

SM/11/320
Correction 1

December 1, 2011

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Guidance Note on Letters and Statements Assessing Members' Economic Conditions and Policies**

The attached corrections to SM/11/320 (11/30/11) have been provided by the staff:

Typographical Errors

Page 1, footnote 4: for "SM/10/61" read "SM/10/323"

Page 4, last bullet: the hyperlink for the "Guidance Note on the Fund's Transparency Policy" corrected to reference to SM/10/323.

Questions may be referred to Ms. Rahman-Garrett, SPR (ext. 36686).

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

**Guidance Note on Letters and Statements Assessing Members’
Economic Conditions and Policies**

Prepared by the Strategy, Policy and Review Department
(In consultation with other departments)

Approved by Siddharth Tiwari

November 30, 2011

This note provides guidance on the need for, content, review and circulation of assessment letters or statements.¹ Such letters or statements may be prepared for countries with programs supported by the Fund through financial assistance or a policy support instrument, countries receiving Fund emergency assistance, countries with staff-monitored programs (SMPs), or surveillance-only cases.²

1. **Recipients.** Assessment letters are typically produced in response to requests from multilateral or bilateral donors or creditors, in particular the World Bank and other international financial institutions (IFIs). In some instances, the request for an assessment letter may come directly from the member country that is approaching these entities for financial assistance. Statements by Fund staff are typically prepared for donor/creditor group meetings or for Board meetings of other IFIs.

2. **Need for assessment letters.** Assessment letters should normally be prepared only when up-to-date assessments are not readily available. Responses to requests for the Fund’s assessment of a country’s macroeconomic conditions and policies should be conveyed whenever possible through the most recent public information notice (PIN), Chairman’s statement produced in the context of Article IV surveillance, Fund-supported program, or SMP, or a previous assessment letter, if it remains valid.^{3,4,5} Barring any major changes in the country circumstances, the PIN,

¹ The content of this guidance note is primarily based on the Executive Board’s discussion of *Signaling Assessments of Members’ Policies* ([SM/03/2](#) and [BUFF/03/10](#)).

² The guidance note applies also to assessment letters or statements concerning non-members. In these cases, the extent and nature of the staff’s involvement are circumscribed by the Board’s views on the appropriate role for the Fund, within the Fund’s legal framework.

³ See *Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality-Progress Report* ([SM/04/57](#)).

⁴ In cases where the most recent UFR review was concluded on a lapse-of-time (LOT) basis and a factual statement in the press release is issued instead of a Chairman’s statement, an assessment letter could be prepared based on the report’s staff appraisal (see Guidance Note on the Fund’s Transparency Policy, [SM/10/323](#), page 47 and [Decision](#), paragraph 2 on eligibility for LOT procedures for completion of program reviews).

⁵ In providing the most recent PIN or Chairman’s statement, staff may refer to the associated staff report for more detailed information in cases where the report is either published, or there is a transmittal arrangement in place with the recipient institution (see [SEC’s website](#) for information on such transmittal arrangements).

Chairman's statement, or previous assessment letters, are expected to remain valid for a period of up to six months. Thus, an assessment letter would only be called for if either (i) the most recent assessment is more than six months old, or (ii) if Fund staff considers that there have been material changes in the country's circumstances that call for an updated assessment. New assessment letters will be subject to the review and clearance procedures outlined below.

3. **Scope of application.** The guidance on content (paragraph 4 below) applies to all assessment letters and statements, including—as relevant—to comments made by Fund staff in response to ad hoc questions at donor/creditor group meetings or at Board meetings of other IFIs.⁶ The guidance on review and circulation (paragraphs 5 and 6) applies to assessment letters and to statements by Fund staff if the statement is pre-prepared and part of the meeting agenda; however it does not extend to ad hoc comments at donor/creditor group meetings or at Board meetings of other IFIs, and to informal speaking notes for such comments.

4. **Content.** Assessment letters and statements should:

- ***Contain a clear and candid assessment of the member's macroeconomic conditions and prospects, and of macroeconomic and related structural policies.*** This assessment should enable the recipient to form a clear view of the strengths and weaknesses of a country's macroeconomic and related structural policies. The assessment would normally (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. The assessment may identify external or public sector financing gaps and indicate how inadequate coverage of financing needs would affect policies and macroeconomic conditions looking forward. Where relevant, the assessment should draw attention to conditions and policies that would likely nullify the benefits of any loan or grant.
- ***Contain a brief factual account of the Fund's relations with the member country.*** This should include, where relevant, a description of the status of an ongoing Fund-supported program (or SMP), or of the state of discussions toward a Fund-supported program (or SMP). As clarified in SM/04/57, letters for the World Bank should clearly identify reform priorities, Fund-supported program conditionality, and progress in program implementation.

⁶ However, comments made by Fund staff in response to ad hoc questions at donor/creditor group meetings or at Board meetings of other IFIs will typically focus on specific issues and thus are not expected to cover all the areas listed in paragraph 4.

- ***Avoid language that directly encourages other creditors or donors to provide financing in support of the policies the country is pursuing, or discourages them from doing so.*** However, the guidance on the content of assessment letters or statements outlined above should help ensure that the staff's assessment is sufficiently candid and pointed to help creditors or donors make a judgment as to whether the provision of financial support would be consistent with their respective policies. Staff should make sure that the intended recipient is aware that assessment letters are to be candid, and will neither be necessarily supportive of the country's policies nor endorse the provision of financial assistance to the country. Drafts of assessment letters should not be shared with country authorities or other potential recipients.
5. **Review and management clearance.** Assessment letters and statements are subject to the same SPR review and clearance procedures as surveillance and program-related country documents, and they require management's approval.
6. **Circulation to the Board.** Assessment letters or statements should be circulated to the Board for information prior to their dissemination to outside recipients to ensure that the Board is informed about these assessments. Staff should be aware (and, where there is a possible misunderstanding, should make it clear to the authorities and the recipient) that circulation to the Board for information does not, in any way, entail Board endorsement of the assessment presented in the letter or statement. Where relevant, the cover memorandum for circulation to the Board should indicate, in a factual manner, the financing operation for which the assessment is being sought, but it should avoid language that endorses or supports the operation.
7. **Publication issues.**
- The Fund does not generally publish assessment letters, although it may, with the consent of the member and the authoring department.
 - In some instances, assessment letters may be included in documents of the recipient institution that are intended for publication. Upon receiving a request from a recipient institution for an assessment letter, Fund staff should inquire whether the recipient institution intends to publish the assessment letter. When this is the case, staff should notify the recipient institution that the assessment letter cannot be published without explicit consent from the authorities. When finalized, the letter should be sent to the Board with a cover memorandum indicating that the Fund staff has not yet received the authorities' consent to publication. At the same time, it should be transmitted to the recipient institution noting that the consent is being sought from the authorities and that the assessment letter may not be published until such consent is explicitly obtained. Staff should then seek the authorities' consent for publication, either directly or through their Executive Director, and promptly inform the recipient institution of the authorities' decision. If the authorities do not agree to publication, Fund staff should notify the recipient institution and request omission of the assessment letter from the published document of that institution.

- Although assessment letters do not fall under the scope of the Transparency Policy, request for modifications to assessment letters after their issuance and prior to their publication (e.g., by the recipient institution) should be handled in a manner consistent with the guidance for other country documents as specified in the [Guidance Note on the Fund's Transparency Policy](#). In particular, staff should bear in mind the paramount principle of non negotiation of staff's documents with country authorities, which aims at safeguarding staff's independence.