

1. Adequacy of the Global Financial Safety Net - New Policy Coordination Instrument - Framework

General

1. The Fund has established the Policy Coordination Instrument (the PCI) with the overall objective to support countries in designing and implementing policies through a full-fledged macroeconomic program to (a) prevent crises and build buffers, (b) enhance macroeconomic stability, or (c) address macroeconomic imbalances.
2. Upon request, the Fund will be prepared to provide the technical services described in this Decision to members that: (a) at the time of the request for a PCI do not require and are not seeking financial assistance from the Fund; and (b) seek to maintain a close policy dialogue with the Fund, through the Fund's endorsement and assessment of their economic and financial policies, under a PCI.
3. A PCI is a decision of the Executive Board setting forth a framework for the Fund's assessment and endorsement of a member's economic and financial policies. A PCI may be approved for a duration of six months to four years, and may be extended up to an overall maximum period of four years.
4. The PCI will be available to all member countries for the purposes outlined in paragraph 1, without further qualification criteria, except members with overdue financial obligations to either the Fund's General Resources Account or to the Poverty Reduction and Growth Trust.

The Member's Program Statement

5. Program Statement. The member's program of economic and financial policies and objectives for the period of a PCI will be described in a Program Statement that may be accompanied by a technical memorandum ("Program Statement"). The initial Program Statement will include: (a) a macroeconomic policy framework, which is based upon a quantified framework, for at least the first twelve months under the PCI; (b) Standard Continuous Targets; and (c) either Quantitative Targets or Reform Targets, or both. Where established, Quantitative and Reform Targets shall be set for at least the first twelve months of the program period. The Program Statement will be updated, as appropriate, in the context of reviews under the PCI.

Approval

6. A member's request for a PCI may be approved only if the Fund is satisfied that: (a) the policies set forth in the member's Program Statement meet the standards of upper credit tranche conditionality; (b) the member's program will be carried out, and in particular, that the member is sufficiently committed to implement the program, and (c) the member does not need and is not seeking Fund financial support at the time of approval of a PCI.

Program Reviews

7.

a. The implementation of the member's program under a PCI will be assessed through program reviews. The Executive Board will establish a review schedule at the time it approves a PCI, and reviews will normally be scheduled at regular intervals of six months or less. A review can be completed only if the Executive Board is satisfied that the member's program is on track to achieve its objectives, based on relevant factors such as the member's observance of Standard Continuous Targets, Quantitative Targets, Reform Targets, as applicable, and its policy understandings for the future; and that conditions (a) and (b) for the approval of a PCI in paragraph 6, above, continue to be met.

b. Where reviews are scheduled semi-annually, if a scheduled review is not completed within three months from the scheduled review date, the Board will be provided with an interim performance update by staff, normally for information. A brief factual statement stating the issuance of the performance update would be published shortly after the issuance of the performance update to the Board, and the performance update report would be published subject to the member's consent. A press release, summarizing staff's views, may accompany a performance update report that is published. Where reviews are scheduled more frequently than semi-annually, the three-month period triggering the interim performance update will be reduced proportionally.

c. Once the time period established in paragraph 7(b) has passed, the review cannot be completed. The program may be brought back on track by completion of the subsequent scheduled review.

d. PCIs of less than one year would require at least one scheduled review.

8. Implementation of the program will be monitored as informed by Quantitative Targets, Reform Targets, Standard Continuous Targets, Prior Actions, and other relevant information:

(a) Quantitative Targets and Reform Targets.

(i) The Fund shall establish Quantitative Targets or Reform Targets, or both, that will be examined in a review's assessment of program performance.

(ii) Quantitative Targets will apply to clearly-specified quantitative variables that can be objectively monitored and are of critical importance for achieving the goals of the program or for monitoring program implementation.

(iii) Reform Targets will apply to key structural measures that are needed to meet the objectives of the program.

(iv) In order to complete a review, Quantitative or Reform Targets, where included in the program, must be established for the shorter of: (a) the next two scheduled reviews, or (b) the remaining period of the PCI.

(b) Standard Continuous Targets. The Fund shall establish Continuous Targets, that will apply on a continuous basis. Continuous Targets will relate to trade and exchange restrictions, bilateral payments arrangements, multiple currency practices and non-accumulation of external payments arrears, analogous to those provided in paragraphs 3(d) and 3(b)(ii), respectively, of Attachment A of Decision No. 10464-(93/130), adopted September 13, 1993 as amended.

(c) Prior actions. A member may be expected to adopt measures prior to the Executive Board's approval of a PCI or completion of a review.

9. Notwithstanding paragraphs 7 and 8, and subject to paragraph 20, following the approval of a stand-by arrangement ("SBA") or an arrangement under the Standby Credit Facility ("SCF arrangement") for a member implementing a program under a PCI, and for as long as the SBA or SCF arrangement remains in effect:

(a) reviews of the member's SBA-supported program or SCF-supported program shall normally be scheduled at such time as reviews of the implementation of the member's program under the PCI are scheduled;

(b) Quantitative Targets under the PCI shall normally be established for the same test dates and shall apply to the same variables and measures as performance criteria under the SBA or SCF arrangement; and

(c) documentation with respect to the conduct of a scheduled review under the PCI shall normally be issued to the Board at such time as documentation for a review under the SBA-supported program or SCF-supported program is issued.

Misreporting

10. Any decision approving a PCI or completing a review will be made conditional upon the accuracy of information provided by the member regarding implementation of prior actions or performance under associated Quantitative Targets or Standard Continuous Targets.

11. Whenever evidence comes to the attention of the staff indicating that the member's reporting of information noted in paragraph 10 above was inaccurate, the Managing Director shall promptly inform the member concerned.

12. If after consultation with the member, the Managing Director finds that, in fact, the member had reported such inaccurate information to the Fund, the Managing Director shall promptly notify the member of this finding.

13. In any case where a PCI was approved, or a review was completed, no more than three years prior to the date on which the Managing Director informs the member, as provided for in paragraph 11 above, the Executive Board shall decide whether misreporting has occurred and shall reassess program performance in the light of that determination.

14. The Fund shall proceed to make relevant information public in every case, except as provided for in paragraph 15(c), following an Executive Board decision regarding program performance under paragraph 13 above, with prior Executive Board review of the text for publication.

15. For the purposes of paragraphs 10 through 14:

(a) whenever the Managing Director considers there is evidence that the member's reporting of information noted in paragraph 10 above was inaccurate, but the inaccuracy was de minimis in nature, which is defined as so small as to be trivial with no impact on the assessment of performance under the relevant member's program, as illustrated by the examples set out in Table 1 of EBS/06/86, the communication referred to in paragraph 11 may be made by a representative of the relevant Area Department;

(b) if the Managing Director determines that, in fact, a member has reported such inaccurate information to the Fund, but the nonobservance was de minimis in nature, as defined in paragraph 15(a) above, the notification referred to in paragraph 12 may be made by a representative of the relevant Area Department, and the Executive Board shall be informed of the misreporting in a staff report on a review under the relevant PCI or, if no such review is provided for, a staff report which deals with issues other than the misreporting, and shall include a recommendation that the Executive Board find that the misreporting was de minimis in nature and had no effect on program performance under the PCI. In those rare cases in which no review is provided for, and no other such staff report on the member is to be issued to the Board promptly after the Managing Director concludes that misreporting has taken place, the Managing Director shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report on the misreporting will be prepared for consideration by the Executive Board normally on a lapse-of-time basis; and

(c) whenever the Executive Board finds that a member has misreported information referred to in paragraph 10, but that the nonobservance of the relevant Quantitative Target, Standard Continuous Target, or other specified condition was de minimis in nature as defined in paragraph 15(a) above: (i) the Executive Board shall also find that the misreporting had no effect on program performance; and (ii) the fact of misreporting shall not be published by the Fund.

Applicability of Certain UFR and Other Policies

16. The Guidelines on Conditionality (Decision No. 12864-(02/102), September 25, 2002) shall apply where relevant and except where this Decision sets forth different or more specific provisions.

17. In addition, the Fund's policies on the following subjects shall apply by analogy to PCIs: (a) requirement of full program financing; (b) arrears to official sector and external private creditors; (c) use of side letters; (d) Guidelines on Public Debt Conditionality in Fund

Arrangements; and (e) the decision on Lapse of Time Procedures for Completion of Program Reviews.

18. All generally applicable policies on the financing of technical assistance established by the Fund shall apply to the technical services provided under this decision, including any charging policies or expectations of self-financing.

Termination of a PCI

19. A member may cancel a PCI at any time by notifying the Fund of such cancellation.

20. A PCI for a member will terminate upon: (a) the relevant member incurring overdue financial obligations to the GRA or PRGT; (b) noncompletion of a review for a twelve-month period; or (c) the approval for the relevant member of an arrangement with the Fund other than an SBA or SCF arrangement. Approval of access under the Rapid Financing Instrument or Rapid Credit Facility will not cause termination of a PCI.

21. In the case of cancellation or termination, a brief factual statement noting such shall be published.

Periodic Review

22. The Fund will review application of this Decision five years after its adoption or after the tenth PCI is approved by the Executive Board, whichever is first, or earlier if warranted. (SM/17/139, Sup. 3, 07/17/17)

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