

**FOR
AGENDA**

SM/08/324
Supplement 1

October 27, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **A New Facility for Market Access Countries—The Short-Term Liquidity Facility—Proposed Decision**

Attached for consideration by the Executive Directors is a supplement to the paper on a new facility for market access countries—the short-term liquidity facility (SM/08/324, 10/24/08), which is tentatively scheduled for discussion on **Friday, October 31, 2008**. A draft decision appears on pages 8–14.

The staff proposes the publication of this paper after the Executive Board completes its discussion, together with a PIN summarizing the Executive Board's discussion.

Questions may be referred to Mr. Gerson, SPR (ext. 37729), Ms. Weeks-Brown, LEG (ext. 36896), and Mr. Savastano, FIN (ext. 38545).

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INTERNATIONAL MONETARY FUND

A New Facility for Market Access Countries—The Short-Term Liquidity Facility— Proposed Decision

Prepared by the Strategy, Policy, and Review Department, the Legal Department, and the Finance Department

Approved by Reza Moghadam, Sean Hagan, and Andrew Tweedie

October 27, 2008

1. **This supplement sets forth the proposed decision that is needed to establish the Short-Term Liquidity Facility (“SLF”) proposed in the main paper.**¹ It also summarizes key aspects and implications of this decision, and reviews the applicability to the SLF of other Fund policies.
2. **The proposed decision addresses a range of issues related to the creation and operation of the SLF.** In particular, the decision: (i) establishes the SLF and specifies the core terms and conditions governing the use of resources under this new facility (see Proposed Decision, Part I); and (ii) modifies other Fund policies—including those on transparency, exceptional access, post-program monitoring (PPM) and the Emergency Financing Mechanism (EFM)—so as to establish special provisions reflecting the unique nature and features of the SLF (Proposed Decision, Parts II through V). The adoption of the proposed decision requires an 85 percent majority of the total voting power.²
3. **This rest of this paper is organized as follows.** Section A reviews the decision establishing the SLF, while Section B reviews the ancillary policy amendments proposed in respect of the SLF. Section C discusses the applicability of other general policies to the SLF, and Section D sets forth the proposed decision.³

¹ *A New Facility for Market Access Countries—The Short-term Liquidity Facility*, SM/08/324, October 24, 2008.

² This higher majority is required in light of the features of Part I of the decision establishing a special repurchase period for SLF purchases, and providing for the “floating” of SLF purchases against the member’s reserve tranche position. Other provisions of the decision could be adopted by a smaller majority; however, the practice in the Fund is that such decisions are not separated, but rather are to be adopted by the highest majority required for any component of the decision.

³ For the convenience of Directors, Annex I contains redlined texts of the ancillary policy amendments.

A. Establishment of the Short-Term Liquidity Facility

4. **Part I of the decision would establish the SLF along the lines proposed in the main paper.** Key points include the following (references are to the applicable paragraphs of Part I of the decision):

- Paragraph 1 identifies the quickly self-correcting special balance of payments problem that the facility is designed to address. This paragraph also contains a “sunset” clause specifying the period over which the Fund is prepared to provide financing under the SLF; the effect of this provision is that the SLF will automatically expire two years after the date of the Board decision. As noted in the main paper, a decision to continue the SLF beyond this “sunset” date would require an Executive Board decision adopted by an 85 percent majority of the total voting power.⁴
- Related to the special balance of payments problem covered by the facility, Paragraph 2 sets out the criteria and indicators that are to be used to ensure that access to the SLF will be restricted to countries that are implementing and have a track record of implementing very strong policies, and that have very strong fundamentals and sustainable external debt and domestic public debt. The indicators of performance specified in Paragraph 2(a) would not necessarily have to all be in place in order for a member to receive SLF financing. However, the absence of one or more of these indicators—unless there are compensating factors—could generally signal that the member is not among the strong performers for whom the SLF is intended.
- There would be (i) expedited procedures that would apply upon a member’s expression of interest in SLF support (Paragraph 4(a)), and (ii) procedures that would be followed to keep the Fund (in particular, the Executive Board) informed of developments in the period following an SLF purchase (Paragraph 4(b)). As discussed in Section B below, it is proposed that the procedural framework set out in the Fund’s policies on exceptional access, EFM, and PPM would not apply in respect of purchases under the SLF. The procedures specified in Paragraphs 4(a) and 4(b) of Part I of the decision would address the same substantive objectives as these general policies, while taking into account the unique nature and features of SLF financing.
- Paragraphs 3, 5 and 7 set out the SLF provisions governing, respectively, access limits and delivery modalities, repurchases, and periodic charges and surcharges. Inter alia, these provisions establish a firm access limit of 500 percent of quota for the

⁴ For a more detailed discussion of the majorities required to extend and terminate special facilities, see *Statement by the General Counsel on Completion of the Review of the Contingent Credit Lines and Consideration of Some Possible Alternatives*, BUFF/03/208 (November 24, 2003).

SLF;⁵ specify that SLF resources will be made available in the form of outright purchases rather than under an arrangement; and establish periodic charges and surcharges for the SLF that are set at the same levels as in the credit tranches and under the EFF.⁶ The decision also clarifies that the Fund may approve a purchase under the SLF only if the member does not have a Fund arrangement in place at the time of the purchase.⁷

- Separate from the sunset clause discussed earlier, the decision contains a review clause (Paragraph 11) that mandates prompt Board review of the implications of the SLF decision for the Fund's liquidity position once the total amount of outstanding SLF purchases exceeds SDR 60 billion (which, as discussed in the main paper, is slightly less than half of the Fund's SDR 127.6 billion Forward Commitment Capacity as of end-September 2008).⁸ Such a review would give the Board an opportunity to decide how best to proceed, given the implications for the Fund's liquidity position of outstanding SLF credit of this magnitude.
- Paragraph 4(c) sets out certain requirements regarding the external audit framework of members' central banks. The policy on safeguards assessments is an ex ante mechanism applicable to all Fund arrangements, but only to certain specified forms of outright purchases/disbursements (i.e., EPCA and certain second-round uses of the ESF rapid access component).⁹ It is not proposed that financing under the SLF be added to the list of outright purchases/disbursements to which the safeguards

⁵ Members would be free to request a purchase of less than 500 percent of quota. As discussed in the main paper, however, it is expected that the maximum access would typically be needed and requested.

⁶ Compare Decision No. 12346-(00/117), adopted November 28, 2000. Separately, Part I of the decision does not address service charges for the use of SLF resources, as Rule I-1 specifies a service charge that applies to all purchases in the GRA. Moreover, commitment fees apply under arrangements, but do not apply to outright purchases of the kind available under the SLF.

⁷ Members that do not have a current arrangement, but have Fund credit outstanding from earlier arrangements, would not be precluded from obtaining support under the SLF.

⁸ As noted in the main paper, the creation of the SLF makes it necessary to refine the FCC, which is the indicator that the Fund has used since 2002 to measure its liquidity. See *The Fund's Liquidity Position—Review and Outlook*, EBS/02/177 (October 15, 2002); BUFF/02/179 (11/4/02); and BUFF/02/68 (5/15/02). The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less a prudential balance. Because of their short repurchase period, purchases under the SLF would have no effect on the FCC (they would lower usable resources, but this decline would be fully offset by an increase in repurchases one-year forward, leaving the FCC unchanged). For this reason, staff proposes to exclude repurchases falling due under the SLF from the calculation of the FCC.

⁹ See *The Acting Chair's Summing Up—Safeguards Assessments—Review of Experience*, BUFF/05/73 (April 28, 2005); and *Proposed Reforms to the Exogenous Shocks Facility – Proposed Decision*, SM/08/255, Supp 1 (August 18, 2008).

assessment policy is applicable, particularly given the rapid speed with which requests under the SLF would be considered.¹⁰ Nevertheless, some safeguards are needed, given the large amounts involved. Accordingly, staff proposes a modified form of the safeguards assessment policy that would facilitate access to the most recent audits and a dialogue with Fund staff as needed. In particular, Paragraph 4(c) specifies that, by no later than the date of the purchase under the SLF, the member must grant staff access to the most recently completed annual independent audit of its central bank's financial statements, whether or not it is published; the member would also authorize its central bank authorities and external auditors to discuss the audit findings with Fund staff. Such audit findings typically include written observations by the external auditors regarding weaknesses observed in internal controls (so called “management letters”).

- The remaining provisions of Part I of the decision deal with other key operational matters, and are similar to provisions that have been included in other facilities that address special capital account-related balance of payments problems. These include clauses that (i) allow SLF purchases to “float” against the reserve tranche of members and against purchases under other Fund policies (Paragraph 6); (ii) address the rate of charge that would apply in the unlikely event that members were to have overdue repurchases under the SLF (Paragraph 8);¹¹ and (iii) give the Fund authority to condition the approval of SLF financing on a member’s adoption of controls to prevent a large or sustained outflow of capital (Paragraph 10).

B. Ancillary Policy Changes

5. The unique nature and features of financing under the SLF require modifications to certain Fund policies in order to ensure that the SLF will be effective in accomplishing its objectives. In particular—and as discussed in the main paper—it is mandatory that the new facility put a premium on speed, simplicity, and the streamlining of procedural requirements, given the rapidity with which market conditions can change. Publication is also an area of sensitivity in the context of current market developments, particularly given the potential for adverse market reactions when members’ use of the facility is miscommunicated or misunderstood. The targeted modifications proposed in Parts

¹⁰ It could also be noted that the members that would be eligible to receive financing under the SLF are very likely to have central bank financial reporting, audit and internal control standards that meet the ELRIC criteria under the safeguards assessment policy.

¹¹ The proposed provision replicates one in the SRF, which has the effect of (i) allowing the accrual of special charges on overdue repurchases and charges for as long as the overdue repurchases and charges remain unpaid (in comparison, special charges are assessed for only six months under the credit tranches and EFF); and (ii) clarifying that the rate of charge on overdue SLF repurchases would not be less than the otherwise applicable maximum rate of charge on purchases under the SLF.

II through V of the decision and discussed below seek to address these issues, while also minimizing interference with the broader objectives addressed by the relevant policy.

6. **It is proposed that the exceptional access policy be modified so as to make the “global” limits on access to GRA resources inapplicable in cases where a member is requesting a purchase under the SLF (Decision, Part II).** The current annual and cumulative global limits are set at 100 and 300 percent of quota respectively, and thus would trigger the exceptional access framework’s substantive and procedural requirements in almost every case involving an SLF purchase (given the latter’s 500 percent of quota limit). With the proposed modification, the exceptional access framework would not apply when a purchase is requested under the SLF, and the member would be subject only to the substantive and procedural requirements specified in the SLF decision.

7. **This approach is justified on a number of grounds.** It would avoid the unusual result of access under the SLF being labeled as “exceptional” when it is squarely within the access limit that the Board has established for the new facility. It also avoids the need to “fit” the SLF into a framework not entirely applicable to it (e.g., the exceptional access procedures generally assume there will be negotiations with the member on appropriate measures to include in a Fund-supported adjustment program). Moreover, the practical implications of this approach would be limited since, as discussed above, the SLF decision imposes substantive and procedural requirements that are similar in key respects to those under the exceptional access policy.¹² Finally, this carve out is limited, as it applies *only when a purchase is being made under the SLF*. If the member were to subsequently request financing under a different facility, then any SLF purchases outstanding at the time of such a request would be taken into account in determining whether or not that request triggered applicability of the exceptional access framework.

8. **Two targeted revisions are proposed to the Fund’s transparency policy (Decision, Part III).** *First*, Board decisions regarding financing under the SLF would be excluded from the requirements regarding Chairman’s Statements and brief factual statements in lieu of Chairman’s Statements.¹³ Instead, the policy would provide for issuance

¹² For example, the exceptional access framework’s substantive focus on the member’s policies, including debt sustainability, is replicated (if not exceeded) by the strict policy requirements that members must meet in order to qualify for SLF financing. And early Board involvement is assured by the requirement that the Board be consulted “promptly” once management assesses that use of the SLF may be appropriate, which is virtually identical to the trigger under the exceptional access policy.

¹³ Under the Transparency Decision, each Board discussion of a member’s use of Fund resources is to conclude with a Chairman’s Statement summarizing the key points in the discussion. With the consent of the member, this statement will be published as part of a press release. Where the member does not consent to publication, the Fund will publish a brief factual statement describing the Executive Board’s decision on the member’s use of Fund resources.

of a press release regarding the SLF decision with the consent of the member. *Second*, modifications would be made to exclude SLF requests from the provision specifying that the Managing Director will generally not recommend Board approval of a member's request for exceptional access to Fund resources in cases where the member does not consent to publication of the associated staff report. The latter change is largely a consequential amendment flowing from the change to make the exceptional access framework inapplicable to requests under the SLF. Considering the communication issues noted earlier, these amendments would also provide greater flexibility to determine the most appropriate means and timing of public communications related to the use of resources under the SLF, taking into account the circumstances of each case.¹⁴

9. **It is proposed that the SLF be excluded from certain other Fund policies.** Specifically, it is proposed that outstanding SLF credit not be counted towards the thresholds that trigger applicability of the policy on post-program monitoring (Decision, Part IV), and that the Emergency Financing Mechanism not apply to SLF requests (Decision, Part V). As discussed above, the SLF decision would itself contain pre- and post-purchase procedures that are substantively similar to the requirements under these policies, while also being specifically designed to take into account the unique circumstances of the SLF. Moreover, given the SLF's very short repurchase period, it is unlikely that SLF purchases—even if not carved out from the PPM policy—would in any typical case be a basis for triggering a PPM review.

C. Applicability of Other Policies

10. **Certain existing decisions and policies that apply generally to the use of the Fund's resources would apply, as relevant, to the SLF.** Policies in this category include the policies on side letters and program financing (including non-toleration of arrears to official creditors and lending into arrears to private creditors). Moreover, under the Fund's new policy on charging for technical assistance, members that are implementing programs supported by Fund financial assistance (including in the form of outright purchases) are exempted from charging. No change to the approach is proposed and, accordingly, the exemption from charging would apply if members making purchases under the SLF were to request technical assistance from the Fund.

11. **Other decisions and policies, by their terms, would not apply to SLF financing, given the SLF's exclusive use of outright purchases rather than arrangements.** Policies in this category include the policies on longer-term program engagement, Trade Integration Mechanism, Article IV consultation cycles, and the Fund's policies on misreporting and

¹⁴ Other aspects of the publication policy would apply unchanged to the SLF, including the provision regarding members' voluntary but presumed consent to Fund publication of their letters of intent.

noncomplying purchases in the GRA (in particular, the conditioning of Board waivers on the accuracy of information regarding performance criteria).

D. PROPOSED DECISION

Accordingly, the following decision, which may be adopted by an eighty-five percent majority of the total voting power, is proposed for adoption by the Executive Board.

I. ESTABLISHMENT OF THE SHORT-TERM LIQUIDITY FACILITY

1. For a period of two years from October 31, 2008, the Fund will be prepared to provide financial assistance in accordance with the terms of this Decision to a member that is experiencing exceptional balance of payments difficulties reflected in pressure on the capital account and the member's reserves which, taking into account the strength of the member's policies and its underlying fundamentals, are judged to be quickly self-correcting.

2. Financing under this Decision will be available to members only in cases where the Fund assesses that the member's policies and underlying fundamentals are very strong. This assessment would be based on the following criteria, and would take into account information obtained, inter alia, in bilateral and multilateral surveillance:

(a) *Very strong policies, underlying fundamentals and track record:* The member has a strong macroeconomic position, is implementing—and has a sustained track record of implementing—very strong policies, and remains committed to maintaining such policies in the future, all of which give confidence that the member's short term external liquidity problems will be self-correcting. The member's policies must have been assessed very positively by the Executive Board in the context of the most recent Article IV consultations. Relevant indicators for this purpose would be expected to include: (i) sound structural fiscal positions; (ii) low and relatively stable rates of inflation resulting from strong monetary policy implementation; (iii) effective financial sector supervision; (iv) sustainable current account positions; (v) capital accounts that are dominated by private flows; (vi) a history of

steady access to international capital markets at favorable terms; and (vii) a reserve position that, despite growing balance of payments pressures, is relatively comfortable by standard measures.

(b) *Sustainable debt*: There is a high probability that the member's external debt and domestic public debt will remain sustainable, taking into account both the evolution of the level of debt and rollover and financing requirements under various scenarios and stress tests.

3. (a) Access by members to resources under this Decision will be subject to a cumulative limit of 500 percent of quota.

(b) Financing under this Decision will be made available to members in the form of outright purchases. The Fund may approve a purchase under this Decision only in cases where the member does not have a Fund arrangement in place at the time of the purchase.

(c) The Fund will not approve more than three purchases under this Decision for a member in any twelve-month period.

4. (a) The following procedures, and arrangements for consultations with the Executive Board, will apply following a member's expression of interest in financial assistance under this Decision:

(i) Staff will conduct a preliminary assessment of the member's economic position and track record of policy implementation. Where support from other creditors is likely to be important in helping a member address its balance of payments difficulties, staff will consult with key creditors as appropriate.

(ii) Once management decides that access to Fund resources under this Decision may be appropriate, it will consult with the Executive Board promptly in an

informal meeting. For this purpose, Executive Directors will be provided with a concise staff note setting out the basis on which approval could be recommended under this Decision.

(iii) When the Managing Director is prepared to recommend approval of a request for a purchase under this Decision, the relevant documents – including a short policy statement from the authorities, and a staff report that assesses the member's qualification for financial assistance under the terms of this Decision – will be circulated to the Board as soon as possible. An assessment of the impact of the proposed purchase on the Fund's finances and liquidity position will be included in the staff report.

(iv) The Executive Board will generally be prepared to consider a request for a purchase under this Decision within 48 to 72 hours after the circulation of the documentation.

(b) Following a purchase and for as long as the member has any purchases outstanding under this Decision, staff will keep Executive Directors informed of relevant economic and financial developments concerning the relevant member.

(c) A member requesting a purchase under this Decision will provide authorization, by no later than the date of the purchase, for Fund staff to have access to the most recently completed annual independent audit of its central bank's financial statements, whether or not the audit is published. This will include authorizing their central bank authorities and the central bank's external auditors to discuss the audit findings with Fund staff, including any written observations by the external auditors regarding weaknesses

observed in internal controls. Members will be expected to act in a cooperative manner during such discussions with the staff.

5. A member shall repurchase the outstanding amounts of its currency resulting from purchases under this Decision three months from the date of the relevant purchase.

6. (a) Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of reserve tranche purchase pursuant to Article XXX(c).

(b) Except for the purposes of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under this Decision shall be considered separate from the Fund's holdings of the same currency resulting from purchases made under any other policy on the use of the Fund's general resources.

7. The rate of charge under Article V, Section 8(b) on holdings of a member's currency acquired as a result of purchases under this Decision shall be (a) the rate of charge referred to in Rule I-6(4), as adjusted to cover deferred income or for placement to the Special Contingent Account (the "adjusted rate of charge"), for the portion of such holdings up to 200 percent of the member's quota in the Fund; (b) 100 basis points per annum above the adjusted rate of charge, for the portion of such holdings in excess of 200 percent of the member's quota in the Fund and up to 300 percent of such quota; and (c) 200 basis points per annum above the adjusted rate of charge, for the portion of such holdings above 300 percent of the member's quota in the Fund.

8. The provisions of Decision No. 8165-(85/189) G/TR, December 30, 1985, except Section IV, shall apply to any overdue financial obligations arising under this Decision;

provided however that the rate of charge on overdue repurchases shall be determined by the Fund and shall not be less than the maximum rate of charge specified in paragraph 7 of this Decision.

9. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(b)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

10. The Fund may make the use of its resources under this Decision conditional upon the adoption by the member of measures under Article VI, Section 1 of the Fund's Articles of Agreement.

11. Whenever the total amount of outstanding purchases under this Decision exceeds SDR 60 billion, the Fund will promptly review the implications of this Decision for the Fund's liquidity position.

II. OVERALL CUMULATIVE ACCESS LIMITS TO THE FUND'S GENERAL RESOURCES

12. In Paragraph 2 of Decision No. 14064-(08/18), adopted February 22, 2008, the second sentence shall be amended to read as follows:

“Accordingly, overall access by members to the Fund's general resources shall be subject to (a) an annual limit of 100 percent of quota, and (b) a cumulative limit of 300 percent of quota, net of scheduled repurchases; provided that these limits will not apply in cases where a member requests a purchase under the Short-Term Liquidity Facility, although outstanding holdings of a member's currency arising from such

purchases will be taken into account when applying these limits in cases involving requests for access under other Fund facilities.”

III. TRANSPARENCY POLICY DECISION

13. Decision No. 13564-(05/85), adopted October 5, 2005, as amended, shall be amended as follows:

a. In Paragraph 4(b), the first sentence shall be amended to read as follows:

“The Managing Director will generally not recommend that the Executive Board approve a request to use the Fund’s general resources under a policy other than the Short-Term Liquidity Facility that would result in the relevant member obtaining exceptional access, unless that member consents to the publication of the associated staff report.”

b. Two new sentences shall be added at the end of Paragraph 12 to read as follows:

“The foregoing provisions of this paragraph shall not apply to Executive Board decisions regarding a member’s use of Fund resources under the Short-Term Liquidity Facility. With the member’s consent, the Fund may issue a press release announcing a decision taken by the Executive Board with respect to the member’s use of such resources.”; and

c. In Paragraph 14(b), a new last sentence shall be added to read as follows:

“This paragraph shall not apply to decisions relating to the use of Fund resources under the Short-Term Liquidity Facility.”

IV. POST-PROGRAM MONITORING

14. In Paragraph 1 of Decision No. 13454-(05/26), adopted March 14, 2005, as amended, the first sentence shall be amended to read as follows:

“If outstanding credit to a member from the Fund's General Resources Account (GRA), or from the Fund as Trustee of the Poverty Reduction and Growth Facility Trust (PRGF Trust), or a combination thereof, exceeds a threshold of 100 percent of quota, and the member does not have a program supported by a Fund arrangement or is not implementing a staff monitored program with reports issued to the Executive Board, or the member does not have a program supported by a Policy Support Instrument ("PSI"), the member will be expected to engage in Post-Program Monitoring (PPM) with the Fund of its economic developments and policies upon the recommendation of the Managing Director, provided that, for the purposes of calculating the member's outstanding Fund credit, purchases under the Short-Term Liquidity Facility shall not be counted.”

V. EMERGENCY FINANCING MECHANISM

15. The Emergency Financing Mechanism (EFM) procedures set forth in BUFF/95/102, 9/21/1995 shall not apply to requests for purchases under the Short-Term Liquidity Facility.

Redlined Text of Revisions to Existing Decisions

II. Overall Cumulative Access Limits to the Fund's General Resources

Paragraph 2 of Decision No. 14064-(08/18), adopted February 22, 2008:

2. The Fund has reviewed the guidelines and the limits for overall access by members to the Fund's general resources set forth in Decision No. 13462-(05/32), adopted April 1, 2005, as amended, and decides that they remain appropriate in the present circumstances. Accordingly, overall access by members to the Fund's general resources shall be subject to (a) an annual limit of 100 percent of quota, and (b) a cumulative limit of 300 percent of quota, net of scheduled repurchases; provided that these limits will not apply in cases where a member requests a purchase under the Short-Term Liquidity Facility, although outstanding holdings of a member's currency arising from such purchases will be taken into account when applying these limits in cases involving requests for access under other Fund facilities. The Fund may approve access in excess of the limits set forth in this decision in exceptional circumstances, provided that, at a minimum, the four substantive criteria set forth in BUFF/02/159 (9/20/02) would need to be met to justify such access for members facing a capital account crisis. The procedures set forth in BUFF/02/159 (9/20/02), BUFF/03/28 (3/5/03) and BUFF/05/68 (4/13/05) shall apply to all cases involving access in excess of the limits set forth in this decision, and requests for such access in cases of members not facing a capital account crisis shall be justified in light of the four substantive criteria set forth in BUFF/02/159 (9/20/02).

III. Transparency Policy Decision

Decision No. 13564-(05/85), adopted October 5, 2005, as amended:

(a) Paragraph 4.b.:

4. b. The Managing Director will generally not recommend that the Executive Board approve a request to use the Fund's general resources under a policy other than the Short-Term Liquidity Facility that would result in the relevant member obtaining exceptional access, unless that member consents to the publication of the associated staff report. The use of the Fund's general resources under an arrangement that was approved before July 1, 2004 shall not be affected by this policy, unless there is a change in the terms, conditions or timing of the arrangement. For purposes of this paragraph: (i) approval of the use of the Fund's general resources includes the completion of a review under an arrangement; and (ii) exceptional access means access by a member to the Fund's general resources, under any type of Fund financing, in excess of an annual limit of 100 percent of the member's quota, or a cumulative limit (net of scheduled repurchases) of 300 percent of the member's quota.

(b) Paragraph 12:

12. After the Executive Board (i) adopts a decision regarding a member's use of Fund resources (including a decision completing a review under a Fund arrangement), or (ii) adopts a decision approving a PSI, or conducts a review under a PSI, or (iii) completes a discussion on a member's participation in the HIPC Initiative, or, (iv) completes a discussion on a member's I-PRSP, PRSP, PRSP preparation status report, or APR in the context of the use of Fund resources or a PSI, a Chairman's statement on the discussion, emphasizing the key points made by Executive Directors, will be released to the public. Where relevant, the Chairman's statement will contain a summary of HIPC Initiative decisions pertaining to the member and the Executive Board's views on the member's I-PRSP, PRSP, PRSP preparation status report, or APR in the context of use of Fund resources or a PSI. Waivers for nonobservance, or of applicability, of performance criteria, and any other matter as may be decided by the Executive Board from time-to-time (Document 12), and waivers for nonobservance of assessment criteria, and any other matter as may be decided by the Executive Board from time-to-time (Document 24), will be mentioned in the factual statement section of the press release containing the Chairman's statement or in a factual statement issued in lieu of a Chairman's statement as provided for in paragraph 14(b). Before a Chairman's statement is released, it will, if any Executive Director so requests, be read by the Chairman to the Executive Board and Executive Directors will have an opportunity to comment at that time. The Executive Director elected, appointed, or designated by the member concerned will have the opportunity to review the Chairman's statement, to propose minor revisions, if any, and to consent to its publication immediately after the Executive Board meeting. The foregoing provisions of this paragraph shall not apply to Executive Board decisions regarding a member's use of Fund resources under the Short-Term Liquidity Facility. With the member's consent, the Fund may issue a press release announcing a decision taken by the Executive Board with respect to the member's use of such resources.

(c) Paragraph 14.b.:

14. b. If a member does not consent to the publication of a Chairman's statement (Documents 10 and 23) under paragraph 12 where one would be applicable, or if no Chairman's statement has been issued because a decision was taken on a lapse-of-time basis, a brief factual statement describing the Executive Board's decision relating to (i) that member's use of Fund resources (including HIPC initiative decisions (Document 11), Document 12, and consideration of Documents 5, when relevant), or (ii) the approval of a PSI for that member, or the conduct of a review under that member's PSI (including Document 24 and consideration of Document 18, when relevant) will be released instead. This paragraph shall not apply to decisions relating to the use of Fund resources under the Short-Term Liquidity Facility.

IV. Post-Program Monitoring

Paragraph 1 of Decision No. 13454-(05/26), adopted March 14, 2005, as amended:

If outstanding credit to a member from the Fund's General Resources Account (GRA), or from the Fund as Trustee of the Poverty Reduction and Growth Facility Trust (PRGF Trust), or a combination thereof, exceeds a threshold of 100 percent of quota, and the member does not have a program supported by a Fund arrangement or is not implementing a staff monitored program with reports issued to the Executive Board, or the member does not have a program supported by a Policy Support Instrument ("PSI"), the member will be expected to engage in Post-Program Monitoring (PPM) with the Fund of its economic developments and policies upon the recommendation of the Managing Director, provided that, for the purposes of calculating the member's outstanding Fund credit, purchases under the Short-Term Liquidity Facility shall not be counted. Where the above criteria are met, the Managing Director shall recommend PPM to the Executive Board, unless, in the view of the Managing Director, the member's circumstances (in particular, the strength of the member's policies, its external position, or the fact that a successor arrangement or a staff monitored program is expected to be in place within the next six months) are such that the process is unwarranted. PPM will normally cease when the member's outstanding credit falls below the threshold of 100 percent of quota.