

**IMMEDIATE
ATTENTION**

SM/08/177

June 19, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Report on the Incidence of Longer-Term Program Engagement and Request to Reduce the Frequency of Reporting**

Attached for consideration by the Executive Director is a report on the incidence of longer-term program engagement and a request to reduce the frequency of reporting. It is intended that this paper will be published on the Fund's external website after **Thursday, July 3, 2008**.

Is it not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by the **close of business on Thursday, June 26, 2008**. In the absence of such a request, the draft decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. MacArthur (ext. 38775) and Mr. Arvanitis (ext. 36054) in PDR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Report on the Incidence of Longer-Term Program Engagement and Request to Reduce the Frequency of Reporting

Prepared by the Policy Development and Review Department

In consultation with other Departments

Approved by Mark Allen

June 18, 2008

I. PERIODIC REPORT

1. Longer-term program engagement (LTPE) occurs when a member has spent at least seven of the past ten years under Fund financial arrangements.¹ The Executive Board has requested semi-annual reports on the incidence of LTPE.² This is the ninth such report and provides information through end-March 2008.³
2. Twenty-five members, of which 23 are PRGF-eligible, met the LTPE definition at end-March 2008 (Table 1). Since the time of the last report, Senegal has ceased to meet the LTPE definition, and no country has been added to the LTPE list.
3. An Ex Post Assessment (EPA) is required for all members considered as having LTPE, provided that at least five years have passed since the most recent EPA (Box 1). As of end-March 2008, the Executive Board had discussed EPAs for 47 members (Table 2). The Executive Board did not discuss any EPAs during October 2007–March 2008.

¹ Fund financial arrangements that qualify for the definition of LTPE are those drawing on upper credit tranche GRA or PRGF/ESAF resources, or any blend of the two. Time spent under the Policy Support Instrument (PSI) and precautionary arrangements that remain undrawn throughout the arrangement does not count toward LTPE. For a complete definition 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,” BUFF/06/95 (05/17/06); “Review of Ex Post Assessments and Issues Relating to the Policy on Longer-Term Engagement,” SM/06/115 (03/21/06); and “Ex Post Assessments of Members with Longer-Term Program Engagement—Revised Operational Guidance Note,” SM/06/395 (12/13/06).

² “Conclusions of the Task Force on Prolonged Use of Fund Resources,” BUFF/03/51 (04/08/03). See also “Conclusions of the Task Force on Prolonged Use of Fund Resources—Modifications in Light of Initial Executive Board Discussion,” SM/03/46, Supp 1 (03/21/03), paragraph 5, and “Conclusions of the Task Force on Prolonged Use of Fund Resources,” SM/03/46 (02/04/03), paragraph 41.

³ The report provides an update since the last report to the Executive Board (SM/07/387, 12/11/07).

Box 1. When is an EPA Required?

An EPA is required for all members considered as having LTPE:¹

- The EPA should generally be prepared when the existing arrangement is substantially complete and before negotiations begin on a successor arrangement. It should preferably be discussed by the Executive Board jointly with either the Article IV consultation or the last program review. In the rare cases where this is not feasible, the EPA could be considered in a stand-alone Board meeting. If no successor arrangement is contemplated, the EPA should be discussed with the first post-program Article IV Consultation.
- A successor EPA is required after an interval of at least five years from the previous EPA for members that continue to meet the LTPE definition. For members that no longer have qualifying Fund arrangements at the expiration of the five-year period—either because they have no program relationship with the Fund, or because they use a PSI or precautionary arrangement—an EPA is not required. However, if these members later wish to request a qualifying arrangement while still being considered as having LTPE, an EPA would be required ahead of the discussions for a new arrangement.

¹ See “Ex Post Assessments of Members with Longer-Term Program Engagement—Revised Operational Guidance Note,” SM/06/395 (12/13/06) paragraphs 4, 5, and 16.

4. Two EPAs (Kenya and Turkey) are expected in the remainder of 2008, the first report for these members (Table 3).⁴ One EPA (Moldova) is expected in 2009, and up to an additional six EPAs (Armenia, Benin, Chad, Kyrgyz Republic, Malawi, and Niger) could be undertaken in 2009 depending on whether or not the member would request a successor financial arrangement (see Table 2). In addition, up to three members (Georgia, Mozambique, and Zambia) without a current Fund financial arrangement might need an EPA in 2008–09 if they request an arrangement.^{5 6}

II. LOWER-FREQUENCY REPORTING

5. In view of the low incidence of LTPE and the efforts under way to streamline operations and save resources, it is proposed that the frequency of the periodic LTPE reports to the Executive Board be shifted to annual, beginning with the next report to be prepared in early 2009.

⁴ Kenya’s EPA was due in 2007, but was delayed due to unexpected staffing constraints.

⁵ Information as of end-March 2008. The status of certain members may have changed since then.

⁶ In addition, Mali—which completed an EPA in December 2003, and for which the Executive Board approved a new PRGF arrangement in May 2008—will need an EPA near the completion of the new PRGF arrangement.

PROPOSED DECISION

Accordingly, the following decision, which may be adopted by a majority of votes cast, is proposed for adoption by the Executive Board:

The Fund decides that the circulation of factual reports on the incidence of prolonged use of Fund resources called for under BUFF/03/51 of April 8, 2003 shall henceforth take place on an annual basis.

Table 1. Members with Longer-Term Program Engagement
(As of March 31, 2008)

PRGF-eligible Members 1/		Non-PRGF-eligible Members 1/	
Current Arrangement 2/	No Current Arrangement	Current Arrangement 2/	No Current Arrangement
Albania	Bolivia	Turkey 3/	Uruguay
Armenia	Georgia		
Benin	Ghana		
Burkina Faso	Guyana		
Cameroon	Kenya 3/		
Chad	Mali		
Gambia	Mozambique		
Kyrgyz Republic	Tanzania		
Madagascar	Zambia		
Malawi			
Moldova			
Nicaragua			
Niger			
Rwanda			

Source: IMF staff.

1/ Members that have had at least seven years of non-precautionary Fund financial arrangements in the last ten years.

2/ Excluding the Policy Support Instrument.

3/ Member for which an EPA had not been considered by the Board at end-March 2008.

Table 2. Ex Post Assessments Considered by the Executive Board, and Member's LTPE Status
(As of March 31, 2008)

Country	Type of discussion	Date	Board paper	LTPE	Fund Financial Arrangement 1/
2003					
Mozambique	Article IV discussion	10-Dec-03	SM/03/375	Yes	No
Mali	Article IV discussion	15-Dec-03	SM/03/380	Yes	No
2004					
Armenia	Article IV discussion	1-Dec-04	SM/04/386	Yes	Yes
Benin	Article IV discussion	6-Oct-04	SM/04/313	Yes	Yes
Bulgaria	Article IV discussion	14-Jun-04	SM/04/169	No	No
Cambodia	Article IV discussion	13-Sep-04	SM/04/275	No	No
Chad	Article IV discussion	19-Mar-04	SM/04/147	Yes	Yes
Ethiopia	Article IV discussion 2/	13-Sep-04	SM/04/291	No	No
Georgia	Ex post assessment	21-Jan-04	SM/03/407	Yes	No
Guinea	Ex post assessment	27-Aug-04	SM/04/220	No	No
Guinea-Bissau	Article IV discussion	19-Nov-04	SM/04/360	No	No
Honduras	Article IV discussion	18-Feb-04	SM/04/24	No	No
Kazakhstan	Request for PRGF arrangement	30-Jun-04	SM/04/206	No	No
Kyrgyz Rep.	Article IV discussion 2/	19-Nov-04	SM/04/337	Yes	Yes
Lesotho	6th Review under PRGF arrangement	10-Sep-04	SM/04/259	No	No
Macedonia, FYR	2nd Review under SBA	2-Aug-04	SM/04/263	No	No
Malawi	Article IV discussion	29-Oct-04	SM/04/325	Yes	Yes
Moldova	Article IV discussion	26-Jan-04	SM/04/03	Yes	Yes
Niger	Article IV discussion	28-Jun-04	SM/04/188	Yes	Yes
Peru	Article IV discussion	23-Feb-04	SM/04/37	No	No
Romania	Ex post assessment	12-Apr-04	SM/04/101	No	No
Vietnam	Article IV discussion	22-Nov-04	SM/04/376	No	No
Zambia	Ex post assessment	7-Apr-04	SM/04/97	Yes	No
2005					
Albania	Article IV discussion	28-Feb-05	SM/05/46	Yes	Yes
Azerbaijan	5th Review under PRGF arrangement	24-Jun-05	SM/05/214	No	No
Bolivia	Ex post assessment	8-Apr-05	SM/05/99	Yes	No
Cameroon	Article IV discussion	22-Apr-05	SM/05/113	Yes	Yes
Gambia	Article IV discussion	18-Jul-05	SM/05/234	Yes	Yes
Jordan	Article IV discussion	21-Nov-05	SM/05/395	No	No
Mongolia	Article IV discussion	21-Sep-05	SM/05/344	No	No
Pakistan	Article IV discussion	2-Nov-05	SM/05/367	No	No
Madagascar	Article IV discussion	1-Jun-05	SM/05/159	Yes	Yes
Sierra Leone	6th Review under PRGF arrangement	1-Jun-05	SM/05/158	No	No
Uganda	5th Review under PRGF arrangement	8-Jul-05	SM/05/223	No	No
Ukraine	Article IV discussion	9-Nov-05	SM/05/379	No	No
Uruguay	Ex post assessment	18-Mar-05	SM/05/84	Yes	No
2006					
Argentina	Article IV discussion	12-Jul-06	SM/06/247	No	No
Burkina Faso	6th Review under PRGF arrangement	28-Aug-06	SM/06/294	Yes	Yes
Guyana	Ex post assessment	29-Sep-06	SM/06/338	Yes	No
Lao PDR	Article IV discussion	8-Mar-06	SM/06/80	No	No
Rwanda	Ex post assessment	25-Jan-06	SM/06/5	Yes	Yes
Senegal	Ex post assessment	1-Mar-06	SM/06/56	No	No
Tajikistan	6th Review under PRGF arrangement	6-Feb-06	SM/06/22	No	No
Tanzania	5th Review under PRGF arrangement	7-Apr-06	SM/06/117	Yes	No
Togo	Article IV discussion	8-May-06	SM/06/149	No	No
2007					
Ghana	Ex post assessment	18-May-07	SM/07/155	Yes	No
Nicaragua	Ex post assessment	23-Feb-07	SM/07/59	Yes	Yes

Source: IMF staff.

1/ Excluding the Policy Support Instrument.

2/ And 6th Review under PRGF.

Table 3. Ex Post Assessments Tentatively Expected for Executive Board Discussion in 2008

(As of March 31, 2008)

Kenya
Turkey

Source: IMF staff.