFI	Rapid Financing Instrument
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust

SBA	Stand-By Arrangement
SCF	Standby-Credit Facility
SDR	Special Drawing Right
SEC	Secretary's Department
SMP	Staff-Monitored Program
SPR	Strategy, Policy, & Review Department
TIM	Trade Integration Mechanism
TMU	Technical Memorandum of Understanding
UCT	Upper Credit Tranche
UFR	Use of Fund Resources
WB	World Bank

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CHAPTER I: FACILITIES ARCHITECTURE OVERVIEW

The Fund's concessional facilities are aimed at providing flexible and tailored support to low-income countries (LICs) in their efforts to achieve, maintain, or restore a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

A. Background

1. In July 2009, the Fund's Executive Board adopted a comprehensive overhaul of the Fund's concessional facilities' architecture, with the objective of making the Fund's support to LICs more flexible and tailored to their increasingly diverse needs and heightened exposure to global volatility.² As a result, the Enhanced Structural Adjustment Facility (ESAF) Trust was transformed into the Poverty Reduction and Growth Trust (PRGT) effective on January 7, 2010.³

2. The architecture of facilities for LICs thereby introduced in 2010 includes three concessional financing facilities and one nonfinancial instrument:⁴

- The **Extended Credit Facility (ECF)** is currently the Fund's main tool for providing medium-term support to LICs with protracted balance of payments problems.
- The **Standby Credit Facility (SCF)** provides financing to LICs with short-term balance of payments needs.
- The **Rapid Credit Facility (RCF)** provides rapid low-access financing with limited conditionality to meet urgent balance of payments needs.
- **The Policy Support Instrument (PSI) is the Fund's nonfinancial policy support tool for LICs,** and can facilitate access under the SCF and RCF, if needed.⁵

² See *A New Architecture of Facilities for Low-Income Countries* (IMF, 2009e and 2009f). The analytical basis for the new facilities is discussed in *The Fund's Facilities and Financing Framework for Low-Income Countries* (IMF, 2009b).

³ Based on the last review of members' eligibility for PRGT support, concluded on February 19, 2020, 69 IMF member countries are currently PRGT-eligible (previous reviews took place on February 17, 2012, April 8, 2013, July 17, 2015, and May 15, 2017). See Appendix VI and *Eligibility to Use the Fund's Facilities for Concessional Financing* (IMF, 2020a).

⁴ In addition to these LIC-specific instruments, in some cases it may be appropriate to use Staff-Monitored Programs (SMPs) or blend financial assistance under the PRGT with facilities under the GRA. The new Resilience and Sustainability Facility (RSF) can be used along the LIC instruments in certain circumstances. The RSF was established under the Resilience and Sustainability Trust (RST), approved by the Board in April 2022 (see [Proposal to Establish A Resilience and Sustainability Trust](#), IMF, 2022g). The RST provides affordable, long-term financing, tied to a set of reform measures aiming to address long-term challenges that affect macroeconomic stability. The Post-Catastrophe Relief Window and the Catastrophe Containment Window of the Catastrophe Containment and Relief Trust (CCRT) are discussed in Appendix VII—see *Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters* (IMF, 2015a).

⁵ The Policy Coordination Instrument (PCI), a non-financial instrument, is available to all IMF members, including PRGT-eligible members, that do not need and are not seeking Fund financial resources at the time of approval. It is

(continued)

3. All instruments aim to assist LICs in achieving, maintaining, restoring, or making progress toward a *stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth*. Such a position would be characterized by the absence of a present or prospective balance of payments need and by the domestic and external stability that is necessary to support strong and durable poverty reduction and growth. It would typically be associated with sustainable fiscal and current account balances, limited debt vulnerabilities, adequate international reserves, and sufficient policy and institutional capacity to implement appropriate macroeconomic policies. This position might still involve significant levels of donor assistance, though aid dependence would be expected to decline over time.⁶

4. In September 2012, the Fund’s Executive Board adopted a three-pillar strategy to make the PRGT financially sustainable, consisting of (i) a base envelope (initially SDR 1¼ billion and increased to SDR 1.65 billion in 2021 in annual lending capacity); (ii) contingent measures that can be put in place if average financing needs exceed the base envelope by a substantial margin for an extended period;⁷ and (iii) a principle of self-sustainability under which future modifications to LIC facilities would be expected to ensure that demand can be met with the available resources under the first and second pillar under a plausible range of scenarios.^{8 9}

5. Subsequent reviews of LIC Facilities have kept this essential architecture intact, while introducing reforms to improve the flexibility and targeting of the facilities and ensure that access levels remain in line with the magnitude and nature of LICs’ evolving financing needs, and the availability of PRGT resources.¹⁰ Significant changes between 2012–17 included modifications to the

designed for countries seeking to demonstrate commitment to a reform agenda or to unlock and coordinate financing from other official creditors or private investors. The PCI aims to help countries better coordinate their access to multiple layers of the global financial safety net, particularly regional financing arrangements (see IMF, 2017c).

⁶ See IMF, 2009e, paragraph 7.

⁷ If the Board considers that the self-sustaining capacity would decline substantially below base envelope, it could decide to activate a range of contingent measures including (i) reaching additional understandings on bilateral fundraising efforts to be supported by a broad range of the membership, with contributions from traditional and non-traditional donors to the PRGT; (ii) the suspension for a limited period of time of the reimbursement of the General Resource Account (GRA) for PRGT administrative expenses; and (iii) modifications of access, blending, and interest rate and eligibility policies to reduce the need for subsidy resources.

⁸ See Proposal to Distribute Remaining Windfall Gold Sales Profits and Strategy to Make the Poverty Reduction and Growth Trust Sustainable (IMF, 2012f).

⁹ Any modification of access, financing terms, blending, eligibility and other relevant policies would be expected to be designed in a way that average demand in normal periods would be covered through the resources available under the first pillar, and that periods of high financing needs, e.g., as a result of significant shocks, could be covered through the contingent mechanisms (IMF, 2012f).

¹⁰ See *Review of Facilities for Low-Income Countries* (IMF, 2012d) and *Review of Facilities for Low-Income Countries— Proposals for Implementation* (IMF, 2013d); *Reform of the Fund’s Policy on Poverty Reduction Strategies in Fund Engagement with Low-Income Countries— Proposals* (IMF, 2015b) and (IMF, 2015c); *2018-19 Review of Facilities for Low-Income Countries and Review of the Financing of the Fund’s Concessional Assistance and Debt Relief to Low-Income Member Countries* (IMF, 2019a, b); and *Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic* (IMF, 2021a).

Fund’s policy on Poverty Reduction Strategies (PRS),¹¹ interest rate policies, and the increase in PRGT access limits in 2015.^{12 13} Moreover, since the 2017 version of this Handbook, two critical sets of reforms have been introduced to the PRGT facilities architecture in the context of the 2018–19 Review of LIC Facilities (LICFR), and the July 2021 reforms in response to the COVID-19 pandemic:

- **2018–19 LICFR.**¹⁴ Approved by the Executive Board in May 2019, the LICFR was part of a wider policy work agenda relating to the Fund’s support to LICs,¹⁵ and took place on the back of an erosion of the limits on access to concessional financing relative to LICs’ GDP levels and external financing needs, greater demand for emergency financing due to the increasing frequency of natural disasters, and a rise in debt vulnerabilities in many LICs, while fragility and institutional weaknesses continued to present a formidable challenge to economic progress in a wide range of countries. Reforms introduced to counter these challenges included: (i) a generalized one-third increase in access limits and norms; (ii) an additional increase in access to the RCF (and RFI) to better cater to the needs of fragile and conflict-affected states (FCS) and states vulnerable to natural disasters; (iii) blending policy reform to enhance the targeting of PRGT resources to the poorest and most vulnerable states; (iv) a strengthening of safeguards for high access and exceptional access cases; and (v) an increase in flexibility of PRGT instruments through reforms to the SCF and ECF.
- **July 2021 PRGT Reforms.**¹⁶ In July 2021, the Executive Board approved a further set of policy reforms to PRGT facilities together with an associated funding strategy, to ensure adequate support for LICs during the COVID-19 pandemic and its aftermath, while continuing to provide concessional loans at zero interest rates. Fund lending to LICs saw an eightfold increase in 2020 relative to average lending levels in 2017–19 as countries braced their economies and health sectors against the impact of the global pandemic, with elevated lending to LICs expected to continue for several years as countries struggle to recover from the unprecedented crisis. The centerpiece of the 2021 reforms was a 45 percent increase in the normal limits on access to concessional financing, coupled with the elimination of hard limits on exceptional access for the poorest countries and modifications to access norms. In addition, the reforms introduced changes to the framework for blending concessional and non-concessional resources to make it more robust and less complex, modifications to the exceptional access criteria, and stronger safeguards to address concerns regarding debt sustainability and capacity to repay the Fund

¹¹ See Appendices IV and V.

¹² See *Review of Facilities for Low-Income Countries* (IMF, 2012d) and *Review of Facilities for Low-Income Countries—Proposals for Implementation* (IMF, 2013d).

¹³ See *Reform of the Fund’s Policy on Poverty Reduction Strategies in Fund Engagement with Low-Income Countries—Proposals* (IMF, 2015b) and (IMF, 2015c).

¹⁴ See *2018–19 Review of Facilities for Low-Income Countries* and *Review of the Financing of the Fund’s Concessional Assistance and Debt Relief to Low-Income Member Countries* (IMF, 2019a, b).

¹⁵ The work agenda included the *2018 Review of Program Design and Conditionality* (IMF, 2019e), the *2018 IEO report on The IMF and Fragile States* (IMF, 2018a), and the *2019 Poverty Reduction and Growth Trust—Review of Interest Rate Structure* (IMF, 2019d).

¹⁶ See *Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic* (IMF, 2021a).

given the heightened debt vulnerabilities and increasing Fund credit exposure in the majority of LICs.¹⁷ In order to cover the cost of these reforms while ensuring the self-sustainability of the PRGT, the Executive Board also approved a two-stage funding strategy: the first stage would aim to secure SDR 2.8 billion in subsidy resources (to support zero interest rates), and an additional SDR 12.6 billion in loan resources, as soon as feasible; the second stage, set for 2024–25, would seek a more lasting solution to the financing of the Fund concessional lending model in the context of a full review of LIC facilities.

6. Under the Articles of Agreement, all Fund members are eligible to access the Fund’s resources in the GRA. No distinctions in GRA eligibility apply according to income. All members requesting access to Fund financial support from the GRA are required to meet the provisions of the Articles of Agreement as well as policies adopted thereunder, including to safeguard the temporary use of the Fund’s general resources.

7. While all members of the Fund have GRA access, only a subsection of the membership (developing countries meeting specified income and market access criteria) is eligible for concessional financial support under the PRGT. These members are eligible, but not obliged, to use such concessional financing. Given the financial advantages of concessional financing, staff should continue to advise PRGT-eligible members to seek financing under the PRGT facilities for all their needs in the case of LICs that qualify for exceptional access (EA) to PRGT resources, or up to the applicable access limits for PRGT-eligible members that do not qualify for EA to PRGT resources.¹⁸ For the latter group, i.e., PRGT-eligible members that do not qualify for EA under the PRGT, if the size of the balance of payments need exceeds the normal access limits of the PRGT, or for a member that prefers to access GRA resources, consideration of a request for support from the GRA would be based on the relevant policies governing access to the GRA, including those that pertain to program strength, capacity to repay the Fund, and debt sustainability. The Fund has noted that for PRGT-eligible members with weak capacity to service non-concessional debt, GRA financing may not be suitable relative to concessional financing under the PRGT.¹⁹

B. Choosing the Appropriate Facility

8. The choice of the appropriate instrument depends in general on three main factors: (i) the expected time needed to establish a stable and sustainable macroeconomic position as defined above, i.e., the duration of adjustment and balance of payments needs; (ii) the conditionality standard of Fund support; and (iii) the nature of the balance of payments need.

¹⁷ See *Poverty Reduction and Growth Trust – Guidance Note on New Enhanced Safeguards for Debt Sustainability and Capacity to Repay* (IMF, 2022a).

¹⁸ See *Financing for Development: Enhancing the Financial Safety Net for Developing Countries, Further Considerations* (IMF, 2016c).

¹⁹ See [The Acting Chair’s Summing up on the Fund’s Role in Low-Income Member Countries: Considerations on Instruments and Financing](#) and [Strengthening the Fund’s Ability to Assist Low-Income Countries Meet Balance of Payments Needs Arising from Sudden and Exogenous Shocks](#).

- Duration of adjustment and balance of payments needs:** The time needed to achieve, through a combination of economic adjustment and external financing, a stable and sustainable macroeconomic position as defined above varies across LICs. A country that has already achieved a stable and sustainable macroeconomic position would, by definition, not need to adjust its macroeconomic policy mix or seek additional external financing. At the other end of the spectrum, in a country with a so-called **protracted balance of payments problem**, the resolution of underlying macroeconomic imbalances needed to establish a stable and sustainable macroeconomic position would be expected to extend over normally three years or more.²⁰ In a country with a so-called **short-term balance of payments need**,²¹ the resolution of macroeconomic imbalances needed to establish a stable and sustainable macroeconomic position would be expected to extend over normally two years or less, and in any case not more than three years.²²
- Conditionality standard:** The standard of Fund support is distinguished by whether or not it meets the **upper credit tranche (UCT)** quality, i.e., the UCT-quality standard is understood to refer to a member's policies that are designed to provide a substantial justification that the member's balance of payments problems are being addressed and resolved, and adequate confidence to the Fund that the improvements in resolving such balance of payments difficulties will allow the member to repay Fund resources by the time repayments fall due.²³
- Nature of the balance of payments need:** A balance of payments need can arise because of a member's balance of payments deficit, reserve position, and developments in reserves.²⁴ The need can be **present** (i.e., a need that exists in the current period), **prospective** (i.e., a need that is expected/projected to arise in the future, including during the implementation of a Fund-supported program), or **potential** (i.e., a need that may arise under an alternative, typically downside, macroeconomic scenario, but is not expected to arise based on baseline/program projections). A present need may also be **urgent**, specifically when not addressing the external financing gap would result in an immediate and severe economic disruption. Distinct from the concept of balance of payments need, a **protracted balance of payments problem**, discussed above, is a related but broader concept that examines the components of the balance of

²⁰ See IMF, 2009e, paragraph 8.

²¹ See IMF, 2009e, footnote 8.

²² In borderline cases, where establishing a stable and sustainable macroeconomic position is expected to require more than two but less than three years, judgment is required on the nature of the balance of payments need, and consequently on the choice of the appropriate facility. In this respect, substantial structural reform or capacity building needs, or frequently recurring financing needs would indicate the presence of a protracted balance of payment problem and thus argue for support under an ECF arrangement, whereas needs for a relatively front-loaded adjustment aimed at a speedy restoration of macroeconomic stability would argue for an SCF arrangement. See IMF, 2009e, footnotes 20 and 21.

²³ See *Signaling by the Fund—A Historical Review* (IMF, 2004d), paragraph 13.

²⁴ For elaboration on these three indicators, see for example paragraph 5 of the *Staff Guidance Note on the Use of Fund Resources for Budget Support* (IMF, 2010f). As discussed in the guidance note, these criteria for identifying a balance of payments need are relevant for financing under the SCF and RCF. For financing under the ECF, Fund support is intended to address a "protracted balance of payments problem."

payments need (rather than focusing on the overall balance of payments position), as well as a variety of other indicators. Countries with a protracted balance of payments problem may experience a combination of present, prospective, and potential balance of payments needs.

9. To determine the appropriate facility for a particular country case, the following rules of thumb can be a useful guide:²⁵

- **If a country faces a protracted balance of payments problem**, it could be supported under the ECF, but not under the SCF or PSI. In these cases, the ECF would be the appropriate instrument for supporting a UCT-quality economic program. However, if the country is not in a position to implement such a program (i.e., when institutional and policy capacity is constrained or more time is needed to design a Fund-supported program), it can build a track record through a Staff Monitored Program (SMP) and, in case it also has urgent financing needs, it can have access to the RCF that could be used concurrently with an SMP if a clear and explicit policy framework is needed to build a track record for a UCT-quality arrangement.²⁶
- **If a country does not have a protracted balance of payments problem but faces short-term (present) balance of payments needs**, it could be supported under the SCF, but not under the ECF. In such cases, the SCF would generally be appropriate if a UCT-quality economic program can be implemented. An RCF could be used as an alternative if such a program is not deemed necessary or feasible and the need is urgent. This may be the case when the balance of payments need is considered transitory (e.g., due to a temporary shock), in particular, when the balance of payments need is expected to be resolved within one year and no major policy adjustments are necessary to address the underlying balance of payments difficulties. If the country is not in a position to implement a UCT-quality program (i.e., when institutional and policy capacity is constrained or more time is needed to design a Fund-supported program), it can build a track record through an SMP or, in case it also has urgent balance of payments needs, it can have access to the RCF (which could be used concurrently with an SMP as mentioned above).
- **Countries that have neither a protracted balance of payments problem nor a present balance of payments need** may still face short-term prospective or potential balance of payments needs. In such cases, the SCF could be used on a precautionary basis, with actual disbursements possible if and when a present balance of payments need arises.

²⁵ These rules of thumb should be used for the purposes of assessing qualification for new financing arrangements or a new PSI, and do not necessarily imply the need to cancel an existing program instrument. More detailed qualification requirements are described in Chapters II–V of the Handbook.

²⁶ On September 30, 2022, the Executive Board amended the SMP policy to allow for limited Executive Board involvement in particular SMPs in certain, ring-fenced situations (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief to the member or (ii) significant outstanding Fund credit under emergency financing instruments at the time new emergency financing is received) to opine on the robustness of a members' policies to meet their stated objectives under the SMP and to monitoring its implementation (see [IMF, 2022f](#)). Such SMPs are called "Program Monitoring with Board Involvement" or "PMBs".

- **If a country is already in a broadly stable and sustainable macroeconomic position**, it could be supported under the PSI, which is a non-financial instrument for LICs designed to promote a close policy dialogue between the Fund and member. In the event that short-term balance of payments needs arise over the course of the PSI, the country can request SCF financing or, if the balance of payments need is urgent, RCF financing. In case of potential balance of payments needs, precautionary support under the SCF is possible in conjunction with the PSI, which may be useful in periods of increased uncertainty or risk.

Table 1. Choice of Program Support for Low-Income Countries—Key Factors

Facility or instrument /1	Duration of adjustment and BoP needs 2/	UCT quality standard 3/	Size and nature of balance of payments need 4/	Other aspects
Extended Credit Facility (ECF)	Protracted BoP problem. Time needed to make significant progress toward stable and sustainable macroeconomic position \geq 3 years.	Required.	Present or prospective BoP needs exist (even if minimal) over the course of 3-year arrangement, but a present need is not necessary for each disbursement.	3 to 5-year duration. 5/ Poverty Reduction and Growth Strategy (PRGS) required by 2 nd review. 6/ Consecutive ECF arrangements are allowed.
Standby Credit Facility (SCF)	Short-term BoP need. Time needed to achieve stable and sustainable macro position \leq 2 years (in any case not > 3 years).	Required.	SCF can be approved based on present, prospective, or potential short-term BoP needs. Precautionary use possible. Disbursements require a present need.	1 to 3-year duration. Consecutive SCF arrangements possible provided that no SCF arrangement shall be approved resulting in a member having SCF arrangements in place >3 years out of any 6-year period (excl. precautionary use). 7/ PRGS required by 2 nd review if initial duration is more than 2 years.
Rapid Credit Facility (RCF)	Urgent BoP need.	UCT-quality program not needed or not feasible. No ex post conditionality or reviews. Can help build track record.	Urgent (present) BoP need must exist.	One-off disbursements. Repeated use possible based on sudden exogenous shocks or 6-monthly track records. However, no more than two disbursements in any 12-month period with the exception of access under the food shock window, which would not be subject to the two disbursement limit.

Table 1. Choice of Program Support for Low-Income Countries—Key Factors (concluded)

Facility or instrument 1/	Duration of adjustment and BoP needs 2/	UCT quality standard 3/	Size and nature of balance of payments need 4/	Other aspects
Policy Support Instrument (PSI)	Broadly stable and sustainable macroeconomic position.	Required.	At the time of approval, BoP needs may exist, but would be expected to be met through financing from non-Fund sources.	1 to 4-year duration, extendable to 5 years. PRGS required by 2 nd review if initial duration is more than 2 years. Successive PSIs are allowed.
Staff-Monitored Program (SMP)	Could be short term or protracted.	Not required. SMP's purpose is to build or rebuild a track record toward a UCT-quality program.	Any type or size of BoP need may exist.	Duration normally 6-18 months. No Board endorsement. 8/

1/ For PRGT-eligible countries that are presumed to blend, any concessional financial support should be blended with GRA financing, normally resulting in ECF-EFF, SCF-SBA, and RCF-RFI blends. Purchases under the RFI count towards the applicable RCF annual and cumulative sub-ceilings. Members that are not presumed to blend may receive financing exclusively on concessional terms. Provided they meet the policies on access to the GRA, they may also request access to GRA resources in a blend with concessional resources, typically in cases when financing needs exceed the applicable PRGT access limits, or on a standalone basis. However, given the financial benefits from borrowing on concessional terms, staff will continue to advise PRGT-eligible members considering Fund financial support to borrow from the PRGT up to the applicable limits before seeking GRA resources.

2/ Time needed to establish a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

3/ UCT-quality standard implies that the authorities have the commitment and capacity to implement a set of policies that is adequate to correct external imbalances and enable repayment to the Fund.

4/ Balance of payments (financing) needs can be present, prospective (i.e., a need that is expected/projected to arise in the future, including during the implementation of Fund program), or potential (i.e., a need that may arise under an alternative, typically downside, macroeconomic scenario, but is not expected to arise based on baseline/program projections).

5/ A longer ECF arrangement (i.e., up to five years) may be appropriate when program success depends critically on longer-term reform efforts and could be preferred when there are strong merits in anchoring the government's program on a specific medium-term strategy such as a five-year plan.

6/ Following the 2018-19 review of LIC facilities, the Board decisions renamed the Economic Development Document (EDD) as the Poverty Reduction and Growth Strategy (PRGS) to provide it with a title more closely linked to its objectives.

7/ Both the SCF and ECF can accommodate a 3-year duration of adjustment, however these two facilities remain legally and substantively distinct: the SCF is available for countries with short-term BoP needs that are expected to be resolved within two years but in any case not more than three years, while the ECF is for use by countries with protracted BoP problems, who are expected only to make significant progress toward a stable and sustainable macroeconomic position during the program period.

8/ On September 30, 2022, an amendment to the SMP policy was approved allowing in certain cases for limited Executive Board involvement in opining on the robustness of a member's policies to meet its stated objectives under an SMP and monitoring its implementation. An SMP of this nature is referred to as "Program Monitoring with Board Involvement" or PMB.

Table 2. Summary of Norms, Limits, and Procedural Safeguards

Access Limits	Current 1/
<i>Cumulative access limits</i>	
All PRGT facilities-normal	435
RCF (regular window) 2/	100
RCF (exogenous shock window) 2/ 9/	100
	[150 until June 30, 2023]
	[175 if food shock window is used]
RCF (large natural disasters window) 2/	133.33
	[183.33 until June 30, 2023]
RFI (regular window) 2/ 9/	100
	[150 until June 30, 2023]
	[175 if food shock window is used]
RFI (large natural disasters window) 2/	133.33
	[183.33 until June 30, 2023]

Table 2. Summary of Norms, Limits, and Procedural Safeguards (concluded)

Access Limits	Current 1/
<i>Annual access limits</i>	
All PRGT-facilities-normal 8/	145
RCF (regular window) 2/	50
RCF (exogenous shock window) 2/	50
RCF (large natural disasters window) 2/	80
RCF (food shock window) 9/	50
RFI (regular window)	50
RFI (large natural disasters window)	80
RFI (food shock window) 9/	50
<i>Per disbursement limit</i>	
RCF (regular window)	25
<i>Norms 3/</i>	
3-year ECF 4/	145
18-month SCF 5/	145
RCF (annual access under the regular window)	25
<i>Blending proportions applicable to members presumed to blend (PRGT:GRA) 6/</i>	1:2 with concessional access capped at 145 percent of quota per arrangement (all GRA thereafter)
<i>Triggers for procedural safeguards on high access requests</i>	
Total access in any 24-month period—for DSA (update) 6/	80
An informal Board Meeting as soon as management agrees that a new or augmented high access arrangement could be appropriate 7/	Total access in any 36-month period in excess of 240 percent of quota, or total PRGT credit outstanding to exceed 300 percent of quota at any point during the program period
<i>Triggers for enhanced safeguards</i>	
ES1a and ES1b	Annual access in excess of 100 percent of quota, or cumulative access in excess of 300 percent of quota or at high risk of debt distress or in debt distress
ES2 (see Box 3)	
<i>Triggers related to Lapse of Time procedures</i>	
<i>Augmentations above which Lapse of Time procedures are not permitted</i>	15
<p>1/ The new access limits in effect July 14, 2021, and December 31, 2021, do not affect disbursements under arrangements approved prior to that date and any changes in access levels is to be justified by balance of payments needs in accordance with the standard policies for augmentation of access amounts. Outstanding PRGT credit in existence as of July 14, 2021, and December 31, 2021, counts towards the current annual and cumulative PRGT access limits.</p> <p>2/ Access limits under the exogenous shock window and large natural disaster window were temporarily increased in response to the Covid-19 related financing needs of the members. The cumulative access limits of these two windows will remain at 150 and 183.33 percent of quota until June 30, 2023. Prior to this deadline, the Executive Board will meet to assess emergency financing cumulative access limits post-June 30, 2023. Any RFI access also counts towards these limits. Note that the RFI is a GRA instrument.</p> <p>3/ Norms provide guidance on what may constitute an appropriate level of access under PRGT facilities, but they should not be misconstrued as access limits or entitlements. See Appendix VIII for details.</p> <p>4/ The access norm for ECF arrangements longer than 3 years would be prorated upwards to maintain the norm at 145/3 per year.</p> <p>5/ The norm for access under an 18-month SCF arrangement is set equal to that of the 3-year ECF arrangement, varying proportionately with the length of the SCF arrangement, up to the amount allowable under a 2-year SCF arrangement (193.33 percent of quota).</p> <p>6/ A new DSA is also required for any PRGT financing request if it involves exceptional access to concessional resources or involves a member with high risk of debt distress or in debt distress.</p> <p>7/ An early informal meeting is also required if the financial request would involve exceptional access to concessional financing.</p> <p>8/ Annual access limits were temporarily increased to 245 percent of quota in response to the Covid-19 and were decreased to 145 percent of quota end-December 2021, the level approved by the Board on July 14, 2021. The “transition rule” applies to countries that have entered a new arrangement or have received an augmentation of existing arrangement or emergency financing in the period between March 22, 2021 and end-2021. See also Annex III in Review of the Temporary Modifications to the Fund’s Access Limits in Response to COVID-19 Pandemic (IMF, 2021b).</p> <p>9/ On September 30, 2022, a new food shock window was approved under the RCF and RFI, for a period of one year (see Box 4). Access under this window is capped at 50 percent of quota and is fully additional to the annual access limits under the RFI and RCF. Cumulative access limits under the regular window of the RFI and the exogenous shocks window of the RCF will be increased to 175 percent of quota for countries accessing the food shock window. The cumulative access limits under other RFI and RCF windows will remain unchanged. These changes are potentially subject to change as it is expected that the Board will review the application of the food shock window by end-June 2023. This could occur in parallel with Board consideration of the exit strategy for the temporarily higher emergency financing access limit, which will expire on June 30, 2023</p>	

C. Blending

10. To ensure that scarce concessional resources are targeted towards the Fund’s poorest and most vulnerable members, there is a presumption that higher income PRGT-eligible countries will receive PRGT-financing only in a blend with GRA resources, rather than relying fully on concessional Fund financing.²⁷ Countries that fall in this category are referred to as presumed blenders. When financing is blended under a PRGT arrangement and an arrangement under the GRA, total access is determined based on the standard criteria, implying that total access should be comparable across country cases with similar balance of payments needs, program strength, and outstanding Fund credit, irrespective of whether the Fund’s financial assistance comes in the form of blended or PRGT-only resources.²⁸ Blending can provide a signal that the borrower is moving toward middle-income or emerging market status.

11. Blending of PRGT and GRA resources for PRGT-eligible countries is subject to the following presumptions and limitations:

- Blending is presumed for PRGT-eligible countries that (i) meet the income criterion for blending and (ii) do not have debt vulnerabilities that limit their access to international financial markets.
 - A country is deemed to meet the income threshold for blending when its annual GNI per capita has exceeded the prevailing International Development Association (IDA) operational cutoff by at least 5 percent for two consecutive years. Having met the income threshold, the country is deemed to continue to meet it unless its annual GNI per capita falls below 95 percent of the IDA operational cutoff. Should the GNI per capita fall below this level, the country no longer meets the income threshold for blending and would no longer be a presumed blender (until it re-qualified).
 - A country is deemed to have debt vulnerabilities that limit its access to international financial markets if (i) it is assessed to be in debt distress; or (ii) it is assessed to be at high risk of debt distress (the most recent joint Bank-Fund LIC Debt Sustainability Analysis (DSA) will be used for these assessments) and either a) has had limited past access to international financial markets or b) is a small state (population below 1.5 million) or microstate (population below 200,000). Countries are assessed to have had limited past access to markets if they do not meet the criterion of “durable and

²⁷ See IMF, 2009e, paragraphs 91–92. The framework for presumed blending has been modified, most recently in July 2021: see *Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic* (IMF, 2021a).

²⁸ The standard access criteria are: (i) the member’s balance of payments need; (ii) the strength of its program and capacity to repay the Fund; and (iii) the amount of outstanding Fund credit and the member’s record of past use (see for instance IMF, 2009e).

substantial access to international financial markets” as defined in the first test of market access in the PRGT eligibility decision.²⁹

- PRGT-eligible countries that meet the above requirements (“presumed blenders”) can access PRGT resources *only* in a blend with GRA resources.
- Non-presumed blenders may access PRGT resources exclusively.

12. For presumed blenders, the blending rules stipulate a 1:2 mix of PRGT and GRA resources, with access to concessional resources capped at 145 percent of quota per arrangement and subject to the overall limits on access to the PRGT. All access needs above this level must be met from the GRA. Access to PRGT financing would also be subject to the limit on normal cumulative access to the PRGT of 435 percent. It is worth noting in this regard that the access limits applicable to RCFs differ depending on the window (See Table 2). Therefore, the RCF portion in blended RCF/RFI cases is limited by the applicable RCF sub-limits in addition to overall PRGT access policies. Further information on high access safeguards in blended arrangements can be found in Section D below.

D. Access Limits and Access-Related Safeguards

13. Access limits are important elements of the Fund’s risk management framework. Access limits seek to balance the need to provide members and financial markets with confidence regarding the scale of possible Fund financing with the need to preserve Fund liquidity and the revolving character of Fund resources. Access limits also seek to support the Fund’s catalytic role given that a large build-up of senior non-restructurable debt can adversely affect future access to private capital markets. Furthermore, access limits reduce the risk that members become unable to repay the Fund, thereby safeguarding Fund resources. All PRGT-eligible members can access concessional resources up to the normal limits on access. Exceptional access above normal access limits is available only to the poorest LICs (i.e., those that do not meet the income criterion for blending).

14. Normal Access Limits. A member’s total access under all concessional facilities is subject to “global” annual and cumulative limits. This includes credit outstanding and disbursements under the ECF, SCF, and RCF.

²⁹ See *Eligibility to Use the Fund’s Facilities for Concessional Financing, 2020* (“the 2020 eligibility review”) (IMF, 2020a). This criterion is met if the country has issued or guaranteed eligible external debt in at least three of the past five years in a cumulative amount equivalent to at least 50 percent of its quota. The second test (if there were convincing evidence that the sovereign could have tapped international financial markets on a durable and substantial basis) does not apply. As discussed in the 2020 eligibility review, staff assessment as to whether this criterion is met requires validation of the debt data (taken from the World Bank’s International Debt Statistics) with country authorities. The 2020 eligibility review introduced refinements to the methodology for assessing past market access (the first test noted above), which apply also to assessment of market access under PRGT blending policies.

- Normal annual access limit.** Annual access to financing under the PRGT should normally not exceed 145 percent of quota across all concessional facilities.³⁰ The application of the annual access limit requires consideration of the member's access to the Fund's resources in any 12-month period on a backward- and forward-looking basis. The annual access limit applies to the sum of disbursements on a gross basis within any 12-month period (e.g., June 15, 2020 to June 14, 2021).³¹ The calculation of annual access computes the amount of disbursements at the availability dates under the phasing provision of any Fund facility under the PRGT approved by the Executive Board: (i) for current arrangements, the availability date—the date specified under the (latest) phasing provision of the arrangement approved by the Executive Board—is used; past scheduled amounts are counted whether they were drawn or not; (ii) for past (expired or canceled) arrangements, only actual disbursements are counted. As with current arrangements, the availability date should be used in the annual access calculation; (iii) for past RCF approvals, the date of approval of the outright loan disbursement should be used irrespective of whether the approved amount was drawn or not.^{32 33}
- Normal cumulative access limit.** Cumulative access to financing under the PRGT should normally not exceed 435 percent of quota, net of scheduled repayments. Specifically, cumulative access is the sum of all disbursed and committed financing under the PRGT on a net basis. Thus, the cumulative access limit requires that total outstanding Fund concessional credit (including disbursements that were made available but not drawn in the context of the current arrangement) cannot normally exceed 435 percent of quota at any point in time based on projected disbursements and repayments.³⁴

15. High Access. Financing requests that entail “high” access to PRGT resources, even if within normal access limits, are subject to procedural safeguards (see below). High access refers to a financing request that would bring (i) total access under all concessional facilities to more than 240 percent of quota, based on cumulative past and future scheduled disbursements in any

³⁰ Annual access limits were temporarily increased to 245 percent of quota in March 2021 in response to Covid-19 and reverted to 145 percent of quota at end-December 2021. A “transition rule” applies for calculating annual access for countries that entered into a new arrangement or received an augmentation of access under an existing arrangement or emergency financing in the period between March 22, 2021 and end-2021. For details, see Annex III in *Review of the Temporary Modifications to the Fund's Access Limits in Response to COVID-19 Pandemic* (IMF, 2021b). This transition rule will no longer be applicable after end-2022.

³¹ More precisely, 12 months refers to 12 calendar months, e.g., from June 15, 2019, to June 14, 2020. In this illustrative example, a disbursement on June 15, 2020, would be 12 months plus one day after June 15, 2019, and would thus not be included in the same 12-month rolling period as June 15, 2019.

³² See *Temporary Modifications to the Fund's Annual Access Limits, July 2020* (IMF 2020 b), Box 1.

³³ The methodology for calculating annual access also applies to calculations of access during a specified period, including the 24-month period relevant for DSA requirements (e.g., see paragraph 49) and the 36-month period relevant to application of high access procedures (e.g., see paragraph 14).

³⁴ The cumulative limit on access to PRGT resources was raised from 300 to 435 percent of quota, the same threshold for normal cumulative access in the GRA, in March 2021 (see IMF, 2021b) and maintained there in July 2021 (see IMF, 2021a). Absent a new Board decision, the limit on normal cumulative access will continue at 435 percent of quota until the next full review of LIC facilities, expected to be conducted in 2024–25.

36-month period (the “flow” trigger) or (ii) total outstanding credit to the PRGT to above 300 percent of quota at any point over the lifetime of the existing or proposed arrangement (the “stock” trigger).³⁵

16. Exceptional Access. In exceptional circumstances, access above the normal limits (i.e., exceptional access) can be made available to PRGT-eligible countries:

- (i) that experience or have the potential to experience exceptional balance of payments pressures on the current account or capital account, resulting in a need for Fund financing that cannot be met within the normal limits;
- (ii) where risks to the sustainability of public debt are adequately contained— i.e. a rigorous and systematic analysis indicates that there is a high probability that the member’s public debt is sustainable in the medium term. This is generally considered to be met for countries that are assessed under the LIC-DSF as having low or moderate overall risk of public debt distress; or countries, where the combination of the member’s policies and financing from sources other than the Fund, which may include debt restructuring, restores public debt sustainability with high probability, i.e., restores to a point where application of the LIC-DSF would yield the rating of low or moderate overall risk of public debt distress (a) within 36 months from Board approval of the financing request or within the period of a newly approved arrangement (whichever is longer) or (b) within the remaining period of an arrangement, in cases where the Board approves an augmentation or rephasing request;
- (iii) that do not meet the income criterion for presumed blending when a new financing request (including augmentation/rephasing) is made; and
- (iv) where the policy program of the member provides a reasonably strong prospect of success, including with respect to the member’s adjustment plans and its institutional and political capacity to deliver that adjustment.

17. As of July 14, 2021, there are no longer hard limits on exceptional access to PRGT resources for PRGT-eligible countries that meet the aforementioned criteria. Therefore, a financing request may be approved in amounts exceeding the normal access limits if these criteria are satisfied. Procedural safeguards, similar to those that apply to high access, are applicable to exceptional access (see below).

18. Exceptional and High Access Procedures. The PRGT lending framework provides for procedural safeguards for high and exceptional access to concessional financing (new financing request or augmentation). The objective of these procedures is to ensure enhanced Board oversight

³⁵ The flow and stock triggers for high access were originally set at 180 percent of quota and 225 percent of quota, respectively, at the time of the 2018–19 LIC Facilities Review (see IMF, 2019a). They were increased to 240 and 300 percent of quota, respectively, on March 22, 2021, where they were expected to remain until 2023 but at the June 2022 review, it was decided that these flow and stock triggers would remain at the levels introduced in March 2021 until the next full review of LIC facilities.

of lending proposals involving high or exceptional levels of access to PRGT resources, achieved via an early informal staff consultation with the Executive Board on a country case that should occur once management agrees that a new or augmented financing request involving high or exceptional access could be appropriate and before the negotiation mission. In advance of the informal Board meeting, staff should provide the Board with a short note that includes information on BoP needs, key measures under the program, debt sustainability and capacity to repay, impact on PRGT finances, and timeframe for program discussions (see Box 1 for a more complete list of requirements).

Box 1. PRGT Facilities Framework: Exceptional and High Access Procedures

The PRGT lending framework includes procedural safeguards for new financing requests or augmentations involving access to concessional resources above normal limits, i.e., exceptional access, or access above high access thresholds. These safeguards were introduced in 2009, when the PRGT Facilities Framework was established, with the aim of protecting PRGT resources via enhanced Board oversight of financing requests involving high access. Against the backdrop of rising debt vulnerabilities in many LICs, the 2018–19 Review of LIC Facilities modified the high access procedures to enhance the focus on assessment of debt vulnerabilities and related risks to members' capacity to repay the Fund.

The procedures require early engagement with the Board through an informal Board meeting where the Board would be presented with an initial assessment of the member's BoP need, macroeconomic situation, and potential fiscal and debt vulnerabilities, as well as information on the proposed program and related impact on concessional resources. Specific informational requirements would include:

- The factors underlying the large BoP need, after accounting for financing from donors.
- A brief summary of the main policy measures and macroeconomic framework.
- The expected strength of the program and an assessment of the capacity to repay the Fund, including an updated capacity-to-repay table.
- An analysis of debt vulnerabilities, including the identification of potential data weaknesses and discussion of results from "realism" tools included in the LIC DSF.
- A reference to the impact on the Fund's concessional resources.
- The likely timetable for discussion with authorities.
- An SEI table.
- DSA charts.

To ensure Directors' views on access levels are appropriately reflected in the negotiations, the informal Board meetings should take place as soon as management concurs that a new request involving exceptional or high access could be appropriate.

19. High Combined Access. Policy safeguards also apply when countries seek access to Fund financial support that would lead to high levels of combined GRA-PRGT exposure. Specifically, financing requests that entail levels of combined access to GRA and PRGT resources in excess of GRA normal access limits are subject to the Policy Safeguards for High Combined GRA and PRGT Credit (PS-HCC). In March 2023, the PS-HCC thresholds were temporarily increased from 145/435 percent of quota to 200/600 percent of quota annually/cumulatively in line with the temporary 12-

month increase in GRA annual/cumulative access limits, effective until March 4, 2024.³⁶ The safeguards are broadly aligned with the criteria and procedures applied in the GRA exceptional access framework (Box 2a).³⁷ Combined high access requests—like exceptional access—are expected to be exceptional.

Box 2a. PRGT Facilities Framework: Policy Safeguards for High Combined Credit (PS-HCC)

Until 2020, the respective policies governing exceptional access to the GRA and the PRGT operated independently. This implied that PRGT-eligible countries could request access to a mix of resources from the GRA and PRGT at levels that, on a combined basis, exceeded the levels that constituted exceptional access in the GRA and the PRGT, yet taken separately did not meet exceptional access thresholds under either the GRA or the PRGT. Such requests, though large in scale, would not be subject to the scrutiny of either GRA or PRGT exceptional access frameworks. To address this gap, in September 2020 the IMF Executive Board approved the PS-HCC, which applies to requests that entail combined access to GRA and PRGT resources above PS-HCC thresholds. Such requests must satisfy the following criteria:

Criterion 1. The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or capital account, resulting in a need for Fund financing that cannot be met without giving rise to access in excess of the HCC thresholds.

Criterion 2. Risks to the sustainability of public debt are adequately contained. This is evidenced by

(i) For members for whom use of the Bank-Fund Debt Sustainability Framework for Low Income Countries (the “LIC-DSF”) is warranted:

- A rigorous and systematic analysis that indicates there is a high probability that the member’s public debt is sustainable in the medium term. This is generally considered to be met for countries that are assessed under the LIC-DSF as having low or moderate overall risk of public debt distress; or,
- Where the member’s public debt is not assessed to be sustainable with high probability, combined access above the proposed thresholds will only be made available if the combination of the member’s policies and financing from sources other than the Fund, which may include debt restructuring, restores public debt sustainability with high probability (i.e., to a point where application of the LIC-DSF would yield a rating of low or moderate overall risk of public debt distress) (i) within 36 months from Board approval of the financing request or within the period of a newly approved arrangement (whichever is longer) or (ii) within the remaining period of an arrangement, in cases where the Board approves an augmentation or rephasing request.

(ii) For members for whom use of the SRDSF is warranted: the debt sustainability requirements for providing exceptional access to GRA resources are met.

Criterion 3. The policy program of the member provides a reasonably strong prospect of success, including not only the member’s adjustment plans but also its institutional and political capacity to deliver that adjustment.

³⁶ See [Temporary Modifications to The Fund’s Annual and Cumulative Access Limits](#) (IMF, 2023).

³⁷ See [Policy Safeguards for Countries Seeking Access to Fund Financial Support that Would Lead to High Levels of Combined GRA-PRGT Exposure](#) (IMF, 2020d).

Box 2a. PRGT Facilities Framework: Policy Safeguards for High Combined Credit (PS-HCC) (concluded)

The PS-HCC applies to a new arrangement in the GRA or under the PRGT; a purchase under the RFI or a loan under the RCF; an augmentation of access under an arrangement in the GRA or under the PRGT; or a rephasing of scheduled purchases or disbursements under an arrangement approved after September 9, 2020, when access under the arrangement has not previously exceeded the HCC thresholds.

The procedural requirements for the PS-HCC are similar to PRGT (and GRA) exceptional access procedures (see Box 2b).

Box 2b. Procedural Requirements for High Levels of Combined GRA-PRGT Exposure Cases

Details of the procedural requirements applicable to the new policy safeguards are given below:

- **Early Board consultation.** As soon as management determines that new or augmented access to resources in the GRA and/or in the PRGT (i.e., under a new arrangement, new RCF or RFI emergency financing, or an augmentation) exceeding the thresholds for high combined credit exposures may be appropriate, an informal Board meeting will be required. Such informal meeting will also be required for a rephasing of approved access that would cause the above thresholds to be exceeded in circumstances where neither the annual nor the cumulative threshold for combined credit exposures have been previously exceeded. In advance of the meeting, staff will circulate a note to the Board that sets out the preliminary evaluation of the three substantive criteria applying under the proposed policy safeguards. Strict confidentiality requirements will be maintained. The note will include the following elements:
 - The factors underlying the exceptional Balance of Payments need in the current or capital account, taking into account financing from donors;
 - A brief summary of main policy measures and the macro framework;
 - The assessment of a reasonably strong prospect of success under the third criterion will require, in addition to the specifications under the criterion, an assessment of capacity to repay including a capacity to repay table;
 - The impact on Fund resources, including the impact on the Fund's concessional resources;
 - An analysis of debt vulnerabilities, including a preliminary DSA assessment and typically DSA charts;
 - A discussion of any deficiencies in the quality/transparency of public debt data;
 - The likely timetable for discussion with authorities; and
 - A Selected Economic Indicators table.
- **Consultation with Executive Directors.** Additional consultations with Executive Directors will normally be expected to occur between the initial informal meeting and the Board's consideration of the staff report. The briefings will aim to keep the Board abreast of program-financing parameters, including assumed rollover rates, economic developments, progress in negotiations,

Box 2b. Procedural Requirements for High Levels of Combined GRA-PRGT Exposure Cases (concluded)

any substantial changes in understandings, and any changes to the initially envisaged timetable for Board consultation.

- **Staff reports.** The case for Fund financing at levels above the thresholds for high combined PRGT and GRA credit exposures based on the proposed three substantive criteria will also be discussed in the staff reports at approval of the new financing request, and at each program review, where the financing request, if approved, would result in credit exceeding the specified thresholds. The staff report would be expected to discuss the impact of the financing request on Fund resources, including the impact on concessional resources, and credit risk exposure to the Fund where warranted, unless a separate supplement is already prepared on this.
- **Ex post Evaluation.** An ex-post evaluation (EPE) by the staff of arrangements that entail combined access exceeding the proposed thresholds will be expected within a year after the end of the arrangement.
- **Concurrence.** In cases where the envisaged use of Fund resources also entails PRGT high access or PRGT EA, the high access/EA procedures under the PRGT (the informational requirements as set forth in Box 1 of IMF (2019a) and IMF (2019f) and the procedures under the proposed policy safeguards will both apply. In cases where the envisaged use of Fund resources also entails GRA EA, the EA procedures under the GRA (set forth in IMF (2002c), IMF (2003) and IMF (2005b)) and the procedures under the proposed policy safeguards will both apply. In cases that entail both the PRGT high access or EA and GRA EA, only the EA procedures under the PRGT and GRA will apply. In all these concurrent cases, the early Board consultation will involve one informal Board meeting and there will be a single concise note that meets the substantive informational requirements under the applicable policies.

20. New enhanced safeguards for debt sustainability and capacity to repay. New enhanced safeguards (ES) introduced in 2021 call for greater scrutiny of debt and capacity to repay (CtR) risks in requests for new PRGT arrangements or augmentations where access falls above certain thresholds or debt vulnerabilities are high (Box 3).³⁸ With the July 2021 increase in normal annual and cumulative access limits under the PRGT to 145 and 435 percent of quota, respectively, financing requests entailing access above the normal access limits prevailing up to July 2021 (100/300 percent of quota annually/cumulatively) but below the new limits would no longer be subject to the PRGT EA safeguards. The ES were thus introduced to address this gap, in recognition of the need for stronger safeguards to mitigate risks associated with higher Fund lending given the increase in PRGT normal access limits in July 2021 (IMF, 2021a) and rising debt vulnerabilities amongst LICs.

³⁸ See [Poverty Reduction and Growth Trust—Guidance Note on New Enhanced Safeguards for Debt Sustainability and Capacity to Repay](#) (IMF 2022a).

Box 3. PRGT Facilities Framework: New Enhanced Safeguards (ES)^{1/}

In March 2021 the Fund introduced new enhanced safeguards (ES) that apply to requests for new PRGT financing arrangements or augmentations involving access above certain thresholds or where debt vulnerabilities are high. The ES were further elaborated and endorsed by the Board in July 2021, in the context of the increase in normal access limits and other reforms to the PRGT. They are intended to mitigate risks associated with higher Fund lending to LICs by strengthening scrutiny of debt sustainability and capacity to repay the Fund (CtR).

Specifically, the ES are triggered by financing requests that: (i) entail access to PRGT resources above 100 percent of quota annually or 300 percent of quota cumulatively, or (ii) come from countries assessed to be at high risk of debt distress or in debt distress under the LIC-DSF. In all such cases, program documents must include:

- a more granular discussion of the composition and evolution of debt, with a particular focus on external debt that is more difficult to restructure - the structure of public external debt and its projected evolution over time, focusing on the amount and shares of debt owed to the Fund and other senior creditors, informed by tables showing two distinct breakdowns of public external debt: i) de facto senior debt (debt to the IMF; debt to the World Bank and other international financial institutions; known collateralized debt) and other debt and ii) multilateral versus official bilateral versus private debt (ES1a), and
- an enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure—the evolution of projected Fund debt and debt service relative to key economic metrics over the course of the repayment period as compared with other PRGT programs, supported by a set of standardized charts provided by the Finance Department (see below). Where financing requests would result in comparatively elevated levels of key capacity to repay indicators, the staff report would examine the severity of the implied risks and explain how program design—including access, phasing, and conditionality—seeks to mitigate these risks (ES1b).
- In addition, in cases involving countries at high risk of debt distress or in debt distress, program documents must include a discussion of the explicit program objective to reduce debt vulnerabilities (ES2). Reducing debt vulnerabilities would typically involve reducing breaches of thresholds for the four key indicators in the LIC-DSF over the program period under the baseline scenario.

The ES do not apply to program reviews (unless there is an augmentation request), emergency financing, or non-financial instruments. Also, in cases that involve exceptional access to PRGT resources, ES2 does not apply as it is automatically satisfied through more stringent debt sustainability safeguards under the PRGT exceptional access policy.

^{1/} See [Temporary Extensions and Modifications of Access Limits in the Fund's Lending Facilities](#) (IMF, 2021c) and [Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic](#) (IMF, 2021a).

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CHAPTER II: EXTENDED CREDIT FACILITY

*The Extended Credit Facility (ECF) is the Fund's main tool for providing medium-term support to LICs with protracted balance of payments problems.*³⁹

A. Objectives and Qualification

Purpose and Objective

21. The ECF provides medium- and longer-term concessional financing to LICs with protracted balance of payments problems. The purpose of an ECF arrangement is to assist PRGT-eligible member countries with a protracted balance of payments problem in implementing economic programs aimed at making significant progress toward a **stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth**. Such a position would be characterized by the absence of a present or prospective balance of payments need and by the domestic and external stability that is necessary to support strong and durable poverty reduction and growth. It would typically be associated with sustainable fiscal and current account balances, limited debt vulnerabilities, adequate international reserves, and sufficient policy and institutional capacity to implement appropriate macroeconomic policies. This position might still involve significant levels of donor assistance, though aid dependence would be expected to decline over time. Use of the ECF is appropriate in cases where the resolution of the entrenched macroeconomic imbalances that underlie the balance of payments problem is expected to extend over the medium or longer term and repeat use of the ECF has been common.

22. ECF arrangements assist countries in addressing their balance of payments difficulties by providing temporary financial support on a concessional basis to smooth economic adjustment and avoid excess volatility. ECF disbursements can be used to strengthen the country's international reserves position and loosen financing constraints for both the public and private sectors, in the context of a policy framework aimed at moving toward a stable and sustainable macroeconomic position. The ECF is also expected to catalyze additional financing from donors.

Qualification

23. Assistance under the ECF is available to all PRGT-eligible member countries⁴⁰ that face a protracted balance of payments problem. In this context, a protracted balance of payments problem exists when the resolution of macroeconomic imbalances needed to establish a stable and sustainable macroeconomic position (as defined above) is expected to extend over normally three

³⁹ The ECF became effective on January 7, 2010, as part of a comprehensive reform of the IMF's facilities for LICs. See IMF, 2009e and 2009f, and Executive Board [Decision No. 14354-\(09/79\)](#). Access norms and limits were raised in (i) 2015 (see IMF, 2015c); and Decision No. 15818-(15/66), July 1, 2015; (ii) 2019 (see IMF, 2019a); and (iii) 2021 (see IMF, 2021a).

⁴⁰ The PRGT eligibility framework is discussed in *Eligibility to Use the Fund's Facilities for Concessional Financing* (IMF, 2009k, 2012b, 2013c, and 2015d). See Appendix VI for a list of PRGT-eligible countries as of February 2020.

years or more. If, by contrast, a stable and sustainable macroeconomic position is expected to be established within a timeframe of two years or less, but in any case, not exceeding three years, and the member has a short-term balance of payments need, the SCF would be the appropriate instrument to support UCT-quality programs. In cases where a stable and sustainable macroeconomic position is expected to be established in more than two but less than three years, the choice between the two facilities should be determined on a case-by-case basis, keeping in mind that the minimum length for an ECF arrangement is three years and use of the SCF is limited to three years out of any six-year period assessed on a rolling basis (except for precautionary SCF arrangements). For this assessment, substantial structural reform or capacity building needs, or frequently recurring financing needs would indicate the presence of a protracted balance of payments problem and thus argue for support under an ECF arrangement, whereas needs for a relatively front-loaded adjustment process aimed at a speedy restoration of macroeconomic stability would argue for an SCF arrangement.

24. The existence of a protracted balance of payments problem implies that balance of payments needs⁴¹ are expected to arise over the course of the arrangement but may not be present at the time of approval or when individual disbursements are made. Although approval of an ECF arrangement is possible in the absence of present balance of payments needs, the precautionary use of the ECF is not envisaged, in contrast to the SCF. While a member is not legally required to make drawings under an ECF arrangement, the ECF is not intended to provide contingent financial support, and members have routinely drawn available amounts irrespective of present balance of payments needs. For countries that have minimal (present and/or prospective) balance of payments needs at the beginning of their program but have nonetheless medium- or longer-term adjustment needs to address a protracted balance of payments problem (e.g., due to a high debt burden or a current account deficit that is not sustainable over the longer run), a low-access ECF arrangement would be an appropriate instrument. For countries with immediate balance of payments needs (e.g., resulting from a shock) that also have medium- or longer-term adjustment needs to address a protracted balance of payments problem, an ECF (rather than SCF) arrangement should be used.

25. Qualification also requires a finding by the Board that the member is making an effort to strengthen substantially and in a sustainable manner the country's balance of payments position, in the context of a policy program that meets **UCT**-quality standards and supports significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. This requires the commitment and capacity by the authorities to

⁴¹ A balance of payments need can arise because of a member's balance of payments deficit, reserve position, and developments in reserves. The need can be **present** (a need that exists in the current period), **prospective** (i.e., a need that is expected/projected to arise in the future, including during the implementation of a Fund-supported program), or **potential** (i.e., a need that may arise under an alternative, typically downside, macroeconomic scenario, but is not expected to arise based on baseline/program projections). Distinct from the concept of balance of payments need, a **protracted balance of payments problem**, as defined above, is a related but broader concept that examines the components of the balance of payments need (rather than focusing on the overall balance of payments position), as well as a variety of other indicators. Countries with a protracted balance of payments problem may experience a combination of present, prospective, and potential needs.

implement a set of policies that is adequate to correct external imbalances and enable repayment to the Fund within the specified maturity period. Apart from the elaboration of a UCT-quality program in the Letter of Intent (LOI), Memorandum of Economic and Financial Policies (MEFP), and Technical Memorandum of Understanding (TMU), qualification requires assurances that the authorities have the capacity and commitment to implement their program, as evidenced by recent policy performance (including under a recent Fund-supported program), institutional capacity, and any other circumstances that may affect macroeconomic performance. Other requirements for the approval, extension, and implementation of an ECF arrangement are discussed further below.

26. Countries that experience a protracted balance of payments problem but are not currently in a position to meet the ECF qualification requirements, in particular, the capacity to implement a three-year UCT-quality program, can build a track record for moving to an ECF arrangement through an SMP or, in case of urgent financing needs, the RCF (assuming the applicable policy commitments are in place) or concurrent use of an SMP and RCF (See Chapter IV).

B. Duration, Extensions, Cancellations, and Repeated Use

27. Assistance under an ECF arrangement is available for an initial term of three to five years from the date of the Board decision approving the arrangement. Normally, ECF arrangements would be expected to be approved for an initial three-year term. However, an initial duration of up to five years could be considered where warranted, such as: when needed to align more closely with the members' Poverty Reduction and Growth Strategy (PRGS) cycle, or when blending with Extended Fund Facility (EFF) arrangements (see below); or (for five-year arrangements) where longer-term structural reform efforts are critical to the success of the program and a well-sequenced reform program with strong ownership is in place.⁴² The presumption would remain that the length of an ECF arrangement would normally be three years; staff would need to make the case for a longer-term ECF arrangement when it is proposed. An ECF arrangement may be extended (including multiple times), subject to an overall five-year limit on the total duration of any ECF arrangement. After the expiration or cancellation of an ECF arrangement, additional ECF arrangements may be approved if the relevant qualification criteria are met. There is no limit on the number of successor ECF arrangements that can be approved.

28. ECF arrangements can be extended at the request of the member to allow for the disbursement of rephased amounts⁴³ or to provide additional resources (i.e., augmentation) in light of projected developments in the member's balance of payments position, subject to appropriate conditions consistent with the terms of assistance under the ECF. Such extensions involving

⁴² Following the 2018–19 review of LIC facilities (IMF, 2019a), the Economic Development Document (EDD) was renamed as the Poverty Reduction and Growth Strategy (PRGS) to provide it with a title more closely linked to its objectives. Key features of the EDD from the 2015 Board decision were preserved. The minimum standards and good practice guidelines for EDD content, as well as the approach of seeking World Bank staffs' views through an assessment letter, approved in 2015 (see IMF, 2015m), will apply to the PRGS.

⁴³ Throughout the Handbook, "rephasing" refers to changes in the timing and/or level of programmed disbursements.

rephasing of access may be appropriate in a variety of circumstances, including when (i) more time is needed to implement envisaged policies or reforms warranting a rephasing of access, (ii) to provide an augmentation such as when a shock has led to additional financing and adjustment needs, (iii) more time is needed to design a successor ECF-supported program, or (iv) the protracted balance of payments problem is expected to be resolved within the remaining maximum period of the ECF arrangement. Extensions may involve the establishment of additional reviews and can be combined with augmentations of access if warranted based on the criteria for augmentations discussed in Section D.

29. Extensions must be requested by the member and approved by the Board before the expiration of the arrangement period. Extensions are only possible if they are needed to allow for the disbursement of amounts under the arrangement. It is thus not possible to extend arrangements when all scheduled amounts have already been disbursed.⁴⁴ Extensions are not automatic and are subject to appropriate conditions consistent with the terms of assistance under the ECF.

30. Extensions that involve rephasing and/or augmentations of access would normally be approved by the Board on the basis of a request in an LOI and in the context of a program review (where the completion of the review demonstrates that the program is on track). In exceptional circumstances (e.g., when a severe natural disaster prevents conducting the final review in a timely manner), extensions that involve rephasing may be approved by the Board outside the context of a scheduled program review, provided the authorities and staff have understandings on appropriate policies to be implemented through the next review, as documented by a letter from the authorities. Board approval would require a staff report that discusses the reasons for the extension, including why it is proposed outside the context of a review, the status of the program, and relevant policy understandings. With respect to augmentations in an ad-hoc review, please see below.

31. In cases that do not involve rephasing (or changes in access or establishment of additional reviews) and where some additional time is needed to complete the final review(s) and make the final disbursement available before the expiration of the arrangement, ECF arrangements can also be extended for a short period (a few weeks or months). Such short-term extensions (sometimes referred to as “technical” extensions) can be granted outside the context of a review, provided that the authorities and staff have reached (or are expected to reach in the very near term) understandings on appropriate policies to complete the review. Board approval of these short-term extensions generally takes place in the context of a very short staff paper with a decision proposed for lapse-of-time (LOT) Board approval. The staff paper is subject to the regular departmental review process and should explain the status of the discussions and document preparation and any relevant policy understandings.

32. ECF arrangements may also be cancelled by the authorities at any time, which may be appropriate for instance when the underlying macroeconomic imbalances have been resolved, when

⁴⁴ Arrangements automatically expire once all available amounts have been disbursed.

the authorities no longer have the capacity or commitment to implement the program, or when the objectives or modalities of the authorities' economic policies have changed substantially.

33. ECF arrangements will automatically terminate before their scheduled terms if no program review has been completed over an 18-month period. The Board may, at the authorities' request, delay the termination of the ECF arrangement for up to three additional months—provided that this extension does not fall outside the existing period of the arrangement—if an understanding between the authorities and staff on targets and measures to put the ECF-supported program back on track appears imminent. The arrangement automatically expires at the end of that extended period unless a program review is completed within this period.

C. Concurrent Use and Blending

Concurrent Use

34. The ECF cannot be used concurrently with the SCF or PSI. Hence, any pre-existing SCF arrangement or PSI would need to be cancelled before an ECF arrangement can be approved, and vice-versa. Moreover, a member cannot obtain RCF financing if an ECF arrangement is in place and on track. Should additional balance of payments needs arise during an ECF arrangement, an augmentation of access under this arrangement would typically be the appropriate response. RCF financing during an ECF arrangement can only be provided when (i) ECF disbursements are not possible, for instance due to policy slippages or delays in program discussions, (ii) qualification requirements for the RCF are met, including the existence of an urgent balance of payments need and relevant policy commitments, and (iii) the balance of payments need is primarily caused by a sudden exogenous shock.⁴⁵ Implementation of policy commitments made in the LOI for the RCF request could serve as a track record to bring the ECF-supported program back on track. Similarly, in the absence of an urgent financing need, a track record could be built through an SMP. The ECF can be used concurrently with GRA financing under certain circumstances (see below).

Blending

35. Please see Chapter I for a complete discussion of blending policies under the PRGT. When providing financial assistance with blended resources, ECF resources will normally be provided together with GRA resources under the EFF. Concurrent financial assistance under an ECF arrangement and a Stand-By Arrangement (SBA) would only be expected in cases where pre-existing ECF support is supplemented by SBA financing at a later stage. This may include cases where an ECF arrangement that was initially blended with EFF financing is extended beyond four years, as arrangements under the EFF are limited to a four-year period. Financing through the RFI under the GRA during an ECF arrangement would be expected only if the

⁴⁵ [PRGT Instrument](#) (Decision No. 8759-(87/176), Section II, paragraph 1 (e)). Please also refer to Chapter IV—Rapid Credit Facility, for further details on the eligibility and qualification requirements and access limits for RCF financing.

ECF-supported program is off track, in which case RFI purchases would typically be combined with RCF disbursements.

36. The modalities of blended financial assistance under ECF and EFF arrangements would be broadly the same as under a stand-alone ECF arrangement. In particular, it would support a three-to five-year economic program for countries with protracted balance of payments problems, based on a single set of program conditions, schedule of disbursements and reviews, and other requirements that largely mirror stand-alone ECF arrangements described in this Chapter. However, there are also a number of differences, including that in cases involving blended financial assistance:

- As a practical matter, disbursements would involve both PRGT and GRA resources (see Section D on access under blended financial assistance), implying lower average concessionality of the Fund’s financial support than under a stand-alone ECF arrangement;
- EFF qualification requirements must be met—for instance, the EFF requires a clearly articulated structural reform agenda (although this would also be expected in virtually all ECF cases), and to the extent that access under the EFF were to be above GRA normal access limits, the member would also need to meet the GRA Exceptional Access criteria;⁴⁶
- Each disbursement under an ECF arrangement is linked to a specific test date, whereas for EFF arrangements, purchases are conditioned upon observance of the Performance Criteria (PCs) related to the most recent test date (“controlling” PCs). As a result:
 - In contrast to the practice under ECF arrangements, reviews under the EFF arrangement of the blended financial assistance may require waivers of applicability under certain circumstances (see Section H); and
 - There could also be situations where resources relating to the ECF component of the blend are disbursed based on an earlier test date, while resources relating to the EFF component are made available against a later test date.

D. Access

37. When considering access for a new ECF arrangement, or possible augmentation under an existing arrangement, area departments may wish to consult with the Strategy, Policy, & Review Department (SPR) and Finance Department (FIN) at an early stage; i.e., before a policy note (PN) is circulated for formal review. Furthermore, staff reports for a new arrangement (or subsequent reports requesting a change in access) should explicitly discuss the basis on which access was determined (or explain the reasons for requesting a change in access), with reference to the main criteria below, as well as to access norms and limits as applicable (see below).

⁴⁶ See [Decision No. 4377-\(74/114\)](#), as amended; *Summing Up by the Acting Chair—Access Policy in Capital Account Crises* (IMF, 2002c); and [Decision No. 14064-\(08/18\)](#), as amended.

Determination of Access—Main Criteria

38. Access is determined on a case-by-case basis based on the following standard criteria:

(i) the member's (present and prospective) balance of payments need (taking into account all projected balance of payments flows, including reserve accumulation and financing from other sources);⁴⁷ (ii) the strength of its program and capacity to repay the Fund (taking into account the member's policy plans, adjustment effort, commitment to implement the program, institutional capacity, track record of policy implementation, and country circumstances such as vulnerabilities, imbalances, and debt sustainability);⁴⁸ and (iii) the amount of outstanding Fund credit and the member's record of past use. All else being equal, higher access would generally be associated with a stronger program, stronger track record, and stronger capacity to repay.

39. Access may generally not exceed the member's present and prospective balance of payments needs during the program period, and would typically be less than total financing needs, keeping in mind that ECF-supported programs are expected to catalyze financing from donors and creditors.⁴⁹ However, in contrast to GRA financing (and the SCF and RCF financing), an ECF arrangement can be approved and individual disbursements can be made even in the absence of a present balance of payments need, provided that the IMF's Executive Board has made a finding that the member is experiencing a protracted balance of payments problem at the time of approval of the ECF arrangement. Accordingly, members do not need to make a representation that they are experiencing a balance of payments need at the time they request individual disbursements.

Access Norms⁵⁰

40. Access norms apply to access to financing under stand-alone ECF arrangements. The access norm for a three-year ECF arrangement is 145 percent of quota. For ECF arrangements longer than 3 years, the access norm is scaled up proportionally to the length of the arrangement (i.e., the norm is 145/3 percent of quota per year).

41. Access norms provide general guidance and do not represent ceilings, floors or entitlements. Access can deviate from the norms if warranted by standard criteria for determining access (see above). For instance, access may be above the norm in cases where balance of payments needs are noticeably larger than in most other cases of ECF use; e.g., due to a large shock. Access can also be below the norm, for example when the balance of payments need is limited, policy capacity is constrained, or debt vulnerabilities are high.

⁴⁷ See Section A for definitions of balance of payments needs.

⁴⁸ Sufficient recovery in the balance of payments must be in prospect to provide appropriate assurance that loans can be repaid on schedule without strain. See Appendix VIII for details on norms.

⁴⁹ IMF-supported programs are designed to play a catalytic role in attracting financing and, in the case of PRGT-supported programs, outside official support has been typically larger than IMF support (IMF 2019e, 2021c).

⁵⁰ See Appendix VIII for details on norms.

42. A special case of access below the norm concerns members with a protracted balance of payments problem but minimal present or prospective balance of payments needs over the course of the ECF arrangement. This may be the case for countries where baseline balance of payments projections do not indicate substantial financing gaps, but where external conditions are subject to significant downside risks and current trends are not considered sustainable over the longer run (e.g., unusually favorable terms of trade or aid inflows). In these cases, the practice has been to set access at a standardized level of 10 percent of quota per arrangement.⁵¹ This low level of access would be appropriate even when *potential* balance of payments needs are considered substantial (e.g., due to a risk of large adverse shocks), as the ECF arrangement can be quickly augmented once such potential needs materialize. In contrast to the SCF, the precautionary use of the ECF is not envisaged, and members have routinely drawn amounts as they become available under the ECF arrangement irrespective of present balance of payments needs.

Access Limits

43. A member's total access under all concessional facilities in the PRGT is subject to "global" annual and cumulative limits. This includes credit outstanding and disbursements under the ECF, SCF, and RCF. Specifically, total access to financing under the PRGT should normally not exceed 145 percent of quota per year across all concessional facilities.⁵² Furthermore, total access to financing under the PRGT should normally not exceed 435 percent of quota cumulatively, net of scheduled repayments (see Chapter I, Section D for how to calculate annual and cumulative access consistent with PRGT normal access limits).

44. Exceptional access: in exceptional circumstances, access above the normal limits (i.e., exceptional access) can be made available to PRGT-eligible countries that meet the exceptional access criteria (see Chapter I, Section D).

The Phasing of Access

45. The phasing of ECF access, determined at the time of approval of the arrangement, must take into account the applicable annual access limits, but does not have to mirror the projected evolution of balance of payments needs over the course of the arrangement. Access should normally be phased smoothly over the program period but could be front-loaded (or back-loaded) if warranted based on the strength of the program, timing of key reforms, and/or the time profile of balance of payments needs. A significant degree of front-loading has been applied in exceptional cases involving the repayment of emergency assistance to the Fund, or arrangements approved

⁵¹ See IMF, 2004a, paragraph 33.

⁵² Annual access limits were temporarily increased to 245 percent of quota in March 2021 in response to Covid-19 and reverted to 145 percent of quota at end-December 2021. A "transition rule" applies for calculating annual access for countries that entered into a new arrangement or received an augmentation of an existing arrangement or emergency financing in the period between March 22, 2021 and end-2021. For details, see Annex III *in Review of the Temporary Modifications to the Fund's Access Limits in Response to COVID-19 Pandemic* (IMF, 2021b). This transition rule will no longer be applicable after end-2022.

following the clearance of overdue obligations to the Fund as part of a broader arrears clearance strategy.

46. It is standard practice for staff reports to present the balance of payments in a way that, in any given period, scheduled IMF disbursements, together with other exceptional financing items, do not exceed the overall balance of payments deficit (resulting from “autonomous transactions”) and the programmed level of reserve accumulation. In this presentation, the balance of payments would be fully financed, at least in the near term, at the time of ECF approval and completion of each review, while residual financing gaps may show in the outer years (see also Section F on financing assurances).

47. The PRGT instrument requires availability dates for disbursements to not be phased more than 6 months apart. This rule does not apply to the interval between approval of the ECF arrangement and the first review, which may be spaced more than 6 months apart if circumstances so warrant. Further, availability dates for disbursements should normally be phased at regular intervals, but there is some flexibility in this regard (e.g. to align with a member’s budgetary cycles, reviews may be spaced 4 rather than 6 months apart).

Access Under Blended Financial Assistance

48. When financing is blended under an ECF arrangement and an arrangement under the GRA for a presumed blender (see Section C on the criteria that create a presumption for blending), the standard PRGT access norm does not apply, and access under blended financial assistance is subject to specific rules discussed below.⁵³ However, total access is determined based on the standard criteria (see above), implying that total access should be comparable across country cases with similar balance of payments needs, program strengths, and outstanding Fund credit, irrespective of whether the Fund’s financial assistance comes in the form of blended or PRGT-only resources.

- Access to the concessional (ECF) component of blended financial assistance for presumed blenders is in a 1:2 ratio of PRGT to GRA resources, with access to the concessional component capped at 145 percent of quota per arrangement and subject to the overall limits on access to the PRGT. Any additional needs would be met through GRA financing.⁵⁴
- At the time of approval of a new ECF arrangement that involves blended financial assistance from a GRA arrangement, each scheduled disbursement should generally involve both ECF and GRA resources. For GRA resources, phasing and PCs would only apply to purchases above the

⁵³ These rules apply “ex ante.” In cases where GRA financing is added to support under a pre-existing ECF arrangement, the same presumptions apply as for augmentations of ECF/EFF blends, see below.

⁵⁴ For presumed blenders, the PRGT portion would be capped at 145 percent per arrangement, and would be further capped by the normal annual and cumulative PRGT access limits (presumed blenders would not be eligible for PRGT EA as such access is not given to countries that meet the income criterion for presumed blending).

first credit tranche.⁵⁵ While, the shares of ECF and GRA financing at each disbursement can be determined individually, the general principle is that they would reflect the 1:2 blending mix ratio unless there is a reason to deviate.

Augmentations and Reductions of Access

49. Access under an ECF arrangement can be augmented to help meet a larger balance of payments need or to support a strengthening of the program. In particular, augmentation of access would often be an appropriate response to increased balance of payments needs in the context of shocks, unless the ECF-supported program is off track, in which case RCF financing may be appropriate (see Section C on concurrent use). Also, when an ECF arrangement period is extended, it would often be the case that the extension period involves balance of payments needs that were not originally included in the determination of access for the arrangement, which can provide a justification for augmentation of access. Augmentations based on the strengthening of the program could occur, for example, if access was initially constrained by a high risk of debt distress, which later subsided. Under the Trade Integration Mechanism (TIM), augmented access not exceeding 10 percent of quota will be available to a country to compensate balance of payments shortfalls arising from trade liberalization measures implemented by other countries.⁵⁶

50. Determination of access for an augmentation is based on the standard access criteria, including balance of payments need and strength of the program (see above). There are no norms applicable to the size of an augmentation, but augmentations under PRGT-supported programs have been in the range of 15–60 percent of quota for arrangements approved from 2010–2021, with a few cases well above this range. Staff reports in support of requests for augmentations should explicitly discuss the basis for the augmentation and its size, with reference to the main criteria for determining access above, as well as to access norms and limits as applicable. Augmentations would normally be approved at the time of a scheduled review under the arrangement.

51. However, when the increase in the underlying balance of payments problems is so acute that the augmentation cannot await the next scheduled review, an augmentation can be requested outside of scheduled reviews.⁵⁷ Approval of such augmentations at an ad hoc review outside of scheduled reviews requires an assessment by the Board that the program is on track to achieve its objectives at the time of the augmentation (otherwise access under the RCF can be requested). In making this finding, the Fund as Trustee, will consider the member's observance of the continuous performance criteria or whether a waiver of nonobservance is justified, that prior actions (if applicable to the augmentation request) have been met, and that the member's policies are suitable to address its balance of payments problems and, more generally, are consistent with

⁵⁵ In cases where the first credit tranche, equivalent to 25 percent of quota, is undrawn at the time of program approval, the first disbursement under the blended arrangements would need to draw this amount in entirety.

⁵⁶ See [Decision No. 13229-\(04/33\)](#) and [Factsheet: The IMF's Trade Integration Mechanism \(TIM\)](#).

⁵⁷ See the PRGT Instrument, Section II, paragraphs 2(g)-(h) and [Review of Facilities for Low-income Countries-Proposals for implementation](#) (2013d).

program objectives. The Board also takes into account any other relevant considerations, including exogenous developments and data on periodic PCs linked to future disbursements. The following modalities apply to augmentations at ad hoc reviews:

- If the scheduled review associated with the most recent availability date preceding the augmentation request has not been completed, an augmentation request cannot be approved at an ad hoc review.
- Requests are expected to be supported by a short staff report and an LOI from the member that describes the nature and size of the problem, the policies being undertaken by the authorities to address its balance of payments difficulties, and any information relevant to program implementation, including exogenous developments.⁵⁸ As such, requests are expected to typically follow soon after a completed review, updating developments and policies along the lines described above could suffice, with a more comprehensive assessment of policies undertaken at the time of the following scheduled review.
- Augmentations of access approved in ad hoc reviews are only available to the member in a single disbursement following approval by the Board. There is no limit on the amount of such a disbursement subject to the overall access limits and norms (see above). Moreover, the augmentation is subject to the rules on blending and may be supplemented by a corresponding augmentation of the arrangement under the GRA. In any event, the amount of the disbursement is limited to what is immediately needed by the member in light of its balance of payments difficulties; to the extent that additional amounts may be necessary at later stages of the member's program, requests for such amounts can be considered in the context of a regularly scheduled program review.
- The new disbursement approved at the ad hoc review is subject to observance of the continuous PCs under the arrangement, including the accuracy of information on the implementation of such PCs and of any prior actions established for that disbursement, as well as any other conditions as determined by the Board. It is not subject to periodic PCs and other conditions linked to the remaining disbursements under the arrangement.
- The augmented access is available upon the Executive Board's approval of such augmentation at an ad hoc review, and the member may request to draw such disbursement at any time until the availability date of the next scheduled disbursement under the arrangement.
- Augmentation requests at ad hoc reviews that do not exceed 15 percent of quota are eligible for approval on a LOT basis. A scheduled review following an ad hoc review to consider an augmentation request is expected to undertake a comprehensive review of policies under the program. In order to allow the Board to undertake such a comprehensive assessment of the member's policies, this review cannot be completed on a LOT basis.

⁵⁸ The staff paper is subject to the regular review process.

52. For augmentations of access under arrangements that are presumed to involve blended PRGT and GRA resources, access should be set such that the total financing mix over the full course of the respective arrangement is guided by the specific rules on access under blended arrangements (see above), including that total access (post-augmentation) to concessional financing would be one-third of total overall access to Fund resources, subject to a cap on the concessional component at 145 percent of quota. For augmentations that result in combined access to PRGT and GRA resources above GRA access limits, the PS-HCC apply (see Chapter I, Section D). In March 2023, the PS-HCC thresholds were temporarily increased from 145/435 percent of quota to 200/600 percent of quota annually/cumulatively in line with the temporary 12-month increase in GRA annual/cumulative access limits, effective until March 4, 2024.⁵⁹

53. Access under an ECF arrangement could in principle also be reduced rather than augmented. The Fund will not unilaterally reduce access because of developments in the member's balance of payments, unless such developments are substantially more favorable than envisaged at the time of approval of the arrangement and the improvement for the member derives in particular from improvements in the external environment.⁶⁰

Procedural Safeguards on High Access Requests—DSAs and Informal Board Meetings

54. Financing requests are subject to procedural safeguards that apply uniformly across all concessional facilities. These safeguards are aimed at protecting PRGT-eligible members' debt sustainability and the Fund's concessional resources.⁶¹ Specifically, the staff report for any arrangement request or augmentation should provide an up-to-date assessment of the debt vulnerabilities, with an explicit reference to the impact of new borrowing from all sources, including prospective IMF disbursements. In addition:

- A new DSA is required for any financing request under the PRGT (augmentation or new arrangement) if it (i) involves exceptional access to concessional resources; (ii) brings total access, i.e., cumulative disbursements, under all concessional facilities to more than 80 percent of quota based on past and future scheduled disbursements in any 24-month period (see Chapter I, Section D on how to calculate access); or (iii) involves a member country with a high risk of debt distress or in debt distress. All DSAs (full DSAs and updates)⁶² should be prepared jointly by Fund and Bank staff and must be submitted to both the IMF and IDA's Executive Boards (be it for discussion or for information).

⁵⁹ See [Temporary Modifications to The Fund's Annual and Cumulative Access Limits](#) (IMF, 2023).

⁶⁰ In addition, as set forth in the [PRGT Instrument](#), commitments of PRGT resources and any disbursement of such resources are subject to the availability of resources in the PRGT, and hence, could result in access reductions in those very specific circumstances ([PRGT Instrument](#), Section II, paragraph 2(g) and paragraph 3(a)).

⁶¹ Endorsing the procedural safeguards for high-access financing set forth in paragraph 87 of IMF, 2009e. This paragraph updates the procedural safeguards that apply to all concessional financing instruments, elaborated in IMF, 2009d, and subsequently revised to be consistent with changes to access norms and limits in 2015 and 2019 (see Annex II in IMF, 2015c and IMF, 2019a).

⁶² For discussion of when a full DSA is required see Section G below.

- New enhanced safeguards (ES) introduced in 2021 call for greater scrutiny of debt and capacity to repay (CtR) risks in requests for new PRGT arrangements or augmentations where access falls above certain thresholds or debt vulnerabilities are high.⁶³ For a complete discussion of the ES, please see Chapter I, Section D and Box 3.
- An early informal Board meeting is required if a financing request (augmentation or a new arrangement) involves (i) exceptional access or (ii) high access to concessional financing. Chapter I, Section D provides more details on PRGT exceptional access and high access, and Box 1 specifies the information required at such a meeting.
- In addition, staff would provide early notice to the Board, for instance in an informal country matters session, of upcoming arrangement requests or augmentations where the envisaged financing commitment, in absolute terms, would have a large impact on the Fund's overall concessional resources.
- As an exception to these procedures, the requirement for a new DSA or a Board brief in high access cases does not apply for new financing requests of 15 percent or less of quota.
- **High combined credit.** Requests for Fund support that result in combined PRGT and GRA access in excess of the GRA normal access limits are subject to the PS-HCC.⁶⁴ In March 2023, the PS-HCC thresholds were temporarily increased from 145/435 percent of quota to 200/600 percent of quota annually/cumulatively in line with the temporary 12-month increase in GRA annual/cumulative access limits, effective until March 4, 2024.⁶⁵ The PS-HCC comprise criteria and procedural requirements. The criteria are substantively the same as those of the PRGT exceptional access framework, with the notable exception that the PS-HCC do not include an income threshold for application. The procedural requirements are similar to PRGT and GRA exceptional access procedures (see Chapter I, Section D and Box 2a and 2b).

E. Financing Terms

- **Repayments** of ECF credit are made in 10 equal semi-annual installments, subject to a 51/2-year grace period from the date of the first disbursement and 10-year final maturity. The authorities may decide to make early repayments at any time but would not be expected to do so.

⁶³ See IMF, 2021, Annex VI, and IMF, 2022.

⁶⁴ The PS-HCC were approved in September 2020. (See IMF, 2020d). HCC can be triggered by a new arrangement, emergency financing, augmentations, or a rephasing of prior access.

⁶⁵ See [Temporary Modifications to The Fund's Annual and Cumulative Access Limits](#) (IMF, 2023).

- **Interest** is paid semi-annually. The interest rate on ECF credit is currently set at zero percent,⁶⁶ but subject to biennial Board reviews that take account of developments in world interest rates.⁶⁷ At each review, interest rates would normally be adjusted if warranted by the prevailing SDR rate, within a 0.0–0.50 percent range for the ECF. The new interest rate would apply to all outstanding ECF credit. The next review of the PRGT interest rate structure will be completed by no later than end-July 2023.

F. Financing Assurances, Arrears, and Safeguards

Financing Assurances

55. As with any other Fund arrangement, the Fund’s policy on financing assurances requires that ECF arrangements can only be approved (and reviews can only be completed) when the program is fully financed. This means that staff have judged that donors and creditors (both official and private) will provide the necessary support (through new financing and/or refinancing) to meet the program financing requirements on terms consistent with the member’s return to external viability (please see footnote for information regarding financing assurances in the context of unsustainable debt and restructuring, which is not covered here).⁶⁸ Specifically, staff needs to confirm that the program is fully financed, i.e., “firm commitments”⁶⁹ are in place over the 12 months immediately following the approval of the arrangement (and the completion of each review), and there are “good prospects” that financing will be adequate for the remaining program period beyond the upcoming 12 months. Staff should also assess that the member country has the capacity to repay the Fund based on medium-term projections of the balance of payments and, in the case of new arrangements or augmentations, the standardized table on indicators of the capacity to repay the Fund as well as an enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure whenever applicable.

Arrears

56. When a member is in arrears to external creditors, the Fund’s arrears policies must be satisfied for the Fund to lend. The Fund has three arrears policies: (i) the Non-Toleration Policy

⁶⁶ Based on the application of the PRGT interest rate mechanism, the interest rate on the ECF has been set at zero for the period July 2021–July 2023; See *Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic* (IMF, 2021a). This does not apply to interest on any overdue interest or overdue repayments of PRGT loans, which is charged at a rate equal to the SDR interest rate.

⁶⁷ See IMF, 2009f for details.

⁶⁸ For more details on financing assurances required in the context of unsustainable debt and restructuring, please see [Reviews of the Fund’s Sovereign Arrears Policies and Perimeter](#) (IMF, 2022b), (the Arrears Paper) paragraphs 8-10. See also [Changes to the Fund’s Financing Assurances Policy in the Context Of Fund Upper Credit Tranche \(UCT\) Financing Under Exceptionally High Uncertainty](#) (IMF, 2023b).

⁶⁹ There is no precise definition of the term “firm commitments”. In practice, the manner in which such commitments are provided varies, and whether they are characterized as “firm” is a matter of judgement. Also, while such commitments do not have to be in writing, they must be considered credible by management; creditors providing such assurances should be willing to have their commitments reflected in program documents, which will be eventually published. See *Reviews of the Fund’s Sovereign Arrears Policies and Perimeter* (IMF, 2022b).

(NTP) and (ii) the Lending Into Official Arrears (LIOA) policy, which apply to claims held by official bilateral creditors, and (iii) the Lending Into Arrears (LIA) policy for arrears to private creditors.

- International Financial Institutions:** With respect to IFIs, the IMF’s NTP applies (except for possible exceptions where the LIOA policy would apply). The determination of which policy applies depends on an assessment of (i) whether official sector involvement (“OSI”) is required (i.e., a contribution from the official sector through debt relief/new financing is required under program parameters) and (ii) the nature of the institution and its treatment by other creditors in the restructuring, which is determined on the basis of application of five criteria (see the Arrears Paper). Country teams should seek guidance from LEG and SPR on the application of the policies to specific IFIs (which may vary across OSI cases). In any event, the macroeconomic program assumptions under the arrangement should be consistent with the expected resolution of existing arrears to IFIs, whichever category these may belong to (OSI vs non-OSI), such that the authorities and staff have common understandings on the timing and modalities of arrears clearance. The assumptions on arrears clearance do not prejudge eventual agreements between the member and IFIs.
- Official bilateral creditors:** The treatment of arrears to official bilateral creditors falls into two categories. **First**, if arrears arise in a program where the economic parameters do not require a restructuring of the underlying claim (non-OSI cases), the Fund’s NTP applies. In practice, this requires tacit approval of an official bilateral creditor’s Executive Director (i.e., non-objection at the Board meeting). **Second**, if arrears arise in a program where a restructuring of such claims is required under the program parameters (OSI cases), the Fund may provide financing notwithstanding those arrears only under carefully circumscribed circumstances.⁷⁰ Country teams should seek guidance from LEG and SPR on which of these two categories (non-OSI or OSI) is applicable to a particular case, as well as on how to apply the LIOA given the circumstances.
- Private creditors:** Arrears to private external creditors are covered by the Fund’s LIA policy.⁷¹ The LIA policy applies to both sovereign arrears to external private creditors and non-sovereign arrears that arise by virtue of the imposition of exchange controls. Generally, speaking, the Fund can lend, on a case-by-case basis, in a situation of sovereign arrears to private external creditors only where: (i) prompt Fund support is considered essential for the successful implementation of the member’s adjustment program; and (ii) the member is pursuing appropriate policies and is making a good faith effort to reach a collaborative agreement with its private creditors. In preemptive restructuring cases (where arrears have not yet materialized but a restructuring is needed to achieve debt sustainability on a forward-looking basis) the Fund may provide financing only if it has adequate assurances that such a restructuring will be successful. Such

⁷⁰ For a detailed description of the policy, see *The Chairman’s Summing Up—Reforming the Fund’s Policy on Non-Tolerance of Arrears to Official Creditors* (IMF, 2015) and *Reviews of the Fund’s Sovereign Arrears Policies and Perimeter* (IMF, 2022c, Box 2).

⁷¹ See *Summing Up by the Acting Chairman: Fund Policy on Arrears to Private Creditors—Further Considerations* (IMF, 1999a) and *Reviews of the Fund’s Sovereign Arrears Policies and Perimeter* (IMF, 2022c).

assurances are obtained by a judgment that a credible process for restructuring is underway and will result in sufficient creditor participation to restore debt sustainability and close financing gaps within the macroeconomic parameters of the program, taking into account official sector commitments. Please consult with SPR and LEG as to the determination of “credible process” in a particular case. Whenever arrears are outstanding to private creditors, the approval of an arrangement and each Fund disbursement under an arrangement is subject to a financing assurances review in which the Board considers, *inter alia*, whether adequate safeguards remain in place for further use of the Fund’s resources and whether the member’s adjustment efforts are undermined by developments in creditor-debtor relations.

57. ECF-supported programs should also address domestic arrears as part of the overall program design. The specification of policies related to domestic arrears will depend on the country context, in particular, the fiscal framework (see Appendix II).

Overdue Obligations to the Fund

58. Where a member is in arrears to the Fund in the GRA, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee (including the PRGT and RST), a request for IMF financing, including under the ECF, will not be approved and disbursements under an existing arrangement will be suspended ([PRGT Instrument](#), Section II, paragraph 1(e)(3) and 3(g)) until the arrears are cleared.⁷² After one month after a financial obligation has become overdue, the Managing Director (MD) will notify the Executive Board that an obligation is overdue. A report by the MD to the Executive Board will be issued two months after a financial obligation has become overdue, and will be given substantive consideration by the Executive Board one month. The report will request that the Executive Board limit the member’s use of Trust resources. A factual statement noting the existence and amount of arrears outstanding for more than three months will be also posted on the member’s country-specific page on the Fund’s external website. Once the Executive Board adopts a decision to limit the member’s use of the Trust resources, a press release will be issued. The MD may recommend advancing the Executive Board’s consideration of the reports regarding overdue obligations but the MD may also recommend postponing for up to one-year periods the Executive Board’s consideration of a report regarding a member’s overdue obligations in exceptional circumstances where the MD judges that there is no basis for an earlier evaluation of the member’s cooperation with the Fund. While a member is in arrears to the Fund, policy support can only be provided through surveillance, technical assistance, and, under certain circumstances, SMPs.⁷³ Remedial measures for dealing with PRGT arrears include removal from the list of PRGT-eligible countries, declaration of noncooperation with the PRGT Trust, and suspension of technical assistance. Annual reports and financial statements will identify those members with overdue obligations to the Trust outstanding for more than six months.

⁷² For a complete and detailed description of the policy on overdue obligations, see Appendix II of the [PRGT Instrument](#) on the Procedures for Addressing Overdue Financial Obligations to the PRGT and Appendix II of the [RST Instrument](#) on the Procedures for Addressing Overdue Financial Obligations to the RST.

⁷³ See *Review of the Fund’s Strategy on Overdue Financial Obligations*, Annexes I and II (IMF, 2012e).

Safeguards Assessments Policy

59. As a general principle, staff should aim to complete a safeguards assessment prior to Executive Board approval of a new ECF arrangement but no later than the first review under the arrangement.⁷⁴ Once the first review under the program has passed, subsequent staff reports should highlight the status of the assessment and, if not completed, reasons for its delay. In general, safeguards assessments are conducted for each new arrangement; however, an update assessment would not be required for (i) successor arrangements where an assessment was completed no more than 18 months prior to the approval of the successor arrangement; or (ii) central banks with a strong track record, if a previous assessment was completed within four years and no substantial issues were identified in the prior assessment or subsequent monitoring.⁷⁵ Safeguards assessments relate to the borrowing members' central banks; a separate fiscal safeguards review may be required in some cases involving budget financing as discussed below.

60. A summary of safeguards issues should be reflected in the main body of staff reports for as long as Fund credit remains outstanding. The safeguards process involves a continuous analysis of information obtained primarily through the collection of documents, and discussions with the authorities and the central bank's external auditors. It entails an evaluation of the central bank's safeguards framework covering governance, auditing, financial reporting, control systems, autonomy, mandate and legal framework over the life of an arrangement and for as long as Fund credit remains outstanding.⁷⁶ Staff reports should discuss the status of safeguards assessments, any significant recommendations on legislative amendments, and highlight problems in obtaining access to data and deviations from commitments relating to safeguards recommendations. Safeguards assessments recommendations may be incorporated into conditionality or structural measures under the member's program. Close cooperation and coordination between FIN, other functional departments, and area departments is essential for the effective conduct of the safeguards process. It is important for FIN to be kept informed by area departments of safeguards issues, including logistical issues such as the timing of new arrangements and reviews.

⁷⁴ See *Safeguards Assessments Policy—Review of Experience* (IMF, 2015g), *Safeguards Assessments Policy—External Expert Panel's Advisory Report* (IMF, 2015h), and *The Acting Chair's Summing Up on Safeguards Assessments—Review of Experience* (IMF, 2010i and 2015i). The Fund's safeguards policy is subject to periodic reviews, with the last review completed in the second half of 2022. See *Safeguards Assessments - 2022 Review of Experience* (IMF, 2022i).

⁷⁵ In this case, staff would only conduct safeguards procedures based on a review of external audit arrangements and audit results. Safeguard assessment for regional central banks is conducted every four years.

⁷⁶ Monitoring procedures are streamlined to follow Post Financing Assessment (PFA) (formerly known as Post-Program Monitoring (PPM)) practices, as follows: once a member's credit outstanding falls below the PFA threshold, the monitoring intensity is limited to only a review of the annual external audit results, unless a country continues to be subject to PFA.

G. Program Objectives and Design

Program Objectives

61. All ECF-supported programs are aimed at making significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth (see definition in Section A). This would involve addressing, though not necessarily resolving, the country's entrenched macroeconomic imbalances over the course of the arrangement. Specifically, ECF-supported programs should aim to maintain or move toward

(i) strong and durable poverty reduction and growth, (ii) low or moderate inflation, (iii) sustainable fiscal and current account balances, (iv) limited debt vulnerabilities, (v) adequate international reserves, and (vi) sufficient policy and institutional capacity to implement appropriate macroeconomic policies.

62. The design of an ECF-supported program should be aligned with the country's own poverty reduction and growth objectives (see further below). Specific policy objectives should be clearly articulated in the LOI/MEFP and associated staff report for a new ECF arrangement and would typically include:⁷⁷

- **Fiscal policies**, where (i) the fiscal stance is well anchored to help ensure macroeconomic stability and fiscal/debt sustainability, (ii) revenue and spending policies take due account of the country's growth and social objectives, and (iii) budgets are guided by medium-term fiscal frameworks to the extent possible;
- **Monetary policies** that are consistent with inflation, exchange rate, and reserve objectives, while taking due account of cyclical considerations;
- **Exchange rate policies** that ensure a unified exchange rate and a real exchange rate level that is broadly in line with fundamentals, ensuring a stable and sustainable external position consistent with adequate growth;
- **Financial sector policies** geared toward financial stability and deepening with a view to fostering investment and forestalling financial crises;
- **Public financial management** reforms aimed at ensuring that resources are tracked, reported, and targeted appropriately (including by providing adequate resources for social and other priority spending), public debt management aimed at supporting debt sustainability, and revenue reforms aimed at broadening the revenue base, and enhancing tax efficiencies; and
- **Other structural reforms** that are critical for achieving the program's macroeconomic objectives.

⁷⁷ For further discussion of Fund program design in LICs, see *The Role of the Fund in Low-Income Countries* (IMF, 2008b) and *Aid Inflows—The Role of the Fund and Operational Issues for Program Design* (IMF, 2007a).

63. For fragile and conflict-affected states (FCS) emerging from conflict and/or facing substantial domestic instability or uncertainties, the design of ECF-supported programs should make full use of flexibility under the ECF to focus on critical near-term objectives, while meeting UCT standards and maintaining consistency with the provisions of the ECF. In such cases, the ECF can be used to support a program with conditionality tailored to the unique circumstances of each FCS, and with an initial focus on near-term stabilization needs, guided by credible broad medium-term objectives. Such medium-term objectives should enable the member to make significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. At approval, the program should describe broad objectives for the full program period supported by a medium-term macroeconomic framework and DSA and include a detailed statement of the critical policies and measures the member intends to pursue for the first 12 months of the arrangement. The structural reform agenda and related conditionality would reflect capacity constraints and prioritization of immediate stabilization objectives. It would be understood that the medium-term framework is subject to higher uncertainty and that medium-term objectives may have to be adapted as circumstances evolve. Specific policies and measures after the first 12 months would be defined in the context of future reviews, in line with the current provisions of the ECF.⁷⁸

Role of ECF Financial Support

64. The balance of payments support under ECF arrangements can assist countries in smoothing the adjustment process toward a more stable and sustainable macroeconomic position.⁷⁹ The Fund's financial support can be used both to strengthen the international reserve position of the member country and to provide liquidity for making external payments. By relaxing external financing constraints, the Fund's balance of payments support in effect also loosens domestic liquidity constraints of both the public and private sector. Specifically, Fund financing reduces the need for retrenchment in the public and private savings-investment balances, thus enhancing policy options (allowing less contractionary fiscal, monetary, and exchange rate policies) and cushioning private sector adjustment (e.g., investment and import declines). The appropriate mix of financing and public/private adjustment is determined on a case-by-case basis.

65. A member may use the domestic counterpart of resources received under an ECF arrangement to finance, directly or indirectly, the budget deficit of the government.⁸⁰ Such budget financing is consistent with the Fund's legal framework to the extent that the member has

⁷⁸ For further discussion on the Fund's financial engagement with FCS, see Staff Guidance Note on the Implementation of the IMF Strategy for Fragile and Conflict Affected States (IMF, 2023a)

⁷⁹ Consistent with the Fund's unique role in LICs, it can provide moderate levels of liquidity support to help address macroeconomic imbalances, while the bulk of financial assistance is normally expected to come from donors. Fund financial support, while concessional and aimed at similar long-term goals, is distinct from development assistance provided by others (often on more concessional terms) as it provides inter-temporal smoothing of adjustment rather than a permanent resource transfer. Fund lending to LICs is generally expected to catalyze such donor support, leveraging the Fund's scarce subsidy resources. See *A New Architecture of Facilities for Low-Income Countries* (IMF, 2009e and IMF, 2009b).

⁸⁰ See generally [Staff Guidance Note on the Use of Fund Resources for Budget Support](#) (IMF, 2010f).

balance of payments problems and is implementing a program that will assist it in resolving such problems. **Direct** budget support⁸¹ may be appropriate when (i) the program is designed in a manner that envisages that the entire amount of the Fund's financial support is used to meet a present or prospective balance of payments need, (ii) loosening fiscal financing constraints is an important macroeconomic objective under the program, and (iii) the central bank cannot or should not (for legal or institutional reasons) lend to the government while the domestic financial sector is too shallow (or not stable enough) to provide the necessary budget financing (or the central bank plays a largely passive domestic policy role, for instance under a currency board or in a fully dollarized economy). In these cases, staff reports should justify the use of the domestic counterpart of resources obtained from an ECF arrangement for budget financing where relevant and discuss safeguards implications. Under the safeguards policy, a fiscal safeguards review of the state treasury should in principle be conducted before the first program review for all arrangements where a member requests exceptional access to Fund resources, and/or if the member expects, at the time of program approval, that at least 25 percent of the funds will be directed to financing the state budget. This requirement also applies to HCC cases with at least 25 percent of resources directed to budget financing, and to cases where a member requests exceptional access through an augmentation during an arrangement, unless (in the case of the latter) a fiscal safeguards review was completed within the previous 18 months.⁸²

Links to Poverty Reduction Strategies (PRS) and Social Spending

66. ECF-supported programs should be aligned with the country's own poverty reduction and growth objectives. The following specific guidance applies to PRS linkages.⁸³

- Any financing request or program review under the ECF must be accompanied by a statement, normally in the LOI or MEFP, of how the program advances the country's poverty reduction and growth objectives. In cases where a relevant PRS document exists, this description in the LOI/MEFP could cross-reference the PRS document, and the ECF-supported program should be consistent with the objectives of the PRS in the context of making significant progress toward a

⁸¹ Direct budget support refers to cases where disbursements of Fund resources are channeled to the member through the country's treasury at the request of the member. By contrast, indirect budget support can be provided when the Fund makes disbursements available to the member but channeled through the central bank and these help relax domestic financing constraints for the public sector as part of the broader macroeconomic program. A special case of budget financing is Fund financial support to members of a monetary union. For example, in the CFA franc zone, the regional central bank unconditionally provides credit in the (domestic currency equivalent) amount of Fund support to the relevant government. See IMF (2010f). In cases involving budget financing, the respective roles and responsibilities for the related financial obligations to the Fund should be clarified in a framework agreement between the government and the central bank (e.g., through a Memorandum of Understanding).

⁸² See IMF, 2015g, 2015h, 2015i, 2010k and 2022i. A fiscal safeguards review will also be required when the above applicability criteria are met during an arrangement, as a result of (i) a decision to direct the Fund's resources to budget financing taken at subsequent reviews, or (ii) member's request for exceptional access (e.g., due to RCF/RFI financing). Such cases will be treated on a case-by-case basis with respect to the timing for completion of the fiscal safeguards review. However, an updated fiscal safeguards review would not need to be conducted if one was completed not more than 18 months prior (IMF, 2015g).

⁸³ See Appendix V for detailed guidance on poverty reduction objectives and related documents.

stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. It is expected that the description would be more detailed at the time of the initial arrangement request or when a new Poverty Reduction and Growth Strategy (PRGS) is produced by the member country. The PRGS (previously known as the Economic Development Document (EDD)) is a PRS document that meets the requirements defined below and in Appendix V.

- The PRGS may take two forms: (i) an existing national development plan or strategy document on the country's PRS; or (ii) a newly prepared document on the country's PRS. A PRGS shall be accompanied by a cover letter from the member country concerned to the Managing Director, and shall be issued to the Executive Board with the cover letter. As such, the cover letter shall be deemed to constitute part of the PRGS.
- A PRS issued to the Executive Board on or after May 24, 2019 shall be named a PRGS and a PRS that has been issued to the Board as an EDD shall be deemed a PRGS.
- The PRGS would need to meet minimum standards and countries would be encouraged to follow good practice guidelines.⁸⁴
- Whenever an ECF-supported program is under consideration (including cases where support is currently provided under an SMP or RCF), staff should inform the authorities at an early stage about the relevant Definitions and Timelines for PRGS requirements (Appendix V) to ensure adequate time for the PRS process.
- While a PRGS is not required at the time of initial Board consideration of the ECF arrangement, the second (and every subsequent) review can be completed only if (i) a member has a PRS that has been developed and made publicly available normally within the previous five years, but no more than six years,⁸⁵ and covers the period leading up to and covering the date of completion of the relevant review; and (ii) the PRS has been issued to the Executive Board and has been the subject of staff analysis in the staff report on a request for an ECF arrangement or a review under an ECF arrangement.
- In cases where a country has limited institutional capacity for meeting PRGS requirements by the second review, it may request Board approval of an extension of the deadline for meeting such PRGS requirements up to the fourth review. Any request for an extension shall be made no later than the time of the request for completion of the second review. A member may request approval of a further extension of the deadline for issuance of the PRGS up until the sixth review under the ECF arrangement, provided that (i) the member can provide adequate justifications based on persistent limited institutional capacity for meeting the PRGS requirement and other urgent priorities and (ii) the arrangement has a duration of at least four years, or an extension of the arrangement to at least four years is requested. Any request for such additional extension of

⁸⁴ See Appendix V for a definition of an PRGS, minimum standards and good practice guidelines.

⁸⁵ See Appendix V for description of the features of the PRGS.

the deadline for issuance of the PRGS shall be made no later than the time of the request for completion of the review corresponding to the extended deadline for the PRGS requirement.

- Staff views on the PRGS are to be provided in program documentation. In particular, the staff report should discuss how policies pursued under the ECF arrangement contribute to the member's PRGS.
- A letter of assessment of the authorities' PRGS should be requested from the World Bank to help inform Fund staff and the Board about the PRGS, which would complement the analysis provided by Fund staff in the program documentation. The letter of assessment is circulated to the Board at the same time as the PRGS.
- Staff would report to the Board on the implementation of the PRGS by including a discussion of relevant developments in the implementation of policies supporting the member's PRGS. Staff assessment of the PRGS implementation is done in the context of a PRGS Implementation Review (PIR). When the PRGS requirements are met by the second review, the good practice on the PIR would be for it to take place by the fifth review. In the event of extensions of the PRGS requirements, the PIR is not an expected practice. PRS implementation following its launch would also be tracked in the member's LOI/MEFP.

67. Social and other priority spending should be safeguarded and, whenever appropriate, increased under ECF-supported programs. This should be monitored through explicit program targets, typically an indicative floor on social and other priority spending, whenever possible. The definition of what constitutes social or other priority spending should be established by the member, in accordance with the authorities' poverty reduction and growth strategy. In cases where tracking of such expenditures is not feasible, the program documentation should report on what measures are envisaged to develop an adequate tracking system. Staff should monitor progress in establishing these tracking systems, and the program may include relevant structural benchmarks if appropriate.

Debt Sustainability Analysis (DSA)

68. ECF-supported programs should be underpinned by a thorough DSA to inform the elaboration of medium-term debt strategies and fiscal frameworks. Country teams should engage with the authorities in the preparation of DSAs, discuss the results, and share the final files with the relevant officials. DSAs for all LICs should be prepared jointly with the World Bank, and country teams should also involve other relevant Multilateral Development Banks (MDBs). Joint DSAs are required for all PRGT-eligible countries that also have access to IDA resources.

69. A full DSA should generally be produced at least once every calendar year. A new DSA should be produced for any new request for IMF financing (even when an annual DSA has already

been completed).⁸⁶ For program countries, a new DSA is also needed where there is a proposed modification to a performance criterion related to debt limits, or request for a waiver for non-compliance with a performance criterion related to debt limits. The purpose of the DSA is to assess the impact of the modification or waiver on debt sustainability. A new DSA is also needed when the country experiences significant changes in economic circumstances and borrowing assumptions (including due to conflict and natural disasters).

70. DSAs for LICs should be presented as self-contained documents (see Appendix I). They should normally be prepared using the LIC Debt Sustainability Framework (DSF)⁸⁷. The LIC DSF analysis includes three components:⁸⁸

- A forward-looking analysis (20-year projection) of debt and debt-service dynamics under a baseline scenario, alternative scenarios, and standardized stress tests;
- An explicit rating of the risk of external debt distress (low, moderate, high, or in debt distress) based on indicative country-specific debt-burden thresholds that depend on the quality of policies and institutions in the country; and an assessment of the overall risk of debt distress; and
- Recommendations on a borrowing (and lending) strategy and other crucial macro policies to limit the risk of debt distress, while maximizing the resource envelope to achieve the country's development objectives.

Collaboration with the World Bank and Other Development Partners

71. Fund staff should consult closely with all major development partners active in the country when designing and monitoring an ECF-supported program. In addition to this routine collaboration, the Joint Management Action Plan (JMAP)⁸⁹ approved by the Boards of the World Bank and IMF calls on Bank and Fund country teams to consult with each other at least once a year in order to identify the country's key macroeconomic and structural reform challenges and coordinate work plans in support of addressing these challenges (see Appendix I).

⁸⁶ Article IV Consultations should be accompanied by a DSA. See [Guidance Note for Surveillance Under Article IV Consultations](#) (IMF, 2022h).

⁸⁷ DSAs using the LIC-DSF template should be used for all PRGT-eligible countries that also have access to IDA resources.

⁸⁸ For details on the use of the DSF, see the *Guidance Note on the Bank-Fund Debt Sustainability Framework for Low-Income Countries* (IMF, 2018b).

⁸⁹ See *Enhancing Collaboration—Joint Management Action Plan* (IMF, 2007c) and *Implementation of the Joint Management Action Plan on Bank-Fund Collaboration* (IMF, 2010d).

H. Conditionality

Conditionality Principles

72. Conditionality, i.e., the set of program-related conditions, under an ECF arrangement is intended to ensure that Fund resources are provided to assist members in resolving their balance of payments problems in a manner that is consistent with the Fund's Articles and that establishes adequate safeguards to the Fund's resources. Consistent with the Fund's Guidelines on Conditionality,⁹⁰ conditions will normally consist of macroeconomic variables and structural measures that are reasonably within the member's direct or indirect control and that are, generally, either (i) of critical importance for achieving the goals of the program (or for monitoring program implementation); or (ii) necessary for the implementation of specific provisions of the IMF Articles of Agreement or policies adopted under them. In some cases, conditions may be outside the Fund's core areas of expertise, in which case a more detailed explanation of their critical importance is required.

73. ECF-supported programs must meet the UCT-quality standard, which requires the commitment and capacity by the authorities to implement a set of policies that is adequate to correct external imbalances and enable repayment to the Fund. The appropriate adjustment path would be determined on the basis of the country's economic circumstances and objectives, policy constraints, and the severity of the balance of payments needs. The adjustment effort required to attain full sustainability would often extend beyond the duration of the ECF arrangement. In such circumstances, conditionality would be limited to those policies that are critical to achieving the part of the overall adjustment process that is covered by the arrangement. Given its medium- to longer-term focus, the ECF will generally permit more flexibility than the SCF in the timing of these measures. For instance, if a far-reaching structural reform in a specific area is deemed critical for achieving a stable and sustainable macroeconomic position but is considered too ambitious to complete in the near term, an ECF-supported program may include certain steps that mark progress on this reform effort, without necessarily completing the entire reform.

74. For fragile and conflict-affected states emerging from conflict and/or facing substantial domestic instability or uncertainties, the design of ECF-supported programs should make full use of flexibility under the ECF to focus on critical near-term objectives, while meeting UCT standards and maintaining consistency with the provisions of the ECF (see above).

Specification of Program Conditions

75. Program conditionality will include quantitative periodic and continuous PCs (including standard continuous PCs), and typically also structural benchmarks, as well as prior actions, if necessary (see Appendix II for detailed guidance on quantitative conditions).

⁹⁰ See *Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines, Revised January 25, 2010* (IMF, 2010b) and *Revised July 23, 2014* (IMF, 2014b), and *Revised Staff Statement on Principles Underlying the Guidelines on Conditionality, and Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines* (IMF, 2006a).

Conditionality is set at the time of approval of the arrangement and updated at the time of program reviews. Conditionality should normally be set (or modified) by the Board before the test date. For the establishment (or modification) of post-dated PCs (i.e., PCs for which the test date would already have passed at the time of Board consideration of the review in which the establishment or modification is proposed), the program documents would have to be signed and circulated to the Board along with the staff report before the test date, and no information on implementation of the so established conditionality would be available at the time of the Board meeting.

76. Prior actions are measures that a member is expected to adopt prior to the Fund’s approval of an ECF arrangement, completion of a review, or the granting of a waiver with respect to a PC, when it is critical for the successful implementation of the program that such actions be taken to underpin the upfront implementation of important measures. Prior actions are set by management, and are to be applied parsimoniously, must be justified in terms of their criticality to program objectives, and specified in clear, objective, and unambiguous terms. Prior actions should in principle be implemented at least five working days before the Board discussion. They should be defined in the LOI/MEFP and cross-referenced in the relevant Board Decision. There should be no “silent” or “hidden” prior actions, and all prior actions should be transparently set out in the Staff Report.

77. Quantitative PCs would normally be set on a semi-annual basis and tied to semi-annual program reviews, while quantitative benchmarks (also referred to as indicative targets) would normally be specified on a quarterly basis. Where closer monitoring or more flexibility in tailoring of reviews to country circumstances is needed, quantitative PCs and reviews could be set flexibly with the condition that they be scheduled no more than six months apart and that each scheduled review be associated with a set of performance criteria and a disbursement.⁹¹ This flexibility in setting the specific test dates within the six-monthly cycle could, for example, be used to align monitoring with national budget/reporting cycles. Moreover, the requirement that availability dates for disbursements be spaced no more than 6 months apart does not apply to the time lag between approval of an ECF arrangement and the first review under the ECF arrangement. Conditionality should cover the 12 months following the Board meeting (initial approval or review). Under semi-annual monitoring, PCs would therefore normally be established for two future test dates at the time of approval of the arrangement and at each review (except for the penultimate and final reviews). If there is substantial uncertainty, the second set of PCs could initially be established as ITs.

78. Quantitative periodic PCs typically include measures of net international reserves, central bank domestic assets, domestic and fiscal balances or financing, and any other macro-critical indicators. Public debt conditionality would normally be required when a member faces significant debt vulnerabilities, or when there are merits to using debt limits instead of, or as a complement to,

⁹¹ A program with more frequent reviews than six-monthly could be considered in cases with exceptionally high uncertainty and risks to program implementation. In such cases, it is important to confirm the member’s capacity to provide accurate data at the frequency needed to monitor program implementation, also due to concerns regarding possible misreporting. For Fund-supported programs for LICs, semi-annual reviews are typically more appropriate, due to the time required to implement reforms, longer lags in data provisioning and limited capacity of staff and authorities.

"above-the line" fiscal conditionality (see Appendix II, Section E for details on specification of debt conditionality).⁹² PCs are usually subject to program adjustors that reflect deviations from projected external flows. Indicative targets should include a floor on social and other priority spending where possible and may include other indicators such as reserve money and domestic revenue mobilization.

79. Continuous PCs always include, *inter alia*, commitments related to non-introduction or intensification of exchange restrictions and on non-introduction or modification of multiple currency practices; as well as concluding bilateral payment agreements that are inconsistent with Article VIII, and the non-introduction or intensification of import restrictions for balance of payments reasons. These continuous PCs are always included in the text of all Fund arrangements, and, given their nonquantitative nature, are usually not listed in the PC table. Other continuous PCs typically include the non-accumulation of external payments arrears. See Appendix II, Section G, for details.

80. ECF arrangements should include an agenda for macro-critical structural reforms, with appropriate flexibility on the timing of the measures. Structural benchmarks are critical measures that are intended to serve as clear markers in the assessment of progress in the implementation of critical structural reforms in the context of a program review. Structural benchmarks should be used parsimoniously, and their macro-criticality explicitly justified in program documents, ideally in the structural benchmark table. Reviews are the primary tool for monitoring performance on the structural elements of the program, by judging progress relative to the relevant objectives.⁹³ The program should identify the overarching objectives of the structural reform agenda for the arrangement period as a whole, with more specific objectives defined for periods covered by individual reviews, and with related structural benchmarks that are critical for achieving the program's objectives. The appropriate number of structural benchmarks depends on a variety of country-specific factors, including the centrality of structural reforms for achieving the program's objectives and country capacity. The use of structural PCs was discontinued in 2009.⁹⁴ Under the ECF, structural benchmarks may be targeted for implementation either by a specific test date or by the time of a specific program review. A member's failure to meet a structural benchmark does not by itself automatically interrupt a disbursement under an ECF arrangement. Rather, deviations serve as indicators that the Fund-supported program may be off-track. Completion of the review would

⁹² Borrowing plans would also have a role in the assessment of the circumstances leading to a nonobservance of debt conditionality in program reviews (i.e., whether there was a change in the projected financing mix, or the level of new borrowing accommodated under the debt limit). To this end, depending on the circumstances, the assessment of implementation of the components of the borrowing plan would help in determining the cause of the nonobservance and point to modifications needed to the program. Therefore, program documents should include a borrowing plan used as a basis to derive quantitative debt limits. A nonobservance of debt conditionality would require an assessment of the circumstances leading to it (see Annex II, Section E). Also see the IMF's policy on the use of quantitative debt limits on public debt in the context of IMF-supported programs, *Reform of the Policy on Public Debt Limits in IMF-Supported Programs* (IMF, 2020d).

⁹³ See paragraph 36 of *A New Architecture of Facilities for Low-Income Countries* (IMF, 2009) and *GRA Lending Toolkit and Conditionality—Reform Proposals* (IMF, 2009c).

⁹⁴ See [Decision No. 14280-\(09/29\)](#). The discontinuation of structural PC in 2009 seeks to ensure that an excessively narrow or rigid focus on specific criteria is avoided.

then require a judgment by the Board that there are factors giving confidence that program objectives are being achieved.

81. Any structural benchmark that is not met by the relevant test date or relevant review is deemed not to be met but the measure constituting the benchmark may be established by the Board as a new benchmark with a new date and linked to the next program review, if the benchmark remains critical for the success of the program. If it seems that implementing a structural benchmark is no longer possible as defined under the program (say, due to a change in the authorities' reform plans or other changes in circumstances), a new benchmark or a modified version of the original one may be appropriate and proposed to be set by the Board as long as it is critical to achieve program goals.

Waivers and Modifications

82. A waiver for nonobservance of a PC may be granted if the Fund is satisfied that the program will nevertheless be successfully implemented—i.e., that it will achieve its goals—either because of the minor⁹⁵ or temporary nature of the nonobservance or because of remedial actions taken by the authorities to preserve program objectives. Upon verification that a PC was not met, a request for a waiver of its nonobservance must be made by the member in the LOI. If staff supports the granting of the waiver, relevant justification would be provided in the staff report, which will also include a proposed decision on the waiver. Waivers for nonobservance are only required for quantitative PCs that are tied to the specific disbursement and to the review that is being completed (and for any standard continuous PC that has not been observed). Waivers for PCs that are tied to subsequent disbursements and reviews are not required even if information on nonobservance already exists. In these cases, however, the staff report and LOI/MEFP would need to provide assurances that understandings on appropriate policies have been reached to complete the subsequent review, even though relevant PCs will need to be waived when that review is concluded.

83. Waivers of applicability could in principle be granted if the Fund is satisfied that, notwithstanding the unavailability of the information necessary to assess observance of a PC, the program will be successfully implemented and there is no clear evidence that the PC has not been met. However, in the case of the ECF, waivers of applicability would be highly unusual. Unlike purchases under the SBA and EFF, each ECF disbursement is linked to specific PC test dates and to a specific review, and thus the disbursement is not blocked—and there is consequently no need for a waiver of applicability—when a new test date passes and information on performance under it is unavailable, because such test date is linked to a future disbursement and review. While in theory a waiver of applicability could be granted for a PC at a test date linked to the current review, this would raise serious questions about the country's capacity to provide timely data, as reviews under the ECF should generally be scheduled with sufficient time to monitor the data relevant for the applicable test dates. In arrangements with blended financing, waivers of applicability would be

⁹⁵ Waivers of nonobservance of the standard continuous PCs on the introduction (or intensification/modification) of exchange restrictions and/or multiple currency practices cannot be supported on the grounds that it is minor, given that these relate to a breach of the Articles (Article VIII, Section 2(a) or 3) of the Fund).

required for the GRA-financed arrangement if the review is being conducted after the most recent test date has passed and data are not yet available. Additionally, with respect to the GRA financial arrangement, the member may purchase any amount available based on earlier completed reviews if the purchase is requested within 45 days of the most recent test date and all the conditions specified in paragraph 2 of the Reduction of Blackout Periods in GRA arrangements decision ([Decision No. 14407-\(09/105\)](#)).

84. Modifications to program conditionality that has already been set by the Board may be appropriate when departures from PCs are expected to occur, for instance when basic program assumptions have not been realized or significant developments have occurred that had not been anticipated when the PCs were set, provided that the targets remain macro-critical. Requests for such modifications must be made by the authorities and supported by staff in the Staff Report submitted to the Board before the relevant test date has been passed and must be approved by the Board before information on the observance of the PC is available, normally in the context of a program review. In exceptional cases, modifications of conditionality can be approved by the Board outside the context of a program review⁹⁶, provided the authorities and staff have common understandings on appropriate policies through the next review, as documented in a revised or new LOI with an updated PC table and, where relevant, an updated TMU. This could be appropriate if the original targets are no longer appropriate due to developments beyond the authorities' control (including staff errors). It could also be appropriate in exceptional cases where understandings on modifications of PCs have been reached by Staff and the authorities, but a Board date before the relevant test date of the PCs is not available (e.g., due to delays in preparing other portions of the Staff Report, or due to a full Board calendar). Board approval would require a staff report that discusses the reasons for the modification, including why it is proposed outside the review context, the status of the program, and relevant policy understandings.

Misreporting⁹⁷

85. Misreporting occurs when members with a Fund-supported program obtain resources on the basis of inaccurate information regarding observance of quantitative or continuous PCs or prior actions (a "noncomplying disbursement"). Under the ECF arrangement, a noncomplying disbursement occurs when (i) the Fund makes a disbursement on the basis of a finding that applicable conditions established for that disbursement (which include the accuracy of the information on PCs for which waivers have been requested) have been observed; and (ii) that finding later proves to be incorrect. Upon evidence that a member may have received a noncomplying disbursement, the MD shall inform the member promptly. After consultation with the member, if the MD determines that the member did receive a noncomplying disbursement, the MD shall promptly notify the member and submit a report to the Executive Board with recommendations. The Board

⁹⁶ This could be done through a "stand-alone" (ad-hoc) Board document, which can be considered on a LOT basis. It can also be combined with other Board documents, such as a RCF Request. In the GRA context, PCs have been established outside a program review in the context of an Article IV Report.

⁹⁷ Misreporting in the context of financial assistance under the PRGT does not trigger the application of [Article VIII, Section 5](#) regarding members' obligations on data provision for Fund's activities.

may decide either (a) that the member shall be expected to repay the disbursed amount, or (b) that the nonobservance will be waived. Waivers will normally be granted only when the deviation from the relevant PC or other condition was minor or temporary, or if the member had adopted additional measures appropriate to achieve the objectives supported by the relevant decision on the disbursement. Relevant information on misreporting should be made public by including it in the documents to be published after the Board discussion, such as a press release containing the Chairman’s Statement or summing up, with prior Board review of the text for publication.

86. Whenever the Executive Board finds that the noncomplying disbursement has been made but that the nonobservance of the relevant PC or other specified condition was also *de minimis*; i.e., when a deviation from a PC would be so small as to be trivial with no impact on the assessment of performance under the relevant member’s program, a waiver for nonobservance shall be granted by the Executive Board.⁹⁸ The discussion of *de minimis* misreporting will be included in a staff report on the member that deals with other issues but the discussion should be deleted if such a report is published.

I. Reviews and Disbursements

Purpose of Program Reviews

87. Program reviews evaluate whether the program is on track to achieve its objectives. This evaluation is based on a backward-looking assessment—taking into account performance against quantitative PCs, structural and quantitative benchmarks, and prior actions—and a forward-looking assessment of the prospects for successful program implementation, in particular whether policy capacity and commitments are adequate to achieve the program’s objectives. The second (and every subsequent) review can only be completed if (i) a PRS has been developed and made publicly available normally within the five previous years, but no more than six years, and covers the period leading up to and covering the date of the completion of the relevant review (see paragraph 66 for conditions under which an extension of the PRS deadline may be granted); and (ii) the PRS has been issued to the Executive Board as a PRGS (previously known as EDD) that has been the subject of staff analysis in the staff report of a request for an ECF arrangement or a review under an ECF arrangement.⁹⁹ At the time of the consideration of the final review under an ECF arrangement, and assuming that the protracted balance of payments problem has been resolved and no further program support from the Fund is expected, the scope of the forward-looking assessment could be more limited than for previous reviews.

88. Reviews also update the program design, in particular by specifying forward-looking policies and conditionality, and are the main vehicle for any potential modifications to program design— such as changes in access, phasing, and conditionality—as may be necessary to achieve

⁹⁸ For more details on misreporting, see Appendix I of the [PRGT Instrument](#) and [Decision No. 14354-\(09/79\)](#). Also, see *Making the Misreporting Policies Less Onerous in De Minimis Cases* (IMF, 2006e).

⁹⁹ See Appendix V for transitional arrangements.

the program's objectives in changing circumstances. At the time of approval and for each review, the authorities' LOI presents or updates their policy program, and a staff report provides an overall assessment of performance and policy commitments.

Timing of Reviews, Test Dates, and Disbursements

89. The timing of all reviews, test dates, and disbursements should be summarized in a staff report table at the time of approval of an ECF arrangement and updated as needed at the time of reviews. Moreover, the Arrangement text attached to the staff report for the initial ECF request specifies the test dates, reviews, availability dates, and disbursements for the first year of the arrangement. The quantitative indicator table ("PC table") attached to the LOI/MEFP should clearly identify PCs, indicative targets, and adjustors for at least a 12-month period from the Board date of the arrangement approval or review as indicated above. Similarly, the structural benchmark table should cover measures over at least a 12-month period, clearly indicating the reviews that individual benchmarks are linked to and/or the dates for their implementation. The arrangement text attached to the staff report should specify all PCs and review/availability dates, normally over the next 12 months from the Board date of the arrangement approval/program review. The first disbursement is made available upon approval of the arrangement, and subsequent disbursements will be conditional on observance of the PCs and a program review that confirms satisfactory progress in implementing the economic program.

90. Disbursements and reviews under a standard three-year ECF arrangement are normally both semi-annual, implying typically seven scheduled disbursements and six reviews (and thus six test dates with PCs). When designing the schedule of test dates, careful consideration should be given to alignment with the country's budget cycle and the requirement that reviews and their associated availability dates be scheduled no more than six months apart (however, the interval between arrangement approval and the first availability date could be longer than six months if needed, e.g., to harmonize test dates with key dates in the budget cycle). Beyond this requirement, there is flexibility in setting the specific review dates and test dates if warranted by country specific circumstances. Deviations from the six-monthly schedule (i.e., more frequent reviews) can be considered, for example, to align monitoring with national budget/reporting cycles. In cases where the arrangement is approved well before the first test date, e.g., four months or earlier, there may be only six disbursements and five reviews, given the time lag involved in monitoring performance criteria and preparing documentation for reviews. In principle, reviews and disbursements could be both more frequent, for instance in the context of significant short-term volatility and/or uncertainty. It is also possible to shift between semi-annual and higher frequencies of phasing during the course of an arrangement, for example, following changes in volatility and/or uncertainty. Such shifts could also be scheduled at the time of approval of a new ECF arrangement if warranted based on the projected risk profile over time or other country circumstances.

91. The test dates for PCs must be set such that all scheduled disbursements can take place before the end of the arrangement, taking into account reporting lags and preparation and circulation periods for staff reports. Similarly, the availability dates for disbursements should be set such that all data needed to confirm observance of PCs at the related test dates would have become

available. Availability dates are specified in the Arrangement text and subsequent Decisions, and are summarized in the staff report table on the schedule of disbursements. Reviews cannot be completed prior to the applicable availability date.¹⁰⁰

92. The program period supported by an ECF arrangement would typically start somewhat before the Board approves the ECF arrangement, and three to six months before the first test date under semiannual monitoring. The program period should normally not start more than three months prior to the Board meeting, and in any case not before the authorities and staff have discussed the parameters of the program.

93. In contrast to SBAs or EFF Arrangements, the design of an ECF arrangement avoids “blackout periods” because each disbursement is linked to the completion of a specific review and to the observance of specific periodic performance criteria, and thus a disbursement is not blocked—and there is consequently no need for a waiver of applicability upon data unavailability—when a new test date passes, because such new test date applies to a future disbursement subject to completion of a future scheduled review.¹⁰¹

Addressing Interruptions in Program Implementation: Track Records, Combined Reviews, and Rephasing

94. ECF-supported programs may encounter interruptions and delays. If these are caused by substantial policy slippages, it is often appropriate to establish a **track record** before completing the next review.¹⁰² As discussed in more detail in Appendix III, a track record could be informal (based on informally agreed time-bound policy actions and targets) or monitored more formally under an SMP, or, in case of urgent financing needs caused by an exogenous shock, the RCF (assuming the applicable policy commitments are in place). In some cases, bringing the program back on track may also require modification to the planned timing of disbursements and reviews. Such delays and interruptions can sometimes be addressed through extensions of the arrangement (see above), combining reviews, rephasing of access, or some combination of the three.

¹⁰⁰ As provided in the [PRGT Instrument](#), reviews under an arrangement shall not be completed unless and until all other conditions for the disbursement of the loan have been met or waived. This applies, inter alia, with regard to the condition on the availability of the disbursement. See [PRGT Instrument](#), Section II, paragraph 1(e)(4).

¹⁰¹ The broader policy is described in *Reduction of Blackout Periods in GRA Arrangements* (IMF, 2009h) and *Blackout Periods in GRA Arrangements and the Extended Rights to Purchase Policy—A Review* (IMF, 2013a). It applies to all SBAs and EFF arrangements, including those that involve blending with ECF financing. Access to accumulated but undrawn disbursements can be interrupted because the deadline for a new review date has been reached and there is a delay in completing the review but as noted above, since the precautionary use of the ECF is not generally envisaged, previously scheduled and undrawn disbursements under an ECF arrangement are unlikely to occur.

¹⁰² On September 30, 2022, the Executive Board amended the SMP policy to allow for limited Executive Board involvement in particular SMPs in certain, ring-fenced situations (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief to the member or (ii) significant outstanding Fund credit under emergency financing instruments at the time new emergency financing is received) to opine on the robustness of a members’ policies to meet their stated objectives under the SMP and to monitoring its implementation (see [IMF, 2022f](#)). Such SMPs are called “Program Monitoring with Board Involvement” or “PMBs” and can also be used to establish a track-record.

95. Under certain circumstances, two reviews can be combined when delays in program implementation have occurred and performance can be assessed against two test dates that were linked to successive reviews. Combining three or more reviews, while theoretically possible, would be very unusual as PCs are typically not defined for more than two future test dates under semiannual monitoring, because long-lasting deviations from program objectives would often justify cancellation of the arrangement, and the ECF arrangement is automatically terminated if no review is completed over an 18-month period. Combining reviews is only possible if: (i) the conditionality has been fully defined, including through applicable PCs, for these reviews and approved by the Board; (ii) data are available for measuring observance of conditionality for the reviews; and (iii) the dates specified as the earliest dates for conclusion of the reviews in the text of the arrangement have all passed. Typically, reviews are combined when the program is on track with respect to the most recent review and sufficient corrective action had been taken to offset any problems with observance of the conditions for earlier reviews. By contrast, where slippages relative to the objectives and conditionality for the most recent review are significant, it would not be appropriate to combine reviews. In such circumstances, the authorities could request cancellation of the arrangement and discussion of support under a new instrument once conditions for such support are appropriate. Alternatively, in cases where performance relative to the objectives and conditionality for the earlier review was broadly satisfactory (or slippages have been addressed through sufficient corrective action) and program objectives can still be obtained through modifications of the program, this past review could be completed, while a new, future test date and conditionality should be established for the next review, typically combined with rephasing of access over the remainder of the arrangement.

96. Under certain circumstances, disbursements under an ECF arrangement may be rephased to change the amounts of financing provided under individual disbursements associated with specified reviews and/or change the number or timing of disbursements and reviews. For example, if there are delays in program implementation, combining reviews and rephasing could be appropriate where program objectives can still be achieved, including through corrective actions. In such cases, rephasing would usually involve spreading access associated with the specific (and subsequent) review(s) across future reviews, consistent with the period of the current arrangement. In other cases, a rephasing may be combined with an extension of the arrangement when there are only a few reviews left to allow for the completion of reviews before the arrangement expires. There can also be short-term extensions of a program (i.e., technical extensions) that do not involve rephasing if additional time (typically not more than three months) is needed to complete the final review(s) and make the final disbursement available before the expiration of the arrangement. Access should never be rephased in a manner that would make it impossible for the member to get the full, undisbursed amount under the arrangement. If delays in program implementation have been substantial and rephasing would involve compressing a very large amount of access into a short period of time (even with a potential extension of the arrangement period), it would normally be appropriate to let the current arrangement expire, or for the member to cancel it, and to proceed to a new ECF arrangement, unless there has been a very sharp turnaround in performance.

J. Other Relevant Policies

97. A number of additional modalities and policy requirements apply to the ECF, including the following:

- **Ex Post Peer Reviewed Assessments (PRAs).** As of July 2015, Ex Post Assessments (EPAs) have been discontinued and replaced by Ex Post Peer Reviewed Assessments (PRAs).¹⁰³ Staff reports for new arrangement requests are required to contain a succinct, peer-reviewed assessment for countries with longer term program engagement (LTPE), defined as having in place a Fund-supported financial arrangement for at least seven of the past 10 years, and for whom a PRA has not been prepared in the past five years.¹⁰⁴ ¹⁰⁵ Access to resources under ECF arrangements counts toward the policy on LTPE.
- **Post Financing Assessments (PFAs).**¹⁰⁶ Outstanding ECF credit is subject to a PFA (formerly PPM).¹⁰⁷ Members with outstanding credit from the Fund in the GRA and/or PRGT exceeding 200 percent of quota or SDR 0.38 billion from the PRGT (and/or SDR 1.5 billion from the GRA) after the expiry of their arrangements are expected upon the recommendation of the MD to engage with the Fund in a PFA of their economic developments and policies. Normally, one stand-alone PFA paper is expected to be issued for Executive Board consideration within a twelve-month period.

¹⁰³ See paragraphs 29 - 32, *Selected Streamlining Proposals under the FY16–18 Medium-Term Budget – Implementation Issues* (IMF, 2015I).

¹⁰⁴ Fund financial arrangements that qualify for the definition of LTPE are those drawing on upper credit tranche GRA or PRGT resources, or any blend of the two. Non-financing instruments, e.g. PSI are not taken into account for LTPE. An outright disbursement/purchase under the RCF or RFI does not count towards LTPE. Usage of precautionary arrangements, including the precautionary use of the GRA or PRGT resources that remain undrawn throughout the arrangement, does not count towards LTPE. If a member ultimately draws upon an arrangement that had been considered precautionary at the time of approval, the entire length of the arrangement would count towards LTPE. For canceled arrangements, only the time until their cancellation is counted. For a complete discussion of LTPE, see *The Acting Chair's Summing Up Review of Ex Post Assessments and Issues Related to the Policy on Longer-Term Program Engagement* (IMF, 2006c); *Review of Ex Post Assessments and Issues Relating to the Policy on Longer-Term Program Engagement* (IMF, 2006b); *Ex Post Assessments of Members with a Longer-Term Program Engagement—Revised Guidance Note* (IMF, 2010c); and IMF (2015I).

¹⁰⁵ See *Staff Guidance Note for the Conduct of Ex Post Peer Reviewed Assessments of Members with Longer-Term Program Engagement* (IMF, 2016a).

¹⁰⁶ On May 7, 2021, the Board changed what was previously referred to as Post Program Monitoring (PPM) to Post Financing Assessment (PFA) to better reflect its coverage, which includes not only outstanding credit from IMF-supported programs but also credit from outright purchases from the General Resources Account or disbursements from the Poverty Reduction and Growth Trust under emergency financing instruments. See IMF, 2021d.

¹⁰⁷ See *Extension of Post-Program Monitoring to Cover the Use of PRGF Resources* (IMF, 2005a), *Guidance Note on Post Program Monitoring* (IMF, 2017d), and [Decision No. 13454-\(05/26\)](#), as amended. The latter also discusses circumstances where the MD may propose PPM even where outstanding credit falls below the 200 percent of quota or the SDR 0.38 billion from the PRGT (and/or SDR 1.5 billion from the GRA) threshold, as well as circumstances where the PPM criteria are met but where the MD may consider it not warranted (e.g., given strength of policies or successor arrangement or SMP expected within six months).

- Article IV consultation cycle.** The 24-month cycle for Article IV consultations applies to members with an ECF arrangement.¹⁰⁸ Specifically, Article IV consultations with members that have an on-track ECF arrangement in place would be expected to be completed within 24 months after the completion of the previous Article IV consultation. In cases where a program review is not completed by the date for completion specified in the arrangement, the next Article IV consultation would be expected to be completed by the later of (i) six months after the scheduled review date and (ii) 12 months, plus a grace period of three months after the previous Article IV consultation, unless the program review has been completed prior to the later of these two dates, in which case the 24-month cycle continues to apply. A member that has completed an ECF arrangement by drawing all amounts may remain on the 24-month cycle, if it does not meet any of the criteria specified in paragraph 2 of [Decision No. 14747-\(10/96\)](#): (i) the member is of systemic or regional importance; (ii) the member is perceived to be at risk because of policy imbalances or particular threats from exogenous developments, or is facing pressing policy issues of broad interest to the Fund membership; or (iii) the member has outstanding Fund credit exceeding 145 percent of quota. At the time of the final review under the arrangement, staff should assess whether the consultation cycle should be shortened back to 12 months, based on the criteria mentioned above. When this is the case, the staff report for the final review should seek the Board’s approval of such shortening of the cycle.¹⁰⁹ Where the arrangement is cancelled by the member or expires with undrawn amounts, the member will remain on the existing cycle, unless the Executive Board determines, based on the above criteria, that a different cycle will apply.
- Exchange System obligations under Articles VIII and XIV and Data Provision under Article VIII, Section 5.** Requirements under [Article VIII Sections 2, 3, and 4](#), and [Article XIV](#) are discussed in Article VIII Acceptance by IMF Members—Recent Trends and Implications for the Fund (IMF, 2006d). A standard continuous PC applies, inter alia, to the non-introduction or intensification of exchange restrictions and on the non-introduction or modification of multiple currency practices (see Appendix II, Section G). [Article VIII, Section 5](#) of the Fund’s Articles of Agreement does not apply to the provision of information that is required for the purposes of Fund financial assistance under the ECF.¹¹⁰
- Heavily Indebted Poor Country (HIPC).** Performance under an ECF arrangement can count toward a track record of strong policy performance under Fund-supported programs required for the HIPC decision point and completion point. The minimum required track record for the

¹⁰⁸ See [Decision No. 14747-\(10/96\)](#), as amended.

¹⁰⁹ See *Bilateral Surveillance Guidance Note* (IMF, 2009j).

¹¹⁰ PRGT resources are held in an administered account and the obligations of a member using such resources are not governed by the Fund’s Articles ([Article V, Section 2\(b\)](#)). The obligations of a member using PRGT resources are governed exclusively by the terms of the PRG Trust Instrument, which are incorporated by an explicit reference into the terms of each ECF arrangement. Accordingly, for the purposes of an ECF arrangement, the Fund cannot require a member to provide the Fund with information for the purposes of [Article VIII, Section 5](#), and the failure of a member to provide information for the purposes of an ECF arrangement cannot give rise to the application of sanctions under [Article XXVI, Section 2](#), as it is not a breach of obligation under the Articles of Agreement.”⁸³ See Appendix IV for details on the HIPC Initiative.

decision point is six months. For the completion point, there is no minimum duration for the track record (except where Fund-supported programs have been off track for more than six months); instead, the Fund assesses a member based on the member's performance on particular outcomes and met applicable requirements for completion point under the HIPC initiative.¹¹¹

- **Side letters.** The use of side letters in ECF arrangements has been extremely rare. Side letters may be used when release of information on policy understandings at the time of a program request or review would cause adverse market reaction or undermine the authorities' efforts to prepare the domestic groundwork for a measure.¹¹²

¹¹¹ See IMF (1999c) for the Board's approval of "floating completion points." The HIPC Trust Instrument also requires that for completion point, the member has a stable macroeconomic position, has kept on track with its Fund-supported program, and has prepared a PRSP and implemented satisfactorily the strategy therein described for at least one year as evidenced by an APR that has been issued to the Executive Board normally within the previous 12 months but in any case within the previous 18 months and has been subject to a staff analysis in a JSAN issued to the Executive Board.

¹¹² For the Fund's policy on side letters, see [Decision No. 12067-\(99/108\)](#).

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CHAPTER III: STANDBY CREDIT FACILITY

The SCF provides financing to LICs with short-term balance of payments needs, similar to the SBA, however on concessional terms.¹¹³

A. Objectives and Qualification

Purpose and Objective

98. The SCF provides concessional financing to LICs with actual or potential short-term balance of payments needs. The purpose of an SCF arrangement is to assist eligible member countries in implementing economic programs aimed at achieving, maintaining, or restoring a **stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth**. Such a position would be characterized by the absence of a present or prospective balance of payments need and by the domestic and external stability that is necessary to support strong and durable poverty reduction and growth. It would typically be associated with sustainable fiscal and current account balances, limited debt vulnerabilities, adequate international reserves, and sufficient policy and institutional capacity to implement appropriate macroeconomic policies. This position might still involve significant levels of donor assistance, though aid dependence would be expected to decline over time. Use of the SCF is appropriate in cases where a country may experience episodic, short-term financing and adjustment needs, but these needs are not expected to persist over the medium or longer term. Member countries facing potential balance of payments needs, but not presently facing a need, may request an SCF arrangement on a precautionary basis.

99. Similar to other Fund instruments, SCF arrangements assist countries in addressing their balance of payments difficulties by providing temporary financial support (in this case, on a concessional basis) to smooth economic adjustment and avoid excess volatility. SCF disbursements can be used to strengthen the country's international reserves position and loosen financing constraints for both the public and private sectors in the context of a policy framework aimed at achieving a stable and sustainable macroeconomic position. Assistance under the SCF can also catalyze additional financing from donors.

Qualification

100. Assistance under the SCF is available to all PRGT-eligible member countries¹¹⁴ that experience actual or potential short-term balance of payments needs, **unless** (i) the predominant

¹¹³ The SCF became effective on January 7, 2010, as part of a comprehensive reform of the IMF's facilities for LICs and was updated on April 8, 2013 in the context of the review of these facilities. See IMF, 2009e and 2009f, [Decision No. 14354-\(09/79\)](#), and IMF, 2013d. Access norms and limits were raised in: (i) 2015 (see IMF, 2015c), and Decision No. 15818(15/66), July 1, 2015; (ii) 2019 (see IMF, 2019a); and (iii) 2021 (see IMF, 2021a).

¹¹⁴ The PRGT eligibility framework is discussed in IMF (2009k, 2012b, 2013c, 2015d, 2017a, and 2020a), and [Decision No. 14521-\(10/3\)](#). See Appendix VI for a list of PRGT-eligible countries as of February 2020.

cause of the balance of payments difficulties that underlie the financing need is a withdrawal in financial support by donors or (ii) the country faces a protracted balance of payments problem; specifically, to qualify for the SCF, there should be an expectation that the member **will achieve a stable and sustainable macroeconomic position (as defined above) in normally two years and in any event not more than three**. If, by contrast, a country has a protracted balance of payments problem where the resolution of macroeconomic imbalances needed to establish a stable and sustainable macroeconomic position is expected to persist for three years or more, an ECF arrangement would be the appropriate instrument to support UCT-quality programs. In cases where a stable and sustainable macroeconomic position is expected to be established within three years, the choice between the two facilities should be determined on a case-by-case basis, keeping in mind that the minimum length for an ECF arrangement is three years and use of the SCF is normally limited to three out of any six-year period assessed on a rolling basis. For this assessment, substantial structural reform or capacity building needs, or frequently recurring financing needs would indicate the presence of a protracted balance of payments problem and thus argue for support under an ECF arrangement, whereas needs for a relatively front-loaded adjustment process aimed at a speedy restoration of macroeconomic stability would argue for an SCF arrangement.

101. SCF arrangements can provide support to members experiencing actual (i.e., present or prospective) or potential balance of payments needs,¹¹⁵ as long as the balance of payments need is short-term rather than protracted. If at the time of approval of the SCF arrangement, a member does not presently face balance of payments needs, but such needs are expected to arise in the future (or there is a significant risk that such needs could arise in the future), the country authorities would treat the arrangement, at least initially, as precautionary. If balance of payments needs are purely potential (i.e., not present or prospective) and risks to the outlook are moderate or low, a PSI could be more appropriate. In these cases, by foregoing the Fund financing extended under a SCF arrangement treated as precautionary and focusing on medium-term policy support and endorsement, the PSI would tend to send a stronger signal about the quality of the member's policies and the soundness of its macroeconomic position. Individual disbursements can only be made based on the representation by the member of the existence of an actual (in this case, present) balance of payments need.

102. Qualification also requires a finding by the Board that the member is implementing, or is committed to implement, policies aimed at resolving the balance of payments difficulties it is encountering or could encounter, in the context of a policy program that meets UCT-quality policy standards and aims to achieve, maintain, or restore a stable and sustainable macroeconomic

¹¹⁵ A balance of payments need can arise because of a member's balance of payments deficit, reserve position, and developments in reserves. The need can be *present* (a need that exists in the current period), **prospective** (i.e., a need that is expected/projected to arise in the future, including during the implementation of a Fund-supported program), or **potential** (i.e., a need that may arise under an alternative, typically downside, macroeconomic scenario, but is not expected to arise based on baseline/program projections). Distinct from the concept of balance of payments need, a **protracted balance of payments problem**, as defined above, is a related but broader concept that examines the components of the balance of payments need (rather than focusing on the overall balance of payments position), as well as a variety of other indicators. Countries with a protracted balance of payments problem may experience a combination of present, prospective, and potential needs.

position consistent with strong and durable poverty reduction and growth. This requires the commitment and capacity by the authorities to implement a set of policies that is adequate to correct external imbalances and enable repayment to the Fund within the specified maturity period. Apart from the elaboration of such a program in the LOI and MEFP, qualification would thus require assurances that the authorities have the capacity and commitment to implement their program, as evidenced by recent policy performance (including under a recent Fund-supported program), institutional capacity, and any other circumstances that may affect macroeconomic performance. In this context, qualification is presumed (but still would have to be established) for countries with an on-track PSI that experience or may experience a balance of payments need. Other requirements for the approval, extension, or implementation of an SCF arrangement are discussed further below.

103. Countries that are not currently in a position to meet the SCF qualification requirements, in particular, the capacity to implement a UCT-quality program, can build a track record for moving to an SCF arrangement through an SMP or, in case of urgent financing needs, the RCF (assuming the applicable policy commitments are in place), or concurrent use of both above instruments (see Appendix III).¹¹⁶ Countries that have the **capacity** to implement a UCT-quality program, but such a program is **not needed** because the balance of payments need is expected to be resolved within one year and no major policy adjustments are necessary to address underlying balance of payments difficulties, have the option to request RCF financing to meet an urgent balance of payments need.

B. Duration, Extensions, Cancellations, and Repeat Use

104. Assistance under an SCF arrangement is available for a minimum of 12 months and a maximum of 36 months from the date of the Board decision approving the arrangement. As the SCF is intended to address episodic short-term needs, its use is limited to three years out of any six-year period, assessed on a rolling basis. Past SCF arrangements that were treated in their entirety as precautionary (i.e., not a single disbursement was made) and new SCF arrangements for which the Fund assesses that the member does not have an actual balance of payments need at the time of approval are *not* counted towards the limit of three years out of any six-year period.¹¹⁷ SCF arrangements may be extended (including multiple times) subject to a 36-month maximum total duration. After the expiration, cancellation or automatic termination of an SCF arrangement,

¹¹⁶ On September 30, 2022, the Executive Board amended the SMP policy to allow for limited Executive Board involvement in particular SMPs in certain, ring-fenced situations (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief to the member or (ii) significant outstanding Fund credit under emergency financing instruments at the time new emergency financing is received) to opine on the robustness of a members' policies to meet their stated objectives under the SMP and to monitoring its implementation (see [IMF, 2022f](#)). Such SMPs are called "Program Monitoring with Board Involvement" or "PMBs" and can also be used to establish a track-record.

¹¹⁷ In any case, if present or prospective balance of payments needs persist beyond the short term, continued support would normally be provided under an ECF arrangement. In case of repeat use of the SCF (exceeding three years out of any six-year period), staff reports and LOIs are required to make an explicit case that the member country does not have a protracted balance of payments problem. See [PRGT Instrument](#), Section II, paragraph 1(c)(1).

additional SCF arrangements may be approved if the relevant qualification criteria are met, including the overall time limit on use of the SCF specified above.

105. SCF arrangements can be extended at the request of the member to allow for the disbursement of rephased amounts¹¹⁸ or to provide additional resources (i.e., augmentation) in light of projected developments in the member's balance of payments position, subject to appropriate conditions consistent with the terms of assistance under the SCF. Such extensions involving rephasing or augmentation of access may be appropriate in a variety of circumstances, including when more time is needed to implement envisaged policies or reforms (rephasing), or when the duration of balance of payments needs is longer than originally envisaged, for instance due to a shock that has led to additional financing and adjustment needs, or due to heightened risks that warranted further precautionary support (augmentation). Extensions may involve the establishment of additional reviews (in cases where amounts are being rephased) and can be combined with augmentations of access if warranted based on the criteria for augmentations discussed in Section D.

106. Extensions must be requested by the member and approved by the Board before the expiration of the arrangement period. Extensions are only possible if they are needed to allow for the disbursement of amounts under the arrangement. It is thus not possible to extend arrangements when all scheduled amounts have already been disbursed.¹¹⁹ Extensions are not automatic and are subject to appropriate conditions consistent with the terms of assistance under the SCF.

107. Extensions that involve rephasing and/or augmentations of access would normally be approved by the Board on the basis of an LOI and in the context of a program review (where the conclusion of the review demonstrates that the program is on track). In exceptional circumstances (e.g., when a severe natural disaster prevents conducting the final review in a timely manner), extensions that involve rephasing may be approved by the Board outside the context of a scheduled program review, provided the authorities and staff have understandings on appropriate policies to be implemented through the next review, as documented by a letter from the authorities. Board approval would require a staff report that discusses the reasons for the extension, including why it is proposed outside the review context, the status of the program, and relevant policy understandings. With respect to augmentations in an ad-hoc review, please see below.

108. In cases that do not involve rephasing or augmentation but where some additional time is needed to complete the final review(s) and make the final disbursement available before the expiration of the arrangement, SCF arrangements can also be extended for a short period (a few weeks or months). Such short-term extensions (sometimes referred to as "technical") can be granted outside the context of a review, provided that the authorities and staff have reached (or are expected to reach in the very near term) understandings on appropriate policies to complete the review. Board approval of these short-term extensions generally takes place in the context of a very

¹¹⁸ Throughout the *Handbook*, "rephasing" refers to changes in the timing and level of programmed disbursements.

¹¹⁹ Arrangements automatically expire once all available amounts have been disbursed.

short staff paper with a decision proposed for LOT Board approval. The staff paper is subject to the regular review process and should explain the status of the discussions and document preparation and any relevant policy understandings.

109. An SCF arrangement that has an initial duration of more than 24 months or is extended to more than 24 months, will automatically terminate before its scheduled term if no program review under the arrangement has been completed over a period of eighteen months. The Board may, at the authorities' request, delay the termination of the SCF arrangement by up to three months in cases where the reaching of understandings between the authorities and staff on targets and measures to put the SCF-supported program back on track within the term of the arrangement appear imminent. The SCF arrangement will automatically terminate at the end of the extended period unless a program review under the arrangement is completed within this period.

110. SCF arrangements may also be cancelled by the authorities at any time, which may be appropriate for instance when the underlying macroeconomic imbalances have been resolved, when the authorities no longer have the capacity or commitment to implement the program, or when the objectives or modalities of the authorities' economic policies have changed substantially.

C. Concurrent Use and Blending

Concurrent Use

111. The SCF cannot be used concurrently with the ECF. Hence, any pre-existing ECF arrangement would need to be cancelled before an SCF arrangement can be approved and vice-versa. Moreover, a member cannot obtain RCF financing (or start an SMP) if an SCF arrangement is in place and on track. Should additional balance of payments needs arise during an SCF arrangement, an augmentation of access would typically be the appropriate response. RCF financing during an SCF arrangement can only be provided when (i) SCF disbursements are not possible, for instance due to policy slippages or delays in program discussions; (ii) qualification requirements for the RCF are met, including the existence of an urgent balance of payments need and relevant policy commitments; and (iii) the balance of payments need is primarily caused by a sudden exogenous shock.¹²⁰ In addition, policy commitments made in the context of a disbursement under the RCF (such as an RCF concurrently with an SMP to provide a clear and explicit macroeconomic framework) could serve as a track record to bring the SCF-supported program back on track. Similarly, in the absence of an urgent financing need, a track record could be built through an SMP. The SCF can be used concurrently with GRA financing under certain circumstances (see below).

112. The SCF can be used flexibly in conjunction with a PSI. While a PSI does not provide automatic access to SCF financing, qualification for the SCF would be presumed for countries with an on-track PSI that experience or may experience a balance of payments need (which could be present, prospective, or potential), provided that the relevant qualification requirements are met. An

¹²⁰ Please also refer to Chapter IV – Rapid Credit Facility, for further details on the eligibility and qualification requirements and access limits for RCF financing.

on-track PSI, with the associated UCT-conditionality standard, would also reduce the time normally required to design an SCF-supported program. There would be no need to cancel the PSI, and an SCF could run concurrently with a PSI. PSI users can also request concurrent precautionary support under the SCF, which may be useful in periods of increased uncertainty or risk. Modification of the PSI-supported program may be warranted in some cases, in particular when the changed circumstances are likely to affect a country's ability to meet the program objectives. In case the PSI is off track, SCF approval would typically only occur when appropriate corrective actions have been taken.

113. Concurrent support under a PSI and SCF arrangement would have modalities akin to those applicable under a PSI or SCF arrangement individually with regard to program documentation and program targets. In particular, the two instruments would support an economic program based on a single set of program conditions, schedule of reviews, and other requirements that largely mirror those applicable to stand-alone SCF arrangements or PSIs. Key differences, however, include:

- The choice of duration of the SCF arrangement (between 12 and 36 months) would depend on the length of financing and adjustment needs, and would not necessarily be tied to the PSI period;
- If the expiration date of the SCF arrangement comes after that of the PSI, approval of a new PSI would normally take place only after the expiration or cancellation of the SCF arrangement, as qualification for the PSI requires a broadly stable and sustainable macroeconomic position, which would imply that no IMF financing is needed. However, a new PSI could be approved when the authorities intend to treat the SCF as precautionary. It may also be possible to extend the existing PSI for a short period to complete the final review (see Section B);
- The review schedule for the PSI could remain on the “fixed review cycle” (see Chapter V of this Handbook) or be aligned to the more flexible review cycle of the SCF. With a PSI remaining on the fixed cycle, the documentation for a PSI review would have to be issued to the Executive Board before the next relevant test date, irrespective of program performance and whether the review will be completed, except for the staff report which could be issued up to one month after the test date of the periodic assessment criteria (ACs) linked to the next scheduled review.¹²¹ Shifting a PSI to the SCF review schedule would require adjusting the standard PSI decision language such that a PSI review can be completed at a later stage.

Blending

114. Please see Chapter I for a complete discussion of blending policies under the PRGT. When providing financial assistance with blended resources, SCF resources will normally be provided together with GRA resources under the SBA. Financing through the RFI under the GRA during an

¹²¹ See Chapter V, Section G of this *Handbook* and Decision No. 15354-(13/32).

SCF arrangement would be expected only if the SCF-supported program is off track, in which case RFI purchases would typically be blended with disbursements under the RCF.

115. The modalities of blended financial assistance under SCF arrangements and SBAs would be broadly the same as those applicable under a stand-alone SCF arrangement. In particular, the blended arrangements would support up to three-year economic programs for countries with short-term balance of payments needs, based on a single set of program conditions, schedule of disbursements and reviews, and other requirements that largely mirror stand-alone SCF arrangements described in this Chapter. However, there are also a number of differences, including that in cases involving blended financial assistance:

- As a practical matter, disbursements would involve both SCF and SBA resources (see Section D on access under blended financial assistance), implying lower average concessionality of the Fund’s financial support than under a stand-alone SCF arrangement;
- SBA qualification requirements must be met—for instance, to the extent that the blended arrangement pushes (annual or cumulative) access above GRA normal limits, the member would also need to meet the Exceptional Access criteria;¹²²
- Each disbursement under an SCF arrangement is linked to a specific test date, whereas for GRA arrangements, purchases are conditioned upon observance of the PCs relating to the most recent test date (the “controlling” PCs). As a result:
 - In contrast to SCF arrangements, reviews under the SBA component of the blended financial assistance may require waivers of applicability under certain circumstances (see Section H); and
 - There could also be situations where resources relating to the SCF component of the blend are disbursed based on an earlier test date, while resources relating to the SBA component are made available against a later test date.

D. Access

116. When considering access for a new SCF arrangement, or possible augmentation under an existing arrangement, area departments may wish to consult with SPR and FIN at an early stage, i.e., before a PN is circulated for formal review. Furthermore, staff reports for a new arrangement (or subsequent reports requesting a change in access) should explicitly discuss the basis on which access was determined (or explain the reasons for requesting a change in access), with reference to the main criteria below, as well as to access norms and limits as applicable (see below).¹²³

¹²² See [Decision No. 12865-\(02/102\)](#), as amended; [Decision No. 14064](#), as amended by [Decisions No. 14184, 14284 and 14716](#); and IMF, 2002c.

¹²³ See Appendix VIII for detail on norms.

Determination of Access—Main Criteria

117. Access is determined on a case-by-case basis based on the following standard criteria:

(i) the member's (present, prospective, and potential) balance of payments needs (taking into account all projected balance of payments flows, including reserve accumulation and financing from other sources);¹²⁴ (ii) the strength of its program and capacity to repay the Fund (taking into account the member's policy plans, adjustment effort, commitment to implement the program, institutional capacity, track record of policy implementation, and country circumstances such as vulnerabilities, imbalances, and debt sustainability);¹²⁵ and (iii) the amount of outstanding Fund credit and the member's record of past use. All else being equal, higher access would generally be associated with a stronger program, stronger track record, and stronger capacity to repay. In the case of precautionary arrangements, the baseline scenario should be presented showing no Fund financing. The potential need that might emerge could be highlighted, for example, by discussing how the most volatile external flows may be affected by exogenous shocks, and/or by presenting alternative scenarios showing the possible sources of need.

118. Access may generally not exceed the member's present, prospective, and potential balance of payments needs during the program period, and would typically be less than total financing needs, keeping in mind that SCF-supported programs can catalyze financing from donors and creditors. Analogous to an SBA, while an SCF arrangement may be approved on the basis of present, prospective, or potential balance of payments needs (and members may choose to treat the SCF arrangement as precautionary at the time of approval), each individual disbursement requires a representation by the member of the existence of a present balance of payments need, and members will need to make a representation, normally in an LOI, that they are experiencing an actual balance of payments need at the time they request a disbursement under an SCF arrangement. As in the GRA, the Fund will not challenge this representation prior to the disbursement, but will be able to impose a prepayment expectation and take other remedial measures after the disbursement if it were to determine that the disbursement took place in the absence of a present need.¹²⁶

119. When an SCF arrangement is treated as precautionary, members retain and accumulate the rights to request disbursements during the period of the arrangement, provided that the most recent scheduled review (associated with the corresponding availability date) was completed. In contrast to SBAs, the design of an SCF arrangement avoids "blackout periods" by allowing disbursements based on completed reviews, without the need to verify observance of performance criteria whose test dates have passed while the date for the related scheduled review has not yet

¹²⁴ See the Section A for definitions of balance of payments needs.

¹²⁵ Sufficient recovery in the balance of payments must be in prospect to provide appropriate assurance that loans can be repaid on schedule without strain.

¹²⁶ See Appendix I, Section E for the procedural steps to follow in case a disbursement is requested outside of scheduled reviews.

passed.¹²⁷ However, while the design of the SCF allows disbursements based on completed reviews, without the need to verify observance of PC whose test dates have passed while the date for the related scheduled review has not yet passed, access to accumulated but undrawn disbursements can be interrupted because the deadline for a new review date has been reached and there is a delay in completing the review. The delay in completing a review beyond its scheduled date blocks access to both the accumulated disbursement rights and the incremental amount of access associated with the latest test date. The member may request any previously scheduled and undrawn disbursements under an SCF arrangement, provided that the most recently scheduled review under the arrangement prior to the request has been completed.¹²⁸

Access Norms¹²⁹

120. Access norms apply to access to financing under SCF arrangements (though not in cases of blended financial assistance, see Section D). The norm for access under a 18-month SCF arrangement is set equal to that of the 3-year ECF arrangement at 145 percent of quota, varying proportionately with the length of the SCF arrangement, up to the amount associated with a 2-year SCF arrangement (193.33 percent of quota).

121. Access norms provide general guidance and do not represent ceilings, floors or entitlements. Access can deviate from the norms if warranted under the standard criteria for determining access (see above). For instance, access may be above the norm in cases where balance of payments needs are noticeably larger than in most other cases of SCF use, e.g., due to a large shock. Access can also be below the norm, for example when the balance of payments need is limited, policy capacity is constrained, or when debt vulnerabilities are high.

Access Limits

122. A member's total access under all concessional facilities in the PRGT is subject to "global" annual and cumulative limits. This includes credit outstanding and disbursements under the ECF, SCF and RCF. Specifically, total access to financing under the PRGT should normally not exceed 145 percent of quota per year across all concessional facilities.¹³⁰¹³¹ Furthermore, total access to financing under the PRGT should normally not exceed 435 percent of quota cumulatively, net of

¹²⁷ The broader policy is described in IMF, 2009, [Decision No. 14407-\(09/105\)](#), as amended, and IMF, 2013a. It applies to all SBA arrangements, including those that are part of a blended SCF-SBA arrangement.

¹²⁸ See Section II, paragraph 1(c)(1) of the [PRGT Instrument](#).

¹²⁹ See Appendix XIII for details on norms.

¹³⁰ SCF arrangements that are treated as precautionary are no longer subject to lower access limits, as a result of changes approved by the Board in May 2019.

¹³¹ Annual access limits were temporarily increased to 245 percent of quota in March 2021 in response to Covid-19 and reverted to 145 percent of quota at end-December 2021. A "transition rule" applies for calculating annual access for countries that entered into a new arrangement or received an augmentation of an existing arrangement or emergency financing in the period between March 22, 2021 and end-2021. For details, see Annex III in Review of the Temporary Modifications to the Fund's Access Limits in Response to COVID-19 Pandemic (IMF, 2021b). This transition rule will no longer be applicable after end-2022.

scheduled repayments (see Chapter I, Section D for how to calculate annual and cumulative access consistent with PRGT normal access limits).

123. In exceptional circumstances, access above the normal limits can be made available to PRGT-eligible countries that meet the exceptional access criteria (see Chapter I, Section D).

The Phasing of Access

124. The phasing of SCF access, determined at the time of approval of the arrangement, should mirror the projected evolution of balance of payments needs over the course of the arrangement and must take into account the applicable annual access limits. Access could be front-loaded (or back-loaded) if warranted based on the strength of the program, timing of key reforms, and/or the time profile of the balance of payments needs. A significant degree of frontloading could be appropriate in exceptional cases involving the repayment of emergency assistance to the Fund or arrangements approved following clearance of overdue obligations to the Fund as part of a broader arrears clearance strategy. Some degree of frontloading could also be appropriate for SCF arrangements that are treated as precautionary.

125. It is standard practice for staff reports to present the balance of payments in a way that, in any given period, scheduled IMF disbursements, together with other exceptional financing items, do not exceed the overall balance of payments deficit (resulting from “autonomous transactions”) and the programmed level of reserve accumulation. In this presentation, the balance of payments would be fully financed, at least in the near term, at the time of SCF approval and completion of each review, while residual financing gaps may show in the outer years (see also Section F on financing assurances).

126. The PRGT instrument requires availability dates for disbursements to not be phased more than six months apart. This rule does not apply to the interval between approval of the SCF arrangement and the first review, which may be spaced more than 6 months apart if circumstances so warrant. Further, availability dates for disbursements should normally be phased at regular intervals, but there is some flexibility in this regard (e.g. to align with a member’s budgetary cycles, reviews may be spaced 4 rather than 6 months apart).

Access Under Blended Financial Assistance

127. When financing is blended under an SCF arrangement and an arrangement under the GRA by a presumed blender (see Chapter I on the criteria that create a presumption for blending), total access is determined based on the standard criteria (see above), implying that total access should be comparable across country cases with similar balance of payments needs, program strengths, and outstanding Fund credit, irrespective of whether the Fund’s financial assistance comes

in the form of blended or PRGT-only resources. Moreover, access norms do not apply, and access under blended financial assistance is subject to specific rules:¹³²

- Access to the concessional (SCF) component of blended financial assistance for presumed blenders is in a 1:2 ratio of PRGT to GRA resources, with access to the concessional component capped at 145 percent of quota per arrangement. Any additional needs would need to be met through GRA financing;
- At the time of approval of a new SCF arrangement that involves blended financial assistance from a GRA arrangement, each scheduled disbursement should generally involve both SCF and GRA resources. For GRA resources phasing and performance criteria would only apply to purchases above the first credit tranche. While the shares of SCF and GRA financing at each disbursement can be determined individually, the general principle is that they would reflect the 1:2 blending mix ratio unless there is a reason to deviate.

Augmentations and Reductions of Access

128. Access under an SCF arrangement can be augmented to help meet a larger balance of payments need or to support a strengthening of the program. In particular, augmentation of access would often be an appropriate response to increased balance of payments needs in the context of shocks, unless the SCF-supported program is off track, in which case RCF financing could be appropriate (see Section C on concurrent use). Augmentations based on the strengthening of the program could occur, for example, if access was initially constrained by a high risk of debt distress, which has later subsided. Also, when an SCF arrangement period is extended, it could be the case that the extension period involves balance of payments needs that were not originally included in the determination of access for the arrangement, which may provide a justification for augmentation of access. Under the TIM, augmented access not exceeding 10 percent of quota will be available to a member country to compensate for balance of payments shortfalls arising from trade liberalization measures implemented by other countries.¹³³

129. Determination of access for an augmentation is based on the standard access criteria, including balance of payments need and strength of the program (see above). There are no norms applicable to the size of an augmentation, but augmentations under PRGT-supported programs have been in the range of 15–60 percent of quota for arrangements approved from 2010–2021, with a few cases well above this range. Staff reports in support of requests for augmentations should explicitly discuss the basis for the augmentation and its size, with reference to the main criteria for determining access above, as well as to access norms and limits as applicable.

130. For augmentations of access under arrangements that are presumed to involve blended PRGT and GRA resources, access should be set such that the total financing mix over the

¹³² These rules apply “ex ante.” In cases where GRA financing is added to support under a pre-existing SCF arrangement, the same presumptions apply as for augmentations of SCF/SBA blends, see below.

¹³³ See [Decision No. 13229-\(04/33\)](#) and [Factsheet: The IMF’s Trade Integration Mechanism \(TIM\)](#).

full course of the respective arrangements is guided by the specific rules on access under blended arrangements (see above), including that total access (post-augmentation) to concessional financing would be one-third of total overall access to Fund resources with a cap of 145 percent of quota per arrangement. While the shares of PRGT and GRA financing at each disbursement can be determined individually, the general principle is that they would reflect the 1:2 blending mix ratio unless there is a reason to deviate.

131. Augmentations would normally be approved at the time of a scheduled review under the arrangement. However, when the increase in the underlying balance of payments problems is so acute that the augmentation cannot await the next scheduled review, an augmentation can be requested outside of scheduled reviews. Approval of such augmentations at ad hoc reviews outside of scheduled reviews requires an assessment by the Fund as Trustee that the program is on track to achieve its objectives at the time of the augmentation (otherwise access under the RCF can be requested). In making this finding the Board assesses the member's observance of the continuous performance criteria or whether a waiver of nonobservance is justified, that prior actions (if applicable to the augmentation request) have been met, and that the member's policies are suitable to address its balance of payments problems and, more generally, are consistent with program objectives. The Board also takes into account any other relevant considerations, including exogenous developments and data on periodic performance criteria linked to future disbursements. The following modalities apply to augmentations at ad hoc reviews:

- If the scheduled review associated with the most recent availability date preceding the augmentation request has not been completed, an augmentation request cannot be approved at an ad hoc review.
- Requests are expected to be supported by a short staff report and an LOI from the member that describes the nature and size of the problem, the policies being undertaken by the authorities to address its balance of payments difficulties and any information relevant to program implementation, including exogenous developments.¹³⁴ As such, requests are expected to typically follow soon after a completed review, updating developments and policies along the lines described above, with a more comprehensive assessment of policies undertaken at the time of the following scheduled review.
- Ad hoc augmentations of access are only available to the member in a single disbursement following approval by the Board. There is no limit on the amount of such a disbursement subject to the overall access limits and norms (see above). Moreover, the augmentation is subject to the rules on blending and may be supplemented by a corresponding augmentation of access under the arrangement under the GRA. In any event, the amount of the disbursement is limited to what is immediately needed by the member in light of its balance of payments difficulties; to the extent that additional amounts may be necessary at later stages of the member's program, requests for such amounts can be considered in the context of a regular program review.

¹³⁴ The staff paper is subject to the regular review process.

- The new disbursement approved at the ad hoc review is subject to observance of the continuous PCs under the arrangement, including the accuracy of information on the implementation of such PCs and of any prior actions established for that disbursement, as well as any other conditions as determined by the Executive Board. It is not subject to periodic performance criteria and other conditions linked to the remaining disbursements under the arrangement.
- The augmented access is available upon the Board's approval of such augmentation at an ad hoc review, and the member may request to draw such disbursement at any time until the availability date of the next scheduled disbursement under the arrangement.
- Augmentation requests at ad hoc reviews that do not exceed 15 percent of quota are eligible for approval on a LOT basis. A scheduled review following an ad hoc review to consider an augmentation request is expected to undertake a comprehensive review of policies under the program. In order to allow the Board to undertake such a comprehensive assessment of the member's policies, this review cannot be completed on a LOT basis.

132. The Fund cannot unilaterally reduce access under the SCF. However, although not envisaged, the authorities could request it, for instance, in case of a marked and unexpected improvement in the balance of payments resulting from changes in the external environment.¹³⁵

Procedural Safeguards on High Access Requests—DSAs and Informal Board Meetings

133. Financing requests are subject to procedural safeguards that apply uniformly across all concessional facilities. These safeguards are aimed at protecting PRGT-eligible members' debt sustainability and the Fund's concessional resources.¹³⁶ Specifically, the staff report for any arrangement request or augmentation should provide an up-to-date assessment of the debt vulnerabilities, with an explicit reference to the impact of new borrowing from all sources, including prospective IMF disbursements. In addition:

- A DSA is required for any financing request under the PRGT (augmentation or new arrangement) if it (i) involves exceptional access to concessional resources; (ii) brings total access, i.e., cumulative disbursements, under all concessional facilities to more than 80 percent of quota, based on cumulative past and future scheduled disbursements in any 24-month period (see paragraph 14 on how to calculate access); or (iii) involves a member country with a high risk of debt distress or in debt distress. All DSAs (full and updates) should be prepared jointly by Fund

¹³⁵ In addition, as set forth in the [PRGT Instrument](#), commitments of PRGT resources and any disbursement of such resources are subject to the availability of resources in the PRGT, and hence, could result in access reductions in those very specific circumstances ([PRGT Instrument](#), Section II, paragraph 2(g) and paragraph (3)(a)).

¹³⁶ Endorsing the procedural safeguards for high-access financing set forth in paragraph 87 of IMF, 2009e. This paragraph updates the procedural safeguards that apply to all concessional financing instruments, elaborated in IMF, 2009d, and subsequently revised to be consistent with changes to access norms and limits in 2015 and 2019 (see Annex II in IMF, 2015c, and IMF, 2019a).

and Bank staff and must be submitted to both the IMF and IDA's Executive Boards (be it for discussion or for information);

- New enhanced safeguards (ES) introduced in 2021 call for greater scrutiny of debt and capacity to repay (CtR) risks in requests for new PRGT arrangements or augmentations where access falls above certain thresholds, or debt vulnerabilities are high.¹³⁷ For a complete discussion of the ES, please see Chapter I, Section D and Box 3.
- An early informal Board meeting is required if a financing request under the PRGT (augmentation or a new arrangement) involves (i) exceptional access or (ii) high access to concessional financing. Chapter I, Section D provides more details on PRGT exceptional access and high access, and Box 1 specifies the information required at such a meeting.
- In addition, staff would provide early notice to the Board, for instance in an informal country matters session, of upcoming arrangement requests or augmentations where the envisaged financing commitment, in absolute terms, would have a large impact on the Fund's overall concessional resources.
- As an exception to these procedures, the requirement for a new DSA or a Board brief in high access cases does not apply for new financing requests of 15 percent or less of quota.

134. High combined credit. Requests for Fund support that result in combined PRGT and GRA access in excess of the GRA access limits are subject to the PS-HCC.¹³⁸ In March 2023, the PS-HCC thresholds were temporarily increased from 145/435 percent of quota to 200/600 percent of quota annually/cumulatively in line with the temporary 12-month increase in GRA annual/cumulative access limits, effective until March 4, 2024.¹³⁹ The PS-HCC comprise criteria and procedural requirements. The criteria are substantively the same as those of the PRGT exceptional access framework, with the notable exception that they do not include an income threshold. The procedural requirements are similar to those of the PRGT and GRA exceptional access procedures (see Chapter I, Section D and Box 2a and 2b).¹⁴⁰

E. Financing Terms

135. Repayments of SCF credit are made in nine equal semiannual installments, subject to a four-year grace period from the date of the first disbursement and eight-year final maturity. The authorities may decide to make early repayments at any time but would not be expected to do so.

¹³⁷ See IMF, 2021, Annex VI, and IMF, 2022.

¹³⁸ The PS-HCC were approved in September 2020. See Policy Safeguards for Countries Seeking Access to Fund financial Support that Would Lead To High Levels of Combined GRA-PRGT Exposure (IMF, 2020d).

¹³⁹ See [Temporary Modifications to The Fund's Annual and Cumulative Access Limits](#) (IMF, 2023).

¹⁴⁰ The criteria are laid out in Box 2 and the procedural requirements in Annex I of IMF, 2020d.

136. Interest is paid semi-annually. The interest rate on SCF credit is currently set at zero percent, until end-July 2023.^{141, 142, 143} The next biennial Board review of the interest rate structure is scheduled for no later than July 2023. At each such review, interest rates would normally be adjusted if warranted by the prevailing SDR rate, within a 0.0–0.50 percent range. The new interest rate would apply to all outstanding SCF credit.

137. A small **availability fee** applies to the precautionary use of SCF financial resources. Specifically, a fee at 0.15 percent per annum is levied on the undrawn portion of the amount available for drawing after each six-month period under an SCF arrangement if no disbursement is requested. If the funds are drawn, the availability fee is reimbursed for the amounts drawn.

F. Financing Assurances, Arrears, and Safeguards

138. Please refer to Section F of Chapter II.

G. Program Objectives and Design

Program Objectives

139. SCF-supported programs are aimed at achieving, maintaining, or restoring a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth (see definition in Section A). This would involve addressing and typically aiming to resolve the country’s macroeconomic imbalances over the course of the arrangement. Specifically, SCF-supported programs should aim to maintain or achieve (i) strong and durable poverty reduction and growth, (ii) low or moderate inflation, (iii) sustainable fiscal and current account balances, (iv) limited debt vulnerabilities, (v) adequate international reserves, and (vi) sufficient policy and institutional capacity to implement appropriate macroeconomic policies.

140. The design of an SCF-supported program should be aligned with the country’s own poverty reduction and growth objectives (see further below). Specific policy objectives should be clearly articulated in the LOI/MEFP and associated staff report for a new SCF arrangement, and would typically include:¹⁴⁴

¹⁴¹ This does not apply to interest on any overdue interest or overdue repayments of PRGT loans, which is charged at a rate equal to the SDR interest rate.

¹⁴² As of May 24, 2019, the interest rate structure of the SCF was aligned with that of the ECF, with the SCF rate set at (i) zero when the SDR rate is below 2 percent (ii) 0.25 when the SDR rate is above 2 percent but less than 5 percent; (iii) 0.50 when the SDR rate is above 5 percent. These changes make SCF more concessional; see Poverty Reduction and Growth Trust—Review of Interest Rate Structure (IMF, 2019d). Based on the application of the PRGT interest rate mechanism, the interest rate on the SCF has been set at zero for July 2021–July 2023. See IMF, 2021a.

¹⁴³ See IMF, 2009f for details.

¹⁴⁴ For further discussion of Fund program design in LICs, see IMF, 2008b and 2007a.

- **Fiscal policies**, where (i) the fiscal stance is well anchored to help ensure macroeconomic stability and fiscal/debt sustainability, (ii) revenue and spending policies take due account of the country's growth and social objectives, and (iii) budgets are guided by medium-term fiscal frameworks to the extent possible;
- **Monetary policies** that are consistent with inflation, exchange rate, and international reserves objectives, while taking due account of cyclical considerations;
- **Exchange rate policies** that ensure a unified exchange rate and a real exchange rate level that is broadly in line with fundamentals, ensuring a stable and sustainable external position consistent with adequate growth;
- **Financial sector policies** geared toward financial stability and deepening with a view to fostering investment and forestalling financial crises;
- **Public financial management** reforms aimed at ensuring that resources are tracked, reported, and targeted appropriately (including by providing adequate resources for social and other priority spending), public debt management aimed at supporting debt sustainability, and revenue reforms aimed at broadening the revenue base, and enhancing tax efficiencies; and
- **Other structural reforms** that are critical for achieving the program's macroeconomic objectives.

Role of SCF Financial Support

141. The balance of payments support under SCF arrangements can assist countries in smoothing the adjustment process toward a stable and sustainable macroeconomic position.¹⁴⁵ The Fund's financial support can be used both to strengthen the international reserves position of the member country and to provide liquidity for making external payments. By relaxing external financing constraints, the SCF's balance of payments support in effect also loosens domestic liquidity constraints of both the public and private sectors. Specifically, Fund financing reduces the need for retrenchment in the public and private savings-investment balances, thus enhancing policy options (allowing less contractionary fiscal, monetary, and exchange rate policies) and cushioning private sector adjustment (e.g., investment and import declines). The appropriate mix of financing and public/private adjustment is determined on a case-by-case basis.

142. A member may use the domestic counterpart of resources received under an SCF arrangement to finance, directly or indirectly, the budget deficit of the government. Such budget financing is consistent with the Fund's legal framework to the extent that the member has balance

¹⁴⁵ Consistent with the Fund's unique role in LICs, it can provide moderate levels of liquidity support to help address macroeconomic imbalances, while the bulk of financial assistance is normally expected to come from donors. Fund financial support, while concessional and aimed at similar long-term goals, is distinct from development assistance provided by others (often on more concessional terms) as it provides inter-temporal smoothing of adjustment rather than a permanent resource transfer. Fund lending to LICs is generally expected to catalyze such donor support, leveraging the Fund's scarce subsidy resources. See IMF, 2009e and 2009b.

of payment problems and is implementing a program that will assist in resolving these problems. **Direct** budget support¹⁴⁶ may be appropriate when (i) the program is designed in a manner that envisages that the entire amount of the Fund's financial support is used to meet a present or prospective balance of payments need, (ii) loosening fiscal financing constraints is an important macroeconomic objective under the program, and (iii) the central bank cannot or should not (for legal or institutional reasons) lend to the government while the domestic financial sector is too shallow (or not stable enough) to provide the necessary budget financing (or the central bank plays a largely passive domestic policy role, for instance under a currency board or in a fully dollarized economy). In these cases, staff reports should justify the use of the domestic counterpart of resources for budget financing where relevant and discuss safeguards implications. Under the safeguards policy, a fiscal safeguards review of state treasury should be conducted before the first program review for all arrangements where a member requests exceptional access to Fund resources, and/or if the member expects, at the time of program approval that at least 25 percent of the funds will be directed to financing the state budget. This requirement also applies to HCC cases with at least 25 percent of resources directed to budget financing, and to cases where a member requests exceptional access through an augmentation during an arrangement, unless (in the case of the latter) a fiscal safeguards review was completed within the previous 18 months.¹⁴⁷

Links to Poverty Reduction Strategies (PRS) and Social Spending

143. SCF-supported programs should be aligned with the country's own poverty reduction and growth objectives. The following specific guidance applies to PRS linkages:¹⁴⁸

- Any financing request or program review under the SCF must be accompanied by a statement, normally in the LOI or MEFP, of how the program advances the country's poverty reduction and growth objectives. In cases where a relevant PRS document exists, this description in the LOI/MEFP could cross-reference the PRS document, and the SCF-supported program should be consistent with the objectives of the PRS in the context of promoting a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. It is

¹⁴⁶ Direct budget support refers to cases where disbursements of Fund resources are channeled to the member through the country's treasury at the request of the member. By contrast, indirect budget support can be provided when the Fund makes disbursements available to the member but channeled through the central bank and these help relax domestic financing constraints for the public sector as part of the broader macroeconomic program. A special case of budget financing is Fund financial support to members of a monetary union. For example, in the CFA franc zone, the regional central bank unconditionally provides credit in the (domestic currency equivalent) amount of Fund support to the relevant government. See IMF, 2010f. In cases involving budget financing, the respective roles and responsibilities for the related financial obligations to the Fund should be clarified in a framework agreement between the government and the central bank (e.g., through a Memorandum of Understanding).

¹⁴⁷ See IMF, 2015g, 2015h, 2015i, 2010k and 2022i. A fiscal safeguards review will also be required when the above applicability criteria are met during an arrangement, as a result of (i) a decision to direct the Fund's resources to budget financing taken at subsequent reviews, or (ii) member's request for exceptional access (e.g., due to RCF/RFI financing). Such cases will be treated on a case-by-case basis with respect to the timing for completion of the fiscal safeguards review. However, an update fiscal safeguards review would not need to be conducted if one was completed not more than 18 months prior (IMF, 2015g).

¹⁴⁸ See Appendix IV for detailed guidance on poverty reduction objectives and related documents.

expected that the description would be more detailed at the time of the initial program request or when a new PRGS is produced by the member.

- PRS documents are not required for the approval or review of an SCF arrangement with a duration of two years or less, consistent with its short-term focus. Nonetheless, whenever a future PSI- or ECF-supported program is under consideration, staff should inform the authorities at an early stage about the relevant definitions and timelines for PRGS requirements (Appendix V) to ensure adequate time for the PRS process.
- For SCF arrangements with an initial duration exceeding two years, a PRS document is required. The PRGS is a PRS document that meets the necessary requirements defined here and in Appendix V.¹⁴⁹ The PRGS may take two forms: (i) an existing national development plan or strategy document on the country's PRS; or (ii) a newly prepared document on the country's PRS. A PRGS shall be accompanied by a cover letter from the member country concerned to the Managing Director, and shall be issued to the Executive Board with the cover letter. As such, the cover letter shall be deemed to constitute part of the PRGS.
- A PRS issued to the Executive Board on or after May 24, 2019 shall be named a PRGS and a PRS document that has been issued to the Board as an EDD shall be deemed a PRGS.
- The PRGS would need to meet minimum standards and countries would be encouraged to follow good practice guidelines.¹⁵⁰
- For SCF arrangements with an initial duration exceeding two years, while a PRGS is not required at the time of initial Board consideration of the arrangement, the second (and every subsequent) review can be completed only if (i) a member has a PRS that has been developed and made publicly available normally within the previous five years, but no more than six years, and covers the period leading up to and covering the date of completion of the relevant review; and (ii) the PRS has been issued to the Executive Board as a PRGS that has been the subject of staff analysis in the staff report for a request for or a review under an SCF arrangement. Requests for extensions beyond the second review of the deadline to produce the PRGS will not be permitted under SCF arrangements, given that countries with limited capacity to prepare a PRGS would not normally be expected to request support under the SCF.
- Staff views on the PRGS are to be provided in program documentation. In particular, the staff report should discuss how policies pursued under the SCF arrangement contribute to the member's PRGS.

¹⁴⁹ Following the 2018–19 review of LIC facilities, the Board decisions renamed the EDD (Economic Development Document) as the Poverty Reduction and Growth Strategy (PRGS) to provide it with a title more closely linked to its objectives. Key features of the EDD from the 2015 Board decision were preserved. The minimum standards and good practice guidelines for EDD content, as well as the approach of seeking World Bank staffs' views through an assessment letter, approved in 2015 (see IMF, 2015m), will apply to the PRGS.

¹⁵⁰ See Appendix V for a definition of the PRGS, minimum standards and good practice guidelines.

- A letter of assessment of the authorities' PRGS should be requested from the World Bank to help inform Fund staff and the Board about the PRGS, which would complement the analysis provided by Fund staff in the program documentation. The letter of assessment is circulated to the Board at the same time as the PRGS.

144. Staff would report to the Board on the implementation of the PRGS by including a discussion of relevant developments in the implementation of policies supporting the member's PRGS. Staff assessment of the PRS implementation is done in the context of a PRGS Implementation Review (PIR), by the time of the fifth review. PRGS implementation following its launch would also be tracked in the member's LOI/MEFP.

145. Social and other priority spending should be safeguarded and, whenever appropriate, increased under SCF-supported programs. This should be monitored through explicit program targets, typically an indicative floor on social and other priority spending, whenever possible. The definition of what constitutes social or other priority spending should be consistent with the authorities' poverty reduction and growth objectives. In cases where tracking of such expenditures is not feasible, the program documentation should report on which measures are envisaged to develop an adequate tracking system. Staff should monitor progress in establishing these tracking systems, and the program may include relevant structural benchmarks if appropriate.

Debt Sustainability Analysis (DSA)

146. SCF-supported programs should be underpinned by a thorough DSA to inform the elaboration of medium-term debt strategies and fiscal frameworks. Country teams should engage with the authorities in the preparation of DSAs, discuss the results, and share the final files with the relevant officials. DSAs for LICs (full DSAs and updates) should be prepared jointly with the World Bank, and country teams should also involve other relevant MDBs in the preparation of DSAs. Joint DSAs are required for PRGT-eligible countries that also have access to IDA resources.

147. A full DSA should generally be produced at least once every calendar year. A new DSA should be produced for any new request for IMF financing (even when an annual DSA has already been completed).¹⁵¹ For program countries, a new DSA is also needed where there is a proposed modification to a performance criterion related to debt limits, or request for a waiver for non-compliance with a performance criterion related to debt limits. The purpose of the DSA is to assess the impact of the modification or waiver on debt sustainability. A new DSA is also needed when the country experiences significant changes in economic circumstances and borrowing assumptions (including due to conflict and natural disasters).

¹⁵¹ Article IV Consultations should be accompanied by a DSA. See [Guidance Note for Surveillance Under Article IV Consultations](#) (IMF, 2022h).

148. DSAs for LICs should be presented as self-contained documents (see Appendix I). They should normally be prepared using the LIC DSF.¹⁵² The LIC DSF analysis includes three components:

- A forward-looking analysis (20-year projection) of debt and debt-service dynamics under a baseline scenario, alternative scenarios, and standardized stress tests;
- An explicit rating of the risk of external debt distress (low, moderate, high, or in debt distress) based on indicative country-specific debt-burden thresholds that depend on the quality of policies and institutions in the country; and an assessment of the overall risk of debt distress; and
- Recommendations on a borrowing (and lending) strategy and other crucial macro policies to limit the risk of debt distress, while maximizing the resource envelope to achieve the country's development objectives.

Collaboration with the World Bank and Other Development Partners

149. Fund staff should consult closely with all major development partners active in the country when designing and monitoring a SCF-supported program. In addition to this routine collaboration, the JMAP¹⁵³ approved by the Boards of the World Bank and IMF calls on Bank and Fund country teams to consult with each other at least once a year in order to identify the country's key macroeconomic and structural reform challenges and coordinate work plans in support of addressing these challenges (see Appendix I).

H. Conditionality

Conditionality Principles

150. Conditionality, i.e., the set of program-related conditions, under an SCF arrangement is intended to ensure that Fund resources are provided in support of meeting the program's objectives, with adequate safeguards to the Fund's resources. Consistent with the Fund's Guidelines on Conditionality,¹⁵⁴ conditions will normally consist of macroeconomic variables and structural measures that are reasonably within the member's direct or indirect control and that are, generally, either (i) of critical importance for achieving the goals of the program or for monitoring program implementation, or (ii) necessary for the implementation of specific provisions of the IMF Articles of Agreement or policies adopted under them. In some cases, conditions may be outside the Fund's core areas of expertise, in which case a more detailed explanation of their critical importance is required.

¹⁵² DSAs using the LIC-DSF template should be used for all PRGT-eligible countries that also have access to IDA resources. See IMF, 2018b.

¹⁵³ See IMF, 2007c and 2010d.

¹⁵⁴ See IMF, 2010b, 2006a and 2014b.

151. SCF-supported programs must meet the UCT-quality standard, which requires the commitment and capacity by the authorities to implement a set of policies that is adequate to correct external imbalances and enable repayment to the Fund. The appropriate adjustment path would be determined on the basis of the country's economic circumstances and objectives, policy constraints, and the severity of the balance of payments needs. The adjustment effort required to attain full sustainability would not be expected to extend much beyond the expiration date of the SCF arrangement, and would often fall fully within the arrangement period. In any case, conditionality should be limited to those policies that are critical to achieving the part of the overall adjustment process that is covered by the arrangement. Given its focus on restoring sustainability in the short term, the SCF will generally permit less flexibility than the ECF in the timing of these measures.

Specification of Program Conditions

152. Program conditionality will include quantitative periodic and continuous PCs (including standard continuous PCs), and typically also structural benchmarks, as well as prior actions, if necessary (see Appendix II for detailed guidance on quantitative conditions). Conditionality is set at the time of approval of the arrangement and updated at the time of program reviews. Conditionality should normally be set (or modified) by the Board before the test date. For the establishment (or modification) of post-dated PCs, (i.e., PCs for which the test date would already have passed at the time of Board consideration of the review in which the establishment or modification is proposed), the program documents would have to be signed and circulated to the Board along with the staff report before the test date, and no information on implementation of the so established conditionality would be available at the time of the Board meeting.

153. Prior actions are measures that a member is expected to adopt prior to the Fund's approval of an SCF arrangement, completion of a review, or the granting of a waiver with respect to a PC, when it is critical for the successful implementation of the program that such actions be taken to underpin the upfront implementation of important measures. Prior actions are set by management and are to be applied parsimoniously and specified in clear, objective, and unambiguous terms. Prior actions should in principle be implemented at least five working days before the Board discussion. They should be defined in the LOI/MEFP and cross-referenced in the relevant Board Decision. There should be no "silent" or "hidden" prior actions, and all prior actions should be transparently set out in the Staff Report.

154. Quantitative PCs would normally be set on a semi-annual basis and tied to semi-annual program reviews, while quantitative benchmarks (also referred to as indicative targets) would normally be specified on a quarterly basis. Where closer monitoring or more flexibility in tailoring of reviews to country circumstances is needed, quantitative PCs and reviews could be set flexibly with the condition that they be scheduled with availability dates for disbursements no more than six months apart (see below) and that each review is associated with a set of PCs and a disbursement. This flexibility in setting the specific test dates within six-monthly cycles could, for example, be used to align monitoring with national budget/reporting cycles. It is expected that the overwhelming majority of cases will follow the standard semi-annual or quarterly review schedule. Conditionality

should cover the 12 months following the Board meeting (initial approval or review). PCs would therefore normally be established for two future test dates at the time of approval of the arrangement and at each review (except for the penultimate and final reviews) under semiannual monitoring. Similarly, under quarterly monitoring, PCs should normally be set for four future test dates, and in any case not less than for two future test dates.¹⁵⁵

155. Quantitative periodic PCs typically include measures of net international reserves, central bank domestic assets, domestic and fiscal balances or financing, and any other macro-critical indicators. Public debt conditionality would normally be required when a member faces significant debt vulnerabilities, or when there are merits to using debt limits instead of, or as a complement to, "above-the line" fiscal conditionality¹⁵⁶ (see Appendix II Section E for details on specification of debt conditionality). PCs are usually subject to program adjustors that reflect deviations from projected external flows. Indicative targets should include a floor on social and other priority spending where possible, and may include other indicators such as reserve money.

156. Continuous PCs always include, inter alia, commitments related to non-introduction or intensification of certain exchange restrictions and on non-introduction or modification of multiple currency practices; as well as concluding bilateral payment agreements that are inconsistent with Article VIII, and the non-introduction or intensification of import restrictions for balance of payments reasons. These continuous PCs are always included in the text of all Fund arrangements, and, given their non-quantitative nature, are usually not listed in the PC table. Other continuous PCs typically include the non-accumulation of external payments arrears. See Appendix II, Section G, for details.

157. SCF arrangements should cover structural reforms that are deemed to be critical for achieving a stable and sustainable macroeconomic position in the short term. Structural benchmarks are critical measures that are intended to serve as clear markers in the assessment of progress in the implementation of critical structural reforms in the context of a program review. Structural benchmarks should be used as parsimoniously as possible, and their macro-criticality explicitly justified in program documents, ideally in the structural benchmark table. Reviews are the primary tool for monitoring performance on the structural elements of the program, by judging progress relative to the relevant objectives.¹⁵⁷ Specific objectives should be defined for periods covered by

¹⁵⁵ When designing a program with more frequent reviews than six-monthly, it is important to confirm the member's capacity to provide accurate data at the frequency needed to monitor program implementation, also due to concerns regarding possible misreporting. For Fund-supported programs for LICs, semi-annual reviews are typically more appropriate, due to the time required to implement reforms, longer lags in data provisioning and limited capacity of staff and authorities.

¹⁵⁶ Borrowing plans would also have a role in the assessment of the circumstances leading to a nonobservance of debt conditionality in program reviews (i.e., whether there was a change in the projected financing mix or the level of new borrowing accommodated under the debt limit). To this end, depending on the circumstances, the assessment of implementation of the components of the borrowing plan would help in determining the cause of the nonobservance and point to modifications needed to the program. Therefore, program documents should include a borrowing plan used as a basis to derive quantitative debt limits (see Annex II Section E). Also see the IMF, 2020d.

¹⁵⁷ See [Decision No. 14280-\(09/29\)](#) and IMF, 2009c.

individual reviews, with related structural benchmarks that are critical for achieving the program's objectives. The appropriate number of structural benchmarks depends on a variety of country-specific factors, including the centrality of structural reforms for achieving the program's objectives and country capacity; SCF arrangements would typically contain less than five structural benchmarks per semiannual review. The use of structural PCs was discontinued in 2009.

158. Any structural benchmark that is not met by the relevant test date will be deemed not to be met but the measure constituting the benchmark should be established by the Board as a new structural benchmark with a new date and linked to the next program review, if the benchmark remains macro-critical to the program. If it seems that implementing a structural benchmark is no longer possible as defined under the program (say, due to a change in the authorities' reform plans or other changes in circumstances), a new benchmark or a modified version of the original one may be appropriate and proposed to be established by the Board as long as it is critical to achieve program goals. A member's failure to meet a structural benchmark does not by itself automatically interrupt a disbursement under an ECF arrangement. Rather, deviations serve as indicators that the Fund-supported program may be off-track. Completion of the review would then require a judgment by the Board that there are factors giving confidence that program objectives are being achieved.

Waivers and Modifications

159. A waiver for non-observance of a PC may be granted if the Fund is satisfied that the program will nevertheless be successfully implemented—i.e., that it will achieve its goals— either because of the minor¹⁵⁸ or temporary nature of the nonobservance or because of remedial actions taken by the authorities to preserve program objectives. Upon verification that a PC was not met, a request for a waiver of its nonobservance must be made by the member in the LOI. If staff supports the granting of the waiver, relevant justification would be provided in the staff report, which will also include a proposed decision on the waiver. Waivers for nonobservance are only required for quantitative PCs that are tied to the specific disbursement and to the review that is being completed (and for any standard continuous PC that has been missed). Waivers for PCs that are tied to subsequent disbursements and reviews are not required even if information on nonobservance already exists. In these cases, however, the staff report and LOI/MEFP would need to provide assurances that understandings on appropriate policies have been reached to complete the subsequent review, even though relevant PCs will need to be waived when that review is concluded.

160. Waivers of applicability could in principle be granted if the Fund is satisfied that, notwithstanding the unavailability of the information necessary to assess observance of a PC, the program will be successfully implemented and there is no clear evidence that the PC has not been met. However, in the case of the SCF, waivers of applicability would be highly unusual. Unlike purchases under the SBA, each SCF disbursement is linked to specific PC test dates and to a specific

¹⁵⁸ Waivers of nonobservance of the standard continuous PCs on the introduction (or intensification/modification) of exchange restrictions and/or multiple currency practices cannot be supported on the grounds that it is minor, given that these relate to a breach of the Articles (Article VIII, Section 2(a) or 3) of the Fund.

review, and thus the disbursement is not blocked—and there is consequently no need for a waiver of applicability—when a new test date passes and information on performance under it is unavailable, because such test date is linked to a future disbursement and review. While in theory a waiver of applicability could be granted for a PC at a test date linked to the current review, this would raise serious questions about the country’s capacity to provide timely data as reviews under the SCF should generally be scheduled with sufficient time to monitor the data relevant for the applicable test dates. In arrangements with blended financing, waivers of applicability will be required for the GRA-financed arrangement if the review is being conducted after the most recent test date has passed and data are not yet available. Additionally, with respect to the GRA financial arrangement, the member may purchase any amount available based on earlier completed reviews if the purchase is requested within 45 days of the most recent test date and all the conditions specified in paragraph 2 of the Reduction of Blackout Periods in GRA arrangements decision ([Decision No. 14407-\(09/105\)](#)).

161. Modifications to program conditionality that has already been set by the Board may be appropriate when departures from PCs are expected to occur, for instance when basic program assumptions have not been realized or significant developments have occurred that had not been anticipated when the PCs were set, provided that the targets remain macro-critical. Requests for such modifications must be made by the authorities and supported by staff in the Staff Report submitted to the Board before the relevant test date has been passed, and must be approved by the Board before information on the observance of the PC is available, normally in the context of a program review. In exceptional cases, modifications of conditionality can be approved by the Board outside the context of a program review,¹⁵⁹ provided the authorities and staff have common understandings on appropriate policies through the next review, as documented in a revised or new LOI with an updated PC table and, where relevant, TMU. This could be appropriate if the original targets are no longer appropriate due to developments beyond the authorities’ control (including staff errors). There may also be exceptional cases where understandings on modifications of PCs have been reached by Staff and the authorities, but a Board date before the relevant test date of the PCs is not available (e.g., due to delays in preparing other portions of the Staff Report, or due to a full Board calendar). Board approval would require a staff report that discusses the reasons for the modification, including why it is proposed outside the review context, the status of the program, and relevant policy understandings.

Misreporting¹⁶⁰

162. Misreporting occurs when members with a Fund-supported program obtain resources on the basis of inaccurate information regarding observance of quantitative or continuous PCs or prior actions (a “noncomplying disbursement”). Under the SCF arrangement, a noncomplying

¹⁵⁹ This could be done through a “stand-alone” (ad-hoc) Board document, which can be considered on a LOT basis. It can also be combined with other Board documents, such as a RCF Request. In the GRA context, PCs have been *established* outside a program review, in the context of an Article IV Report.

¹⁶⁰ Misreporting in the context of financial assistance under the PRGT does not trigger the application of [Article VIII, Section 5](#) regarding members’ obligations on data provision for Fund’s activities.

disbursement occurs when (i) the Fund makes a disbursement on the basis of a finding that applicable conditions established for that disbursement (which include the accuracy of the information on PCs for which waivers have been requested) have been observed and (ii) that finding later proves to be incorrect. Upon evidence that a member may have received a noncomplying disbursement, the MD shall inform the member promptly. After consultation with the member, if the MD determines that the member did receive a noncomplying disbursement, the MD shall promptly notify the member and submit a report to the Executive Board with recommendations. The Board may decide either (a) that the member shall be expected to repurchase/repay the disbursed amount, or (b) that the nonobservance will be waived. Waivers will normally be granted only when the deviation from the relevant PC or other condition was minor or temporary, or if the member had adopted additional measures appropriate to achieve the objectives supported by the relevant decision on the disbursement. Relevant information on misreporting should be made public by including it in the documents to be published after the Board discussion, such as a press release containing the Chairman’s Statement or summing up, with prior Board review of the text for publication.

163. Whenever the Executive Board finds that the noncomplying disbursement has been made but that the nonobservance of the relevant PC or other specified condition was also *de minimis* misreporting; i.e., when a deviation from a PC would be so small as to be trivial with no impact on the assessment of performance under the relevant member’s program, a waiver for nonobservance shall be granted by the Executive Board.¹⁶¹ The discussion of *de minimis* misreporting will be included in a staff report on the member that deals with other issues but the discussion should be deleted if such a report is published..

I. Reviews and Disbursements

Purpose of Program Reviews

164. Program reviews evaluate whether the program is on track to achieve its objectives. This evaluation is based on a backward-looking assessment—taking into account performance against quantitative PCs, structural and quantitative benchmarks, and prior actions—and a forward-looking assessment of the prospects for successful program implementation, in particular whether policy capacity and commitments are adequate to achieve the program’s objectives. At the time of the consideration of the final review under an SCF arrangement, and assuming no further program support from the Fund is expected, the scope of the forward-looking assessment could be more limited than for previous reviews.

165. Reviews also update the program design, in particular by specifying forward-looking policies and conditionality, and are the main vehicle for any potential modifications to program design— such as changes in access, phasing, and conditionality—as may be necessary to achieve the program’s objectives in changing circumstances. At the time of approval and for each review,

¹⁶¹ For more details on misreporting, see Appendix I of the [PRGT Instrument](#) and ([Decision No. 14354-\(09/79\)](#)). Also, see IMF, 2006e.

the authorities' LOI presents or updates their policy program, and a staff report provides an overall assessment of performance and policy commitments.

Timing of Reviews, Test Dates, and Disbursements

166. The timing of all reviews, test dates, and disbursements is summarized in a staff report table at the time of approval of an SCF arrangement and updated as needed at the time of reviews. Moreover, the Arrangement text attached to the staff report for the initial SCF request specifies the test dates, reviews, availability dates, and disbursements for the first year of the arrangement. The quantitative indicator table ("PC table") attached to the LOI/MEFP should clearly identify PCs, indicative targets, and adjustors for at least a 12-month period from the Board date of the program approval or review, as indicated above. Similarly, the structural benchmark table should cover measures over at least a 12-month period, clearly indicating the reviews that individual benchmarks are linked to. The text of the arrangement attached to the staff report should specify all PCs and review/availability dates normally over the next 12 months from the Board date of the program approval/review. The first disbursement is made available upon approval of the arrangement, and subsequent disbursements will be conditional on observance of PCs and a program review that confirms satisfactory progress in implementing the economic program and adequate safeguards continue to be in place.

167. Disbursements and reviews under an SCF arrangement are expected to normally be semiannual, or quarterly in cases where closer monitoring is needed, for instance in the context of significant volatility and/or uncertainty. When designing the schedule of test dates, careful consideration should be given to alignment with the country's budget cycle and the requirement that reviews and their associated availability dates be scheduled no more than six months apart (however, the interval between program approval and the first availability date could be longer than six months if needed, e.g., to harmonize test dates with key dates in the budget cycle). Beyond this requirement, there is flexibility in setting the specific review dates and test dates if warranted by country specific circumstances. Deviations from the six-monthly schedule (i.e., more frequent reviews) can be considered, for example, to align monitoring with national budget/reporting cycles. It is also possible to shift between semiannual reviews and higher frequencies of phasing during the course of an arrangement, for example, if deemed useful in the context changes in the external environment other country-specific circumstances. Such shifts could also be scheduled at the time of approval of a new SCF arrangement if warranted based on the projected risk profile over time.

168. The test dates for PCs must be set such that all scheduled disbursements can take place before the end of the SCF arrangement, taking into account reporting lags and preparation and circulation periods for staff reports. Similarly, the availability dates for disbursements should be set such that all data needed to confirm observance of PCs at the related test dates would have become available. Availability dates are specified in the Arrangement text and subsequent Decisions, and are summarized in the staff report table on the schedule of disbursements. Reviews cannot be completed prior to the applicable availability date.

169. The program period supported by an SCF arrangement would typically start somewhat before the Board approves the SCF arrangement, and three to six months before the first test date under semi-annual monitoring. The program period should normally not start more than three months prior to the Board meeting, and in any case not before the authorities and staff have discussed the parameters of the program.

170. In contrast to SBAs, the design of an SCF arrangement typically avoids “blackout periods” because each disbursement is linked to the completion of a specific review and to the observance of specific periodic performance criteria, and thus a disbursement is not blocked—and there is consequently no need for a waiver of applicability upon data unavailability—when a new test date passes, because such new test date applies to a future disbursement subject to completion of a future scheduled review.¹⁶² However, as noted above, previously approved disbursements may still be blocked once a scheduled review date has passed (or if a continuous PC has not been met).

Addressing Interruptions in Program Implementation: Track Records, Combined Reviews, and Rephasing

171. SCF-supported programs may encounter interruptions and delays. If these are caused by substantial policy slippages, it is often appropriate to establish a **track record** before completing the review. As discussed in more detail in Appendix III, a track record could be informal (based on informally agreed time-bound policy actions and targets) or monitored more formally under an SMP, or, in case of urgent financing needs caused by an exogenous shock, the RCF (assuming the applicable policy commitments are in place), or concurrent use of the above instruments. In some cases, bringing the program back on track may also require modification to the planned timing of disbursements and reviews. Such delays and interruptions can sometimes be addressed through extensions of the arrangement (see above), combining reviews, rephasing of access, or some combination of the three.

172. Under certain circumstances, two reviews can be combined when delays in program implementation have occurred and performance can be assessed against two test dates that were linked to successive reviews. Combining three or more reviews, while theoretically possible, would be very unusual as PCs are typically not defined for more than two future test dates under semiannual monitoring and because long-lasting deviations from program objectives would often justify cancellation of the arrangement. Combining reviews is only possible if: (i) the conditionality has been fully defined, including through applicable PCs, for these reviews and approved by the Board; (ii) data are available for measuring observance of conditionality for the reviews; and (iii) the anticipated dates for conclusion of the reviews in the text of the arrangement have all passed. Typically, reviews are combined when the program is on track with respect to the most recent review and sufficient corrective action had been taken to offset any problems with observance of the conditions for earlier reviews. By contrast, where slippages relative to the objectives and conditionality for the most recent review are significant, it would not be appropriate to combine

¹⁶² The broader policy is described in IMF, 2009h and 2013a. It applies to all SBAs, including those that involve blending with SCF financing.

reviews. In such circumstances, the authorities could request cancellation of the arrangement and discussion of a support under a new instrument once conditions for such support are appropriate. Alternatively, in cases where performance relative to the objectives and conditionality for the earlier review was broadly satisfactory (or slippage has been addressed through sufficient corrective action) and program objectives can still be obtained through modifications of the program, this past review could be completed, while a new, future test date and conditionality should be established for the next review, typically combined with rephasing of access over the remainder of the arrangement.

173. Under certain circumstances, disbursements under an SCF arrangement may be rephased to change the amounts of financing provided under individual disbursements associated with specified reviews and/or change the number or timing of disbursements and reviews. For example, if there are delays in program implementation, combining reviews and rephasing could be appropriate where program objectives can still be achieved, including through corrective actions. In such cases, rephasing would usually involve spreading access associated with the specific (and subsequent) review(s) across future reviews, consistent with the period of the current arrangement. In other cases, a rephasing may be combined with an extension of the arrangement when there are only a few reviews left to allow for the completion of reviews before the arrangement expires. There can also be short-term extensions of a program (i.e., technical extensions) that do not involve rephasing if additional time (typically not more than three months) is needed to complete the final review(s) and make the final disbursement available before the expiration of the arrangement. Access should never be rephased in a manner that would make it impossible for the member to get the full, undisbursed amount under the arrangement. If delays in program implementation have been substantial and rephasing would involve compressing a very large amount of access into a short period of time (even with a potential extension of the arrangement period), it would normally be appropriate to let the current arrangement expire, or for the member to cancel it, and to proceed to a new SCF arrangement, unless there has been a very sharp turnaround in performance.

J. Other Relevant Policies

174. A number of additional modalities and policy requirements apply to the SCF, including the following:

- **Ex-Post Peer Review Assessments (PRAs).** Access to resources under SCF arrangements counts toward the policy on LTPE, except if the arrangement was treated in its entirety as precautionary and no disbursements were made.^{163 164} Members that have had a UCT

¹⁶³ Fund financial arrangements that qualify for the definition of LTPE are those drawing on upper credit tranche GRA or PRGT resources, or any blend of the two. An outright purchase under the RCF or RFI does not count towards LTPE. Usage of the PSI and precautionary arrangements, including the precautionary use of arrangements under the Flexible Credit Line (FCL) and the Precautionary and Liquidity Line (PLL) or the precautionary use of the GRA or PRGT resources that remain undrawn throughout the arrangement, does not count towards LTPE. If a member ultimately draws upon an arrangement that had been considered precautionary at the time of approval, the entire length of the arrangement would count towards LTPE. For canceled arrangements, only the time until their cancellation is counted. For a complete discussion of LTPE, see IMF, 2006c, 2006b, 2010c, and 2015I.

¹⁶⁴ See IMF, 2016a.

arrangement in place for at least seven out of the past 10 years, and for whom a PRA has not been prepared in the past five years, an ex post peer review assessment should be prepared in time to be considered by the Board at the time of a request for a new Fund arrangement.

- **Post-Financing Assessments (PFAs).** Outstanding SCF credit is subject to PFA (formerly PPM).¹⁶⁵ Members with outstanding credit from the Fund in the GRA and/or PRGT exceeding 200 percent of quota or SDR 0.38 billion from the PRGT (and/or SDR 1.5 billion from the GRA) after the expiry of their arrangements are expected, upon the recommendation of the MD, to engage with the Fund in PFA of their economic developments and policies. Normally one stand-alone PFA paper is expected to be issued for Executive Board consideration within a 12-month period.
- **Article IV consultation cycle.** The 24-month cycle for Article IV consultations applies to members with an SCF arrangement.¹⁶⁶ Specifically, Article IV consultations with members that have an on-track SCF arrangement in place would be expected to be completed within 24 months after the completion of the previous Article IV consultation. In cases where a program review is not completed by the date for completion specified in the arrangement, the next Article IV consultation would be expected to be completed by the later of (i) six months after the scheduled review date and (ii) 12 months, plus a grace period of three months after the previous Article IV consultation, unless the program review has been completed prior to the later of these two dates, in which case the 24-month cycle continues to apply. A member that has completed an SCF arrangement by drawing all amounts may remain on the 24-month cycle, if it does not meet any of the criteria specified in paragraph 2 of Decision No. 14747-(10/96), as amended: (i) the member is of systemic or regional importance; (ii) the member is perceived to be at risk, or is facing pressing policy issues of broad interest to the Fund membership; or (iii) the member has outstanding Fund credit exceeding 145 percent of quota. At the time of the final review under the arrangement, staff should assess whether the consultation cycle should be shortened back to 12 months, based on the criteria mentioned above. When this is the case, the staff report for the final review should seek the Board's approval of such shortening.¹⁶⁷ Where the arrangement is cancelled by the member or expires with undrawn amounts, the member will remain on the existing cycle, unless the Executive Board determines, based on the above criteria that a different cycle will apply.
- **Exchange System** obligations under Articles VIII and XIV and Data Provision under Article VIII, Section 5. Requirements under Article VIII Sections 2, 3, 4, and Article XIV are discussed in
- **Article VIII Acceptance by IMF Members—Recent Trends and Implications for the Fund (IMF, 2006d).** A standard continuous PC applies, inter alia, to the non-introduction or intensification of exchange restrictions and on the non-introduction or modification of multiple currency practices (see Appendix II, Section G). Article VIII, Section 5 of the Fund's Articles of

¹⁶⁵ See IMF, 2005a and 2010e, and [Decision No. 13454-\(05/26\)](#), as amended.

¹⁶⁶ See [Decision No. 14747-\(10/96\)](#), as amended.

¹⁶⁷ See the IMF, 2009j.

Agreement does not apply to the provision of information that is required for the purposes of Fund financial assistance under the SCF.¹⁶⁸

- **HIPC. Performance under an SCF arrangement** can count toward a track record of strong policy performance under Fund-supported programs required for the HIPC decision point and completion point.¹⁶⁹ The minimum required track record for the decision point is six months. For the completion point, there is no minimum duration for the track record (except where Fund-supported programs have been off track for more than six months); instead, the Fund assesses a member based on the member's performance on particular outcomes.¹⁷⁰
- **Side letters.** The use of side letters in SCF arrangements has been extremely rare. Side letters may be used when release of information on policy understandings at the time of a program request or review would cause adverse market reaction or undermine the authorities' efforts to prepare the domestic groundwork for a measure.¹⁷¹

¹⁶⁸ PRGT resources are held in an administered account and the obligations of a member using such resources are not governed by the Fund's Articles ([Article V, Section 2\(b\)](#)). The obligations of a member using PRGT resources are governed exclusively by the terms of the [PRGT Instrument](#), which are incorporated by an explicit reference into the terms of each SCF arrangement. Accordingly, for the purposes of an SCF arrangement, the Fund cannot require a member to provide the Fund with information for the purposes of [Article VIII, Section 5](#), and the failure of a member to provide information for the purposes of an SCF arrangement cannot give rise to the application of sanctions under [Article XXVI, Section 2](#), as it is not a breach of obligation under the Articles of Agreement.

¹⁶⁹ See Appendix IV for details on the HIPC Initiative.

¹⁷⁰ See IMF (1999c) for the Board's approval of "floating completion points."

¹⁷¹ For the Fund's policy on side letters, see [Decision No. 12067-\(99/108\)](#).

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CHAPTER IV: RAPID CREDIT FACILITY

*The RCF provides low-access concessional financing with limited conditionality to LICs facing urgent balance of payments needs.*¹⁷²

A. Objectives and Qualification

Purpose and Objective

175. The RCF provides rapid concessional financial assistance as outright disbursements to LICs facing urgent balance of payments needs. These financing needs include those caused by exogenous shocks, natural disasters, and emergence from conflict, as well as other factors such as domestic instability, emergencies, and fragility. The RCF is designed for situations where a multi-year UCT-quality Fund-supported program is either not necessary (e.g., due to the transitory nature of the adjustment need and the financing) or not feasible (e.g., due to the member's limited capacity, including in post-conflict, disaster, or other fragile situations or when more time is needed to design a multiyear program). In the latter case, the member country would typically be expected to make efforts to move to a UCT-quality program (typically supported under the ECF), in which case repeated use of the RCF may be warranted under certain circumstances and subject to certain limitations (see below) under the legal framework of the [PRGT Instrument](#).

176. The purpose of RCF support is to help members address their urgent balance of payments needs and assist them in implementing economic policies that enable them to make progress towards achieving or restoring a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. Such a position would be characterized by the absence of a present, prospective balance of payments need and by the domestic and external stability that is necessary to support strong and durable poverty reduction and growth. It would typically be associated with sustainable fiscal and current account balances, limited debt vulnerabilities, adequate international reserves, and sufficient policy and institutional capacity to implement appropriate macroeconomic policies. This position might still involve significant levels of donor assistance, though aid dependence would be expected to decline over time.

177. Similar to other Fund instruments, RCF financing assists countries in helping to address their balance of payments difficulties by providing temporary financial support (in this case, on a concessional basis) to smooth economic adjustment and avoid excess volatility. By meeting urgent balance of payments needs, RCF support can help replenish international reserves and loosen financing constraints for both the public and private sectors as the country aims

¹⁷² The RCF was created on January 7, 2010, as part of a comprehensive reform of the IMF's facilities for LICs. See IMF, 2009e and 2009f, and [Decision No. 14354-\(09/79\)](#). Access norms and limits were raised in: (i) 2015 (see IMF, 2015c), and Decision No. 15818-(15/66); (ii) 2019 (see IMF, 2019b); and (iii) 2021 (see IMF, 2021a). Access limits for emergency financing were also temporarily increased in 2020–21 in response to the COVID-19 pandemic (see IMF, 2020b and 2021b).

to address its balance of payments difficulties. The RCF is also expected to provide policy support and catalyze additional financing from donors.

178. RCF support is available under different windows, based on different types of shocks leading to the urgent balance of payments needs. In addition to the *regular window*, which is not linked to a specific type of shock, an *exogenous shock window* is available for qualifying countries where urgent balance of payments needs result primarily from a sudden and exogenous shock. A *large natural disaster window* is available to qualifying countries that experience urgent balance of payments needs due to a large natural disaster and where the resulting damages are equivalent to at least 20 percent of GDP. A new temporary *food shock window* (FSW) is available under the RCF for a period of 12 months from September 30, 2022, to qualifying countries that experience urgent balance of payments needs associated with the global food shock (see Box 4). Access limits and conditions under each of these windows vary and are discussed below.

Qualification

179. Assistance under the RCF is available to PRGT-eligible member countries that face urgent balance of payments needs unless (i) the balance of payments difficulties that underlie the financing need are predominantly caused by a withdrawal in financial support by donors or (ii) a UCT-quality program is both feasible and necessary. In this context:

- An urgent balance of payments need is characterized by a present balance of payments need that, if not addressed, would result in immediate and severe economic disruption. Nonurgent financing needs could be met by the ECF or SCF, assuming relevant requirements are met, including the commitment and capacity to implement a UCT-quality program (see below).
- The RCF can only be used if it is either not feasible or not necessary to implement a Fund-supported program with a UCT-quality standard; i.e., a program with the commitment and capacity by the authorities to implement a set of policies that is adequate to correct external imbalances and enable repayment to the Fund within the specified maturity period. Specifically, a member would normally only qualify for the RCF if either (i) the balance of payments need is expected to be resolved within one year and no major policy adjustments are necessary to address underlying balance of payments difficulties (as may be the case with some temporary shocks, but not for a country also facing a protracted balance of payments problem); or (ii) a UCT-quality Fund-supported program cannot be put in place owing to limited policy implementation capacity or when the urgency of the balance of payments need calls for financial assistance before a UCT-quality program can be put in place (or, where relevant, be brought back on track). For countries receiving support under the RCF that are also seeking to build a track record toward an UCT-quality program, the use of an SMP to build such a track record would normally be the preferred option. However, policy commitments in the context of a recent RCF disbursement can be used to build the policy track record required to support a repeat RCF disbursement.

- Additional criteria apply for access to the temporary food shock window under the RCF/RFI (see Box 4).

180. Qualification also requires several ex-ante policy undertakings. The member would need to outline, in a LOI, the policies it plans to pursue, and set out any additional understandings to provide assurance that it will not introduce measures or policies that would compound its balance of payments difficulties. This would typically encompass, inter alia, a commitment not to introduce or intensify exchange and trade restrictions. Moreover, sufficient policy capacity and commitment to implement the policies must exist to safeguard Fund resources, and the Fund would need to assess that the member will cooperate with the Fund in an effort to find, where appropriate, solutions for its balance of payments difficulties. Other requirements for the approval, repeated use, and implementation of RCF support are discussed further below.

Box 4. Food Shock Window under Emergency Financing Instruments

On September 30, 2022, the Board approved a new temporary food shock window (FSW) under the RFI and RCF, to address urgent BoP needs associated with rising food and fertilizer import costs, cereal export shortfalls, or acute food insecurity faced by many members, in the wake of the Russian invasion of Ukraine in February 2022. The window will be available for a period of 12 months from the date of Board approval.

Access. Access under the FSW does not exceed qualifying countries' actual BoP need and capped at 50 percent of quota. It is fully additional to the annual access limits under the RFI and RCF. Cumulative access limits under the RFI regular window and RCF exogenous shocks window will be increased to 175 percent of quota for countries accessing the FSW.¹ Access also counts towards exceptional access safeguards thresholds for the GRA, PRGT, and PS-HCC. In blending cases, the RFI component counts towards the applicable RCF annual/cumulative access sub-ceilings. Outstanding disbursements from all RCF/RFI windows are included in calculating total cumulative access.

Qualification criteria. Standard qualification criteria for access to emergency financing apply. Additionally, a requesting member must fulfil at least one of the food shock impact criteria, i.e., it needs to experience an urgent BoP need associated with:²

- (i) a situation of acute food insecurity that is inflicting serious economic disruption within the member on such a scale as to warrant a concerted international effort to support the member,³
- (ii) an increase in food or fertilizer import costs, that adversely impact member's current account, where such negative impact is at least 0.3 percent of GDP over a 12-month period, and/or
- (iii) a shortfall in cereal exports, where the projected negative shock to cereal exports, benchmarked against the previous year, is larger than 0.8 percent of projected GDP for the compensable year, except if due to own ban or restrictions on cereal exports.

Safeguards. Access under the FSW is subject to debt sustainability and adequate capacity to repay requirements. Members are expected to commit to measures to ensure transparency and accountability in the use of emergency resources. In addition, as with other emergency financing, the timing and modalities of the safeguards assessment would be determined on a case-by-case basis. Normally, the safeguards assessment would need to have been completed before Executive Board approval of any subsequent arrangement to which the Fund's safeguards policy applies; however, an updated safeguards assessment is not required if one has been completed within 18 months of Board approval of the subsequent arrangement; or if the central bank is considered to have a strong track record and an assessment was completed within four years of Board approval of the new arrangement.

Box 4. Food Shock Window under Emergency Financing Instruments (concluded)

Other design features and terms. Disbursements under the FSW do not count towards the limit of two-disbursements within a 12-month period under the RCF. Financial assistance through the FSW under the RFI and RCF should be repaid within 3¼ to 5 years, and 5½ to 10 years, respectively, as is the case for financing under other windows of the RFI and RCF. Concurrent use of the FSW with an SMP/PMB can be considered when a country needs to build a track record towards a UCT-quality program, with the PMB being available in narrowly tailored circumstances.⁴

Documentation. The PN/SR requesting access under the FSW should include a clear explanation for how the member meets the FSW qualifying criteria and a justification for the requested access level. The letter of intent requesting FSW support should also discuss the general policies that the member plans to pursue to address its BoP difficulties, how the member's policies advance its poverty reduction and growth objectives (the latter is required for the RCF), and the member's intention not to introduce measures or policies that would compound its BoP difficulties. The member should also include relevant commitments for safeguards assessment policy requirements. Transparency and accountability measures should be tailored to country-specific circumstances. Prior actions should be set only exceptionally, where critical that some measures be adopted upfront. If a UCT-quality program is necessary but not feasible (i.e. due to the urgency of the BoP need or because of the member's limited policy implementation capacity), the FSW PN/SR should describe the authorities' transition strategy. If financing under the FSW is combined with an SMP or PMB, the PN/ SR should follow the standard requirements for the latter. Finally, PN/SRs for FSW assistance must include standard capacity to repay and DSA analyses. For countries using the joint IMF-World Bank LIC-DSA, an agreement with the World Bank on the DSA is also required.⁵

¹ Cumulative access limits under other windows of the RFI and RCF would not be affected.

² For details see [Proposal for a Food Shock Window Under the Rapid Financing Instrument and Rapid Credit Facility](#) (IMF, 2022e).

³ Definitions of acute food insecurity by the Food and Agriculture Organization (FAO) and World Food Program (WFP), or of major food crisis as per the UN Global Report on Food Crisis (UNGRFC) will be taken into account.

⁴ For details see [Proposal for a Staff-Monitored Program with Executive Board Involvement](#) (IMF, 2022f).

⁵ Under certain circumstances, the PN preparation could be streamlined. The DSA write-up could be streamlined if the latest DSA was published within the last 12 months and circumstances have not changed significantly, consistent with paragraph 16 in the LIC DSF guidance note. For countries using the MAC SRDSF, no write-up is required under the new framework—only focused comments should be added in the MAC SRDSF output tables.

B. Repeated Use

181. RCF resources are provided as outright loan disbursements and not phased under an arrangement. Support under the RCF can either be on a one-off basis (e.g., in case of shocks) or can be provided under repeated RCF disbursements over a (limited) period in case of recurring or ongoing urgent financing needs, although each disbursement would be requested and approved separately. In the latter case, the policy commitments under the RCF should typically be used (similar to an SMP) to facilitate an eventual transition to a UCT-quality program, normally to be supported under an ECF arrangement. The use of the RCF in post-conflict and similar situations of instability and limited capacity would be similar to the use of the RFI (previously Emergency Post-Conflict Assistance (EPCA)).¹⁷³ In cases where a country seeks to build a track record for a UCT-quality

¹⁷³ See IMF, 2022c, and 2023 guidance note on FCS.

program and faces urgent financing needs, use of an SMP to build such a track record concurrently with the RCF would normally be the preferred option. However, the RCF, with appropriate policy understandings can also be used to build the policy track record. (see Appendix III).

182. To help ensure that the RCF does not support continued weak policies or create moral hazard, RCF financing is subject to limitations on repeat use. As discussed below, there are also subceilings on access to avoid supporting weak policies or moral hazard. Specifically, a member may not receive more than two RCF disbursements in any 12-month period and can only receive more than one RCF disbursement in any three-year period if:

- the balance of payments need was caused primarily by a sudden, exogenous shock, in which case a member qualifies under the “exogenous shocks” window or under the “large natural disaster” window for natural disasters where damage is assessed to be equivalent to or exceed 20 percent of the member’s GDP¹⁷⁴ (see below); or
- the member country has established a track record of adequate macroeconomic policies for a period of at least six months prior to the request (see below).

C. Concurrent Use and Blending

Concurrent Use

183. A member will generally not obtain RCF financing if a UCT-quality Fund supported program (e.g., under the ECF or SCF) is in place, on track, and remains feasible. Should additional balance of payments needs arise during an ECF or SCF arrangement, an augmentation of access under this arrangement would typically be the appropriate response. RCF financing during an ECF or SCF arrangement can be provided only when (i) disbursements under the ECF or SCF arrangement are not possible, for instance due to policy slippages or delays in program discussions, (ii) qualification requirements for the RCF are met, including the existence of an urgent balance of payments need and relevant policy commitments, and (iii) the balance of payments need giving rise to the request for financing under the RCF is primarily caused by a sudden exogenous shock. When access under the RCF exceeds 25 percent of quota by using the “exogenous shocks” window or the “large natural disasters” window, existing and prospective policies should be sufficiently strong to address the shock. In addition, RCF-supported policies could serve as a track record to bring the ECF- or SCF-supported program back on track. The RCF can be used concurrently with GRA financing under certain circumstances (see below).

184. Support under the RCF can be combined with programs supported under the PSI, PCI or monitored under an SMP. Satisfactory performance under a PSI, PCI or SMP for at least six months would normally satisfy the track record requirement for repeated use of the RCF, if relevant, and would facilitate rapid disbursement of RCF support. A short LOI together with a short staff

¹⁷⁴ See IMF, 2017b, and Decision No. 16182-(17/35).

paper would normally suffice for requesting an RCF loan disbursement when an urgent balance of payments need arises during an on-track PSI, PCI or SMP.

Blending

185. Please see Chapter I for a complete discussion of blending policies under the PRGT.

When providing financial assistance with blended resources, RCF resources will normally be provided together with GRA resources under the RFI. Use of the RCF in conjunction with financing under GRA arrangements would only be expected in cases where the programs financed under the pre-existing SBA or extended arrangements (typically in the context of blended financial support) are off track. In this case, RCF financing would normally be blended together with RFI financing.

186. The modalities (and documentation) of blended RCF-GRA financing would be broadly the same as those applicable under a stand-alone RCF disbursement. In particular, the financing would aim to meet urgent balance of payments needs for countries where a UCT-quality program is either not needed or not feasible. The main difference is that Fund financial assistance would typically involve both RCF and GRA resources (see Section D), implying lower average concessionality of the Fund's financial support than under stand-alone RCF support. Additionally, RFI qualification requirements would have to be met when applicable.¹⁷⁵

D. Access

187. When considering access under the RCF, area departments may wish to consult with SPR and FIN at an early stage; i.e., before a PN is circulated for formal review. Furthermore, staff reports for RCF assistance should explicitly discuss the basis on which access was determined, with reference to the main criteria and access limits discussed below.

Determination of Access—Main Criteria

188. Access under the RCF is determined on a case-by-case basis based on the following standard criteria: (i) the member's urgent balance of payments need (taking into account all balance of payments flows, including reserve accumulation and financing from other sources);¹⁷⁶ (ii) the strength of its policies and capacity to repay the Fund (taking into account the member's policy plans, adjustment effort, commitment to implement its policy plans, institutional capacity, track record of policy implementation, and country circumstances such as vulnerabilities, imbalances, and debt sustainability);¹⁷⁷ and (iii) the amount of outstanding Fund credit and the member's record of past use. All else being equal, higher access would generally be associated with a stronger set of

¹⁷⁵ See IMF, 2011b.

¹⁷⁶ See Section A for definitions of balance of payments need.

¹⁷⁷ Sufficient recovery in the balance of payments must be in prospect to provide appropriate assurance that loans can be repaid on schedule without strain.

policies, stronger track record, and stronger capacity to repay. In addition, access under the RCF shall also take into account the size and likely persistence of the shock where applicable.

189. The amount of any RCF disbursement may not exceed the member’s balance of payments need, and would typically be less than total financing needs, keeping in mind that RCF support is expected to catalyze financing from donors and creditors. When requesting assistance under the RCF, the member will need to make a representation, normally in an LOI, that it is experiencing an urgent balance of payments need.

190. In case of repeated RCF disbursements, the timing and amounts of access¹⁷⁸ would not be expected to mirror the projected evolution of financing needs. In particular, given the limits on the number of disbursements available in any 12-month period and the sub-ceilings on RCF access (see below), disbursements would often cover only a small part of total financing needs, with the remainder being mobilized from other sources, including development partners.

191. When urgent financing needs are projected to persist or reoccur for some time, and transition to a UCT-quality arrangement is not expected in the near term, it is important to set access such that successive disbursements could be accommodated under the applicable RCF access sub-ceilings (see below).

Access Limits

192. A member’s total access under all concessional facilities in the PRGT is subject to “global” annual and cumulative limits. This includes credit outstanding and disbursements under the ECF, SCF, and RCF. Specifically, total access to financing under the PRGT should normally not exceed 145 percent of quota per year across all concessional facilities.¹⁷⁹ Furthermore, total access to financing under the PRGT should normally not exceed 435 percent of quota cumulatively, net of scheduled repayments (see Chapter I, Section D for how to calculate annual and cumulative access consistent with PRGT normal access limits).

193. In exceptional circumstances, access above the normal global limits can be made available to PRGT-eligible countries that meet the PRGT exceptional access criteria (see Chapter I, Section D).

194. In addition to these global limits on access under all facilities under the PRGT, access to the RCF under the regular window (i.e., not the “exogenous shocks” or “large natural disasters”

¹⁷⁸ In the RCF context, there is no ex ante “phasing” of disbursements, in contrast to the ECF and SCF where the amounts and timing of access are predetermined through an arrangement. Each RCF disbursement requires a separate decision of the Executive Board, evaluated on its own merits against the requirements for assistance under the RCF.

¹⁷⁹ Annual access limits were temporarily increased to 245 percent of quota in March 2021 in response to Covid-19 and reverted to 145 percent of quota at end-December 2021. A “transition rule” applies for calculating annual access for countries that entered into a new arrangement or received an augmentation of an existing arrangement or emergency financing in the period between March 22, 2021 and end-2021. For details, see Annex III in *Review of the Temporary Modifications to the Fund’s Access Limits in Response to COVID-19 Pandemic* (IMF, 2021b). This transition rule will no longer be applicable after end-2022.

windows) is subject to sub-ceilings, set at 50 percent of quota per year (i.e., over any 12-month period) and 100 percent of quota on a cumulative basis (i.e., total stock of RCF credit outstanding at any point in time). Furthermore, access to the RCF under the regular window is also subject to a “per disbursement limit” of 25 percent of quota. Therefore, annual access in excess of 25 percent of quota under the regular window would require an additional RCF disbursement within the year and would, absent an exogenous shock or large natural disaster, have to be linked to a track record of adequate macroeconomic policies (e.g., through an SMP), consistent with the requirements for repeat use mentioned above.

195. Access to the RCF under the exogenous shock window is subject to a sub-ceiling of 50 percent of quota per year. On a cumulative basis, the limit is normally 100 percent of quota but, in response to the Covid-19 pandemic, was increased to 150 percent of quota until end-June 2023, after which it will revert to 100 percent of quota.¹⁸⁰ Purchases under the RFI made after July 1, 2015 count towards the applicable RCF annual and cumulative sub-ceilings.¹⁸¹

196. These sub-ceilings can be exceeded under the “large natural disasters” window of the RCF, which allows access of up to 80 percent of quota per year for natural disasters where damage is assessed to be equivalent to or exceed 20 percent of the member’s GDP,¹⁸² and up to 183.33 percent of quota on a cumulative basis until end-June 2023 on account of the Covid-19 pandemic, following which the cumulative limit will revert to 133.33 percent of quota.

197. RCF financing through the “exogenous shock” and “large natural disasters” windows could be made available provided that: (i) the primary cause of the balance of payments need is a sudden exogenous shock, other than a withdrawal in financial assistance by donors, or in the latter case, a natural disaster; and (ii) existing and prospective policies are sufficiently strong to address the shock. The concept of a sudden and exogenous shock mirrors that used in the past for the ESF. In particular, an exogenous shock may include both economic (e.g., terms of trade) and non-economic shocks (e.g., natural disasters) that are sudden and not related to members’ policies. The amount of access provided under the “exogenous shocks” window or “large natural disasters” window cannot exceed the size of the financing need created by the shock. RCF financing through the “food shock” window is also available. Additional criteria apply for access to the temporary food shock window under the RCF (see Box 4).

198. Access under the regular window of the RCF is also subject to an annual access norm set at 25 percent of quota, or one-half of the annual access limit. As with the ECF and SCF, the

¹⁸⁰ Access limits for emergency financing instruments (i.e., exogenous shock and large natural disaster windows of RCF and regular and large natural disaster windows of RFI) were temporarily increased in 2020-21 in response to the Covid-19 pandemic. In November 2021, the Board decided to extend these temporarily high cumulative access limits for RCF and RFI until end-June 2023.

¹⁸¹ Access limits for RFI assistance are set at 50 percent of quota over any 12-month period and 100 percent of quota on a cumulative basis, net of scheduled repurchases. Access under the RFI counts toward the overall annual and cumulative GRA access limits (see Decision No. 15820-(15/66)).

¹⁸² See IMF, 2017b, and Decision No. 16182-(17/35).

norm is neither a floor nor a ceiling.¹⁸³ There are no norms for access under the RCF “exogenous shocks” and “large natural disaster” windows, and the above sub-ceilings on RCF access through these windows should not be considered norms;¹⁸⁴ individual disbursements would in most cases be below the applicable annual sub-ceilings. For instance, a disbursement of 50 percent of quota under the “exogenous shocks” window or of 80 percent of quota under the “large natural disasters” window would only be expected in cases where the financing need is very large and the economic policy context is relatively strong (including limited debt vulnerabilities).¹⁸⁵

Access Under Blended Financial Assistance

199. When RCF disbursements are blended with concurrent GRA disbursements (see Section C on the criteria that create a presumption for blending), total access to financial assistance (e.g., RCF together with RFI) is determined based on the standard criteria (see above), implying that total access should be comparable across countries with similar balance of payments needs, strength of policies, and outstanding Fund credit, irrespective of whether the Fund’s financial assistance comes in the form of blended or PRGT-only resources.

200. Analogous to financial arrangements involving blended financial assistance, access to the concessional (RCF) financing component of blended financial assistance for presumed blenders would be in a 1:2 ratio of PRGT to GRA resources, with the remainder met by GRA financing. It is important to note that any RFI access is counted towards the annual and cumulative RCF access limits, irrespective of the RCF window.

Procedural Safeguards on High Access Requests—DSAs and Informal Board Meetings

201. Financing requests are subject to procedural safeguards that apply uniformly across all concessional facilities. These safeguards are aimed at protecting PRGT-eligible members’ debt sustainability and the Fund’s concessional resources.¹⁸⁶ Specifically, the staff report for any RCF disbursement should provide an up-to-date assessment of the debt vulnerabilities, with an explicit reference to the impact of new borrowing from all sources, including prospective IMF disbursements. In addition:

- A new DSA is required for any financing requests under the PRGT if it (i) involves exceptional access to concessional resources; (ii) brings total access, i.e., cumulative disbursements, under all concessional facilities to more than 80 percent of quota, based on cumulative past and future

¹⁸³ Approved by Board as of May 24, 2019 (see IMF, 2019a, and IMF, 2019b).

¹⁸⁴ See Appendix VIII for detail on norms.

¹⁸⁵ In addition, as set forth in the [PRGT Instrument](#), commitments of PRGT resources and any disbursement of such resources are subject to the availability of resources in the PRG Trust, and hence, could result in access reductions in those very specific circumstances ([PRGT Instrument](#), Section II, paragraph 2(g) and paragraph 3(a)).

¹⁸⁶ Endorsing the procedural safeguards for high-access financing set forth in paragraph 87 of IMF, 2009e. This paragraph updates the procedural safeguards that apply to all concessional financing instruments, elaborated in IMF, 2009d, and subsequently revised to be consistent with changes to access norms and limits in 2015 and 2019 (see Annex II in IMF, 2015c, and IMF, 2019a).

scheduled disbursements in any 24-month period (see paragraph 14 on how to calculate access); or (iii) involves a member country with a high risk of debt distress or in debt distress. All DSAs (full DSAs and updates) should be prepared jointly by Fund and World Bank staff and must be submitted to both the IMF and IDA's Executive Boards (be it for discussion or for information).

- An early informal Board meeting is required if a financing request under the PRGT would involve (i) exceptional access or (ii) high access to concessional financing. Chapter I Section D provides more details on PRGT exceptional access and high access, and Box 1 specifies the information required at such a meeting.
- In addition, staff would provide early notice to the Board, for instance in an informal country matters session, of upcoming financing requests where the envisaged financing commitment, in absolute terms, would have a large impact on the Fund's overall concessional resources.
- As an exception to these procedures, the requirement for a new DSA or a Board brief in high access cases does not apply for new financing requests of 15 percent or less of quota.

202. High combined credit. Requests for Fund support that result in combined PRGT and GRA access in excess of the GRA access limits are subject to the Policy Safeguards on High Combined Credit Exposure (PS-HCC).¹⁸⁷ In March 2023, the PS-HCC thresholds were temporarily increased from 145/435 percent of quota to 200/600 percent of quota annually/cumulatively in line with the temporary 12-month increase in GRA annual/cumulative access limits, effective until March 4, 2024.¹⁸⁸ The PS-HCC comprise criteria and procedural requirements. The criteria are substantively the same as those of the PRGT exceptional access framework, with the notable exception that they do not include an income threshold. The procedural requirements are similar to those of the PRGT and GRA exceptional access criteria (see Chapter I Section D and Box 2).¹⁸⁹

E. Financing Terms

203. Repayments of RCF credit are made in 10 equal semiannual installments, subject to a 5.5-year grace period from the date of the disbursement and 10-year final maturity.¹⁹⁰

204. Interest rate on RCF credit is set at zero percent.¹⁹¹

¹⁸⁷ The PS-HCC were approved in September 2020. See *Policy Safeguards for Countries Seeking Access to Fund financial Support that Would Lead to High Levels of Combined GRA-PRGT Exposure* (IMF, 2020d).

¹⁸⁸ See [Temporary Modifications to The Fund's Annual and Cumulative Access Limits](#) (IMF, 2023).

¹⁸⁹ The criteria are laid out in Box 2 and the procedural requirements in Annex I of IMF, 2020d.

¹⁹⁰ See IMF, 2015c.

¹⁹¹ See IMF, 2015b, and IMF, 2015c.

F. Financing Assurances, Arrears, and Safeguards

205. The Fund’s policy on financing assurances¹⁹² requires that financial arrangements can only be approved (and reviews can only be completed) when the program is fully financed. In contrast to arrangements under the ECF and SCF, such financing assurances are not required for RCF disbursements, given that there is no underlying economic program. However, staff reports for RCF requests should provide information on projected financing gaps. Moreover, to the extent that the RCF may be used to build a track record for a UCT-quality Fund-supported program, the staff report should discuss the prospects for financing assurances that would be required for such an arrangement. Assurances should also be given that the member country has the capacity to repay the Fund based on medium-term projections of the balance of payments and the standardized table on indicators of the capacity to repay the Fund.

Arrears

206. In cases where a member has arrears to an international financial institution (i.e., an IFI), the Fund will apply either the NTP policy or the LIOA policy. Please see Section F in Chapter II for detailed information. With respect to emergency financing, in OSI cases, Fund policy provides for flexibility in extraordinary circumstances consistent with the Fund’s LIOA policy, and as discussed below. Country teams should seek guidance from LEG and SPR on the application of the policy to specific creditors.

207. The Fund’s policy on arrears to official bilateral creditors also remains generally applicable in the context of RCF support. Generally, the treatment of arrears to official bilateral creditors falls into two categories. **First**, if arrears do not require a restructuring of the underlying claim (non-OSI cases),¹⁹³ the Fund maintains a policy of non-toleration. In practice, tacit approval of an official bilateral creditor’s Executive Director (i.e., non-objection at the Board meeting) has been deemed sufficient to satisfy this policy. **Second**, if restructuring of the arrears is required under the program parameters (OSI cases). In this case, the Fund may provide financing notwithstanding those arrears only under carefully circumscribed circumstances. Country teams should seek guidance from LEG and SPR on which of these two categories are applicable to particular cases. Please also see Section F in Chapter II for more detailed information. In a small subset of emergency situations, such as in the aftermath of a natural disaster, where the extraordinary demands on the affected government are such that there is insufficient time for the debtor to undertake good faith efforts to reach agreement with its creditors, the Fund may provide financing under the RCF despite arrears owed to official bilateral creditors. However, it would be expected that the Fund’s support provided to the debtor in such cases would help advance normalization of relations with official bilateral

¹⁹² [Article V, Section 3\(a\)](#) of the *Fund’s Articles of Agreement*.

¹⁹³ For example, outside the restructuring context, arrears might arise because of technical problems with payments, diplomatic disagreements, or difficulties in establishing the appropriate counterparts for payment.

creditors and the resolution of arrears. Again, it would be important for country teams to consult with LEG and SPR as soon as possible in such cases.

208. There is also scope for flexibility in applying the Fund’s LIA policy, which covers sovereign arrears to private external creditors and non-sovereign arrears that arise by virtue of the imposition of exchange controls.¹⁹⁴ Under this policy, the Fund can lend, on a case-by-case basis, in a situation of sovereign arrears to private external creditors and only where: (i) prompt Fund support is considered essential for the successful implementation of the member’s adjustment program; and (ii) the member is pursuing appropriate policies and is making a good faith effort to reach a collaborative agreement with its creditors (or to facilitate a collaborative agreement between private debtors and their creditors and good prospects exist for the removal of exchange controls). For the RCF, these conditions may not be required in all cases, in particular in the wake of a conflict or natural catastrophe, where the extraordinary demands on the affected government are such that there is insufficient time for the debtor to undertake good faith efforts to reach agreement with its creditors. However, it would be expected that the Fund’s support provided to the debtor in such cases would help advance normalization of relations with private creditors and the resolution of arrears, so that the approval of any subsequent Fund arrangement for the member would again be subject to the LIA policy on lending into sovereign arrears to private creditors. Moreover, staff reports should in any event provide information on arrears to private external creditors.

Overdue Obligations to the Fund

209. Where a member is in arrears to the Fund in the GRA, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee (including the PRGT and RST), a request for IMF financing, including under the RCF, will not be approved and disbursements under an existing arrangement would be suspended.¹⁹⁵ After one month after a financial obligation has become overdue, the MD will notify the Executive Board that an obligation is overdue. A report by the MD to the Executive Board will be issued two months after a financial obligation has become overdue, and will be given substantive consideration by the Executive Board one month later. The report will request that the Executive Board limit the member’s use of Trust resources. A factual statement noting the existence and amount of arrears outstanding for more than three months will be also posted on the member’s country-specific page on the Fund’s external website. Once the Executive Board adopts a decision to limit the member’s use of the Trust resources, a press release will be issued. The MD may recommend advancing the Executive Board’s consideration of the reports regarding overdue obligations but the MD may also recommend postponing for up to one-year periods the Executive Board’s consideration of a report regarding a member’s overdue obligations in exceptional circumstances where the MD judges that there is no basis for an earlier evaluation of the member’s cooperation with the Fund. While a member is in arrears to the Fund, policy support can only be provided through surveillance, technical assistance, and, under certain circumstances,

¹⁹⁴ See IMF, 1999a, and *Reviews of the Fund’s Sovereign Arrears Policies and Perimeter* (IMF, 2022c).

¹⁹⁵ See also Appendix II of the [PRGT Instrument](#) on the *Procedures for Addressing Overdue Financial obligations to the PRGT*; and [RST Instrument](#), Section II, paragraph 2(e) and 3(e).

SMPs.¹⁹⁶ Remedial measures for dealing with PRGT arrears include removal from the list of PRGT-eligible countries, declaration of noncooperation with the PRGT Trust, and suspension of technical assistance. Annual reports and financial statements will identify those members with overdue obligations to the Trust outstanding for more than six months.

Safeguards Assessments Policy

210. Under the RCF, a member's request for assistance will require a commitment to undergo a safeguards assessment and to provide Fund staff access to the central bank's most recently completed external audit reports (whether or not the audit is published); the member shall authorize its external auditors to hold discussions with staff. The commitment and authorization is to be provided at the time when the member makes a formal written request for RCF resources. The timing and modalities of the assessment will be determined on a case-by-case basis depending on the institutional and administrative capacity of the central bank. It is presumed, however, that the safeguards assessment would have been completed before Board approval of any subsequent arrangement to which the Fund's safeguards policy applies.¹⁹⁷ The safeguards process involves a continuous analysis of information obtained primarily through the collection of documents, and discussions with the authorities and the central bank's external auditors. It entails an evaluation of the central bank's safeguards framework covering governance, auditing, financial reporting, control systems, autonomy, mandate and legal framework over the life of an arrangement and for as long as Fund credit remains outstanding. Close cooperation and coordination between FIN, other functional departments, and area departments is essential for the effective conduct of the safeguards process. It is important for FIN to be kept informed by area departments of safeguards issues, including logistical issues such as the timing of new arrangements.

G. Policy Objectives and Design

Policy Objectives

211. While the policy standard for RCF support is considerably more flexible than for UCT-quality arrangements supported under the ECF and SCF, the member's policies should not compound existing balance of payments difficulties and should in general be aimed at making progress toward achieving or restoring a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth (see definition in Section A). This would involve steps to address, though not necessarily resolve, the country's macroeconomic imbalances and maintain or move toward (i) strong and durable poverty reduction and growth, (ii) low or moderate inflation, (iii) sustainable fiscal and current account balances, (iv) limited debt vulnerabilities, (v) adequate international reserves, and (vi) sufficient policy and institutional capacity to implement appropriate macroeconomic policies.

¹⁹⁶ See *Review of the Fund's Strategy on Overdue Financial Obligations*, Annexes I and II (IMF, 2012e).

¹⁹⁷ See IMF, 2015g, 2015h, 2015i, and 2010h.

212. RCF-supported policies should, to the extent possible, be aligned with the country's own poverty reduction and growth objectives (see further below). The LOI and staff report for an RCF request should discuss the current situation, including the cause of the urgent balance of payments need, and macroeconomic prospects. Near-term RCF-supported policies should be clearly articulated in the LOI and MEFP (optional) and associated staff report, and should be consistent with the country's medium- and longer-term policy objectives, which would typically include:¹⁹⁸

- **Fiscal policies**, where (i) the fiscal stance is well anchored to help ensure macroeconomic stability and fiscal/debt sustainability, (ii) revenue and spending policies take due account of the country's growth and social objectives, and (iii) budgets are guided by medium-term fiscal frameworks to the extent possible.
- **Monetary policies** that are consistent with inflation, exchange rate, and reserve objectives, while taking due account of cyclical considerations.
- **Exchange rate policies** that ensure a unified exchange rate and a real exchange rate level that is broadly in line with fundamentals, ensuring a stable and sustainable external position consistent with adequate growth.
- **Financial sector policies** geared toward financial stability and deepening with a view to fostering investment and forestalling financial crises.
- **Public financial management** reforms aimed at ensuring that resources are tracked, reported, and targeted appropriately (including by providing adequate resources for social and other priority spending), public debt management aimed at supporting debt sustainability, and revenue reforms aimed at broadening the revenue base, and enhancing tax efficiencies.
- **Other structural reforms** that are critical for achieving the member's macroeconomic objectives.

Role of RCF Financial Support

213. The balance of payments support through the RCF can assist countries in smoothing the adjustment process toward a more stable and sustainable macroeconomic position.¹⁹⁹ The Fund's financial support can be used both to replenish international reserves of the member country and to provide liquidity for making external payments. By relaxing external financing constraints, the Fund's balance of payments support in effect also loosens domestic liquidity constraints for both the

¹⁹⁸ For further discussion of Fund program design in LICs, see IMF, 2008b and 2007a.

¹⁹⁹ Consistent with the Fund's unique role in LICs, it can provide moderate levels of liquidity support to help address macroeconomic imbalances, while the bulk of financial assistance is normally expected to come from donors. Fund financial support, while concessional and aimed at similar long-term goals, is distinct from development assistance provided by others (often on more concessional terms) as it provides inter-temporal smoothing of adjustment rather than a permanent resource transfer. Fund lending to LICs is generally expected to catalyze such donor support, leveraging the Fund's scarce subsidy resources. See IMF, 2009e and 2009b.

public and private sector. Specifically, Fund financing reduces the need for retrenchment in the public and private savings-investment balances, thus enhancing policy options (allowing less contractionary fiscal, monetary, and exchange rate policies) and cushioning private sector adjustment (e.g., investment and import declines). The appropriate mix of financing and public/private adjustment is determined on a case-by-case basis.

214. A member may choose to use the domestic counterpart of resources received under an RCF to finance, directly or indirectly, the budget deficit of the government. Such budget financing is consistent with the Fund’s legal framework to the extent that the member has balance of payments problems and is implementing a program that will assist it in resolving such problems. **Direct** budget financing²⁰⁰ may be appropriate when (i) the policies are designed in a manner that envisages that the entire amount of the Fund’s financial support is used to meet a present or prospective balance of payments need, (ii) loosening fiscal financing constraints is an important macroeconomic objective under the policies, and (iii) the central bank cannot or should not (for legal or institutional reasons) lend to the government while the domestic financial sector is too shallow (or not stable enough) to provide the necessary budget financing (or the central bank plays a largely passive domestic policy role, for instance under a currency board or in a fully dollarized economy). In these cases, staff reports should justify the use of the domestic counterpart of resources obtained from RCF support for budget financing where relevant and discuss safeguards implications, including referring to the conclusion of a memorandum of understanding between the central bank and fiscal authorities.²⁰¹

Links to Poverty Reduction Strategies and Social Spending

215. RCF-supported policies should generally be aligned with the country’s own poverty reduction and growth objectives. The following specific guidance applies to PRS linkages:²⁰²

- Any financing request under the RCF must be accompanied by a statement, normally in the LOI or MEFP, of how the RCF-supported policies advance the country’s poverty reduction and growth objectives—given the focus of RCF support on urgent balance of payments needs, this linkage may be indirect; e.g., primarily through efforts to bolster macroeconomic stability, which

²⁰⁰ Direct budget financing (also known as direct budget support) refers to cases where disbursements of Fund resources are made directly to the country’s treasury at the request of the member. By contrast, indirect budget financing can be provided when the Fund makes disbursements to the central bank and these help relax domestic financing constraints for the public sector as part of the broader macroeconomic program. A special case of budget financing is Fund financial support to members of a monetary union. For example, in the CFA franc zone, the regional central bank unconditionally provides credit in the (domestic currency equivalent) amount of Fund support to the relevant government. See IMF, 2010f. In cases involving budget financing, the respective roles and responsibilities for the related financial obligations to the Fund should be clarified in a framework agreement between the government and the central bank (e.g., through a Memorandum of Understanding).

²⁰¹ See IMF, 2015g, 2015h, 2015i, and 2010h. A fiscal safeguards review is required if, as a result of an RCF disbursement, the criteria for conducting fiscal safeguards reviews are met during an arrangement.

²⁰² See Appendix V for detailed guidance on poverty reduction objectives and related documents.

is needed to underpin poverty reduction and growth.²⁰³ In cases where a relevant PRS document exists, this description in the LOI/MEFP could cross-reference to the PRS document, and the RCF-supported policies should take into account—and to the extent possible, generally be consistent with—the objectives of the PRS in the context of promoting a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

- PRS documents are not required for RCF disbursements, consistent with the RCF’s focus on urgent balance of payments needs. Nonetheless, whenever a future ECF-, SCF-, PSI- or PCI-supported program is under consideration, staff should inform the authorities at an early stage about the relevant definitions and timelines for PRGS requirements (Appendix V) to ensure adequate time for the PRS process.

216. Social and other priority spending should be safeguarded and, whenever appropriate, increased under RCF-supported policies. Whenever the LOI/MEFP for RCF support includes indicative targets (e.g., when the authorities seek to establish a track record, including for repeated use of the RCF), these should include a floor on social and other priority spending, whenever possible. The definition of what constitutes social or other priority spending should be consistent with the authorities’ poverty reduction and growth objectives. In cases where tracking of such expenditures is not feasible, the RCF documentation should report on which measures are envisaged to develop an adequate tracking system. Staff should monitor progress in establishing these tracking systems, and the program may include relevant structural measures, if appropriate.

Debt Sustainability Analysis

217. RCF-supported policies should be underpinned by a thorough DSA to inform the elaboration of medium-term debt strategies and fiscal frameworks. Country teams should engage with the authorities in the preparation of DSAs, discuss the results, and share the final files with the relevant officials. DSAs for LICs should be prepared jointly with the World Bank, and country teams should also involve other relevant MDBs in the preparation of DSAs. Joint DSAs are required for all PRGT-eligible I countries that also have access to IDA resources.

218. A full DSA should generally be produced at least once every calendar year. A new DSA should be produced for any new request for IMF financing (even when an annual DSA has already been completed).²⁰⁴

²⁰³ See Appendix V for a definition of an I-PRSP.

²⁰⁴ Article IV Consultations should be accompanied by a DSA. See [Guidance Note for Surveillance Under Article IV Consultations](#) (IMF, 2022h).

219. DSAs for LICs should be presented as self-contained documents (see Appendix I). They should normally be prepared using the LIC DSF.²⁰⁵ The LIC DSF analysis includes three components:²⁰⁶

- A forward-looking analysis (20-year projection) of debt and debt-service dynamics under a baseline scenario, alternative scenarios, and standardized stress tests;
- An explicit rating of the risk of external debt distress (low, moderate, high, or in debt distress) based on indicative country-specific debt-burden thresholds that depend on the quality of policies and institutions in the country; and an assessment of the overall risk of debt distress; and
- Recommendations on a borrowing (and lending) strategy and other crucial macro policies to limit the risk of debt distress, while maximizing the resource envelope to achieve the country's development objectives.

Collaboration with the World Bank and Other Development Partners

220. Fund staff should consult closely with all major development partners active in the country when designing and monitoring RCF-supported policies. In addition to this routine collaboration, the JMAP²⁰⁷ approved by the Boards of the World Bank and IMF calls on Bank and Fund country teams to consult with each other at least once a year in order to identify the country's key macroeconomic and structural reform challenges and coordinate work plans in support of addressing these challenges (see Appendix I).

H. Conditionality

221. The RCF does not require a UCT-quality economic program, and does not involve ex post conditionality (i.e., quantitative or continuous performance criteria), a time-bound arrangement, or formal program reviews. Instead, the RCF provides for outright disbursements based on a number of ex ante policy undertakings (see Section A on Eligibility and Qualification).

Prior Actions

222. Prior actions could be specified, if necessary, but this would be expected only in exceptional circumstances, specifically when it is critical for addressing the urgent balance of payments need effectively that a measure be taken prior to the financial assistance provided under the RCF. Prior actions could be appropriate, for example, if the RCF is used (including to support building a policy track record) after severe policy slippages that could call into question the

²⁰⁵ DSAs using the LIC-DSF template should be used for all PRGT-eligible countries that also have access to IDA resources.

²⁰⁶ For the details on the use of the DSF, please see IMF, 2018b.

²⁰⁷ See IMF, 2007c and 2010d.

authorities' capacity and commitment to implement policies that would not compound the balance of payments difficulties (see Section A on ex ante policy undertakings). Prior actions should be implemented no later than five working days before the Board discussion. They should be defined in the LOI/MEFP and cross-referenced in the Board Decision approving the disbursements.

Monitoring Policies

223. There is considerable flexibility on how the RCF can be used to support forward-looking economic policies. In contrast to UCT-quality arrangements, RCF disbursements do not require understandings on a program of economic policies other than general ex ante policy undertakings by the authorities described in Section A, including the commitment to cooperate with the Fund and not to introduce measures that would compound the country's balance of payments difficulties. However, the policy commitments under the RCF *can* be used to provide general policy support, establish a track record of economic performance (similar to an SMP), and even help monitor the implementation of UCT-quality economic policies. The latter may occur, for example, when a country with a set of well-specified and sound economic policies experiences a temporary shock that creates a balance of payments need that is expected to be resolved within one year and without the need for major policy adjustments. By contrast, shocks that create more substantial or prolonged adjustment or financing needs should generally be addressed through a financial arrangement. To this end, RCF support can be provided together with staff recommendations on macroeconomic policies, monitoring of economic performance, specific policy commitments and indicative targets, or any combination of these.

224. In cases where the RCF supports a track record of policy performance, the LOI/MEFP for a disbursement request would typically set out agreed monitorable quantitative and structural indicators (which could be called indicative targets or benchmarks), based on specific test dates and deadlines. The design of monitoring could mirror that of SMPs or past practice under EPCAs, but is in general very flexible, and would not require specification of a time-bound program period. The specification of policy objectives and indicators should be aimed at supporting adequate policies to address the urgent balance of payments need and, if relevant, facilitating the member's transition to a UCT-quality program. As the targets do not have the status of PCs, waivers are not required if they are missed. Similarly, program adjusters would not be needed.

- Quantitative periodic indicative targets could include measures of net international reserves, central bank domestic assets, domestic and fiscal balances or financing, external debt, social and other priority spending where possible, and any other relevant macro-critical indicators. Continuous measures could include commitments related to non-introduction of certain exchange restrictions and multiple currency practices, and non-accumulation of external arrears.
- RCF-supported policy track records could include an agenda for macro-critical structural reforms, with flexibility on the timing of the measures. Structural benchmarks could be identified, and should be critical measures that are intended to serve as clear markers in the assessment of progress in the implementation of critical structural reforms in the context of the track record. Structural benchmarks should be used as parsimoniously as possible, and their

macro-criticality explicitly justified in program documents, ideally in a structural benchmark table. Structural benchmarks do not require a specific target date but should give an indication of the envisaged time frame.

Misreporting²⁰⁸

225. Misreporting occurs when members with a Fund-supported program obtain resources on the basis of inaccurate information regarding observance of quantitative or continuous PCs or prior actions (a “noncomplying disbursement”). As there are no PCs under the RCF, a noncomplying disbursement can only occur with respect to misreporting of prior actions (if applicable), in particular when (i) the Fund makes a disbursement on the basis of a finding that all prior actions established for that disbursement have been observed and (ii) that finding later proves to be incorrect. Upon evidence that a member may have received a noncomplying disbursement, the MD shall inform the member promptly. After consultation with the member, if the MD determines that the member did receive a noncomplying disbursement, the MD shall promptly notify the member and submit a report to the Executive Board with recommendations. The Board may decide either (a) that the member shall be expected to repurchase/repay the disbursed amount, or (b) that the nonobservance will be waived. Waivers will normally be granted only when the deviation from the relevant condition was minor or temporary, or if, subsequent to the disbursement, the member had adopted additional measures appropriate to achieve the objectives supported by the relevant decision on the disbursement. Relevant information on misreporting should be made public by including it in the documents to be published after the Board discussion, such as a press release containing the Chairman’s Statement or summing up, with prior Board review of the text for publication.

226. Whenever the Executive Board finds that a noncomplying disbursement has been made but that the nonobservance of the relevant specified condition was also *de minimis* misreporting, a waiver for nonobservance shall be granted by the Executive Board.²⁰⁹ The discussion of *de minimis* misreporting will be included in a staff report on the member that deals with other issues but the discussion should be deleted if such a report is published.

I. Track Records

227. The RCF can be used to build a track record of policy performance to enable repeated disbursements under the RCF or to support a transition to a UCT-quality program. As the RCF involves outright disbursements without program reviews, there is no phasing of disbursements or test dates for indicative targets. As discussed in Section H, RCF-supported track records would typically include agreed monitorable quantitative and structural indicators (which could be called

²⁰⁸ Misreporting is distinct from members’ obligations on data provision to the Fund under [Article VIII, Section 5](#). See next footnote below for references.

²⁰⁹ For more details on misreporting, see Appendix I of the [PRGT Instrument](#) and [\(Decision No. 14354-\(09/79\)\)](#). *Guidance Note on the Fund’s Transparency Policy*. Also, see IMF, 2006e.

indicative targets or benchmarks). Test dates for quantitative targets can be set on a monthly, quarterly, semi-annual, or annual basis, including a combination thereof. Test dates should generally be set such that they provide useful information for the purpose of assessing performance in advance of potential future possible Fund support through the RCF. If a clear and explicit policy framework is needed to establish a track record for a UCT-quality program, an RCF could be used concurrently with an SMP. See Appendix III for a discussion of different types of track records.

228. A track record of adequate macroeconomic policies is required for an RCF disbursement when the member has already received RCF financing in the past three years and does not qualify under the “exogenous shocks” window or the “large natural disasters” window. Such a track record would normally cover at least six months immediately prior to the disbursement, and the staff report should provide an assessment of past policy performance against any previously specified policy objectives and targets. This is also good practice if the repeated disbursement is motivated by an exogenous shock, even though a track record is not required for the subsequent disbursement. The track record period would normally start around the time the relevant track record objectives and policies become clear. Specifically, the track record period should start no earlier than the first-time substantive policy discussions on near-term macroeconomic targets started between the country team and the authorities, and no later than the time *ad referendum* understandings were reached on such targets. Approval of a repeated disbursement would be based on a finding that the member’s overall policy performance was adequate, taking into consideration the severity of the economic situation and the member’s capacity. In exceptional cases, where no relevant pre-determined monitorable objectives exist at the time a successive RCF disbursement is requested in response to an urgent financing need (for instance because of the passage of time since the preceding disbursement), the track record could be based on the Fund’s assessment that macroeconomic policies have been adequate at least over the most recent six-month period.

J. Other Relevant Policies

229. A number of additional modalities and policy requirements apply to the RCF, including the following:

- **Ex-Post Peer Review Assessments (PRAs).** Access to resources under the RCF does not count toward the policy on LTPE or the requirement to conduct an Ex-Post Peer Reviewed assessment.
- **Post Financing Assessments (PFAs).** Outstanding RCF credit will be subject to PFA.²¹⁰ Normally, members with outstanding credit from the Fund in the GRA and/or PRGT exceeding 200 percent of quota or SDR 0.38 billion from the PRGT (and/or SDR 1.5 billion from the GRA) after the expiry of their arrangements, are expected, upon the recommendation of the MD, to engage with the Fund in PFA of their economic developments and policies. Normally one

²¹⁰ See IMF, 2005a and 2010e, and [Decision No. 13454-\(05/26\)](#), as amended.

standalone PFA paper is expected to be issued for Executive Board consideration in a 12-month period.

- **Article IV consultation cycle.** RCF support does not alter the regular (typically 12-month) cycle for Article IV consultations. The pre-existing consultation cycle is preserved (12 or 24 month), at the time of RCF approval, subject to other conditions/criteria as specified in the Decision No. 14747-(10/96).
- **Exchange System obligations under Articles VIII and XIV and Data Provision under [Article VIII, Section 5](#).** Requirements under [Article VIII Sections 2, 3, 4](#) and [Article XIV](#) are discussed in IMF (2006d). The Fund may require members to furnish it with such information as it deems necessary for its activities, including program monitoring.
- **HIPC.** A period of performance under a monitorable track record supported by the RCF can count toward a track record of strong policy performance required for the HIPC decision point where the SMP has been endorsed by the Executive Board as being of UCT-quality.²¹¹ The minimum required track record for the decision point is six months.
- **Side letters.** The use of side letters in LIC programs and financing requests has been extremely rare. Side letters may be used when release of information on policy understandings at the time of a RCF request would cause adverse market reaction or undermine the authorities' efforts to prepare the domestic groundwork for a measure.²¹²

²¹¹ See Appendix IV for details on the HIPC Initiative.

²¹² For the Fund's policy on side letters, see [Decision No. 12067-\(99/108\)](#).

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CHAPTER V: POLICY SUPPORT INSTRUMENT

The PSI supports low-income countries that do not need Fund financial assistance at the time of Board approval but seek to consolidate their economic performance with Fund monitoring and policy support.^{213, 214}

A. Objectives and Qualification

Purpose and Objective

230. The PSI is a non-financial instrument for low-income member countries that is designed to promote a close policy dialogue between the Fund and a member, provide more frequent Fund assessments of a member’s economic and financial policies, and deliver clear signals through Board endorsement of those policies that could be taken into account by donors, creditors, and the general public on the strength of these policies.²¹⁵

231. The purpose of the PSI is to assist eligible member countries in implementing economic programs aimed at maintaining or consolidating macroeconomic stability and debt sustainability, while deepening structural reforms in key areas in which growth and poverty reduction are constrained. Such a position would be characterized by the absence of a present or prospective balance of payments need and by the domestic and external stability that is necessary to support strong and durable poverty reduction and growth. It would typically be associated with sustainable fiscal and current account balances, limited debt vulnerabilities, reasonable growth performance, low underlying inflation, adequate international reserves, and sufficient policy and institutional capacity to support continued good performance, including in responding to shocks. This position might still involve significant levels of donor assistance, though aid dependence would be expected to decline over time. The PSI is designed for countries that at the time of PSI approval

²¹³ The framework for PSIs became effective on October 5, 2005 and was modified as part of a comprehensive reform of the IMF’s facilities for LICs. See IMF, 2009e and 2009f. In the context of the 2013 review of facilities for LICs, the PSI framework was further modified. See IMF, 2013d, further modified the PSI framework.

²¹⁴ The Policy Coordination Instrument (PCI), a non-financial instrument, is also available to all IMF members, including PRGT-eligible members, that do not need and are not seeking Fund financial resources at the time of approval. It is designed for countries seeking to demonstrate commitment to a reform agenda or to unlock and coordinate financing from other official creditors or private investors. The PCI aims to help countries better coordinate their access to multiple layers of the global financial safety net, particularly regional financing arrangements. See IMF, 2017c.

²¹⁵ Fund engagement in a PSI constitutes a form of Fund “technical assistance” that is voluntary for both the member concerned and the Fund. Board [Decision No. 13561-\(05/85\)](#) establishes the terms upon which the Fund is prepared to engage in PSIs and their modalities. This decision was amended by Decision Nos. [13814-\(06/98\)](#), [13849-\(06/108\)](#), [14153-\(08/82\)](#), [14253-\(09/8\)](#), and [14354-\(09/79\)](#).

are already in a broadly stable and sustainable macroeconomic position and therefore do not require Fund financing or significant macroeconomic policy adjustments.²¹⁶

Qualification

232. The PSI is available to all member countries that are eligible for assistance from the PRGT²¹⁷ and have a policy framework focused on consolidating macroeconomic stability and debt sustainability while deepening structural reforms in key areas in which growth and poverty reduction are constrained. This implies that the member country is, at the time of the approval of the PSI, in a broadly stable and sustainable macroeconomic position (as defined above).

233. Specifically, the country (i) would not have a present or prospective balance of payments need²¹⁸ unless such a need is expected to be met from other (exceptional) financing sources and (ii) would not require any significant macroeconomic policy adjustments (including to address a protracted balance of payments problem),²¹⁹ although it may still benefit from structural reforms that could strengthen resilience against shocks and boost the country's growth potential. If, by contrast, a country would require Fund financing or significant policy adjustment to achieve a stable and sustainable macroeconomic position, the PSI would normally not be approved. In particular, countries with short-term financing and adjustment needs could be supported under an SCF arrangement, whereas countries that also face a protracted balance of payments problem could be supported under an ECF arrangement.²²⁰ If a country does not have present or prospective balance of payments needs, but potential needs, a SCF arrangement treated as precautionary may be appropriate in place of, or in addition to, a PSI-supported program. In these cases, by foregoing the Fund financing extended under a SCF arrangement treated as precautionary and focusing on medium-term policy support and endorsement, the PSI would tend to send a stronger signal about the quality of the member's policies and the soundness of its macroeconomic position.

²¹⁶ Countries in such situations have on occasion been referred to as "mature stabilizers." This terminology is not used in the *Handbook*, which distinguishes countries' economic situations based on a variety of factors, including the time needed, if any, to achieve a stable and sustainable macroeconomic position.

²¹⁷ The PRGT eligibility framework is discussed in IMF, 2009k, 2012b, 2013c, 2015d, 2017a and 2020a. See Appendix VI for a list of PRGT-eligible countries as of February 2020.

²¹⁸ A balance of payments need can arise because of a member's balance of payments deficit, reserve position, and developments in reserves. The need can be *present* (a need that exists in the current period), *prospective* (i.e., a need that is expected/projected to arise in the future, including during the implementation of a Fund program), or *potential* (i.e., a need that may arise under an alternative, typically downside, macroeconomic scenario, but is not expected to arise based on baseline/program projections).

²¹⁹ In this context, a *protracted balance of payments problem* exists when the resolution of macroeconomic imbalances needed to establish a stable and sustainable macroeconomic position (as defined above) is expected to extend over normally three years or more. Distinct from the concept of balance of payments need, a protracted balance of payments problem, as defined above, is a related but broader concept that examines the components of the balance of payments need (rather than focusing on the overall balance of payments position), as well as a variety of other indicators. Countries with a protracted balance of payments problem may experience a combination of present, prospective, and potential needs.

²²⁰ See Chapters I–III of this *Handbook*.

234. Board approval of a PSI also requires, in particular, a finding by the Board that the member is committed to implement its policy framework in the context of a program that meets UCT²²¹ standards and aims to maintain or consolidate a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

Apart from the elaboration of such a program in the LOI and MEFP, qualification would thus require assurances that the authorities have the capacity and commitment to implement their program, as evidenced by recent policy performance (including under a recent Fund-supported program), and that the institutional capacity is sufficient to maintain or consolidate a stable and sustainable macroeconomic and debt position, while deepening structural reforms in key areas in which growth and poverty reduction are constrained and to address any other circumstances that may affect macroeconomic performance.

235. A PSI is available to any member that meets the criteria set out in the PSI policy, including those that have established a good track record of macroeconomic management and where institutions are of sufficient quality to support continued good performance, including in responding to shocks. Assessment of the quality of institutions will take into account the track record of macroeconomic policy implementation, as well as qualitative indicators of capacity. As noted in IMF (2013d), prior to the 2013 Review of Facilities for LICs, the PSI had been targeted for “mature stabilizers,” which were expected to have “high quality” of institutions. In the context of this review, it was clarified that PSI users should have institutions of “sufficient” quality to support continued good performance, including in responding to shocks. Qualification also requires a Board finding that the member seeks to maintain a close policy dialogue with the Fund, through the Fund’s endorsement and assessment of its economic and financial policies under a PSI. Other requirements for the approval, extension, or implementation of a PSI are discussed further below.

236. Staff will assess PSI qualification using two groups of indicators: indicators of macroeconomic performance and of policy and institutional capacity:

- The **macroeconomic performance** would be assessed using key macroeconomic indicators: GDP growth, inflation, reserve adequacy, fiscal and current account balances, as well as an indicator of debt sustainability.
- The **quality of policies and institutions** would be measured using past program performance (last three years) – on the basis of conditionality met/not met, delayed and combined reviews, and implementation of structural reforms.²²² For countries that have not recently had a Fund-supported program, the quality of policies would be assessed by considering the extent to which the authorities have been implementing their macroeconomic program and structural reform agenda as assessed in recent Article IV staff reports. In addition, to assess whether institutions are of sufficient quality to support continued good performance, a minimum CPIA

²²¹ This standard with regard to the use of Fund resources generally refers to a set of policies that is adequate to correct external imbalances and enable repayment to the Fund within the specified maturity period.

²²² The thresholds for these variables would normally be set at levels consistent with the recent track record of program implementation of current PSI users.

threshold score will be used that is consistent with the minimum cut-off level needed to attain the “medium institutional capacity” category used in the LIC DSA. Countries that have recorded a significant decline in their CPIA score over the last three years will not normally be expected to meet the standards for approval of a PSI, which are set forth in the PSI Framework decision.

237. Countries that have both groups of indicators above the relevant benchmarks would be potentially eligible for the PSI, but the final staff assessment would take country-specific circumstances into account at the time of the PSI request in order to evaluate if the PSI qualification standards set forth under the PSI policy are met. Countries that are below the benchmarks on either of indicators could make a case for qualification if they can demonstrate that they have a strong program in place (to support growth and poverty reduction and strengthen the ability to respond to shocks) and the capacity to implement it.²²³

238. Countries that are not currently in a position to meet the PSI qualification requirements, in particular the capacity to implement an UCT-quality program, can build a track record for moving to a PSI through an SMP or, in case of urgent financing needs, the RCF (assuming the applicable policy commitments are in place).

B. Duration, Extensions, Cancellations, and Repeated Use

239. Assistance under the PSI can be approved for an initial duration of one to four years, from the date of the Board decision approving the PSI, and may be later extended.²²⁴ As PSI users often seek sustained signaling and policy support, and as PSI-supported programs focus on growth-enhancing reforms, requests for three-year PSIs have been the norm and are expected to remain the default length for medium-term PSIs at approval. A longer initial duration could be helpful when needed to align the PSI more closely with the member’s PRS cycle. A PSI may be extended (including multiple times) subject to an overall maximum duration of five years. After the expiration, cancellation, or termination of a PSI, a successor PSI may be approved if the relevant qualification criteria are met.²²⁵ There is no limit on the number of successor PSIs that can be approved.

240. PSI-supported programs can be extended at the member’s request subject to appropriate conditions consistent with the PSI framework. Extensions that involve the establishment of additional test dates and reviews may be appropriate in a variety of circumstances, including when (i) more time is needed to implement envisaged policies or reforms, (ii) unforeseen events warrant an extended period of monitoring—this could include an exogenous shock that

²²³ Note that in any event, the quality of the reform program will be a key factor for Board approval of any proposed PSI.

²²⁴ “Duration” of a PSI refers to the time between Board approval and expiration of the instrument. It does not refer to the duration of the member’s economic program.

²²⁵ If a successor PSI is requested for immediate approval, for example, at the time of the last review, the member will have to first request the cancellation of the existing PSI (even if all reviews have been completed).

requires some degree of policy action and possibly Fund financial support through the RCF or SCF, and (iii) more time is needed to design a successor medium-term program.

241. Extensions must be requested by the member and approved by the Board before the expiration of the PSI period. Extensions that involve the establishment of new test dates and reviews would normally be approved by the Board on the basis of an LOI and in the context of a program review (where the conclusion of the review demonstrates that the program is on track). In exceptional circumstances (e.g., when a severe natural disaster prevents conducting the final review in a timely manner), extensions that involve establishment of new test dates and review may be approved by the Board outside the context of a scheduled program review, provided the authorities and staff have understandings on appropriate policies to be implemented through the next review, as documented by a letter from the authorities. Board approval would require a staff report that discusses the reasons for the extension, including why it is proposed outside the review context, the status of the program, and relevant policy understandings.

242. In cases that do not involve establishment of additional test dates or reviews, and where some additional time is needed to complete the final review before the expiration of the PSI, PSIs can also be extended for a short period (a few weeks or months). Such short-term extensions (sometimes referred to as “technical”) can be granted outside the context of a review, provided that the authorities and staff have reached (or are expected to reach in the very near term) understandings on appropriate policies to complete the review. Board approval of short-term extensions generally takes place in the context of a very short staff paper with a decision proposed for LOT Board approval. The staff paper is subject to the regular review process and should explain the status of the discussions and document preparation and any relevant policy understandings.

243. A PSI may be cancelled by the authorities at any time. This could be appropriate for instance when the country experiences financing or adjustment needs that are expected to extend beyond the short term (possibly warranting a switch to an ECF arrangement), the authorities no longer have the capacity or commitment to implement the program, the objectives or modalities of the authorities’ economic policies have changed substantially, or the authorities no longer seek Fund support.

244. A PSI will terminate automatically upon: (i) noncompletion of two consecutive PSI scheduled reviews (or, in case of concurrent use of the PSI with the SCF, if no scheduled review is completed within 12 months of the completion of the last scheduled review, see below); (ii) the relevant member incurring overdue financial obligations to the GRA, PRGT or the RST; or (iii) approval of an ECF arrangement for that member.

C. Concurrent Use

245. While the PSI cannot be used concurrently with an ECF arrangement, countries with an approved PSI can receive financial support under the SCF or RCF without the need to cancel the PSI.²²⁶

246. Qualification for an SCF arrangement, while not automatic, would be presumed for countries with an on-track PSI that experience a balance of payments need, provided that the relevant qualification requirements for the SCF are met. Such a need could be present, prospective, or potential (see definitions in footnote above). In the latter case, the PSI user can request concurrent precautionary support under the SCF, which may be useful in periods of increased uncertainty or risk. The SCF arrangement would provide access to Fund financing in case a balance of payments need materializes, and the PSI would provide greater continuity in terms of policy support (usually beyond the shorter SCF arrangement period). An on-track PSI, with the associated UCT-conditionality standard, would also reduce the time normally required to design an SCF-supported program. Modification of the PSI-supported program may be warranted in some cases, in particular, when the changed circumstances affect the country's ability to meet the program objectives. In case the PSI-supported program is off track, SCF approval would typically only occur when appropriate corrective actions have been taken.

247. Concurrent support under a PSI and an SCF arrangement would have modalities akin to those applicable under a PSI or an SCF arrangement individually with regard to program documentation and program targets. In particular, the two instruments would support an economic program based on a single set of program conditions, schedule of reviews, and other requirements that largely mirror those applicable to stand-alone SCF arrangements or PSIs. Key differences, however, include:

- SCF qualification requirements must be met at the time of the approval of the SCF arrangement, in particular, the existence of a present, prospective, or potential balance of payments need. Moreover, use of the SCF is limited to 3 years out of any 6-year period, assessed on a rolling basis, with exceptions for SCF arrangements treated as precautionary and SCF arrangements for which the Fund assesses the member does not have an actual BoP need. See Chapter III of this Handbook for details.
- The choice of the duration of the SCF arrangement (between 12 and 36 months) would depend on the length of financing and adjustment needs, and would not necessarily be tied to the PSI duration.
- If the expiration date of the SCF arrangement comes after that of the PSI, approval of a new PSI would normally take place only after the expiration or cancellation of the SCF arrangement, as

²²⁶ It would also be possible for members to seek financial support under the new Resilience and Sustainability Facility (RSF) through a concurrent program supported by the Policy Support Instrument (PSI). In such cases, safeguards policies would apply to the new RSF request.

qualification for the PSI requires a broadly stable and sustainable macroeconomic position—implying that no IMF financing is needed—at the time of approval of the PSI. However, a new PSI could be approved when the authorities intend to treat the SCF as precautionary. It may also be possible to extend the existing PSI for a short period to complete the final review (see Section B).

- While an SCF arrangement does not require the issuance of a PRS-related document, such a document must exist by the time of the completion of the second and subsequent reviews under a PSI with an initial duration of more than two years or the requirement must be otherwise met (see Section E).
- The review schedule for the PSI could remain on the “fixed review cycle” (see Section G) or be aligned to the more flexible review cycle of the SCF.

248. Access to RCF support is presumed for countries with an approved PSI that subsequently experience an urgent balance of payments need, subject to qualification requirements for the RCF (see Chapter IV of this Handbook).

249. Countries meeting the criteria that create a presumption for blending²²⁷ would be expected to receive financial assistance through blended GRA and PRGT resources in the event they experience a balance of payments need during the course of a PSI-supported program. PRGT-eligible countries, including members qualifying for SCF or RCF financing during a PSI, should typically use either fully concessional or blended resources, rather than GRA-only financing, although they are always eligible for access to the Fund’s general resources if the relevant policies are met.

250. Members may use an SMP (or, in case of urgent financing needs and assuming the applicable policy commitments are in place, the RCF) to establish a track record for a PSI. The normal procedure for bringing an off-track PSI-supported program back on track would be through completing the next scheduled review (after appropriate corrective actions) rather than through an SMP.

D. Financing Assurances, Arrears, and Safeguards

251. Please refer to Section F of Chapter II.

²²⁷ These criteria relate to the country’s per capita income, market access, and debt sustainability, see for example Chapter III, Section C of the *Handbook*.

E. Program Objectives and Design

Program Objectives

252. All PSI-supported programs are aimed at maintaining or consolidating a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth (see definition in Section A of this Chapter). Specifically, PSI-supported programs should aim to maintain or consolidate (i) strong and durable poverty reduction and growth, (ii) low or moderate inflation, (iii) sustainable fiscal and current account balances, (iv) limited debt vulnerabilities, (v) adequate international reserves, and (vi) sufficient policy and institutional capacity to implement appropriate macroeconomic policies.

253. The design of a PSI-supported program should be aligned with the country's own poverty reduction and growth objectives (see further below). Specific policy objectives should be clearly articulated in the LOI/MEFP and associated staff report for a new PSI and would typically include:²²⁸

- **Fiscal policies**, where (i) the fiscal stance is well anchored to help ensure macroeconomic stability and fiscal/debt sustainability, (ii) revenue and spending policies take due account of the country's growth and social objectives, and (iii) budgets are guided by medium-term fiscal frameworks to the extent possible.
- **Monetary policies** that are consistent with inflation, exchange rate, and reserve objectives, while taking due account of cyclical considerations.
- **Exchange rate policies** that ensure a unified exchange rate and a real exchange rate level that is broadly in line with fundamentals, ensuring a stable and sustainable external position consistent with adequate growth.
- **Financial sector policies** geared toward financial stability and deepening with a view to fostering investment and forestalling financial crises.
- **Public financial management** reforms aimed at ensuring that resources are tracked, reported, and targeted appropriately (including by providing adequate resources for social and other priority spending), public debt management aimed at supporting debt sustainability, and revenue reforms aimed at broadening the revenue base, and enhancing tax efficiencies.
- **Other structural reforms** that are critical for achieving the program's macroeconomic objectives, with a focus on "second-generation reforms" aimed at enhancing the country's growth potential and the capacity to manage volatility.

²²⁸ For further discussion of Fund program design in LICs, see IMF, 2008b and 2007a.

Links to Poverty Reduction Strategies (PRS) and Social Spending

254. PSI-supported programs should be aligned with the country's own poverty reduction and growth objectives. The following specific guidance applies to PRS linkages:²²⁹

- Analogous to the requirements for financial support under the PRGT, it is expected that new PSI requests and PSI reviews would be accompanied by a statement, normally in the LOI or MEFP, of how the PSI advances the country's poverty reduction and growth objectives. In cases where a relevant PRS document exists, this description in the LOI/MEFP could cross-reference to the PRS document, and the PSI-supported program should be consistent with the objectives of the PRS in the context of maintaining a broadly stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. It is expected that the description would be more detailed at the time of the initial request for a PSI or when a new PRGS is produced by the member country.²³⁰ The PRGS is a PRS document that meets the requirements defined below and in Appendix V.
- A PRS issued to the Board on or after May 24, 2019 shall be named a PRGS and a PRS that has been issued to the Board as an EDD shall be deemed a PRGS. The PRGS may take two forms: (i) an existing national development plan or strategy document on the country's PRS; or (ii) a newly prepared document on the country's PRS. The PRGS would need to meet minimum standards and countries would be encouraged to follow good practice guidelines.²³¹ A PRGS shall be accompanied by a cover letter from the member country concerned to the Managing Director, and shall be issued to the Executive Board with the cover letter.
- Whenever a PSI-supported program with an initial duration of more than two years is under consideration (including cases where support is currently provided under an SMP, SCF, or RCF), staff should inform the authorities at an early stage about the relevant definitions and timelines for PRGS requirements (Appendix V) to ensure adequate time for the PRGS process (a PRGS is not required for a PSI-supported program of two years or less).
- For a PSI with an initial duration of more than two years, while a PRGS document is not required at the time of initial Board consideration of the PSI request, the second (and every subsequent) review under the PSI can be completed only if (a) the member has a PRGS that has been developed and made publicly available normally within the previous five years, but no more than six years, and covers the period leading up to and covering the date of the completion of the relevant review; and (b) the PRGS document has been issued to the Executive Board and has

²²⁹ See Appendix V for detailed guidance on poverty reduction objectives and related documents.

²³⁰ Following the 2018–19 review of LIC facilities, the Board decisions renamed the EDD (economic development document) as the Poverty Reduction and Growth Strategy (PRGS) to provide it with a title more closely linked to its objectives. Key features of the EDD from the 2015 Board decision were preserved. The minimum standards and good practice guidelines for EDD content, as well as the approach of seeking World Bank staffs' views through an assessment letter, approved in 2015 (see IMF, 2015m), will apply to countries' PRGS.

²³¹ See Appendix V for a definition of an PRGS, minimum standards and good practice guidelines.

been the subject of a staff analysis in the staff report on a request for a PSI or a review under a PSI. Requests for extensions to produce the PRGS beyond the second review will not be permitted under the PSI, given that countries with limited capacity to prepare a PRGS would not normally be expected to request support under the PSI.

- Staff views on the PRGS are to be provided in program documentation. In particular, the staff report should discuss how policies pursued under the PSI contribute to the member's PRGS.
- A letter of assessment of the authorities' PRGS should be requested from the World Bank to help inform Fund staff and the Board about the PRGS, which would complement the analysis provided by Fund staff in the program documentation. The letter of assessment is circulated to the Board at the same time as the PRGS.
- Staff would report to the Board on the implementation of the PRGS by including a discussion of relevant developments in the implementation of policies supporting the member's PRGS. Staff assessment of the PRGS implementation is done in the context of a PRGS Implementation Review (PIR), by the time of the fifth review. PRGS implementation following its launch would also be tracked in the member's LOI/MEFP.

255. Social and other priority spending should be safeguarded and, whenever appropriate, increased under PSI-supported programs. Analogous to programs supported through financial assistance under the PRGT, this objective could usefully be monitored through explicit program targets, for instance through an indicative floor on social and other priority spending. The definition of what constitutes social or other priority spending should be consistent with the authorities' poverty reduction and growth objectives. In cases where such expenditures are not tracked, the program documentation could report on progress in developing a tracking system. Staff should also alert the authorities that Fund's concessional financial support generally includes conditionality related to safeguarding social and other priority spending where feasible.

Debt Sustainability Analysis (DSA)

256. PSI-supported programs should be underpinned by a thorough DSA to inform the elaboration of medium-term debt strategies and fiscal frameworks. Country teams should engage with the authorities in the preparation of DSAs, discuss the results, and share the final files with the relevant officials. DSAs for LICs should be prepared jointly with the World Bank, and country teams should also involve other relevant MDBs in the preparation of DSAs. Joint DSAs are required for PRGT-eligible countries that also have access to IDA resources.

257. As a general rule, a DSA should be produced at least once every calendar year. A new DSA should be produced for any new request for IMF financing (even when an annual DSA has already been completed).²³² For program countries, a new DSA is also needed where there is a

²³² Article IV Consultations should be accompanied by a DSA. See [Guidance Note for Surveillance Under Article IV Consultations](#) (IMF, 2022h).

proposed modification to a performance criterion related to debt limits, or request for a waiver for non-compliance with a performance criterion related to debt limits. The purpose of the DSA is to assess the impact of the modification or waiver on debt sustainability. A new DSA is also needed when the country experiences significant changes in economic circumstances and borrowing assumptions (including due to conflict and natural disasters).

258. DSAs for LICs should be presented as self-contained documents (see Appendix I). They should normally be prepared using the LIC DSF.²³³ The LIC DSF analysis includes three components:²³⁴

- A forward-looking analysis (20-year projection) of debt and debt-service dynamics under a baseline scenario, alternative scenarios, and standardized stress tests;
- An explicit rating of the risk of external debt distress (low, moderate, high, or in debt distress) based on indicative country-specific debt-burden thresholds that depend on the quality of policies and institutions in the country; and an assessment of the overall risk of debt distress; and
- Recommendations on a borrowing (and lending) strategy to limit the risk of debt distress, while maximizing the resource envelope to achieve the country's development objectives.

Collaboration with the World Bank and Other Development Partners

259. Fund staff should consult closely with all major development partners active in the country when designing and monitoring a PSI-supported program. In addition to this routine collaboration, the JMAP²³⁵ approved by the Boards of the World Bank and IMF calls on Bank and Fund country teams to consult with each other at least once a year in order to identify the country's key macroeconomic and structural reform challenges and coordinate work plans in support of addressing these challenges (see Appendix I).

F. Conditionality

Conditionality Principles

260. Conditionality, i.e., the set of program-related conditions, under a PSI is aimed at assessing whether a member's policies are strong enough to meet the program objectives.

²³³ DSAs using the LIC-DSF template should be used for all PRGT-eligible countries that also have access to IDA resources.

²³⁴ For the details on the use of the DSF, please see IMF, 2018b.

²³⁵ See IMF, 2007c and 2010d.

Consistent with the Fund's Guidelines on Conditionality,²³⁶ conditions will normally consist of macroeconomic variables and structural measures that are reasonably within the member's direct control and that are, generally, either (i) of critical importance for achieving the goals of the program (or for monitoring program implementation), or (ii) necessary for the implementation of specific provisions of the IMF Articles of Agreement or policies adopted under them. In some cases, conditions may be outside the Fund's core areas of expertise, in which case a more detailed explanation of their critical importance is required.

261. Analogous to ECF and SCF arrangements, PSI-supported programs must meet the UCT-conditionality standard, which requires the commitment and capacity by the authorities to implement a set of policies that is adequate to correct external imbalances, and enable repayment to the Fund within the specified maturity period in the event that the member uses Fund resources or has any credit outstanding under the GRA or PRGT.

Specification of Program Conditions

262. Program conditionality will include quantitative periodic and continuous ACs, and typically also indicative targets and structural benchmarks, as well as prior actions if critical (see Appendix II for detailed guidance on quantitative conditions). Conditionality is set at the time of approval of the PSI and updated at the time of program reviews. Conditionality should normally be set (or modified) by the Board before the test date. For the establishment (or modification) of post-dated ACs, the program documents would have to be signed and circulated to the Board along with the staff report before the test date, and no information on implementation of the so established conditionality would be available at the time of the Board meeting.

263. Prior actions are measures that a member is expected to adopt prior to the Fund's approval of a PSI, completion of a review, or the granting of a waiver with respect to an AC, when it is critical for the successful implementation of the program that such actions be taken to underpin the upfront implementation of important measures. Prior actions are to be applied parsimoniously and specified in clear, objective, and unambiguous terms. Prior actions should in principle be implemented at least five working days before the Board discussion. They should be defined in the LOI/MEFP and cross-referenced in the relevant Board Decision. The use of prior actions is expected to be less frequent than in Fund financial arrangements, though they may nevertheless provide a mechanism for a member to remedy policy or other slippages.

264. Quantitative ACs would normally be set on a semiannual basis and tied to semiannual program reviews, while quantitative benchmarks (also referred to as indicative targets) would normally be specified on a quarterly basis. However, when warranted by country circumstances, such as the need to align with the member's budget cycle, review dates may be set at different intervals. The interval between scheduled review dates may not exceed six months and there should be ACs

²³⁶ See IMF, 2010b and 2006a. As specified in the PSI Framework Decision, the Guidelines on Conditionality apply to the PSI where relevant and except where the PSI Framework decision sets forth different or more specific provisions. ([Decision No. 13561-\(05/85\)](#), as amended paragraph 17).

associated with each review. Conditionality should cover all test dates that fall within the 12 months after the Board meeting. Specifically, at the time of initial approval and each review, ACs must be established for the shorter of (i) the next two scheduled reviews or (ii) the remaining period of the PSI.

265. Quantitative ACs typically include measures of net international reserves, central bank domestic assets, domestic and fiscal balances or financing, limits on external debt, and any other macro-critical indicators. ACs are usually subject to program adjustors that reflect deviations from projected external flows. Indicative targets should include a floor on social and other priority spending where possible, and may include other indicators such as reserve money.

266. Continuous ACs always include, inter alia, commitments related to non-introduction or intensification of exchange restrictions and on non-introduction or modification of multiple currency practices. Other continuous ACs typically include the non-accumulation of external payments arrears. See Appendix II, Section G, for details. Public debt conditionality would normally be required when a member faces significant debt vulnerabilities, or when there are merits to using debt targets instead of, or as a complement to, "above-the line" fiscal conditionality²³⁷ (see Appendix II Section E for details on specification of debt conditionality).

267. PSI-supported programs normally include an agenda for macro-critical structural reforms, with a focus on "second-generation reforms" aimed at enhancing the country's growth potential and the capacity to manage volatility. Structural benchmarks are critical measures that are intended to serve as clear markers in the assessment of progress in the implementation of critical structural reforms in the context of a program review. Structural benchmarks should be used as parsimoniously as possible, and their macro-criticality explicitly justified in program documents, ideally in the structural benchmark table. Reviews are the primary tool for monitoring performance on the structural elements of the program, by judging progress relative to the relevant objectives.²³⁸ Specific objectives should be defined for periods covered by individual reviews, with related structural benchmarks that are critical for achieving the program's objectives. The appropriate number of structural benchmarks depends on a variety of country-specific factors, including the centrality of structural reforms for achieving the program's objectives and country capacity; PSI-supported programs would typically contain less than five structural benchmarks per semiannual review. The use of structural ACs was discontinued in 2009.

268. To the extent, the implementation of a structural benchmark is delayed beyond the relevant test date, such a measure will be found not to have been met but it can be proposed to the Board to establish such a measure as a new structural benchmark linked to the next program review, if the benchmark remains macro-critical to the program. If it seems that implementing a

²³⁷ Borrowing plans would also have a role in the assessment of implementation of debt conditionality in program reviews. Therefore, program documents should include a borrowing plan used as a basis to derive quantitative debt limits. A nonobservance of debt conditionality would require an assessment of the circumstances leading to it (see Annex II Section E).

²³⁸ See [Decision No. 14280-\(09/29\)](#), IMF (2009c), and [Decision No. 14317-\(09/41\)](#).

structural benchmark is no longer possible as defined under the program (say, due to a change in the authorities' reform plans or other changes in circumstances), a new benchmark or a modified version of the original one may be appropriate as long as it is critical to achieve program goals.

Waivers and Modifications

269. A waiver for nonobservance of an AC may be granted if the Fund is satisfied that the program will nevertheless be successfully implemented—i.e., that it will achieve its goals— either because of the minor or temporary nature of the nonobservance or because of remedial actions taken by the authorities to preserve program objectives. In contrast to Fund financial arrangements, a formal request from the member to grant waivers is not required under the PSI, and the title of the staff report need not state that waivers are proposed. Waivers for nonobservance are only approved for quantitative ACs that are tied to the review that is being completed or for continuous ACs that have been missed.

270. Waivers of applicability are not possible under a PSI. Where the authorities do not provide data on performance that would allow the Fund to determine the observance of an assessment criterion or that a waiver of nonobservance is warranted, the corresponding review cannot be completed. In those circumstances where data with respect to an assessment criterion is unavailable, the review (which cannot be completed) will nevertheless assess performance against the other ACs and program elements for which data were available.

271. Modifications to program conditionality that has already been set by the Board may be appropriate when departures from ACs are expected to occur, for instance when basic program assumptions have not been realized or significant developments have occurred that had not been anticipated when the ACs were set, provided that the new targets remain macro-critical. Requests for such modifications must be submitted to the Board before the relevant test date has been passed, and must be approved by the Board before information on the observance of the AC is available, normally in the context of a program review. In exceptional cases, modifications of ACs can be approved by the Board outside the context of a program review, provided the authorities and staff have common understandings on appropriate policies through the next review as documented in a revised or new LOI with an updated AC table, and, where relevant, TMU. Such modifications outside of a review could be appropriate if the original targets are no longer critical due to developments beyond the authorities' control (including staff errors). Board approval would require a staff report that discusses the reasons for the modification, including why it is proposed outside the review context, the status of the program, and relevant policy understandings.

Misreporting

272. The framework for dealing with misreporting under the PSI is tailored specifically to the PSI modalities and the fact that the PSI does not entail the UFR. Accordingly, the PSI

misreporting framework is simplified compared to the more comprehensive framework applicable in the UFR context.²³⁹

273. Board decisions approving a PSI or completing a review under a PSI are conditioned on the accuracy of information reported by the member on performance under assessment criteria (whether found to have been met or waived) and on the implementation of prior actions (if any) specified in the respective Board decision. Whenever evidence comes to the attention of the staff indicating that the member’s reporting of such information was inaccurate in relation to a PSI approved or a review completed within the preceding three years, the MD shall promptly inform the member concerned. “Inaccuracy” of information should be interpreted in the same manner as in cases of misreporting under financial arrangements. For example, with respect to a quantitative AC, information would be inaccurate if the member reported that the AC was met when it turns out not to have been met. If the MD finds, after consultation with the member, that the member had reported inaccurate information to the Fund, in the above-noted circumstances, the MD shall promptly notify the member of this finding.

274. The Board’s consideration of the misreporting will normally take place at the same time as the next scheduled PSI review, based on a combined misreporting/review staff report, but could take place earlier if, e.g., the review is some way off and the circumstances of the misreporting warrant earlier consideration. The Executive Board shall reassess program performance in light of the revised information associated with the misreporting. Such a reassessment of past program performance in the light of a misreporting will not lead to the Board retroactively reversing its decision completing a review, which subsequently had become associated with a misreporting.

275. In all cases in which the Board has determined that misreporting has occurred (except those cases found to be *de minimis*),²⁴⁰ relevant information on the Board decision, such as the finding of misreporting and any impact on past Board assessments under the member’s PSI, will be published by including it in the documents to be published after the Board discussion, such as a press release containing the Chairman’s Statement or summing up, with prior Board review of the text for publication. There are no waivers in the context of the PSI misreporting framework.

G. Program Reviews

Purpose of Program Reviews

276. Program reviews evaluate whether the program is on track to achieve its objectives. This evaluation is based on a backward-looking assessment—taking into account performance

²³⁹ The misreporting framework under [Article VIII, Section 5](#), of the Fund’s Articles of Agreement does not apply to information provided to the Fund solely for the purposes of a PSI. However, [Article VIII, Section 5](#) and its associated procedures would apply to information provided in the context of a PSI when such information is otherwise subject to [Article VIII, Section 5](#) (such as data listed in Annex A of [Decision No. 13183-\(04/10\)](#), adopted January 30, 2004), for instance because it is also provided in the context of bilateral surveillance.

²⁴⁰ See PSI Framework, [Decision No. 13561-\(05/85\)](#), as amended, paragraph 15 and 16(c). For a discussion of the misreporting policies in *de minimis* cases see IMF, 2006e.

against quantitative ACs, structural and quantitative benchmarks, and prior actions—and a forward-looking assessment of the prospects for successful program implementation, in particular, whether policy capacity and commitments are adequate for implementing the UCT-quality program and achieving the program’s objectives. For a PSI with an initial duration of more than two years, the second (and every subsequent) review can only be completed if (a) the member has a PRS document that has been developed and made publicly available normally within the five previous years, but no more than six years, and covers the period leading up to and covering the date of the completion of the relevant review; and (b) the PRS has been issued to the Executive Board as an PRGS that has been the subject of staff analysis in the staff report of a request for a PSI or a review under a PSI.

277. Completion of a review by the Board would signify the Fund’s assessment that the program is on track,²⁴¹ whereas noncompletion of a scheduled review would provide a signal that the program is off track. Noncompletion of two consecutive scheduled reviews would automatically terminate the PSI.

278. Reviews also update the program design, in particular, by specifying forward-looking policies and conditionality, and are the main vehicle for any potential modifications to program design, such as changes in conditionality, as may be necessary to achieve the program’s objectives in changing circumstances. At the time of approval and for each review, the authorities’ LOI presents or updates their policy program, and a staff report provides an overall assessment of performance and policy commitments.

“Fixed” Review Schedule and Test Dates

279. The timing of all reviews and test dates is summarized in a staff report table at the time of PSI approval, and updated as needed at the time of reviews. The quantitative indicator table (“AC table”) attached to the LOI/MEFP should clearly identify ACs and indicative targets, including adjustors, for at least a 12-month period from the Board date of the PSI approval or review, as indicated above. Similarly, the structural benchmark table should cover measures over at least a 12-month period, clearly indicating the reviews that individual benchmarks are linked to. The Decision attached to the staff should specify all ACs and review dates over the next 12 months from the Board date of the program approval/review.

280. Test dates for quantitative ACs are linked to reviews that will be conducted irrespective of the status of program implementation or prospects. When designing the schedule of test dates, careful consideration should be given to alignment with the country’s budget cycle. There is scope for some flexibility in setting the specific review dates and test dates relative to

²⁴¹ The last sentence of the staff appraisal is standardized: “Staff recommends completion of the X scheduled review.” The Chairman’s statement also includes standardized language: “The X scheduled review is completed.” In addition, the factual statement to be issued as a press release along with, or instead of, the Chairman’s statement should include this same reference.

the regular cycle, as long as they scheduled at most six months apart. The periodicity of program reviews can be timed flexibly. Each review would need to be associated with its own set of ACs and disbursements, so PSIs with a higher frequency of reviews would require ACs and disbursements of a similar frequency.

281. The test dates for ACs must be set such that all scheduled reviews can take place before the end of the PSI period, taking into account reporting lags and preparation and circulation periods for staff reports. Similarly, the review dates that are specified in the LOI/MEFP and the Decision for approval/review should be set such that all data needed to confirm observance of ACs at the related test dates would have become available.

282. All the program documentation for a review should normally be issued to the Board within four months following the test date for the quantitative ACs linked for that review, and the LOI shall in any case be issued prior to the test date for the earliest periodic quantitative ACs linked to the next scheduled review.²⁴² In line with circulation periods (Appendix I), it is expected that Board discussion of the review would normally occur two weeks after the issuance of such documentation. This “fixed” review schedule provides for regular reviews, with flexibility around a semiannual schedule, and is intended to ensure the strength and consistency of the Fund’s signal and provide donors and the private sector timely information to help them make independent judgments about their financing decisions.

283. The program period supported by a PSI would typically start somewhat before the Board approves the PSI, and three to six months before the first test date under semiannual monitoring. Analogous to programs supported through Fund financial arrangements, the program period should normally not start more than three months prior to the Board meeting, and in any case not before the authorities and staff have discussed the parameters of the program.

284. In the event that a member implementing a PSI-supported program also has an SCF arrangement in place, program reviews under the SCF arrangement should be scheduled at the same time as reviews of the PSI-supported program, and performance criteria under the SCF arrangement shall normally be established for the same test dates (and apply to the same variables and measures) as ACs under the PSI. A single set of documents related to PSI and SCF reviews should normally be issued to the Board. As noted in Section C, when used concurrently with the SCF, the schedule of reviews can be aligned either with the “fixed review cycle” of the PSI or on the more flexible review cycle of the SCF. With a PSI remaining on the fixed cycle, it is still required that the documentation for a review under the PSI would have to be issued to the Executive Board before the next relevant test date, irrespective of program performance and whether the review will be

²⁴² The staff report can be issued up to one month after that test date. This flexibility could be helpful, as noted in IMF, 2013d, for instance, when additional time is needed to finalize understandings with the authorities, or when there are clear indications that essential structural reforms required to complete the review are expected to be implemented within the one-month extension. Nonetheless the LOI and MEFP would normally have to be signed and circulated to the Board before the test date of the periodic assessment criteria associated with the next review.

completed. Shifting a PSI to the SCF review schedule would require amending the approved PSI such that a PSI review can be completed at a later stage.

Noncompletion of Reviews

285. In the event that performance is not sufficiently strong, or if understandings cannot be reached on the forward-looking elements of the program, a staff report must still be circulated to the Board normally within four months of the test date of the periodic ACs linked to that review and in any event prior to the test date linked to the next scheduled review. The report will provide an assessment of performance relative to program objectives and indicate clearly areas where staff's and the authorities' views diverge (including through the use of appropriate tables). The staff appraisal will recommend that the review not be completed at this time. To the extent possible, the staff appraisal will elaborate on the steps needed to bring the program back on track.²⁴³

286. The normal procedure for indicating that an off-track program has been brought back on track would be through completion of the next scheduled review (assessment criteria are required to be set for two upcoming test dates). To the extent that performance was not sufficiently strong to complete a particular review, bringing a PSI-supported program back on track would require corrective action. In addition, staff assessment letters can be used to fill information gaps between two scheduled reviews, and in particular, to report on performance improvements following an uncompleted scheduled review.

287. While it is in principle possible to return to an uncompleted review, this would be very rare in practice as related documentation would have to be issued to the Board prior to the test date linked to the review, thus allowing only a very narrow timeframe. Moreover, this option is not available if the review is the second consecutive uncompleted scheduled review.

288. The noncompletion of two consecutive scheduled reviews (or, in case of concurrent use of the PSI with the SCF, if no scheduled review is completed within 12 months of the completion of the last scheduled review) signifies the lack of Board endorsement of the member's policies, and the PSI would automatically lapse as of the date of the Board's second consecutive decision not to complete a scheduled review.²⁴⁴ An SMP may be appropriate, in some circumstances, to reestablish a track record for a future Fund-supported program under the PSI, SCF, or (in rare cases) ECF after a PSI has terminated in this fashion. See Appendix III for a discussion of different types of track records.

²⁴³ The last sentence of the staff appraisal would be standard: "Staff does not recommend completion of the X scheduled review." The Chairman's statement also includes standardized language: "The X scheduled review is not completed." In addition, the factual statement to be issued as a press release along with, or instead of, the Chairman's statement should include this same reference.

²⁴⁴ The staff appraisal would include the following standard language: "Staff does not recommend completion of the X scheduled review. With two consecutive reviews not completed, the current PSI would lapse." The Chairman's statement also includes standardized language: "The X scheduled review is not completed. With two consecutive reviews not completed, the current PSI will now lapse." In addition, the factual statement to be issued as a press release along with, or instead of, the Chairman's statement should include this same reference.

H. Other Relevant Policies

289. A number of additional modalities and policy requirements apply to the PSI, including the following:

- **Ex-Post Peer Review Assessments.** Engagement under the PSI does not count toward determining the policy on LTPE. However, for members interested in a PSI, and for which an ex-post peer review assessment is otherwise required, it is expected that the ex post peer review assessments would be conducted and presented to the Executive Board for consideration at the time of the request for a PSI.
- **PFA.** Engagement in a PSI would provide an alternative vehicle for PFA with respect to members that are, in principle, subject to such monitoring in light of their outstanding obligations to the Fund.²⁴⁵ Accordingly, members with a PSI would be treated similarly to members with programs supported by a Fund financial arrangement or SMPs for the purposes of PFA. In such cases, PSI staff reports should include a section on the member's capacity to repay the Fund.
- **Article IV consultation cycle.** The 24-month cycle for Article IV consultations applies to members with a PSI.²⁴⁶ Specifically, Article IV consultations with members that have an on-track PSI in place would be expected to be completed within 24 months after the completion of the previous Article IV consultation. In cases where a program review is not completed by the date for completion specified in the PSI, the next Article IV consultation would be expected to be completed by the later of (i) six months after the scheduled review date and (ii) 12 months plus a grace period of three months after the previous Article IV consultation, *unless* the program review has been completed prior to the later of these two dates, in which case the 24-month cycle continues to apply. A member that has completed a PSI by completing all reviews may remain on the 24-month cycle, if it does not meet any of the criteria specified in paragraph 2 of [Decision No. 14747-\(10/96\)](#): (i) the member is of systemic or regional importance; (ii) the member is perceived to be at risk, or is facing pressing policy issues of broad interest to the Fund membership; or (iii) the member has outstanding Fund credit exceeding 145 percent of quota. At the time of the final review under the PSI, staff should assess whether the consultation cycle should be shortened back to 12 months, based on the criteria mentioned above. When this is the case, the staff report for the final review should seek the Board's approval of such shortening.²⁴⁷ Where the PSI is cancelled by the member or expires with uncompleted reviews, the member will remain on the existing cycle, unless the Executive Board determines, based on the criteria specified in paragraph 1 of [Decision No. 14747-\(10/96\)](#) that a different cycle will apply.

²⁴⁵ See [Decision No. 15763-\(15/39\)](#).

²⁴⁶ See [Decision No. 14747-\(10/96\)](#).

²⁴⁷ See IMF, 2009j.

- **Exchange System obligations under Articles VIII and XIV and Data Provision under [Article VIII, Section 5](#).** Requirements under [Article VIII Sections 2, 3, 4](#), and [Article XIV](#) are discussed in IMF (2006d). A standard continuous AC applies, inter alia, to the non-introduction or intensification of exchange restrictions and on the non-introduction or modification of multiple currency practices (see Appendix II, Section G).
- **HIPC.** Countries with unsustainable external debt situations that qualify for HIPC debt relief would, by definition, not meet the qualification standard for a PSI. PSI-supported programs are therefore not included in the programs specified by the PRGF-HIPC Trust Instrument for establishing track records toward the HIPC decision or completion points.
- **Side letters.** The use of side letters in LIC programs has been extremely rare. Side letters may be used when release of information on policy understandings at the time of a PSI request or review would cause adverse market reaction or undermine the authorities' efforts to prepare the domestic groundwork for a measure.²⁴⁸

²⁴⁸ For the Fund's policy on side letters, see [Decision No. 12067-\(99/108\)](#).

Appendix I. Documentation and Review Process

This Appendix summarizes documentation requirements and the chronological steps for a typical mission cycle in a LIC.¹

A. Introduction

1. All staff papers concerning the UFR, other program support (PSI and SMP) and surveillance for a particular country are prepared by area department-led mission teams. The area department and SPR have joint responsibility for clearance prior to submission to management. The review process also involves LEG and FIN. Other functional departments will review these documents according to their own internal rules and will follow the review-on-demand principle (area departments can request from non-reviewing functional departments to review documents on demand).

B. Pre-Mission Work

2. Early consultation: In cases where new financing or program support is envisaged, mission teams are encouraged to consult informally with SPR (and if relevant FIN or LEG) at an early stage to get information on relevant Fund policies, in particular on the choice of LIC instrument, access and phasing², PRS and DSA requirements, early Board briefings, as well as technical issues related to Heavily Indebted Poor Country/Multilateral Debt Relief Initiative (HIPC/MDRI), safeguards assessments, fiscal safeguards reviews, external arrears, financing assurances (including from the Paris Club), misreporting, exchange restrictions, as applicable.

3. Policy Note (PN): In preparation for policy discussions with country authorities (UFR, surveillance, and other program support), area departments will prepare a PN. The PN should include a sufficient exposition of (i) background diagnostics (including recent developments), (ii) the economic outlook, (iii) the staff's and the authorities' positions on key policy issues, (iv) program objectives and design where relevant, (v) risks and mitigation measures, and (vi) a capacity to repay paragraph with a bottom line assessment and references to metrics in the CtR table and/or to metrics included in cross-country CtR charts when applicable (see previous sections of this Handbook). Supportive charts should be included. The PN should always include the standard set of macroeconomic tables (see below). Divergences of views with reviewing departments, brought up during the Policy Consultation Meeting (see below), should be flagged upfront in the PN. The final

¹ Article IV consultations in LICs need to meet the surveillance requirements as specified in *Guidance Note for Surveillance Under Article IV Consultations* (IMF, 2022h).

² While departments are encouraged to consult informally with SPR and FIN on policies and access, country teams are ultimately responsible for making their access calculations and verifying whether their proposed access and phasing trigger any policy safeguards.

PN should be sent to management for clearance. Procedures for management clearance should be decided jointly by the area department and SPR according to the criteria in Table 1.

4. The standard macroeconomic tables include the following: (i) selected economic indicators; (ii) government accounts (in national currency and percent of GDP); (iii) monetary survey (central bank accounts and commercial bank accounts); and (iv) the balance of payments. Program tables should include: (i) a table with quantitative conditionality (the “PC table”) that covers (a) previously established targets and outturns (PCs and indicative targets) over at least the past 12 months, (b) PCs established for the next 12 months (from the expected Board date), and (c) indicative targets through the end of the calendar year (or fiscal year) for which policies are being discussed; (ii) a structural benchmark table covering (a) the implementation status of previously established benchmarks and (b) benchmarks covering the next 12 months, highlighting their timing and criticality; (iii) a table with the approved and proposed schedule of disbursements and reviews; (iv) financing requirements and sources; and, in the case of new financing requests or augmentations, or if the macroeconomic environment has changed significantly, and (v) the member’s capacity to repay the Fund.³

5. Area departments are encouraged to attach background material in the form of concise and focused appendices to the PN, including the analytical underpinnings of program design, exchange rate assessment, HIPC/MDRI issues, and others as applicable. In cases where the DSA is required, the DSA graph and tables should be attached to the PN. Attaching draft staff reports is not encouraged. Area departments can request from functional departments cross-country information and analysis that would be useful for the PN. To do this on a timely basis, area departments should informally contact functional departments about one to two months before the scheduled mission.

6. A full PN (typically three–four pages of text, see Section F)—to be circulated for departmental review—is required for all missions, staff visits, and authorities’ visits with substantive policy discussions that are not mostly covered in a previously cleared PN. The PN should be shorter for missions and visits whose aim is to continue policy discussions on the basis of a previously cleared (full) PN. Such a shortened PN would also be appropriate for staff visits aimed at holding substantive (as opposed to purely technical) discussions on key budget parameters if these parameters are consistent with the macroeconomic framework set out in a previous full PN or staff report. Such a shortened PN should include a brief update on recent developments, the status of discussions, and, if relevant, justification for any proposed changes to the previous PN.

7. For staff visits that are technical or information-seeking, a short memorandum—to be circulated to review departments for information only—would be sufficient provided that area

³ In the case of SCF arrangements treated as precautionary, the baseline scenario should be presented showing no Fund financing, while an alternative scenario should illustrate the potential balance of payments need, including the potential capacity to repay the Fund indicators.

departments and SPR agree that there is no change in the policy line or economic circumstances since the last staff report and/or PN.

8. Policy Consultation Meetings (PCM): A PCM should be held approximately two to three weeks prior to missions. The PCM should establish a firm idea of what the final PN will look like, discussing issues and ideally reaching agreement. Review departments should ensure that the relevant people (i.e., able to speak for their department on the policy line) attend the meeting. Functional departments may send technical experts but this status should be made clear. All policy issues should ideally be raised at the PCM (not opened up subsequently). PCM participants are encouraged to check at the end of the PCM that they share the same understanding of what was agreed and to thereafter work interactively toward finalizing the PN. If needed, a follow up meeting may be called. Reviewing departments are encouraged to circulate any cross-country and technical analyses ahead of the PCM and to give the area department an informal heads up of the issues they intend to raise (but avoid extensive written comments).

9. Cover memorandum for PN: The final PN should be sent to management for clearance with a cover memorandum. The cover memorandum should provide concise and candid information on the following: (i) key issues—economic situation, including vulnerabilities to an external or financial crisis; (ii) staff's main recommendations; (iii) main issues raised in the review process, including reconciliation of diverging departmental views as appropriate; and (iv) any controversial aspects. The cover memorandum should also clarify the requested management action. SPR will review the cover memorandum but does not "clear it". An exception is the section detailing the review process, which should fully reflect any departmental disagreements and be cleared by SPR. The protocol for management clearance of the cover memorandum is provided in Table 1 below.

Appendix I. Table 1. Management Clearance

Process	Circumstances
Management review	Systemic, vulnerable, new program, or exceptional access countries
Lapse of Time basis	All other countries
Meeting with management	Major differences of views between area and reviewing departments

C. On Mission

10. LOI/MEFP: For new financing/arrangement/instrument (e.g., PSI) requests and for program reviews (including under the PSI), the authorities of the member country will need to sign a statement that sets out the policies and measures they intend to pursue in line with their Fund-supported program. This statement is presented in the form of an LOI and typically includes an accompanying MEFP. Under the standard that has been long applied in the Fund, the LOI must be signed by representatives of those agencies of the member that are responsible for formulating and

implementing the policy commitments included in the LOI/MEFP. Accordingly, it is standard practice that both the minister of finance and the governor of the central bank sign the LOI, although the latter may not be appropriate in currency unions. Signature by presidents and prime ministers is also possible. For routine program reviews, a more detailed LOI could in some cases obviate the need for an MEFP. However, this would presume that a previous MEFP discussed the policies applicable to the 12-month period following the review. The LOI/MEFP should draw out specific actions in support of the program and usually contain (i) a table with quantitative performance criteria that cover the next 12 months (from the Board date) and indicative targets that extend through the end of the calendar year (or fiscal year) for which policies are being discussed, and (ii) a structural benchmark table, with benchmarks covering the next 12 months, highlighting their timing and criticality.⁴ The LOI should also include the standard consultation clause that authorities will consult with the Fund ahead of any revisions to the measures outlined in the MEFP, in accordance with the Fund's policies on such consultations. For the initial arrangement/financing/instrument request and at each review, the LOI/MEFP should specify how the program advances the country's poverty reduction and growth objectives and policies. It is expected that the description would be more detailed at the time of the initial arrangement/financing/instrument request or when a new PRGS has been transmitted to the Executive Board. In cases where a relevant PRS document exists, this description in the LOI/MEFP could cross-reference the PRS document. In cases where a relevant PRS document does not exist, the program documentation (e.g., in an attachment to the LOI or MEFP) should outline the country's medium-term poverty reduction and growth objectives and policies. Subsequent program documents should refer to this documentation and update it as necessary. A draft LOI/MEFP should be discussed during the mission, and the authorities should be advised that these understandings are reached with staff *ad referendum*; i.e., subject to Fund management approval. The authorities should therefore not sign the LOI prior to management approval.

11. Technical Memorandum of Understanding (TMU): For new arrangement/financing/instrument requests, the LOI/MEFP must be accompanied by a TMU that clearly and precisely defines the PCs under the program, including the definitions of indicators, the coverage of government and the monetary authorities, exchange rate valuation for program purposes, program adjustors, data submission requirements, etc.⁵ Standard language⁶ on the definition for external debt should also be included.

12. Side letters: The use of side letters in PRGT programs and financing requests has been extremely rare. Side letters may be used when release of information on policy understandings at the time of an emergency financing request or a request for financing or non-financing arrangement

⁴ For more details, see *Revised Operational Guidance Note on Conditionality* (IMF, 2008a) and *Creating Policy Space—Responsive Design and Streamlined Conditionality in Recent Low-Income Country Programs* (IMF, 2009i).

⁵ For more details, see IMF, 2008a and 2009i.

⁶ See [Guidelines on Performance Criteria with respect to External Debt in Fund Arrangements](#), and [Decision No. 6230-\(79/140\)](#), as amended, and [Staff Guidance Note on the Implementation of Public Debt Limits in Fund-Supported Programs](#) (IMF, 2015e).

or review would cause adverse market reaction or undermine the authorities' efforts to prepare the domestic groundwork for a measure.⁷

13. Concluding Statement: Mission Concluding Statements summarize the discussions between country authorities and an IMF staff team. While these are not negotiated documents, drafts are typically shared with country authorities as a courtesy. They can be posted on the IMF website with the consent of country authorities. For Article IV missions, it is standard practice for teams to leave a Concluding Statement with the authorities, recapitulating the mission's assessment of the macroeconomic situation and its policy advice. A Concluding Statement is also sometimes useful in missions that do not result in understandings on a new financing/arrangement/instrument request or program review.

14. End-of-mission Press Release: It is often useful for missions to issue a press statement at the end of a mission, especially when understandings on a new arrangement/financing/instrument request or program review are reached. Such press statements can provide an opportunity to focus the attention of the local media and key stakeholders on the main policy issues and build an understanding for the role of the Fund in the country. Staff should inform the authorities of their intention to issue a press statement. Missions are encouraged to inform the COM country press officer or Media Relations of press plans and should clear the written statement before its release. The mission should also give the authorities an opportunity to review the draft press statement. While it is preferable for mission teams to publish either a concluding statement or a press release at the end of a staff mission, but not both, there are circumstances where a press release may be warranted in addition to the publication of a concluding statement—for example, when the authorities may not have taken a decision on the publication of the concluding statement at the time of the mission ending.

D. Post-Mission Work

15. Back-to-Office Report: The mission chief should send a back-to-office report (BTO) to management within two working days of the mission's return to headquarters. The BTO should be short (up to two pages) and should mention the nature of the mission (with mission members listed in a footnote) and the key issues, with an attached Selected Economic Indicators table.

16. Staff Report: A staff report is required for an Article IV consultation, initial arrangement (financing or non-financing instrument) request, and at the time of each program review. This includes the ECF, SCF, RCF, PSI, and SMP. Short staff reports to the Board would also be required where program design is modified in between reviews (e.g., modification of PCs, short-term extension of arrangements, augmentation requests at ad hoc reviews, etc.). All such staff reports should include (i) background diagnostics (including recent economic and political developments), (ii) the economic outlook, including downside risks and debt vulnerabilities (referring to the most recent DSA), (iii) the authorities' policy objectives and plans, (iv) capacity to repay with a bottom line

⁷ For the Fund's policy on side letters, see [Decision No. 12067-\(99/108\)](#).

assessment and references to metrics in the CtR table and/or to metrics included in cross country CtR charts when applicable (see above); and (v) a staff appraisal of the key policy issues. Article IV reports contain a number of additional elements and requirements.⁸ Where applicable staff appraisals should also make recommendations for approvals of requests for (i) waivers of nonobservance of PCs, (ii) extension of arrangement, (iii) augmentation, (iv) rephrasing, and (v) modification of existing PCs, providing justification that builds on material in the main body of the report to support the recommendation. Any combined UFR and Article IV staff report should meet the same Article IV requirements as for members without Fund-supported programs. It is important that the Article IV coverage remain comprehensive and deal with all the relevant issues, in particular critical medium- or longer-term policy issues. Staff reports for members subject to safeguards assessments and monitoring should include a summary safeguards paragraph in the main body of the report on the status of the safeguards issues, including any significant recommendations on legislative amendments that involve parties external to the central bank, problems in obtaining access to data, and deviations from commitments relating to safeguards recommendations.⁹

17. Program documents involving initial requests for ECF, SCF, RCF, or PSI support should set out overall program objectives and specific policy understandings. Staff reports should explain the choice of instrument, the determination and phasing of access, and the design of conditionality.¹⁰ All program staff reports, both initial requests and reviews, should discuss key near-term policy goals and commitments (typically over the next 12 months), and program financing.¹¹ Staff reports for program reviews should also discuss performance relative to program conditionality.

18. Staff reports should contain a full set of macroeconomic tables, including: (i) selected economic indicators; (ii) government accounts (in national currency and percent of GDP), (iii) monetary survey (central bank accounts and commercial bank accounts), and (d) the balance of payments. A standard table on Sustainable Development Goals (SDG) indicators is not a requirement but is encouraged to be included in staff reports if relevant about once a year (normally staff reports covering Article IV consultations and request for new Fund arrangements/instruments/financing).

19. Staff report tables for arrangements/instruments/financing requests or reviews should also include: (i) the approved and proposed schedule of disbursements and reviews, (ii) financing requirements and sources, and, in the case of new financing requests or augmentations, or if the macroeconomic environment has changed significantly, and (ii) the member's capacity to repay the

⁸ See the latest version of *Guidance Note for Surveillance Under Article IV Consultations* (IMF, 2022h).

⁹ See IMF, 2015i and 2015h.

¹⁰ In the case of SCF arrangements treated as precautionary, the baseline scenario should be presented showing no Fund financing. The potential balance of payments need that might emerge could be highlighted, for example, by discussing how the most volatile external flows may be affected by exogenous shocks, and/or by presenting alternative scenarios showing the possible sources of need.

¹¹ For more details, see the sections on "Financing Assurances, Arrears, and Safeguards" and "Conditionality" in Chapters II–V of this *Handbook*.

Fund.¹² The staff report should also include staff’s qualitative assessment of the member’s capacity to repay the Fund.

20. The LOI/MEFP attached to arrangements/instruments/financing requests or reviews should include (i) a table with quantitative conditionality (the “PC table”) that covers (a) previously established targets and outturns (PCs and indicative targets) over at least the past 12 months—alternatively, reporting on past performance relative to quantitative targets can be included as a separate table in the staff report, (b) PCs established for the next 12 months (from the expected Board date), and (c) indicative targets through the end of the calendar year (or fiscal year) for which policies are being discussed; and (ii) a structural benchmark table covering (a) the implementation status of previously established benchmarks—alternatively, reporting on the status of previously established structural benchmarks can be included as a separate table in the staff report, and (b) benchmarks covering the next 12 months, highlighting their timing and criticality.

21. Management Clearance Memo: Management clearance of staff reports is based on a clearance note that states the main issues addressed in the report, clearly lays out any differences in views among departments, explains clearly any significant deviations from the PN, and highlights potentially controversial issues. A copy of the staff report’s Executive Summary should be attached.

22. Debt Sustainability Framework (DSF): A Joint Bank-Fund low-income country DSF (LIC DSA) should be prepared once a year for PRGT-eligible countries that also have access to IDA resources.¹³ A DSF (or DSF update) may also be required to support the proposed level of access (see Section D of the Handbook Chapters on the ECF, SCF, and RCF). The main conclusions of the DSF and its update should be discussed in the body of the staff report. The DSF or its update is subject to the same review process as a staff report and, when finalized, if not published as a stand-alone document, should be included as a supplement to the staff report. The final versions of the DSF files (external and fiscal templates) should be submitted to the SPR review box at the time the DSF (and staff report) is sent to the Board.

23. Informational Annex: An informational annex should be issued as a supplement to ECF, SCF, RCF, PSI, SMP requests, and Article IV reports. This annex comprises Relations with the Fund and Bank-Fund Collaboration, including the JMAP matrix (see below), and Relations with other Multilateral Institutions if applicable. A Statistical Issues annex should be included at least for Article IV reports. The annexes are subject to departmental review but do not require management clearance. The annexes should not be attached to the staff report. Instead, at the time of the issuance of the staff report to the Board, the annexes should be sent to Secretary’s Department (SEC) and posted on the web as a supplement to the staff report.

¹² In the case of SCF arrangements treated as precautionary, the baseline scenario should be presented showing no Fund financing, while an alternative scenario should illustrate the potential balance of payments need, including the potential capacity to repay the Fund indicators.

¹³ For further details, see IMF, 2018b.

24. Summing Up/Chairman’s Statement: All stand-alone UFR discussions and combined UFR with Article IV discussions require both a Summing Up and Chairman's Statement (Appendix I Table 2). Summings Up are read out for directors' comments at the conclusion of the Board meeting and should summarize issues in a readily understandable way and avoid sentences that are overly long or complex, or long lists of topics or measures and acronyms that are not widely known or previously defined. The key differences between Summing Ups and Chairman’s Statements include the following:

- The **Summing Up** is intended to present the Executive Board's formal views on the key issues at stake. For a combined UFR with Article IV discussions, the Summing Up contains a section on key policy issues discussed in the context of the Article IV consultation followed by a separate short section at the end on key program issues. Only the latter section is required for a standalone UFR discussion. The Summing Up should cover certain core areas: recent economic performance or performance under the program, the economic outlook, risks and challenges, and macroeconomic and structural policy issues. The Summing Up should have a clear forward-looking element, and, for a country with a Fund-supported program, include what directors consider the most critical elements for the success of the program. In cases where the Executive Board approves the staff appraisal to shorten the Article IV consultation cycle, the Summing Up should reflect such approval by the Board.
- **Chairman's Statements** are prepared after the Executive Board adopts a decision regarding a country's use of Fund resources or completes a discussion about a country's participation in the HIPC initiative or a country's PRS-related document. The Chairman's Statement is intended to inform the public of the Board's decision on UFR and the Board's overall policy message. The Chairman's Statement should not attempt to cover the discussion as a whole or reflect divergent Directors' views, but rather convey a few (three to four) points on which the Board placed emphasis. It does not attribute statements to directors. Staff should exercise caution when referring to highly market-sensitive issues.

Type of discussion	Summing Up	Chairman's Statement	Press Release
Stand-alone UFR	Yes	Yes	No
Combined UFR with Article IV	Yes	Yes	Yes
Combined Ex Post Assessment/UFR	Yes	Yes	Yes
Stand-alone Post-Financing Assessment or Ex Post Assessment	Yes	No	Yes

25. Press Release:¹⁴ COM issues Press Releases for new financing requests and program reviews, containing the Chairman’s statements. Area Departments prepare the background section, to be reviewed by SPR upon demand. COM prepares the initial draft, including the Chairman’s statement, and requests comments from the area department, LEG, FIN, and the executive director of the country in question.

26. Staff Statements and Supplements: Staff statements should be prepared as needed if new or additional information becomes available after the submission of the staff report to the Board and before the Board meeting. The statement should explicitly mention whether the new information changes the thrust of staff’s assessment in the staff report. If there are significant changes, a staff supplement should be issued. The statements and supplements should be sent to SPR for clearance. They should be sent to management for their information and to SEC for Board circulation, at least four days before the Board meeting for statements and at least three days before the Board meeting for supplements.

E. Other Documents

27. An Ex-Post Peer Reviewed Assessment is required for all members considered as having LTPE, defined as having in place a Fund-supported financial arrangement for at least seven of the past 10 years.¹⁵ Time spent under the PSI and arrangements treated as precautionary do not count towards LTPE. For members that have been identified as meeting the LTPE definition and for whom an EPA or ex post peer review assessment has not been prepared in the past five years, ex post peer review assessments should be prepared if a successor arrangement is contemplated and be considered by the Board at the time of a request for a new arrangement.¹⁶ Staff should conduct an ex post peer review assessment at the beginning of the successor program negotiation or during the Article IV consultation, whichever is earlier, and incorporate its lessons in the new program design. Staff should circulate the draft assessment report to departments together with the PN for discussion of a successor arrangement or with the PN for the Article IV consultation, whichever is earlier. Ex post peer review assessments should be presented to the Executive Board for consideration as part of the staff report for request of a new program (i.e., as an annex or in the main text of the report).

28. A Joint Bank-Fund LIC DSA should be prepared annually for PRGT-eligible countries with access to IDA resources.¹⁷ A fully elaborated DSA is required at least once every three years, or whenever circumstances have changed significantly since the previous DSA, with shorter annual

¹⁴ Public Information Notices (PINs) ceased on July 2013 and have been consolidated into the Press Releases series.

¹⁵ For a complete discussion of LTPE, see IMF (2006b, 2010c, and 2015i) and *Staff Guidance Note for the Conduct of Ex Post Peer Reviewed Assessments of Members with Longer-Term Program Engagement* (IMF, 2016a).

¹⁶ This timing for the preparation of ex post peer review assessments applies to all new arrangements, including those precautionary upon approval, and PSIs.

¹⁷ See IMF, 2018b.

updates in the interim years possible in the absence of such significant changes. Full DSAs should be prepared in periods of heightened domestic, external, or global risk. A DSA (or DSA update) may also be required to support the proposed level of access. DSAs should be prepared as self-contained documents, normally issued as a supplement to staff reports. In particular, they should include a clear description of macroeconomic assumptions without referring to the Fund staff report to which they are a supplement. Full DSAs should be concise (four to five pages, excluding figures and tables or any appendices). As a difference, LIC DSA updates (between full DSAs) would be lighter exercises and consist of a very short write up covering important changes from the previous DSA and including the usual set of tables and charts. All DSAs must be prepared jointly by both institutions, regardless of whether the DSA is included in a Board document of one institution only, and must be submitted to both the IMF's and World Bank Executive Boards, be it for discussion or for information.

29. PRS documentation (Poverty Reduction and Growth Strategy—PRGS):¹⁸ For ECF and SCF arrangements and PSIs with an initial duration exceeding two years, a PRGS is required to be issued to the Board for completion of the second and subsequent reviews. The PRS covered in the PRGS must have been developed normally within five years but no more than six years leading up to and covering the relevant review. An assessment of the country's PRS has also to be requested from World Bank staff and circulated to the Fund Executive Board for information to help inform the Board on the quality of PRS.

30. The Joint Management Action Plan (JMAP):¹⁹ Under the JMAP, Bank and Fund country teams are asked to document the results of an annual consultation in a joint memorandum for files, identifying (i) the key macroeconomic and macro-critical structural challenges facing the country; (ii) policies and reforms to address these challenges and of each institution's priorities for supporting these reforms; (iii) respective work plans and outputs for the next 12 to 24 months, together with tentative mission schedules and delivery dates (summarized in an "action matrix" appended to the memorandum); (iv) information, analytical cross support, and other inputs (e.g., assessment letters) needed from institutional counterparts, including agreed delivery dates; and (v) any substantive disagreement on any of the above issues. In addition, when a Fund team prepares a staff report, it is expected to document Bank-Fund Collaboration in the appendix to the staff report. To avoid duplication, the appendix can simply be an appropriately reformatted version of the memorandum. Procedural detail of little interest to the Board can be deleted.

31. Review of Joint Fund-Bank Documents: Staff of both institutions should communicate at the outset with their counterparts to discuss respective review requirements and agree on a coordinated timetable for all joint documents that require review by both institutions and consideration by the Boards of the institutions.

¹⁸ For further details, see Appendix V, as well as IMF (2015b).

¹⁹ See IMF, 2007c and 2010d.

32. Assessment Letters:²⁰ Assessment Letters or statements are typically produced in response to requests from multilateral or bilateral donors or creditors, in particular, the World Bank and other multilateral institutions, although in some instances the request may come directly from the member country that is approaching donors for financial assistance. Assessment Letters should contain a clear and candid assessment of the member's macroeconomic conditions and prospects, and of macroeconomic and related structural policies. Specifically, the assessment should (i) identify existing macroeconomic imbalances and structural distortions; (ii) indicate to what extent current and planned policies are dealing with (or perhaps contributing to) these imbalances and distortions; and (iii) highlight policy areas where there are major outstanding concerns. To the extent possible, Assessment Letters should be derived from and consistent with the most recently available report (PNs, staff reports, etc.). Assessment Letters should also contain an account of the Fund's relations with the member country, including, where relevant, program discussions. They may not include language directly encouraging or discouraging assistance from donors. Assessment Letters are subject to the same SPR review and clearance procedures as program-related documents, and they require management approval. Circulation to the Board for information is required at the time of external dissemination. Although not generally done, Assessment Letters may be published on the IMF's external website or by the recipient institutions, only with the consent of the authorities.

33. HIPC Documents: If a country satisfies all eligibility criteria and decides to request HIPC assistance, a preliminary HIPC document is first required, followed by a decision point document and, finally, a completion point document (see Appendix IV). HIPC documents, including HIPC DSAs, are produced jointly with the Bank and are reviewed by both institutions. Standard procedures apply at the Fund for the review, clearance, and submission to the Board of HIPC documents.

34. Disbursements outside of scheduled reviews of available but undrawn amounts under SCF arrangements: A country is within its rights to draw outside of scheduled reviews previously approved but undrawn amounts under the SCF if (i) its representation of a balance of payments need meets the requirements of the PRGT instrument; (ii) the most recently scheduled review under the arrangement prior to the request has been completed; and (iii) available information indicates that its continuous PCs are being met. The Trust Instrument precludes staff from challenging a member's representation of a balance of payments need prior to providing the requested disbursement. However, the Trust Instrument indicates that if subsequently the Board decided that the disbursement took place in the absence of a need, it could seek repayment with interest normally within 30 days of its decision that early repayment is required. For a country to draw outside of scheduled reviews, it must send a letter to the MD communicating and explaining the decision. Staff will then circulate a short note for information to the Board, attaching the letter of the authorities. A press release is issued shortly afterwards.

²⁰ For more information, see *Guidance Note on Letters and Statements Assessing Members' Economic Conditions and Policies* (IMF, 2011d).

F. Length of Country Documents

35. On July 22, 2014, management approved the below (see table) limits on document length for PNs and staff reports, which apply for all notes/reports sent to management on or after September 1, 2014. In addition, management requested that, to ensure traction, all documents subject to word limits indicate both the actual word count and the applicable limit in the cover note, and that staff indicate the reasons for significant deviation in the cover note.

Appendix I. Box 1. Summary Table. Length Limits for Country Documents ^{1/}	
(In words)	
Policy notes	Limits
Typical surveillance and on-track programs	2,800
High vulnerability, G20 country and other global financial center, program request, program cases that are off-track, and combined AIV/UFR-PSI-SMP	3,600
Attachments (indicative limit; not for management clearance)	6,000 (or draft staff report, consistent with limits below)
Staff Reports	Limits (excluding annexes)
Stand-Alone AIV: regular	6,000
Stand-Alone AIV: G20 and global financial center	9,500
Stand-Alone UFR, PSI, SMP: request	6,000
Stand-Alone UFR, PSI, SMP: review	5,000
Exceptional access UFR	9,500
Combined AIV/UFR-PSI-SMP	9,500
Annexes (indicative limit; excluding DSA, informational annex, LOI, MEFP, TMU, and proposed decision)	2,000
^{1/} The limits would exclude the cover page/memo, (text) tables, (text) figures, the RAM, the ESR country page, and annexes regarding follow up to previous staff AIV advice or FSAP recommendations.	

Appendix II. Quantitative Conditionality

This Appendix discusses the specific issues concerning the selection, definition, and monitoring of quantitative (periodic and continuous) conditions under Fund-supported programs for LICs.¹

A. Periodicity and Definitions

1. **Under Fund-supported programs for LICs, quantitative PCs—or ACs in the case of the PSI— shall be phased no more than six months apart.** In practice, PCs are usually set on a semiannual basis and tied to semiannual program reviews, while quantitative benchmarks (also referred to as indicative targets) are normally specified for the intervening quarters. When closer monitoring is considered helpful for program implementation, PCs and reviews could be at quarterly intervals, for instance in the context of significant short-term volatility and/or uncertainty. There is scope for some flexibility in setting the specific availability/test dates relative to strict adherence to six-monthly cycles, for example when there is a need to align monitoring with national budget/reporting cycles, as long as deviations are minor.
2. **Quantitative periodic conditionality** should normally cover all test dates that fall within the 12 months after the Board meeting (initial approval or review). Under semiannual monitoring, PCs would therefore normally be established for two future test dates at the time of approval of the arrangement and at each review (except for the penultimate and final reviews). In circumstances where there is uncertainty relating to the PCs for the second test date, the targets may initially be set as ITs at the time of arrangement approval or review, and subsequently converted into PCs at the time of the next review. Specifically, the table of quantitative conditionality (the “PC table”) attached to the LOI/MEFP should clearly identify PCs, indicative targets, and adjustors for at least a 12-month period from the Board date of the arrangement approval or review. Indicative targets should extend through the end of the calendar year (or fiscal year) for which policies are being discussed.
3. **The precise definitions of PCs should be set out in a TMU attached to the LOI.** PCs and indicative targets for the main economic and financial indicators should be defined simply and clearly, and in a manner that makes it easy and relatively quick to measure.
4. **Quantitative periodic conditionality** is normally set as cumulative flows or changes in stocks from a single reference date (normally, the beginning of a calendar or fiscal year) through each test date. The first such reference date, set at the time of approval of a new financial arrangement or PSI, would have to coincide with or predate the start of the program period. The reference date would usually be moved ahead by one year on an annual basis. If it is considered appropriate, certain indicative targets (for instance on monetary aggregates or international

¹ The *Fund's Guidelines on Conditionality* (IMF, 2002d) apply to all Fund members. Principles and modalities of conditionality under the ECF, SCF, RCF, and PSI are discussed in the sections on “Conditionality” in Chapters II–V of this *Handbook*, including discussion of prior actions, structural conditionality, waivers, modifications, and misreporting.

reserves) may be set as period averages (e.g., over a number of days before or after the end-quarter date).

5. Quantitative PCs typically include measures of net international reserves, central bank domestic assets, domestic and fiscal balances or financing, limits on external debt, where applicable (see Section E), non-accumulation of external payments arrears, and any other macro-critical indicators. PCs are often subject to program adjustors that reflect deviations from projected external flows. Indicative targets should include a floor on social and other priority spending where possible.

B. Fiscal Targets

6. Programs should have fiscal PCs and indicative targets that are based on appropriate analytical fiscal indicators and have the desired institutional coverage. Fiscal targets should also aim to cover all relevant government entities and transactions. Most targets are specified at the level of the central government or the general government, with the general government being the appropriate choice where sub-national governments have major fiscal responsibilities and relevant data are available. The fiscal PCs should generally cover both budgetary and extra-budgetary activities of the government. In all cases, the TMU should provide a clear definition of what is included in the term “government” (e.g., central, central and local, or including nonfinancial public organizations) for purposes of fiscal PCs.

7. Fiscal conditionality should be set on the indicator(s) that are most crucial for achieving program goals. The general stance of fiscal policy, i.e., the program’s near-term fiscal anchor, is normally monitored through a PC on either a credit aggregate (e.g., net domestic financing of the government or net banking system credit to the government) or a deficit measure, (e.g., the overall deficit or the primary deficit of the government) or some combination of the above. Where a program is designed to address broad macroeconomic concerns, a deficit measure is a more appropriate basis for a PC. In particular, the overall deficit excluding grants will often be a good summary guide to the impact of fiscal policy on aggregate demand and inflation, while the overall deficit including grants will contain the governments’ borrowing requirement and debt accumulation. In many LICs, the near-term fiscal anchor focuses on domestic revenues and spending (excluding more volatile receipts and outlays related to donor support), whereas countries with relatively high capacity may focus on the overall fiscal deficit. Oil exporters may focus on non-oil balances. Adjustors may be used to correct for volatile or one-off flows, as discussed below. Where debt sustainability is a concern, the primary fiscal balance is sometimes used as an alternative to the overall balance. It may also be appropriate to set (typically indicative) fiscal targets on domestic revenue, domestic arrears, or on social and other priority spending (see below). The quality, accuracy, and timeliness of data will be important factors determining the precise definition of the fiscal targets, and whether certain targets should be monitored as PCs or indicative targets.

8. The PC measuring the general stance of fiscal policy is often measured using “below-the-line” financing data. While targets measured from “above-the-line” have advantages from an ownership and transparency standpoint—because national budgets focus on revenue, expenditure,

and the fiscal deficit, and not on the financing of the deficit—financing data are usually available more frequently, are more timely, and are of better quality. Revenue and expenditure data should be monitored to establish an above-the-line fiscal deficit that can be reconciled with below-the-line financing data, which can provide some reassurance that the data on the fiscal PC is accurate.

9. Exceptional receipts to the budget, such as proceeds from privatization or from a petroleum fund, should normally be defined as a financing item for the purposes of the program, though provisions may be made to allow some or all of these resources to be spent, where appropriate. In any case, the underlying economics of such exceptional expenditure items should guide program treatment (e.g., one-off receipts should not be used to finance permanent expenditure increases, even if such receipts are treated as revenue in statistical manuals).

10. Social and other priority spending should generally be safeguarded in Fund-supported programs in LICs. This should be monitored through explicit program targets, typically an indicative floor on social and other priority spending, whenever possible. The definition of what constitutes social or other priority spending should be consistent with the authorities' poverty reduction and growth objectives. In cases where tracking of such expenditures is not feasible, the program documentation should report on which measures are envisaged to develop an adequate tracking system. Staff should monitor progress in establishing these tracking systems, and the program may include relevant structural benchmarks if appropriate.

C. Monetary Targets

11. Monetary developments are normally monitored by setting a PC on net domestic assets, either of the central bank or the banking system (for reasons of data availability and quality, the former is more likely than the latter in many LICs). For purposes of monitoring, net domestic assets of the central bank may be defined as reserve money minus net international reserves or reserve money minus net foreign assets. In some cases, it may be appropriate to also include an indicative target on reserve money, banking sector credit, or broad money, in particular, when money or credit growth are of significant concern for inflation or banking system stability. A few Fund arrangements have set a PC on reserve money instead of net domestic assets. Which of the two is preferable depends on the priorities and risks of the program, the monetary regime, and the importance placed on protecting/increasing net international reserves relative to that placed on controlling inflation.² Money targets that are set as PCs should include an adjustor for changes in the reserve requirement, if applicable.

12. To provide flexibility and incentives for the development of a coherent framework for monetary analysis and monitoring, a review-based monetary policy consultation clause (MPCC) could be used in Fund-supported programs. Such option may be used by countries with evolving monetary policy frameworks that have minimal fiscal dominance, relatively low and stable inflation, and a good track record of monetary policy implementation supported by central bank technical

² For a further discussion, see IMF, 2007a, paragraph 40.

and institutional development (especially the capacity to analyze monetary conditions), or are committed to a substantial strengthening of the policy framework. Consideration of country-specific circumstances relative to this “standard” would be undertaken flexibly on a case-by-case basis, with learning from experience. Under the MPCC, monetary conditionality would include a quantified macroeconomic framework with a set of quarterly or semiannual monetary aggregate or inflation targets set normally within a single tolerance band, which would be assessed during relevant program reviews. Deviations from the band will trigger a consultation with the Executive Board as part of the general review process, which would focus on: (i) a broad-based assessment of the stance of monetary policy and whether the Fund-supported program is still on track; (ii) the reasons for program deviations, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary. When the consultation is triggered, access to Fund resources would be interrupted until it takes place and the relevant program review is completed. In addition, these programs would include a NIR floor, as a PC, to maintain external sustainability and safeguard the use of Fund resources. Indicative targets related to monetary policy (e.g., on Net Domestic Asset (NDA) or credit to the government) could also be included to address country-specific risks, such as external stability or fiscal dominance concerns. If the MPCC regime selects inflation as the central target variable, a narrower inner band could be used as an early warning mechanism that would trigger an informal consultation with Fund staff.³ Monetary ceilings are not required in programs that incorporate a currency board arrangement, or when the country is a member of a monetary union. However, where the rules of the currency board or monetary union give the member country some degree of control over credit growth, a monetary ceiling may be included in program conditionality.

D. Targets for International Reserves

13. Developments in international reserves are normally monitored by setting a floor on official (i.e., the central bank’s) net international reserves (NIR). The definition of the PC should specify the precise coverage of the monetary authority, particularly where this differs from, or is broader than, the net foreign assets on the balance sheet of the central bank.

14. In programs involving disbursements of Fund resources made directly to an account of the member’s Treasury in the central bank or monetary authority (i.e., direct budget financing) a composite central bank-Treasury aggregate should be used. In this case, the NIR (and NDA) measure used as a PC, should combine together the central bank and Treasury positions. For instance, where Fund disbursements are deposited to the account of the member’s Treasury at the central bank, while central bank NIR increases, composite NIR remains unchanged (central bank gross reserves increase, while Treasury liabilities to the Fund increase). Similarly, while central bank

³ For a further discussion, see *Conditionality in Evolving Monetary Policy Regimes* (IMF, 2014a). See also *Revised Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines* (IMF, 2014b) for a further discussion of the review-based approach to monetary policy conditionality in Fund-supported programs (paragraphs 21-22).

NDA declines, composite NDA remains unchanged (with increased government deposits at the central bank lowering central bank NDA and increasing Treasury NDA).

15. Because international reserves must be usable, they should be defined to include only convertible, liquid, and unpledged (unencumbered) assets that constitute claims on nonresidents, net of short-term foreign liabilities that are public or publicly guaranteed; the outstanding stock of Fund credit is also netted out in order to ensure that the member cannot meet (miss) a performance criterion by purchasing/requesting loans (not purchasing/ not requesting loans) from the Fund. Assets that are the counterpart to foreign currency reserve requirement liabilities (i.e., foreign currency liabilities of the central bank to domestic commercial banks) are often excluded from the definition of NIR since these are not usable for balance of payments purposes (e.g., foreign exchange interventions) or under the control of the authorities (as they would need to be refunded to the extent that foreign currency deposits of commercial banks are withdrawn). Foreign liabilities are defined as loan, deposit, swap, and forward liabilities to residents and nonresidents whose value is guaranteed in foreign currency terms (denominated or indexed). The TMU should specify if liabilities to the participants to the SDR department are included.

16. Valuation effects arising from changes in the exchange rate or the price of gold should be excluded when defining the floors for net international reserves. To this end, the set of exchange rates and gold valuation that will be used for the purpose of calculating net international reserves should be specified in the TMU. Monetary authorities' NIR typically comprise assets denominated in a number of different currencies. The TMU should specify the exchange rate at which each of these components of NIR will be valued for the purposes of program monitoring. To avoid any suggestion that these accounting rates are forecasts, constant values should be used. NDAs and net credit to the government should also be calculated using accounting exchange rates where foreign currency items are important in the domestic banking system and where these can be monitored. Accounting exchange rates should be based on those prevailing at some recent, easily-checked date (e.g., the end of the previous year) and may be updated periodically during the life of an arrangement.

17. In cases in which the member maintains a currency board arrangement, the monetary authority ensures the maintenance of full foreign reserve backing for the currency board's liabilities for the duration of the Fund-supported program. The definition of this PC should specify the exact coverage of the foreign reserve backing. As with monetary limits, floors on international reserves are not required for a country that is a member of a monetary union.

E. Public Debt Limits

18. Public debt limits in Fund-supported programs and PSIs seek to prevent the build-up of unsustainable debt, while providing countries with flexibility to raise needed financing for productive investments. Public debt conditionality should normally be included in Fund arrangements and PSIs when a member faces significant debt vulnerabilities, or when there are merits to using debt limits

instead of, or as a complement to, "above-the line" fiscal conditionality. The policy on public debt limits was last reformed in 2020 and the new guidelines became effective in June 2021.⁴

19. The appropriate form of debt conditionality differs between countries that normally rely on concessional external financing and those that do not.

- For countries that normally rely on official external financing on concessional terms, a debt sustainability analysis is typically undertaken using the LIC-DSF, conducted jointly by World Bank and Fund staff. For this group of countries, the assessment of public debt vulnerabilities is informed by the risk of external debt distress and, where relevant, the overall risk of debt distress.
- For countries that do not normally rely on official external financing on concessional terms, debt sustainability assessments are undertaken using the Sovereign Risk and Debt Sustainability Framework for Market Access Countries (SRDSF).⁵ Public debt limits for these countries would typically be established in nominal terms and could take the form of limits on total public debt or limits on sub-categories of total public debt.

F. Payments Arrears

20. In cases where there are external or domestic payments arrears, indicative targets or performance criteria may be set for their phased elimination. For these purposes, the concept of government should be clearly defined (for example, whether state-owned enterprises or the social security and pension funds are included), as should the method for measuring arrears. Particularly in the case of domestic arrears, there may be significant measurement and controllability problems that preclude the use of such limits as performance criteria. Judgment as to whether limits on domestic arrears should be PCs or indicative targets should take into account the commitment control and measurements systems and data quality of individual countries.

G. Continuous PCs

21. Continuous PCs always include, inter alia, commitments related to non-introduction of exchange restrictions and multiple currency practices. Specifically, continuous conditionality covers (i) imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) introduction or modification of multiple currency practices; (iii) conclusion of bilateral payments agreements that are inconsistent with [Article VIII](#); and (iv) imposition or intensification of import restrictions for balance of payments reasons. These

⁴ See *Reform of the Policy on Public Debt Limits in IMF-Supported Programs* (IMF, 2020e) and *Proposed Decision and Proposed New Guidelines* (IMF, 2021g).

⁵ For more details, see *Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for Market Access Countries* (IMF, 2022d). The SRDSF replaces the former Debt Sustainability Analysis for Market Access Countries (MAC DSA) framework following the comprehensive review of the MAC DSA (see the *Review of the Debt Sustainability Framework for Market Access Countries* (IMF, 2021)).

continuous PCs are always included in the text of all Fund arrangements, and, given their nonquantitative nature, are usually not listed in the PC table. Other continuous PCs typically include the non-accumulation of external payments arrears. Where external debt ceilings are set at zero, these should also be specified as continuous PC. In monitoring continuous PCs, staff should ascertain continuous compliance with the PC, based on data provided by the authorities.

H. Wage Bill Ceilings

22. The use of wage bill ceilings over extended periods of time should be avoided, while ensuring flexibility in their application and requiring a clear justification in program documents. Wage bill ceilings should be used selectively, and their use limited to circumstances when they are designed as short-term measures when first-best options are not available.⁶ The use of medium-term expenditure frameworks and strengthened budget and payroll systems is preferable and expected to obviate the need for wage ceilings over time. When countries might need substantial technical assistance to develop such systems, wage ceilings may be needed in exceptional cases based on macroeconomic considerations.

I. Adjustors

23. The purpose of adjustors is to protect the program from foreseeable shocks/developments beyond the authorities' immediate control. Adjustors allow the program to pre-specify the policy response to deviations from program assumptions in a manner that does not compromise the objective and predetermined nature of PCs applying to the disbursement of Fund resources. The automatic nature of adjustors distinguishes them from alternative ways of dealing with unanticipated developments, namely waivers, modifications of PCs, and adjustments during program reviews. Adjustors can be only used with PCs.

24. The following main principles should guide the design of adjustors.

- They should be used sparingly, with the aim of limiting the need for major policy adjustments in the face of uncertainty and volatility of key economic variables, such as export prices, foreign financing,⁷ privatization receipts, or certain policy actions (such as bank recapitalization or changes in reserve requirements).
- They should be simple and clearly defined, including in the TMU and PC table.

⁶ See *IMF Executive Board Discusses Operational Implications of Aid Inflows for IMF Advice and Program Design in Low-Income Countries* (PIN 07/83), *2011 Review of Conditionality—Content and Application of Conditionality* (IMF, 2011a), and IMF, 2007a.

⁷ See also IMF, 2007a, paragraphs 49-51.

- They are generally used for temporary deviations. Lasting or large deviations (which are likely to require changes in the policy thrust) should be addressed in the context of program reviews.
- They should be based on realistic projections. For instance, in programs that consistently overestimate external financing, an adjustor that allows domestic bank financing to compensate for any shortfalls, may result in a program that is, de facto, overly relaxed.

25. Several technical points apply to the design of adjustors: (i) by convention, adjustors are applied to ceilings/floors set for the PCs rather than to actual outturns; (ii) if several adjustors are applied to the same PC (e.g., for deviations in foreign financing, privatization receipts, and oil prices), they should apply to the net cumulative sum of deviations from the program assumptions for these variables; (iii) unless the potential shock affects money demand, an adjustor on net international reserves should have a symmetric adjustor (with the opposite sign) on net domestic assets; and (iv) it is important to make a distinction between project and program financing.

26. Adjustors are frequently used such that (i) deviations from projected external program grants and lending (budget/balance of payments support) lead to adjustment of the NIR floor, the NDA ceiling, and the net domestic financing of the government ceiling, (ii) deviations from projected external project lending lead to adjustment of the overall fiscal balance floor if applicable (whereas no adjustor is needed if the fiscal deficit concepts excludes project financing and expenditures), and (iii) deviations from projected fiscal revenues lead to (usually partial) adjustment in the overall fiscal balance floor or net domestic financing of the government ceiling. In all cases, it is often useful to apply adjustors symmetrically and apply symmetric caps.

27. Finally, in the same way that the TMU defines the components of PCs, it should also define the adjustors, including specification of the variables subject to adjustment, explicit adjustment formulas, trigger events, caps, and thresholds. The baseline projection for the economic indicator that gives rise to potential adjustment of PCs should be included in the PC table and a footnote should indicate the adjustor mechanism.

Appendix III. Staff-Monitored Programs and Other Track Records

This Appendix discusses the use of Staff-Monitored Programs and other track records in the low-income country (LIC) context. For complete information, please see 2022 SMP Guidance Note.

A. Staff-Monitored Programs

1. Purpose. Staff-monitored programs are informal agreements between national authorities and Fund staff to monitor the implementation of the authorities' economic program, for the purpose of establishing a track record of policy implementation which could pave the way for a new Fund financial arrangement or repeat Fund emergency assistance, or for the resumption of an existing arrangement that has gone off track. A track record is normally understood to demonstrate a member's commitment and adequate capacity to implement economic policies, including credible data submission, that are consistent with the stated objectives of the member's economic program as assessed by staff, and thereby provide a good basis to progress to a Fund financial arrangement. In general, staff-monitored programs are not endorsed by the Fund's Executive Board and do not need to meet UCT-quality standards.

2. Limited Executive Board Involvement in some SMPs. A "Program Monitoring with Board Involvement" or "PMB", allows for limited Executive Board involvement in opining on the robustness of a member's policies to meet their stated objectives under an SMP and monitoring its implementation.¹ Their use is only available to those (requesting) members who, in addition to seeking to build or rebuild a track record for Upper Credit Tranche (UCT) Use of Fund Resources (UFR), would benefit from targeted Executive Board involvement because of either (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief to the member or (ii) significant outstanding Fund credit under emergency financing instruments at the time new emergency financing is received. Standard SMPs remain the IMF's workhorse instrument to build or rebuild a track-record for UCT-UFR.

3. UCT-quality SMP for HIPC debt relief. In the context of a member reaching HIPC Decision Point, the Board could also make a finding that an SMP is of UCT-quality. This "UCT-quality" SMP could then count toward the track record of policy performance requirement under the HIPC Initiative. For such a case, staff's assessment that macroeconomic and structural reform policies under the SMP meet the policy standards associated with programs supported by arrangements in the upper credit tranches or under the ECF must be supported by the Board. Reaching the HIPC decision point using an SMP requires an assessment by the Board that the member's performance

¹ See [Proposal for a Staff-Monitored Program with Executive Board Involvement](#) (IMF, 2022f).

under the SMP has been satisfactory for a sufficient period of time (in practice, a minimum of six months) since the Board's initial determination that the SMP meets UCT-quality policy standards.²

4. Design. The design of an SMP should be consistent with its goal to build a track record: i.e., policies should be sufficiently ambitious to provide a good basis for proceeding to a Fund financial arrangement. For a PRGT-eligible member country, this would imply progressing toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. The SMP design and operation would generally closely resemble that of a Fund-supported program, as an SMP should strive to provide for a smooth transition to UFR. At the same time, the scope of an SMP could vary: it could be targeted towards key macroeconomic or financial issues, or it could entail a broader program of macroeconomic and financial reforms across sectors. The SMP design should draw on the CD-CSN and a PRGS, if available, and for FCS, design should be guided by the 2023 FCS GN and the Strategy [Board paper](#), and could benefit from a country engagement strategy (CES), if available. The member's objectives and main policies over the SMP period are specified in an LOI and further elaborated in an MEFP (while a TMU should provide necessary clarifications on the definition of quantitative conditionality and the reporting of information necessary for monitoring observance). Staff should not reach an understanding on an SMP if a consistent policy package is not in place.

5. Monitoring. As SMPs are aimed at establishing or reestablishing a track record for an eventual UCT-quality program, the design and monitoring of an SMP should be similar to a UCT-quality program. Staff is expected to conduct regular assessments of performance, typically on a semi-annual basis, although shorter frequencies are not precluded, provided the authorities have implementation capacity. Each review should be linked to a set of quantitative targets (QTs) and indicative targets (ITs), similar to the approach taken in a PRGT-supported program. These QTs should be clearly defined and monitorable, with their assessment dates ("test dates") specified. Each review would also assess the level of implementation of reforms deemed critical to achieving an SMP's objectives (structural benchmarks, SBs) by the agreed due dates, and implementation of other critical measures (prior actions, PAs) if any.

6. Modalities and duration. An SMP starts with Fund management's approval of the SR requesting the SMP, which also initiates the period for establishing a track record. The end date of an SMP should be set after the final test date and should accommodate sufficient time to complete the final review within the duration of the SMP. In the event more time is needed to build a track record or to complete a review given implementation delays, a request for extension must be approved by Fund management ahead of the original end date of the SMP. Extensions come in two forms: (1) three months or less or (2) longer extensions which generally require staff to outline additional conditionality covering the extended period and a short staff paper. The duration of an SMP is expected to be at least nine months, with at least two reviews and test dates, though a

² The Board's agreement with the staff assessment that the macroeconomic and structural policies under a given SMP meet the UCT quality standard is recorded in a Summing Up or the Chairman's closing remarks of the Board discussion (see IMF, 1997).

shorter duration is possible. An SMP's duration would not be expected to extend beyond 18 months. For additional operational details please see paragraph 9 of the 2022 SMP GN.

7. Applicability of other IMF policies. Many policies on the use of Fund resources do not fully apply to SMPs. These include IMF policies covering debt sustainability, financing assurances, and other UFR safeguards. While not specifically applicable to the SMP, continuous adherence to exchange system obligations under Article VIII of the Fund's Articles of Agreement is an obligation of all Fund members and compliance should therefore be encouraged at all times. Also, the Fund's UFR misreporting guidelines for non-complying purchases or disbursements do not apply, but credibility of data is critical for monitoring and should be upheld, including for its contribution to assessing a track record toward UFR. Finally, while PRGS documents are not required, SMP-supported policies should be consistent with the member's poverty reduction and growth objectives, normally outlined in the LOI or MEFP. Analogous to Fund financial support under the PRGT, SMPs should also include safeguards on social and other priority spending, such as an indicative floor on social and other priority spending, defined by the authorities, where possible.

B. Choice of Track Record: SMPs, Other Track Records, and RCF Support

8. Purpose. Track records are generally used to provide additional assurances to the Fund about the authorities' capacity and commitment to implement a UCT-quality program, in the context of a member intending to move to UFR or to resuming a Fund-supported program that has gone off-track. Hence, track records are not for signaling purposes.

9. Types of track-records. The SMP is the preferred modality for building a track-record. However, as discussed in Chapter III of the *Handbook*, a track-record may also be built in the context of the RCF, which would involve time-bound policy commitments specified in the LOI at the time of the request for an RCF disbursement (see footnote 6, 2022 SMP GN). In some cases, the RCF may be used concurrently with an SMP, for instance when an urgent financing need arises while establishing a track record. Since RCFs do not include monitoring and assessments of commitments, the use of an SMP would normally be the preferred option in cases where a clear and explicit policy framework and more comprehensive monitoring are needed to establish a track record toward a UCT-quality arrangement. There have also been limited examples (see Annex III Box 1), where a track-record has been built outside of those modalities. Use of similar approaches should be limited, given more formalized modalities, and first discussed with SPR.

Appendix III. Box 1. Establishing Track Records Outside of an SMP and RCF

This option has been used when broader actions need to be taken for macroeconomic stability or other conditions necessary for a UFR request, but a more comprehensive SMP is not considered necessary, and resuming program reviews does not require taking specific actions, critical to program success, for which PAs would be most appropriate. Corrective actions under this option should be documented, time-bound, near-term policy actions, and communicated to management (e.g., BTO, memorandum to management, PN, SLA or LOI), and resumption of the program or staff support for a new program would require inter-

Appendix III. Box 1. Establishing Track Records Outside of an SMP and RCF (concluded)

departmental review and agreement that a sufficient track record has been established. This approach is not very prevalent, and examples are somewhat dated but can help illustrate the approach:

- The Gambia (new ECF, May 2012): in the PN, staff outlined several macro policies to “reestablish a track -record” and address macroeconomic risks, that were preconditions to IMF staff supporting the program request;
- Sao Tome Principe (new ECF, July 2012): the PN notes that after a failed ECF, authorities had “tightened fiscal policy in 2010 and 2011, and have brought the fiscal program back on track”; and
- Djibouti (2nd review of PRGT, January 2011): in the PN, staff outlined “April-September 2010 track record period targets” to move forward with the combined 2nd and 3rd reviews.

C. Track Record Period**10. Length of track record period.**

- A track record period under an SMP can vary as a function of the member’s past track record and the measures needed to establish a record of policy implementation. Normally, such monitoring would be expected to cover at least nine months and two reviews and test dates, though the minimum period is normally six months. As mentioned above, for SMPs, the track record period starts at management approval of the SR requesting the SMP.
- The track record period for an RCF or other track record would normally start around the time that associated actions by the authorities have started. Track records under an RCF would normally cover at least six months.

Appendix IV. HIPC and MDRI

This Appendix summarizes key elements of the HIPC Initiative and MDRI.

1. The HIPC Initiative is a major international effort launched in 1996 and led by the IMF and the World Bank to provide debt relief to heavily indebted poor countries.

The list of countries potentially eligible for debt relief under the HIPC Initiative was ring-fenced to include PRGT-eligible countries under a program supported by the IMF between October 1, 1996 and December 31, 2006, whose debt ratios after the hypothetical application of traditional debt relief mechanisms, were assessed to have exceeded the HIPC Initiative debt thresholds.¹

2. Under the HIPC process, which is milestones based and not timebound, a country needs to (i) meet several requirements to qualify for debt relief; (ii) reach HIPC Decision Point (DP), when the amount of assistance will be decided, and finally (iii) reach HIPC Completion Point, when all eligible debt relief will be provided. To reach the HIPC decision point the following conditions must be met:

- The country's debt burden indicators must be above the HIPC Initiative debt sustainability thresholds based on the data for the year immediately prior to the decision point.
- The country must have established a track record of strong policy performance under a UCT-quality standard arrangement for a minimum period immediately preceding the decision point, established by practice of at least six months. An SMP can count toward the track record building if the Fund Executive Board agrees that its macroeconomic and structural policies meet the policy standards associated with programs supported by UCT arrangements. Liberia, Somalia and Sudan built the satisfactory performance under an SMP to reach the decision point.
- A satisfactory poverty reduction strategy set out in a PRSP, I-PRSP, PRSP preparation status report or annual progress report (APR) must be in place and must have been issued to the IMF and WB Boards with a Joint Staff Advisory Note (JSAN) within the previous 12-18 months.
- A Preliminary HIPC Document, stating that the country qualifies for HIPC DP and prepared jointly by the Fund and the WB has been discussed and approved by the Boards of both institutions.

3. After reaching decision point a country may begin receiving interim HIPC assistance subject, inter alia, to (i) the existence of satisfactory participation assurances from creditors (in practice, assurances from creditors jointly holding at least 70 percent of HIPC-eligible debt) and (ii) the requirement that the Fund-supported program remains on track in order for interim assistance to be disbursed.

¹ See *Initiative for Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation and Proposals for the Future of the HIPC Initiative* (IMF, 2011c). As of June 2022, 36 HIPC-eligible countries reached completion point, two have reached decision point in 2020 (Somalia) and 2021 (Sudan), and the last one (Eritrea) is classified as pre-decision point.

4. There is no minimum duration for the track record required to reach the HIPC completion point, when the remaining undisbursed assistance committed for a qualifying member will be paid out, but the following conditions must be met:².

- The member has a stable macroeconomic position and has kept on track with its Fund-supported program.
- A full PRSP must have been adopted and satisfactorily implemented for at least one year preceding the completion point, as evidenced by an APR issued to the Executive Board and subject to a JSAN (see Appendix IV Box 1).
- All floating completion point triggers, the structural conditions set at the decision point, must have been implemented.
- Satisfactory participation assurances from creditors (in practice, assurances from creditors jointly holding at least 80 percent of HIPC-eligible debt) should have been obtained.

5. Progress under the HIPC Initiative by a country should be adequately reflected in program documents, which will contain information on the status of preparation or implementation of an I-PRSP/PRSP, the implementation of the completion point triggers, the expected timing of completion point and any obstacles toward it. Separate documents are also prepared for both the decision point and the completion point.

6. Preparation for the HIPC Initiative decision and completion points requires careful planning. An HIPC debt relief analysis (HIPC DRA, not to be confused with the annual LIC DSA) based on a loan-by-loan data reconciliation needs to be conducted. This analysis is used to determine the member's current external debt situation, and it is a joint exercise among SPR and World Bank staff and, where appropriate, the relevant regional development bank, which dispatch a mission to the country to perform the data reconciliation.

7. The treatment of prospective debt relief may differ between the macro framework and the HIPC DRA. This is because the former is expected to reflect realistic assumptions, including prospects for debt relief, while the latter should reflect the legal situation regarding debt (and demonstrate the unsustainable debt burden before debt relief).

8. The HIPC Initiative was supplemented in 2005 by the MDRI, to provide additional debt relief up to 100 percent of eligible debt to qualifying countries, including HIPC-eligible countries that have reached the HIPC completion point and whose performance since reaching the completion point has not deteriorated substantially. The MDRI is no longer an active initiative as there is currently no MDRI eligible debt outstanding and the MDRI-I and MDRI-II Trusts were

² See IMF (1999c) for the Board's approval of "floating completion points".

accordingly liquidated in 2015. Questions on the HIPC Initiative and the MDRI should be addressed to SPR's Debt Policy Division.

Appendix IV. Box 1. Poverty Reduction Strategy Requirements for HIPC^{1/}

At **the decision point**, a member shall have in place a satisfactory Poverty Reduction Strategy (PRS) set out in an Interim Poverty Reduction Strategy Paper, a Poverty Reduction Strategy Paper preparation status report, Poverty Reduction Strategy Paper (PRSP) or an Annual Progress Report (APR) that has been issued to the Board normally within the previous 12 months but in any case, within the previous 18 months, and which has been analyzed in a Joint Staff Advisory Note (JSAN) that has also been issued to the Board.

At **the completion point**, a member shall have in place a PRSP and implemented satisfactorily the strategy therein described for at least one year by the completion point. Evidence of satisfactory implementation of the PRSP should be provided in an APR that has been issued to the Executive Boards normally within the previous 12 months but in any case, within the previous 18 months and analyzed in a JSAN that has also been issued to the Board.

The JSAN is a document prepared jointly by the staffs of the Bank and the Fund containing an analysis of the PRS of the member concerned and identifying priority areas for strengthening the PRS during implementation. JSANs should identify a limited number of priority areas in the PRS that are expected to be addressed, including in the context of existing or possible future ECF-supported programs. A JSAN for an I-PRSP or PRSP, if it is to be discussed, should end with suggested points for discussion by the Executive Boards of the Fund and the Bank. The concluding paragraph should draw on the advice in the main text of the JSAN to highlight the areas for discussion and seek the Boards' views on staffs' conclusions regarding: (i) priority action areas for strengthening the PRS; and (ii) areas where (a) there are inconsistencies between the PRS and its policy framework and the analytical basis that underpins Bank- and Fund-supported programs that reflect existing analysis; or (b) areas in which further analysis is needed or in which adjustments to the strategy are expected. Bank and Fund staffs are expected to contribute to the JSAN in their areas of primary institutional competencies, taking account of overlapping competencies and important linkages among areas.

The PRS documents and the corresponding JSANs are issued to the Executive Board after the PRS documents are officially received. A PRSP or I-PRSP will be issued together with the accompanying JSAN for Board discussion when feasible. If the JSAN is not ready, issuance of the PRS document should not be held up. JSANs can be issued for discussion or information to the IMF Executive Board. APRs are normally issued for information of the Boards (except for APRs and the associated JSAN for APRs used to document one year of satisfactory implementation of the PRS for the purposes of the HIPC completion point which are issued for discussion).

The Boards will either discuss a PRSP or I-PRSP (and the related JSAN) in the HIPC context or following the receipt of the relevant PRS document and the JSAN. Executive Board discussions at the Bank and the Fund should preferably be scheduled within five working days of each other; the institution taking an operational decision would normally have the later Board date. The Fund's minimum circulation period for PRS documents and JSANs is two weeks, with an additional business day required for document dissemination. In cases in which operational decisions are being made at both institutions, the sequencing of Board meetings will need to be made judgmentally.

The publication of PRS documents and JSANs is voluntary but presumed. A member's consent is required for their publication. The MD will not recommend the approval of (i) an ECF arrangement or an SCF arrangement with an initial duration exceeding two years or completion of a review under such

Appendix IV. Box 1. Poverty Reduction Strategy Requirements for HIPC^{1/} (concluded)

arrangement, (ii) an HIPC decision point or completion point decision, or (iii) a member's request for initial approval or review of a PSI with an initial duration exceeding two years, if the member concerned does not explicitly consent to the publication of the PRS-related document (i.e., I-PRSP, PRSP, PRSP preparation status report, PRSP annual progress report, or PRGS). Staff should discuss the authorities' publication intention during the mission and obtain their explicit consent to publication of PRS documents prior to submitting relevant UFR or PSI documents to management for clearance. The management clearance note should specifically state that the authorities have consented to publication. When the authorities' consent has been received, the SEC's transmittal memo to the PRS document should indicate this, using standardized wording similar to that for staff reports, and PRSPs, APRs and PRGSs may be published immediately after formal transmission to the Bank and/or the Fund when circulated for information.

^{1/} Also see <http://www-intranet.imf.org/departments/SPR/Debt/Pages/DRI-HIPC.aspx>.

Appendix V. Poverty Reduction Objectives in the Context of Operations Under the Fund's Facilities for Low-Income Countries

A. Background

1. The Poverty Reduction Strategy (PRS) approach was introduced in the context of the HIPC Initiative in 1999, which established documentation requirements centered on the Poverty Reduction Strategy Paper (PRSP). The same HIPC-based PRS documentation was used to underpin Fund supported programs for PRGT-eligible countries. For ECF and SCF arrangements with an initial duration exceeding two years, PRS documentation is required to establish that Fund-supported programs support **strong and durable poverty reduction and growth**. Similar requirements exist for the PSI.

2. The World Bank delinked its concessional financial support from the PRSP process in July 2014. On June 22, 2015, the Fund Executive Board approved a new policy on PRS to overhaul and streamline the PRS documentation in Fund engagement with LICs. The new policy leaves the PRS process in the context of the HIPC Initiative unchanged, but it supersedes previous policies for Fund engagement in the context of the ECF and PSI.¹ On May 24, 2019, The Fund Executive Board approved further amendments to the Fund PRS policy, which extend its coverage to include any ECF or SCF arrangement or PSI with an initial duration of more than two years, extend deadlines for meeting the PRS requirements, and name a PRS issued to the Executive Board on or after May 24, 2019 as a PRGS while deeming a PRS issued to the Board as an Economic Development Document to be a PRGS.²

B. Poverty Reduction Strategy in Concessional Facilities and the PSI

3. The Fund policy on poverty reduction strategies is centered on a PRGS with the following key features:³

- **Contents of the PRGS:** A member country can produce a PRGS in one of two forms: (i) an existing national development plan or strategy document on the country's PRS; or (ii) a newly prepared PRGS document focused on the elements of the country's PRS that are macro-relevant

¹ See IMF, 2015b.

² See IMF, 2019a.

³Following the 2018–19 review of LIC facilities, the Board decisions renamed the Economic Development Document (EDD) as the Poverty Reduction and Growth Strategy (PRGS) to provide it with a title more closely linked to its objectives. Key features of the EDD from the 2015 Board decision were preserved. The minimum standards and good practice guidelines for EDD content, as well as the approach of seeking World Bank staff views through an assessment letter, approved in 2015 (see IMF, 2015m), will apply to the PRGS.

under a Fund-supported program (around 10-15 pages).⁴ Under the newly approved policy, while country circumstances would be taken into account in documenting PRS in PRGSs, countries' PRS documents would need to meet minimum standards and countries would be encouraged to follow good practice guidelines. The content of PRS documentation is streamlined and its length is reduced through a focus on macro-relevant aspects of the PRS.

- **Time requirements for issuance of PRGS:** A PRGS is required to be issued to the Board for completion of the second and subsequent reviews under ECF arrangements, SCF arrangements and PSIs with an initial duration of more than two years. The PRGS would need to have been developed normally within five years but no more than six years (in exceptional cases) leading up to and covering the date of completion of the relevant review.⁵
- **Extension of the deadline to submit the PRGS to the Board:** In situations where a country seeking support under the ECF has limited institutional capacity for meeting PRGS requirements by the second review, it may request Board approval of an extension of the deadline for meeting such PRGS requirements up to the fourth review; and may make one further request for an extension up to the sixth review where (i) an adequate justification can be provided and (ii) the arrangement (when the second request is made) has a duration of at least four years. Request for extensions beyond the second review will not be permitted under SCF arrangements or under the PSI, given that countries with limited capacity to prepare a PRGS would not normally be expected to request support under the SCF or PSI.
- **Assessment of PRS documented in PRGS:** Fund staff's assessment of a member country's PRS, as reflected in the PRGS, should be provided in relevant program documents. An assessment of the country's PRS should also be requested from World Bank staff and circulated to the Fund Executive Board for information.
- **Modalities for monitoring PRS implementation:** The process for monitoring PRS implementation is streamlined for both countries and Fund staff. Countries should document PRS implementation in their LOI/MEFP. For Fund staff, regular reporting of PRS implementation in program documents and a PRS Implementation Review (PIR) is required, with the latter to be reported to the Board no later than the fifth review under an ECF arrangement or an SCF arrangement or PSI with an initial duration exceeding two years.

⁴ PRSs that have already been issued to the Board at the time of the approval of the current PRS policy (May 24, 2019) and have been subject to a staff analysis in a staff report of an ECF or PSI request or review would be deemed to satisfy the requirements for the PRGS. However, these would be subject to the requirements on coverage and expiration of PRGS.

⁵ The time period covered by the PRGS may also be specified in the authorities' cover letter associated with the PRGS (see below). Where the PRGS exceeds five years (but in any case, is not older than six years), staff would explain in the staff report why the PRS remains relevant for purposes of completing the current review despite the extended period since its launch. This would, in general, require an assessment by staff that the strategy for poverty reduction remains valid, which could be the case where the domestic and external factors relevant to the poverty reduction process have not changed significantly since the launch of the PRS.

- **The newly approved policy does not modify PRS requirements under the HIPC Initiative:** Countries under the HIPC Initiative continue to be subject to the same PRS documentation requirements in place before May 24, 2019 for the purposes of reaching decision and completion points.

4. The three concessional facilities established under the PRGT (ECF, SCF, and RCF) and the PSI are designed to assist LICs in making progress toward, or in achieving, maintaining, or restoring a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. Accordingly, policies supported by Fund concessional financing under all facilities, or the PSI should be aligned with the country's poverty reduction and growth objectives.

5. Any financing request under the ECF, SCF, or RCF and program reviews must be accompanied by a statement, normally in the LOI or MEFP, of how the program advances the country's poverty reduction and growth objectives.⁶ It is expected that the description would be more detailed at the time of the initial arrangement request or when a new PRGS is produced. In cases where a relevant PRS document exists, this description in the LOI/MEFP could cross-reference the PRS document, and the policies supported by the ECF, SCF, RCF, or PSI should be consistent with the objectives of the PRS in the context of promoting a stable and sustainable macroeconomic environment consistent with strong and durable poverty reduction and growth.

6. For ECF arrangements and for SCF arrangements and PSIs exceeding two years, while a PRGS is not required at the time of initial Board consideration of the arrangement or a PSI, the second (and every subsequent) review can only be completed if: (i) the member has a PRS document that has been developed and made publicly available normally within the five previous years, but no more than six years, and covers the period leading up to and covering the date of the completion of the relevant review; and (ii) the PRS has been issued to the Executive Board as a PRGS that has been the subject of staff analysis in the staff report of a request for an ECF arrangement, SCF arrangement or PSI, or a related review⁷ While the PRGS is no longer required to cover the 12-month ahead for the completion of the relevant review, in situations where the PRGS does not cover a 12-month forward-looking period, the member would be expected to document in the LOI/MEFP (i) the procedures underway to establish a successor PRGS and (ii) the relevance of the current PRGS for the coming year.

7. Whenever an ECF arrangement or an SCF arrangement or PSI with an initial duration exceeding two years is under consideration (including cases where support is currently provided under an SMP, or RCF), staff should inform the authorities at an early stage about the relevant PRS and PRGS requirements to ensure adequate time for the PRS process. The authorities need not

⁶ See [PRGT Instrument](#), Section II, paragraph 1.

⁷ For ECF arrangements and PSIs that were approved before end-2015, the PRS documentation required to complete a review can be met either according to the approach under the new policy (an existing Poverty Reduction Strategy Paper—PRSP—qualifies as a PRGS until its expiration date), or by having issued an I-PRSP, APR or PRSP preparation status report to the Board before end-2015 and within the preceding 18 months of the relevant review.

produce their PRS for Fund engagement purposes only. The production of the PRS can be aligned with other domestic policy cycles.

8. The PRGS, whether it is based on an existing national PRS document or is newly-prepared, is to be accompanied by a cover letter from the member country concerned to the MD, which will be deemed to be part of the PRGS issued to the Board. The key functions of this cover letter are to: (i) describe the role that the national document issued as a PRGS or a new PRGS plays in guiding the member's PRS and the participatory process that may be reflected in the PRS; and (ii) inform the date when the national document issued as the PRGS was publicly announced and the period it is covering. The cover letter may be used for other purposes. It may be used to update elements of a national development plan or strategy that is issued as a PRGS where parts of such documents are outdated, or to include complementary analysis or information to meet the minimum standards or provide greater alignment with the good practice guidelines for PRGS.

9. A PRGS must meet minimum standards to ensure a clear strategic platform for policies supported under an ECF or SCF arrangement, or PSI. The minimum standards set forth in Appendix Box 1 provide guidance on key elements to be addressed in a PRGS. They are also intended to provide clear linkages between policies under Fund-supported programs and the member's PRS. In addition to meeting minimum standards, countries are strongly advised to provide a PRGS that follows the **good practice guidelines** in Appendix Box 1.

Appendix V. Box 1. Minimum Standards—Core Elements for Inclusion in a PRGS

A PRGS or the associated cover letter to the Managing Director would include the following core elements:

- **Strategy or plan.** The PRGS should describe an overall strategy or plan for poverty reduction and growth.
- **Specific policy elements.** The PRGS should describe how the strategy would be pursued through specific policies, including macroeconomic and financial policies. These could include specific projects, infrastructure plans, and/or goals for public expenditure prioritization. The relationship between these policy elements and the overall strategy should be clear.
- **Launch date and timeframe for implementation.** The PRGS should define a launch date and implementation period for the overall strategy for poverty reduction and growth. The timing for launch would depend on national practices (e.g., date of parliamentary approval, presidential signature, or publication of a national PRS document). For example, the PRGS could indicate that the strategy or plan became effective on July 1, 2016 and covers the period 2016–2020.
- **Extent of participatory process.** The PRGS should note whether there was a participatory process and if there was one, should also note the nature of such process.

10. Where the member submits a proposed PRGS that falls short of the minimum standards, staff would indicate what additional content would be needed. For a newly-drafted, streamlined PRGS, the document could be modified to cover the missing content ahead of

submission to the Executive Board.⁸ In the event that the authorities were to submit a national development plan or strategy that failed to meet the minimum standards, staff could indicate that the national PRS document does not meet the standards required of a PRGS, and request that the member provide a newly-prepared PRGS in its place. However, given the adverse impact this could have on national ownership of the PRS process, an alternative approach would be to ask the member to provide those elements that are “missing” from the national PRS document as part of the cover letter to the MD. This cover letter could be expanded to the necessary length to ensure that the PRS documentation, taken together, meets the Fund’s PRS requirements. ECF, SCF or PSI staff reports and LOIs/MEFPs should discuss how significant weaknesses in the poverty reduction strategy, including those identified through the PIR, have been addressed.

Appendix V. Box 2. Good Practice Guidelines for a PRGS

A comprehensive and operationally relevant PRGS or the associated cover letter to the Managing Director would include the following elements, going beyond the minimum standards covered in Box 1. The PRGS could draw on the World Bank’s Systematic Country Diagnostic (SCD), where available.

Existing poverty situation and trends. The PRGS would describe the existing poverty situation and recent trends. Reference could be made to direct and indirect measures of poverty, including household income expenditure surveys and indicators of health and social conditions.

Factors influencing poverty. The PRGS would identify any recognized determinants of poverty as well as known bottlenecks to poverty reduction. The identification of factors affecting poverty would help guide the choice of strategies and policies.

Strategy for poverty reduction. The PRGS would describe the member’s PRS and focus on its macro-related aspects. Key elements would likely include approaches to foster sustained, strong growth in national incomes, as well as policies to ensure that income growth is inclusive, designed to raise the living standards of the country’s poorest citizens (e.g., through safety nets, better targeting of expenditures, etc.). While comprehensive in its intent, the strategic approach would likely be described in broad terms with specific emphasis on relevant macro-critical aspects. Reference could be made to progress in implementing policies under the earlier Fund-supported program(s).

Specific policies. The PRGS would document what policies the member intends to implement under the PRS and their targeted impact on poverty reduction and social development. This could include priorities being given to areas of public spending (health, education, etc.), plans to strengthen financial inclusion for households and small and medium-sized enterprises (SMEs), or steps to reduce bureaucratic impediments to investment and job creation. The document would include appropriate discussion of institutional capacity building and technical assistance needs, as well as an outline of donor expected coordination and contributions in these areas.

⁸ Staff could provide good examples of PRGS produced by other members, and could offer comments on the authorities’ draft. However, staff should not seek to provide drafts for the authorities, which may be perceived to be detrimental to national ownership.

Appendix V. Box 2. Good Practice Guidelines for a PRGS (concluded)

Fiscal and debt framework. The PRGS would seek to prioritize development spending needs based on a realistic assessment of fiscal space. The priorities defined in the PRS document would serve as the basis for the definition of priority social spending and the setting of its indicative targets in the LOI/MEFP of ECF/PSI-supported program documentation. It would also discuss how financing of the PRS would impact on the country's debt strategy.

Spending effectiveness. Poverty reduction outcomes depend not only on spending levels but also on value for money in public spending programs. Where specific steps are being taken to strengthen the efficiency of public spending, these should be mentioned in the PRGS.

Safety nets and risk mitigation. Many countries adopting poverty reduction strategies are vulnerable to climatic and other exogenous shocks that can jeopardize poverty outcomes. Adjustment policies to restore macroeconomic balances can also have temporary adverse consequences on the poor. A PRGS would discuss any steps being taken by the government to mitigate negative spillovers and risks from adjustment policies and external shocks—such as through establishment of social safety nets, adoption of arrangements to foster food security, etc.

Participatory process. Countries would be strongly encouraged to seek Civil Society Organizations (CSOs) inputs during the preparation of the PRGS. The authorities would be responsible for the level of consultation needed to ensure broad ownership.

11. Participatory processes are strongly encouraged, but not required. While countries should be strongly encouraged to seek CSO inputs during the preparation of the PRGS, such consultation is not required,⁹ and countries are responsible for the level of consultation needed to ensure broad ownership. It is however required for the PRGS to clarify the extent of participatory process (i.e., whether a participatory process took place) and the nature of the participatory process, if any.

12. An assessment letter in respect to the authorities' PRS has to be requested from Bank staff. The assessment letter aims at providing Bank staff's perspective on the strengths and weaknesses of the strategy of the member and identifying priority action areas and risks for attention during implementation. It should be requested at the time a PRGS is received by IMF staff,¹⁰ and following clearance by Bank management, it will be circulated to the Fund Board, at the same time as the PRGS, to help inform the Board on the quality of the PRS. The assessment letter provided by Bank staff will not be published by the Fund.

13. Under all Fund facilities for LICs, social and other priority spending should be safeguarded and, whenever appropriate, increased. This should be monitored through explicit targets, typically an indicative floor on social or other priority spending, whenever possible. The determination of what constitutes social or other priority spending should in general be based on

⁹ Participatory processes would still be required in the context of PRSPs prepared for the decision and completion points under the HIPC Initiative.

¹⁰ The Bank would only be asked to provide one assessment within the timeframe of each PRS document, even if the latter is used to meet requirements for completing reviews in more than one ECF arrangement or PSI. Where an existing PRSP is deemed to be a PRGS but a JSAN has not yet been issued, an assessment letter would be sought from the World Bank instead.

the authorities' PRS, or, where that does not exist, the medium-term poverty reduction and growth objectives and policies outlined by the authorities as part of program documentation. In cases where such tracking is not feasible, members will be encouraged to develop adequate expenditure tracking systems, which may require technical assistance, so that social and other priority spending can be monitored.

14. PRGS' are not distributed in paper format.¹¹ They are registered by SEC as official Board documents and made available to Executive Directors via posting to IMF Connect, with Executive Directors and designated member authorities notified by email of newly posted documents. Posting of PRGS' in this manner will be taken to constitute "issuance" to the IMF Board for purposes of the PRS requirements for ECF, SCF arrangements and PSIs.

15. The publication of PRS documents is voluntary but presumed.¹² A member's consent is required for their publication. The MD will not recommend the approval of (i) an ECF, SCF arrangement or completion of a review under such arrangement, or (ii) a member's request for initial approval or review of a PSI, if the member concerned does not explicitly consent to the publication of the PRS-related document. In this regard, staff should discuss the authorities' publication intention during the mission and obtain their explicit consent to publication of PRS documents prior to submitting relevant UFR or PSI documents to management for clearance. Further, the management clearance note should state that the authorities have consented to publication, thus satisfying the Transparency Policy requirements. When the authorities' consent has been received, the SEC's transmittal memo to the PRS document should indicate this, using standardized wording similar to that for staff reports, and PRSPs, APRs and PRGS' may be published immediately after formal transmission to the Bank and/or the Fund when circulated for information.

Poverty Reduction Strategy Implementation Review (PIR)

16. Staff is expected to report to the Board on implementation of the PRS. This involves regular reporting, and a more in-depth analysis conducted on a periodic basis. On a regular basis, staff reports would include a discussion of relevant developments in the implementation of policies supporting the member's PRS. This could include, for example, the prioritization of resources in the annual budget and associated budget outturns, developments in the adoption of social safety nets, and progress in fostering growth-promoting reforms designed to strengthen the business climate.

17. A PRS Implementation Review (PIR) is expected to be conducted by the time of the fifth review under the ECF or under SCF arrangements or PSIs with an initial duration exceeding two years (i.e., once for any given ECF, SCF arrangement or PSI). In the event of extensions beyond the second review to submit the PRGS to the Board (only permitted for ECF arrangements), a PIR is not an expected practice. The PIR is not a mandatory requirement for decisions on ECF, SCF and PSI support, but is a good practice based on informal consultations and dialogue with country

¹¹ See Decision No. 13816-(06/98), adopted November 15, 2006, as amended.

¹² Provisions of the *Guidance Note on the Fund's Transparency Policy* (IMF, 2013h), apply.

authorities and relevant stakeholders, including the World Bank.¹³ The outcome of the PIR is to be documented in the staff report. The PIR is expected to cover three basic elements: (i) performance relative to PRS benchmarks and monitoring indicators; (ii) observed linkages between the PRS and national systems and processes (e.g., budget monitoring and planning); and (iii) the coming year's policy intentions, particularly, but not exclusively, as reflected in the budget. The PIR should be encouraged as a "good practice" that could be conducted independent of a Fund program relationship, such as in the context of Fund surveillance activities.

C. Poverty Reduction Strategy under the HIPC Initiative

18. Since the HIPC-Instrument has not been modified, the remaining eligible countries under the HIPC Initiative must continue to document their PRS in line with the PRS documentation requirements under the HIPC Initiative to reach decision and completion points (see Appendix IV Box 1).

¹³ The staff review would continue to draw, to the extent possible, on existing in-country mechanisms, such as implementation reviews, other suitable domestic review processes, or annual reviews of budget support groups and consultative groups/round tables.

Appendix VI. Eligibility to Use the Fund's Facilities for Concessional Financing

1. The policy framework for determining countries' eligibility for IMF concessional financing is set out in IMF (2009k) and Executive Board [Decision No. 14521-\(10/3\)](#), adopted January 11, 2010, as amended pursuant to the proposals set out in IMF, 2012b, 2013c, 2015d, 2017a and 2020. PRGT eligibility will be reviewed by the Executive Board every two years, with the next review scheduled for 2023. However, decisions regarding entry onto the PRGT-eligibility list could also be adopted between reviews. Decisions regarding graduation from the PRGT-eligibility list can also be adopted in the interim period between reviews for members that request graduation and meet the graduation criteria. The key elements of the framework are:

Entry Criteria

2. A member would be added to the list of PRGT-eligible countries if:

- (i) its annual per capita gross national income (GNI), based on the latest available qualifying data, is (a) below the operational International Development Association (IDA) cutoff, or (b) less than twice the IDA operational cutoff for small countries (countries with population below 1.5 million but not less than 200,000), or (c) less than five times the IDA operational cutoff for microstates (countries with population below 200,000); and
- (ii) the sovereign does not have capacity to access international financial markets on a durable and substantial basis. The market access criterion for entry is assessed using the same tests as for graduation (see below) except that market access under the first alternative test exists where bond issuance or disbursements under commercial loans during at least two of the last five years are equivalent to a cumulative amount of at least 25 percent of quota.¹

Graduation Criteria

3. A PRGT-eligible country will graduate if it meets either or both the income and market access criteria, and does not face serious short-term vulnerabilities, as set out below:

A. Income Criterion

4. The country's annual per capita GNI:

- (i) has been above the IDA operational cutoff for at least the last five years (for which qualifying data are available); and

¹ If the member's quota increase under the Fourteenth General Review of Quotas has not become effective, then the cumulative amount is at least 50 percent of quota (Decision No. 14521-(10/3)).

- (ii) has not been on a declining trend in the same period (comparing the first and final years of the available data); and
- (iii) is currently (a) at least twice the operational IDA cutoff, or (b) at least three times the IDA operational cutoff for small countries, or (c) at least six times the IDA operational cutoff for microstates.

Or**B. Market Access Criterion****5. The sovereign has the capacity to access international financial markets on a durable and substantial basis, as measured by one of the following two tests:**

- (i) Public sector issuance or guaranteeing of external bonds or by disbursements under public and publicly guaranteed external commercial loans in international markets during **at least three of the last five years** for which data are available, in a cumulative amount over that period equivalent to **at least 50 percent of the country's quota at the Fund at the time of the assessment.**² External bonds and commercial loans issued or contracted in markets that are not integrated with broader international markets do not qualify including loans or bonds subsidized or guaranteed (partially or fully) by official external entities (including foreign governments and foreign public sector entities as well as international organizations), and loans from foreign state-owned banks.
- (ii) A country would also be deemed to meet the market access criterion if there were convincing evidence that the sovereign could have tapped international markets on a durable and substantial basis, even though the scale or duration of actual public-sector borrowing fell short of the specified thresholds.³

² If the amount of issuance or guarantee of external bonds and of disbursements under external commercial loans in a single year for which qualifying data are available totals less than two percent of the member's quota at the time of the assessment, then that year shall not count towards meeting the graduation duration threshold (Decision No. 14521-(10/3) as amended in IMF 2020). If the member's quota increase under the Fourteenth General Review of Quotas has not become effective, then the cumulative amount is at least 100 percent of quota (Decision No. 14521-(10/3)).

³ This would be a case-specific assessment, considering such relevant factors as the volume and terms of recent actual borrowing in international markets and the sovereign credit rating. For the precise definitions of the public sector, external bonds and external commercial loans, guidance on data sources for market access, and clarification on the definition of what constitutes borrowing on international financial markets see Decision No. 14521-(10/3), as amended, and IMF 2020.

6. Both tests of the market access criterion would take into account bonds/loans issued, contracted, or guaranteed by non-sovereign public-sector debtors, where such a debtor's ability to access international markets is assessed to be an indicator of the sovereign's creditworthiness.⁴

7. As a further safeguard, countries would be considered candidates for graduation under the market access criterion only if:

- (i) their annual per capita GNI is above the IDA operational cutoff; and
- (ii) their annual per capita GNI has not been on a declining trend during the last five years for which qualifying data are available (comparing the first and last relevant annual data).

And

C. Absence of Serious Short-Term Vulnerabilities⁵

8. In addition to meeting either or both the income and market access criteria, the country should not face serious short-term vulnerabilities. The assessment of these vulnerabilities requires, in particular, the absence of risks of a sharp decline in income or of a loss of market access, as well as limited debt vulnerabilities, as indicated by the latest Debt Sustainability Analysis (DSA), and a confirmation that overall debt vulnerabilities have remained limited since the DSA was conducted.

9. For a member whose annual per capita GNI exceeds the applicable income graduation threshold by 50 percent or more, graduation from PRGT eligibility will not be subject to the assessment of serious short-term vulnerabilities. However, an assessment by the Executive Board of serious short-term vulnerabilities will be required where such members have "IDA grant-only" or "IDA loan-grant mix" status at the World Bank, in which case graduation will depend on an assessment that the member does not have such serious short-term vulnerabilities.

10. Once the Executive Board takes the decision to graduate a member from the PRGT-eligibility list, the decision becomes effective five months later. Any arrangement or PSI in which the country is engaged under the PRGT at the time of the Executive Board decision may continue until its expiration. Moreover, the arrangement or PSI may be extended or have its access augmented as appropriate under the existing policies and guidance (Decision 14251-(10/3) as amended in IMF 2020).

⁴ Borrowing by a public corporation will generally not be assessed as an indicator of the sovereign's creditworthiness where such borrowing is based on the public corporation's own balance sheet (including by collateralizing its own assets) and is not guaranteed by the sovereign.

⁵ From Decision 14521-(10/3), as amended by Decision No. 15834-(15/73), adopted July 17, 2015, p20 in IMF, 2015b.

Appendix VI. Table 1. PRGT-Eligible Countries 1/
(Effective February 2020)

PRGT-Eligible Countries	
Afghanistan	Mali
Bangladesh	Marshall Islands
Benin	Mauritania
Bhutan	Micronesia
Burkina Faso	Moldova
Burundi	Mozambique
Cambodia	Myanmar
Cameroon	Nepal
Cape Verde	Nicaragua
Central African Republic	Niger
Chad	Papua New Guinea
Comoros	Rwanda
Congo, Democratic Rep.	Samoa
Congo, Republic of	Sao Tomé and Príncipe
Côte d'Ivoire	Senegal
Djibouti	Sierra Leone
Dominica	Solomon Islands
Eritrea	Somalia
Ethiopia	South Sudan
Gambia, The	St. Lucia
Ghana	St. Vincent and Grenadines
Grenada	Sudan
Guinea	Tajikistan
Guinea-Bissau	Tanzania
Haiti	Timor Leste
Honduras	Togo
Kenya	Tonga
Kiribati	Tuvalu
Kyrgyz Republic	Uganda
Lao, P.D.R.	Uzbekistan
Lesotho	Vanuatu
Liberia	Yemen, Republic of
Madagascar	Zambia
Malawi	Zimbabwe
Maldives	

1/ Based on *Eligibility to Use the Fund's Facilities for Concessional Financing* (IMF, 2020a).

Appendix VII. The Catastrophe Containment and Relief (CCR) Trust

1. The CCR Trust¹ was established in 2015 to provide grants to pay debt service owed to the IMF for eligible low-income countries that are hit by catastrophic natural disasters (earthquakes) or fast-spreading public health disasters (epidemics or global pandemics) with international spillover potential. In March 2020, the Executive Board approved an important reform which included expanding the qualification criteria to include situations where a life-threatening global pandemic is inflicting severe economic disruptions *across the Fund's membership* and is creating BoP needs on such a scale to warrant a concerted international effort to support the poorest and most vulnerable countries through substantial additional grant support and debt service relief.² The CCR Trust builds on the Post Catastrophe Debt Relief (PCDR) Trust, which was established in 2010 following the devastating earthquake in Haiti.^{3, 4} Debt relief under the CCR Trust frees up budget resources to meet exceptional balance of payments needs created by the disaster, complementing donor financing and the Fund's concessional lending through the PRGT. CCRT grants are meant to ease cash pressures at a time of exceptional need, when it would be highly problematic for countries to divert scarce resources for servicing obligations to the Fund.

2. Eligibility for assistance through the CCR Trust is restricted to PRGT-eligible countries which have either a per capita GNI income below the IDA operational cut-off⁵ or, qualify as a small country (i.e., a population below 1.5 million) and a GNI per capita income less than twice the IDA operational cut-off.

3. The CCR Trust has two windows: (i) a Post-Catastrophe Relief (PCR) window, to provide exceptional assistance in the wake of a catastrophic natural disaster; and (ii) a Catastrophe Containment (CC) window, to provide assistance in containing a major public health disaster with international spillover potential. The windows have different purposes, qualification criteria, and assistance terms. Debt relief under any of the two windows is not provided on the debt which is scheduled to be repaid with assistance of other debt relief trusts administered by the IMF or via the other window of the CCR Trust. Provision of the debt relief is conditional upon the availability of resources in the CCR Trust at the time of the decision on the relief.

Post-Catastrophe Relief (PCR) Window

¹ See *Proposal to Enhance Fund Support for Low-Income Countries Hit by Public Health Disasters* (IMF, 2015a).

² *Catastrophe Containment and Relief Trust: Policy Proposals and Funding Strategy* (March 23, 2020).

³ See *Proposal for a Post-Catastrophe Debt Relief Trust Fund* (IMF, April 22, 2010).

⁴ The PCDR Trust was established in 2010 to provide flow and, in deserving cases, stock debt relief to eligible low-income countries that suffer qualifying catastrophic disasters. The Trust was used to provide assistance to Haiti in July 2010 of SDR 178 million (equivalent to US\$268 million), eliminating Haiti's entire outstanding debt to the IMF.

⁵ As of July 1, 2022, this cut-off is US\$1,255 for GNI per capita. It is revised each year, typically in July.

4. Support via the PCR window is limited to eligible low-income member countries that are experiencing an exceptional balance of payments need arising from a catastrophic natural disaster that has (i) directly affected normally at least one-third of the population; and (ii) destroyed more than one-quarter of the country's productive capacity, as estimated by early indications such as destroyed structures and impact on key economic sectors and public institutions, or caused damage deemed to exceed 100 percent of GDP prior to the qualifying catastrophic disaster. The assessment of the impact should be based on available information, including preliminary estimates. Eligible low-income countries hit by such a catastrophic disaster.

5. Flow relief: An eligible low-income country, that is hit by catastrophic disasters as defined above and is experiencing a balance of payments need due to this disaster, would receive *temporary debt flow relief* on their debt service payments (principal and Interest) to the Fund falling due in the period from the date of the debt relief decision to the second anniversary after the occurrence of the disaster. This relief would be provided on debt outstanding at the time of the disaster (on which regular scheduled debt service payments were made before the disaster) plus any IMF disbursement made normally within four months following the disaster.

6. Stock relief: In even more severe cases, full cancellation of a country's stock of debt to the IMF is also possible as part of a concerted debt relief effort by official creditors. Debt cancellation could be considered when (i) the disaster has created or exacerbated substantial and protracted balance of payments needs arising from the recovery efforts that would be expected to persist beyond the flow relief period, and (ii) where the resources freed up by debt stock relief are critical for meeting these needs. The assessment of criticality of debt stock relief would be normally present where, based on an updated DSA conducted after the disaster, the member has a high level of debt in relation to GDP or exports prior to the delivery of any debt relief, typically resulting in an assessment that the member is in debt distress or has a high risk of debt distress. The decision could be made at any point in the period from six to 24 months following the disaster (subject to the track record requirement discussed below), and be based on assessments of factors such as the catastrophe's long-term impact on infrastructure, human capital, and policy capacity, prospects for GDP, exports and revenues, and the country's debt vulnerabilities as measured by an updated DSA.

7. Debt stock relief also requires (i) a concerted effort within the international community to provide similar debt relief to the member, as evidenced by satisfactory assurances regarding debt relief to be provided by the member's other official sector creditors whose debts account for at least eighty percent of the member's total sovereign external debt outstanding to official creditors (less amounts due to the Fund) at the time of the disaster; (ii) that the member has provided assurances that it will cooperate in an effort to find solutions to its balance of payments problems and will refrain from any inappropriate policies that could compound these problems; and (iii) that the member has established a track record of an adequate macroeconomic policies, normally for at least six months immediately preceding the decision to disburse debt stock relief, taking into account the member's implementation capacity. The eligible debt stock is the debt outstanding on the second anniversary of the disaster or on the date of the IMF decision to disburse debt stock relief, whichever is later.

Catastrophe Containment (CC) Window

7. **The CC Window**⁶ is intended for provision of immediate debt relief for upcoming IMF debt service falling due within a period of up to two years to eligible low-income member countries that the Executive Board determines:

- are experiencing a balance of payments need arising from a *qualifying public health disaster* (QPHD) as defined in (i) or an exceptional balance of payments need arising from a QPHD as defined in (ii) below:
- defined as
 - a life-threatening epidemic that has sustained presence and has spread across several areas of the afflicted country, causing significant economic disruption and creating a balance of payments need, and which has the capacity to spread or is already spreading to other countries. This significant economic disaster that has occurred and is projected to occur in the future (based on available information which may take the form of preliminary estimates) is characterized by at least: (i) a cumulative loss of real GDP of 10 percent; or (ii) a cumulative loss of revenue and increase of expenditures equivalent to at least 10 percent of GDP. This disruption would be measured relative to staff estimates made prior to the disaster. The assessment of the occurrence of a qualifying public health disaster could be guided by assessment of the health situation and outlook made by national authorities, the World Health Organization, the World Bank, and other relevant agencies; or,
 - a life-threatening global pandemic (informed by the World Health Organization's assessment) is inflicting severe economic disruption across the Fund's membership and is creating balance of payments needs on such a scale to warrant a concerted international effort to support the poorest and most vulnerable countries through substantial additional grant support and debt service relief.
- and have in place an appropriate macroeconomic policy framework to address the balance of payments need created by the public health disaster and an appropriate ensuing policy response. Eligible low-income countries hit by such a QPHD would receive immediate debt relief covering eligible debt service falling due to the Fund under an initial tranche not exceeding six months from the date of the qualification decision (with respect to (i)) or from the date of the Executive Board determination that a global pandemic exists (with respect to (ii)).

8. **In requesting assistance via the Catastrophe Containment window of the CCR trust**, the member country shall provide a letter of intent explaining the nature of the public health disaster underway and the balance of payments needs it has created, as well as the measures it is taking to contain the disaster (including the reallocation of budgetary resources for containment purposes)

⁶ Assistance to the three Ebola-affected countries (Guinea, Liberia, and Sierra Leone) via the CC window was provided in February—March 2015 in the total amount of SDR 68 million (equivalent to US\$95.5 million).

and the macroeconomic policies it is pursuing or plans to pursue to address its balance of payments problems. In cases where there has recently been a disbursement under a current arrangement or under the RCF, the member may update and refer to existing policy undertakings in the letter of intent accompanying that recent request for Fund support.

9. An eligible low-income country that is hit by public health disasters as defined in the CCR Trust instrument would receive up-front grants to immediately pay off upcoming debt service to the IMF on eligible debt falling due to the IMF within a maximum period of up to two years following the Board qualification decision/determination that a global pandemic exists. Only debt outstanding on the date of the decision, which is not in arrears, is eligible for relief. To avoid the risk of tying up scarce grant resources for just a few countries (on a “first-come, first served” basis) irrespective of the timing of their debt service falling due to the Fund and to allow for fundraising efforts to move in parallel with provision of short-term debt service relief to a larger number of countries, unlike assistance under the PCR window, CC window debt service relief grants will be provided in “tranches” Specifically, grant assistance for debt service relief would be approved for an initial tranche covering the member’s eligible debt falling due within a period not exceeding six months from the date of the qualification decision/determination that a global pandemic exists. Approval of additional tranches during the two-year period is subject to availability of adequate resources in the CCRT and the likely need of other potentially qualifying members under the Trust.

Appendix VIII. Access Norms—History and Key Facts

Use of Norm

- 1. Access norms** are intended to provide general guidance on access to PRGT Facilities. Specifically, norms should neither automatically restrict nor extend access, which should be determined on a case-by-case basis according to the following factors: i) balance of payments needs, ii) the member's capacity to repay and the strength of the member's adjustment efforts under the program iii) its outstanding use of Fund credit and iv) record of past use. Thus, norms are neither ceilings on nor floors to access and should not be viewed as an entitlement, but play a useful guiding role in the assessment of access levels. They should help to inform assessments of access levels, but should not be misconstrued as access limits nor entitlements.
- 2. Norms are used to: help guide access and ensure PRGT self-sustainability.** In cases where it is difficult to accurately assess the balance of payments need, norms can provide a useful guiding role in setting access. Norms also play an important role in the calculations to estimate the self-sustained annual level of concessional lending from PRGT. Specifically, it is important to ensure that average access at the norm will not pose risks to the robustness of PRGT self-sustainability for projected demand (expressed as a percent of eligible members seeking Fund support) under a range of plausible circumstances.

History of the Norm

- 3. Norms were introduced in the Fund's concessional toolkit in 1987 to provide guidance for access decisions in cases of repeated PRGF use.** The de facto "norm" was set such that the ESAF resources would be exhausted if all eligible members met their residual balance of payments needs with loans not exceeding the limit, and with an average access level of 150 percent of quota.
- 4. Access norms subsequently changed eight times, most recently in 2021.** On three occasions, the changes occurred in the context of a quota increase. Generally, norms (and limits) were adjusted in line with changes in various aggregated metrics of need (GDP, trade) for members eligible for concessional financing. In 1999, tapering norms were introduced for repeated use of the PRGF as usage became more frequent. The 2009 reforms streamlined the number of norms to two thresholds depending on the amount of credit outstanding. The 2019 reform increased access norm for (low and high access) by one-third and introduced an annual RCF access norm at 25 percent of quota. The 2021 reform simplified access norms, with a unified access norm set at 145 percent of quota for any three-year ECF arrangement.¹ The access norm for ECF arrangements longer than 3 years would be based on the length of the arrangement and the annual access norm under the three-year ECF arrangement. Consistent with earlier practice, the norm for access under a 18-month SCF would be set equal to that of the 3-year ECF arrangement, again varying proportionately with

¹ Before the 2021 reform, access norms were linked to the initial stock of credit outstanding: 120 percent of quota for a 3-year ECF when credit outstanding is below 100 percent of quota, 75 percent of quota when credit is between 100 and 200 percent of quota, and undefined if outstanding credit exceeds 200 percent of quota.

the length of the SCF arrangement, up to the amount allowable under a 2-year SCF arrangement (193.33 percent of quota).

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