

SELECTED DECISIONS

and Selected Documents of the International Monetary Fund

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PREFACE

This volume is the Forty-Fourth Issue of *Selected Decisions and Selected Documents of the International Monetary Fund.* It includes decisions, interpretations, and resolutions of the Executive Board and the Board of Governors of the International Monetary Fund, as well as selected documents, to which frequent reference is made in the current activities of the Fund. In addition, it includes certain documents relating to the Fund, the United Nations, and other international organizations.

As with other recent issues, the number of decisions in force continues to increase. Accordingly, it has become necessary to delete certain decisions that were included in earlier issues, including those that only completed or called for reviews of decisions, those that lapsed, and those that were superseded by more recent decisions.

Wherever reference is made in these decisions and documents to a provision of the Fund's Articles of Agreement or Rules and Regulations that has subsequently been renumbered by, or because of, the Second Amendment of the Fund's Articles of Agreement (effective April 1, 1978), the corresponding provision currently in effect is cited in a footnote.

The Forty-Fourth Issue may be accessed online at the Fund's external website (through the site index of www.imf.org) and at the IMF eLibrary (www.elibrary.imf.org).

Yan Liu
General Counsel
Director of the Legal Department

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Article III

Quotas and Subscriptions

Guidelines on Payment of Reserve Assets in Connection with Subscriptions

The Executive Board approves the draft "Guidelines for Determining the Amount of Reserve Assets to Be Paid in Connection with Subscriptions" set forth [below].

Decision No. 6266-(79/156),
September 10, 1979

Guidelines for Determining the Amount of Reserve Assets to Be Paid in Connection with Subscriptions

The following are proposed for adoption by the Executive Board as guidelines for Committees of the Executive Board when considering the amount of a subscription that should be paid in reserve assets:

1. These guidelines shall be taken into account by a Committee of the Executive Board established to consider an application for membership in the Fund or to consider a request for an increase in quota that is made outside the framework of a general review of quotas. In applying the guidelines, a Committee shall pay due regard to present and prospective economic and financial circumstances of the country concerned.

2. In view of the requirement of Article II, Section 2, that the terms for membership, including the terms for subscriptions, shall be based on principles consistent with those applied to other countries that are already members, new members will be expected to pay a part of their initial subscription in reserve assets. The payment of reserve assets in connection with the initial subscription of a new member is largely a matter of exchanging one form of reserves for another.

3. The amount of the subscription to be paid in reserve assets shall be determined in the light of all the payments of reserve assets made by existing members and the country's external reserve position at the time of membership.

4. A reasonable approximation of the amount of the subscription that has been paid in reserve assets in the past is the average of all reserve assets actually paid in terms of the quotas of all members, rather than the proportions paid in the past by individual members. In making the calculation of the reserve assets to be paid, account will be taken of the repurchases made in the past by members, including those made in accordance with Schedule B of the amended Articles, and of sales of the currencies of members made to reduce to that level the amounts of the member's currency paid in excess of 75 percent of quota by a member that had joined the Fund before the date of the Second Amendment.

Taking into account the asset payments made by all members in connection with the Sixth General Review of Quotas and adding them to the sum of asset payments taken as the equivalent of 25 percent of total quotas as of the date of the Second Amendment, the reserve asset payments made by all members average 20 percent of present quotas. In the event that all eligible members consent to the full increases in their quotas approved under the Seventh General Review of Quotas and taking into account that 25 percent of any increase in quotas is to be paid in SDRs (or acceptable currency for nonparticipants), the reserve asset payment made by eligible members will average 21.7 percent of total quotas.

Consequently, for the period prior to the coming into effect of the quotas approved under the Seventh General Review of Quotas, the reserve asset payment for a country applying for membership can normally be expected to be of the order of 20 percent of its initial quota; after the Seventh General Review is completed, the reserve asset payment for a country applying for membership would rise to the order of 21.7 percent of its initial quota.

5. Normally, countries joining the Fund would be expected to make a payment of reserve assets in the amount, in terms of quota,

calculated along the lines outlined in paragraph 3 above. However, consideration may be given, at the request of a prospective new member, for a payment of reserve assets smaller than the average size of such payments in terms of all quotas. In exceptional circumstances, and in light of the actual and prospective balance of payments and gross reserve position of the prospective member (including its ability to acquire or mobilize external financial assets and also any allocations of SDRs that might be in prospect) at the time its application is being considered, the size of the reserve asset payment may be reduced, provided that it is not less than the equivalent of 10 percent of the member's gross reserves or 10 percent of initial quota, whichever was the higher.

6. In determining the amount of the reserve asset payment, account should also be taken of the effect the size of such payment would have on the remuneration that might be payable to the new member. This factor would ameliorate a higher reserve asset payment in terms of quota because the acquisition of a remunerated reserve tranche position would tend to ease the loss of interest income involved in the payment of a reserve asset. However, there may be circumstances where the new member has a reserve level somewhat below the average level of all members or when other features of its external financial position would seem to call for some mitigation of the payment. In such circumstances, the norm for remuneration could be applied for the new member rather than the average of reserve asset payments made in the past noted in paragraph 3 above. As the norm for remuneration is likely to rise over time, the applicability of this approach would need to be kept under review and would be subject to the minimum payment in paragraph 5 above.

7. As regards the amount of reserve asset payments to be made in connection with ad hoc increases in quotas which occur outside a general review of quotas, and to the extent that such increases are effectively a "catching up" of the quota increases already granted to other members in past general reviews, the amount of the reserve assets to be paid shall be based on the amount of reserve assets required as a result of such past general reviews. For other ad hoc increases, if any, the amount of the reserve asset payment shall be equivalent to 25 percent of the increase in quota.

8. As regards the media of payment, payments of reserve assets shall be made in SDRs to the maximum extent practicable or in a currency that is acceptable to the Fund and which is included in the operational budget as a currency that could be sold on a net basis for the foreseeable future.

Article IV

Exchange Arrangements and Surveillance

General Decisions

Notification of Exchange Arrangements Under Article IV, Section 2

…

2. The procedures set forth in Section IV of SM/77/277 [attached] are approved, and members shall be guided by the considerations in Section IV with respect to the prompt notification of any changes in their exchange arrangements.

…

Decision No. 5712-(78/41),
March 23, 1978

Attachment

Section IV of SM/77/277
IV. Issues Connected with Subsequent Notification

Once the procedures for initial notification have been clarified, only a few issues remain to be dealt with in respect of subsequent notifications. One of these is the question of what would constitute a change in an exchange arrangement requiring notification. Clearly, any official action involving the adoption of a different type of arrangement would require notification. Furthermore, in cases where a member pegs its currency, it would be appropriate to notify the Fund of all changes in the peg; this would include not only every change in the central point around which a member was maintaining margins, but also those involving a change in the composition of a composite, other than one occurring from a redistribution of currency weights on the basis of newly available trade or payments data.

For members with flexible exchange arrangements, it is more difficult to specify changes, which will require notification to the Fund. For members classified as fixing the rate according to a set of indicators, it would seem an appropriate rule that they communicate to the Fund details of any discrete exchange rate changes that are not consistent with the changes produced by the set of indicators. It would also be expected, if the suggested approach outlined earlier in this paper is accepted, that all members maintaining flexible exchange arrangements be asked to notify the Fund whenever the authorities have taken a significant decision affecting such arrangements. This would involve, as a minimum, notification of such decisions whenever public policy statements have been issued. In addition, in any instance in which the Managing Director considered that a significant change had occurred in a member's exchange policy (including intervention arrangements), and no notification has been received from that member, he would consult with the member to request information on the background to such developments. If considered appropriate, a formal notification of the change would be sought from the member.

Members would be expected to inform the Fund of all actions involving exchange taxes and subsidies. Indeed, under Article VIII, Section 3, members will continue to be required to request prior Fund approval of any multiple currency practices that may be involved in such actions.

Upon receipt of notification of a change in exchange arrangements from a member the staff would circulate it to the Executive Board. If the Board wishes, it could continue to be the normal practice that whenever a change is significant, its communication to the Board would be followed promptly by a staff paper describing the context of the change in policy and giving the staff's assessment.

Decision on Bilateral and Multilateral Surveillance

1. The Executive Board adopts the Decision on Bilateral and Multilateral Surveillance set forth in Attachment I of SM/12/156 Supplement 2. The Decision on Bilateral and Multilateral Surveillance will

become effective 6 months after the date on which the Decision is approved.

2. Decision 13919-(07/51), adopted June 15, 2007, as amended, (the "2007 Surveillance Decision") is repealed as of the effective date of the Decision on Bilateral and Multilateral Surveillance.

3. The Decision on Bilateral and Multilateral Surveillance will apply to all Article IV consultations that have not been completed by the Fund before the effective date of the Decision. (SM/12/156, Sup. 2, 07/17/12)

Decision No. 15203-(12/72),
July 18, 2012

Attachment I of SM/12/156 Supplement

Bilateral and Multilateral Surveillance

Since the adoption in 2007 of the Decision entitled "Bilateral Surveillance over Members' Policies" (the "2007 Decision"), there have been significant developments in the global economy that have highlighted the extent of trade and financial interconnections and integration and the potential benefits and risks of spillovers across national borders. In light of these developments and in recognition of the increasingly important international dimensions of surveillance and of cross-country spillovers, the Fund is of the view that better integrating bilateral and multilateral surveillance, including through the adoption of an integrated surveillance decision covering both responsibilities, would play an important role in providing guidance to both the Fund and its members regarding their mutual responsibilities under Article IV. The Fund emphasizes that the guidance being provided to members in this Decision relates to the performance of their existing obligations under Article IV; no new obligations are created for members by this Decision. Moreover, the Fund recognizes that members have legitimate policy objectives, including domestic social and political policy objectives, that are beyond the scope of Article IV and, accordingly, beyond the scope of this Decision, although when adopting policies to achieve these

objectives, members need to ensure that such policies are consistent with their obligations under Article IV. They are also encouraged to be mindful of the impact of such policies on the international monetary system.

This Decision does not, and cannot be construed or used to, expand or broaden the scope—or change the nature—of members' obligations under the Articles of Agreement, directly or indirectly, including the obligations set out in Articles IV, VI and VIII. Part I of this Decision is designed to give guidance to the Fund in its conduct of bilateral and multilateral surveillance. The principles for the guidance of members set forth in Part II of this Decision regarding their exchange rate and domestic economic and financial policies respect the domestic social and political policies of members and will be applied in a manner that pays due regard to the circumstances of members, and the need for evenhandedness in the practice of surveillance. Moreover, the Principle for the guidance of members' domestic economic and financial policies recognizes that the obligations of members governing such policies under Article IV Section 1 are of a best efforts nature. Finally, looking forward, flexibility will be maintained to allow for the continued evolution of surveillance.

1. This Decision provides guidance to the Fund in:

(a) its general oversight over members' exchange rate and domestic policies pursuant to Article IV, Sections 3(a) and its firm surveillance over the exchange rate policies of members pursuant to Article IV, Sections 3(b), (hereinafter referred to as "bilateral surveillance"); and,

(b) the exercise of its responsibility to oversee the international monetary system in order to ensure its effective operation pursuant to Article IV, Section 3(a) (hereinafter referred to as "multilateral" surveillance).

This Decision also provides guidance to members in the conduct of their domestic economic and financial policies and their exchange rate policies.

2. Part I of this Decision sets out the scope and modalities of bilateral and multilateral surveillance. Part II establishes principles for the guidance of members in the conduct of their exchange rate policies and their domestic economic and financial policies for the purposes of ensuring compliance with their obligations under Article IV, Section 1; it also identifies certain developments which, in the Fund's assessment of a member's observance of the principles, would require thorough review and might indicate the need for discussion with the member. Beyond members' obligations under Article IV, Section 1, Part II also encourages members to consider the effects of their policies on the effective operation of the international monetary system. Part III sets out procedures for surveillance. Part IV makes provision for a review of this decision.

3. Fund surveillance over members' policies and over the international monetary system shall be adapted to the needs of the international monetary and financial system as they develop. The principles and procedures set out in this Decision, which apply to all members irrespective of their exchange arrangements and balance of payments positions, are not necessarily comprehensive and are subject to reconsideration by the Fund in the light of experience.

Part I - Principles for the Guidance of the Fund in Its Surveillance

A. The Scope of Surveillance

4. Article IV, Section 3 requires the Fund to conduct both bilateral and multilateral surveillance. While these responsibilities are legally distinct, it is recognized that bilateral and multilateral surveillance are mutually supportive and reinforcing and, accordingly, need to be operationally integrated.

(i) Bilateral surveillance

5. The scope of bilateral surveillance is determined by members' obligations under Article IV, Section 1. Members undertake under Article IV, Section 1 to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote

a stable system of exchange rates (hereinafter "systemic stability"). Systemic stability is most effectively achieved by each member adopting policies that promote its own balance of payments stability and domestic stability—that is, policies that are consistent with members' obligations under Article IV, Section 1 and, in particular, the specific obligations set forth in Article IV, Section 1 (i) through (iv). "Balance of payments stability" refers to a balance of payments position that does not, and is not likely to, give rise to disruptive exchange rate movements. Except as provided in paragraph 8 below, balance of payments stability is assessed at the level of each member.

6. In its bilateral surveillance, the Fund will focus on those policies of members that can significantly influence present or prospective balance of payments and domestic stability. The Fund will assess whether exchange rate policies are promoting balance of payments stability and whether domestic economic and financial policies are promoting domestic stability and advise the member on policy adjustments necessary for these purposes. Accordingly, exchange rate policies will always be the subject of the Fund's bilateral surveillance with respect to each member, as will monetary, fiscal, and financial sector policies (both their macroeconomic aspects and macroeconomically relevant structural aspects). Other policies will be examined in the context of surveillance only to the extent that they significantly influence present or prospective balance of payments or domestic stability.

7. In the conduct of their domestic economic and financial policies, members are considered by the Fund to be promoting balance of payments stability when they are promoting domestic stability—that is, when they (i) endeavor to direct their domestic economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability, with due regard to their circumstances, and (ii) seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions. It is recognized that there may be circumstances where a member's domestic instability may give rise to systemic instability even in the absence of balance of payments instability. The Fund in its

surveillance will assess whether a member's domestic policies are directed toward the promotion of domestic stability. While the Fund will always examine whether a member's domestic policies are directed toward keeping the member's economy operating broadly at capacity, the Fund will examine whether domestic policies are directed toward fostering a high rate of potential growth only in those cases where such high potential growth significantly influences prospects for domestic, and thereby balance of payments, stability. However, the Fund will not require a member that is complying with Article IV, Sections 1(i) and (ii) to change its domestic policies in the interests of balance of payments stability.

8. This Decision applies to members of currency unions, subject to the following considerations. Members of currency unions remain subject to all of their obligations under Article IV, Section 1 and, accordingly, each member is accountable for those policies that are conducted by union-level institutions on its behalf. In its surveillance over the policies of members of a currency union, the Fund will assess whether relevant policies implemented at the level of the currency union (including exchange rate and monetary policies) and at the level of members are promoting the balance of payments and domestic stability of the union and will advise on policy adjustments necessary for this purpose. In particular, the Fund will assess whether the exchange rate policies of the union are promoting its balance of payments stability, and whether domestic policies implemented at the level of the union are promoting the domestic, and thereby balance of payments, stability of the union. Because, in a currency union, exchange rate policies are implemented at the level of the union, the principles for the guidance of members' exchange rate policies and the associated indicators set out in paragraphs 21 and 22 of this Decision only apply at the level of the currency union. With respect to the conduct of domestic policies implemented at the level of individual members, the Fund will assess whether a member of a currency union is promoting its own domestic stability and will consider the member to be promoting the balance of payments and domestic stability of the union when it is promoting its own domestic stability. In view of the importance of individual members' balances of payments for the domestic stability of the member and the balance of payments and domestic stability of the union, the

Fund's assessment of the policies of a member of a currency union will always include an evaluation of developments in the member's own balance of payments.

(ii) Multilateral Surveillance

9. The scope of multilateral surveillance is determined by the obligation of the Fund under Article IV, Section 3(a) to oversee the international monetary system in order to ensure its effective operation. In the context of multilateral surveillance, the Fund may not and will not require a member to change its policies in the interests of the effective operation of the international monetary system. It may, however, discuss the impact of members' policies on the effective operation of the international monetary system and may suggest alternative policies that, while promoting the member's own stability, better promote the effective operation of the international monetary system.

10. The international monetary system includes, in particular: (a) the rules governing exchange arrangements between countries and the rates at which foreign exchange is purchased and sold; (b) the rules governing the making of payments and transfers for current international transactions between countries; (c) the arrangements respecting the regulation of international capital movements; and (d) the arrangements under which international reserves are held, including official arrangements through which countries have access to liquidity through purchases from the Fund or under official currency swap arrangements.

11. The international monetary system is considered to be operating effectively when the areas it governs do not exhibit symptoms of malfunction such as, for example, persistent significant current account imbalances, an unstable system of exchange rates including foreign exchange rate misalignment, volatile capital flows, the excessive build up or depletion of reserves, or imbalances arising from excessive or insufficient global liquidity. It is recognized that, typically, the international monetary system may only operate effectively in an environment of global economic and financial stability, and that its effective operation contributes to such stability.

Both global economic and financial stability and the effective operation of the international monetary system may be affected by, among other factors, members' own balance of payments and domestic stability, economic and financial interconnections among members' economies and potential spillovers from members' economic and financial policies through balance of payments and other channels.

12. Therefore, in its multilateral surveillance, the Fund will focus on issues that may affect the effective operation of the international monetary system, including (a) global economic and financial developments and the outlook for the global economy, including risks to global economic and financial stability, and (b) the spillovers arising from policies of individual members that may significantly influence the effective operation of the international monetary system, for example by undermining global economic and financial stability. The policies of members that may be relevant for this purpose include exchange rate, monetary, fiscal, and financial sector policies and policies respecting capital flows.

B. The Modalities of Surveillance

13. The Fund's assessment of an individual member's policies and its advice to a member in the context of surveillance will be conducted in a manner that is consistent with the following modalities. Except where they are expressly limited in their application to bilateral surveillance, these modalities shall apply to policy discussions between the Fund and individual members whether they take place in the context of bilateral or multilateral surveillance.

14. Continuous dialogue and persuasion are key pillars of effective surveillance. The Fund, in its surveillance over the policies of individual members, will clearly and candidly assess relevant economic developments, prospects, risks, and policies of the member in question, and advise on these. Such assessments, advice and discussion of alternative policies are intended to assist that member in making policy choices, and to enable other members to discuss these policy choices with that member. The Fund will foster an environment of frank and open dialogue and mutual trust with each member and

will be evenhanded across members, affording similar treatment to members in similar relevant circumstances.

15. The Fund's assessment of a member's policies and its advice on these policies will pay due regard to the circumstances of the member. This assessment and advice will be formulated within the framework of a comprehensive analysis of the general economic situation and economic policy strategy of the member, and will pay due regard to the member's implementation capacity. Moreover, in advising members on the manner in which they may promote their balance of payments and domestic stability and the effective operation of the international monetary system, the Fund shall, to the extent permitted under Article IV, take into account the member's other objectives and shall respect its domestic social and political policies.

16. The Fund's assessment of a member's policies and its advice to the member will be informed by, and be consistent with, a multilateral framework that incorporates relevant aspects of the global and regional economic and financial environment, including exchange rates, international capital market conditions, and key linkages among members. In the context of bilateral surveillance, the Fund's assessment and advice will take into account the impact of a member's policies on other members to the extent that the member's policies undermine the promotion of its own balance of payments or domestic stability.

17. The Fund's assessment of a member's policies and its advice to a member will, to the extent possible, be placed in the context of an examination of the member's medium-term objectives and the planned conduct of policies, including possible responses to the most relevant contingencies.

18. The Fund's assessment of a member's policies will always include an evaluation of the developments in the member's balance of payments, including the size and sustainability of capital flows, against the background of its reserves, the size and composition of its other external assets and its external liabilities, and its opportunities for access to international capital markets.

Part II - Principles for the Guidance of Members' Policies

19. It is recognized that a member's overall mix of economic and financial policies, including both exchange rate and domestic policies, contributes to the members' balance of payments stability and domestic stability and may impact the stability of the international monetary system. Set out below are (i) principles that are adopted for the purposes of bilateral surveillance and that provide guidance to members in the conduct of their exchange rate policies and their domestic economic and financial policies; and (ii) guidance that is adopted for the purpose of multilateral surveillance and that provides encouragement to members in the conduct of economic and financial policies with a view to ensuring the effective operation of the international monetary system.

(i) Bilateral surveillance

20. Principles A through D below are adopted pursuant to Article IV, Section 3(b) and are intended to provide guidance to members in the conduct of their exchange rate policies in accordance with their obligations under Article IV, Section 1. Principle E is adopted pursuant to Article IV, Section 1 and is intended to provide guidance to members in the conduct of their domestic economic and financial policies. The Fund recognizes that members have legitimate policy objectives, including domestic social and political policy objectives that are beyond the scope of Article IV and accordingly beyond the scope of this Decision. The Principles set out in paragraph 21 of this Decision respect the domestic social and political policies of members. The Fund will apply these Principles evenhandedly and pay due regard to the circumstances of members. Members are presumed to be implementing policies that are consistent with the Principles. When, in the context of surveillance, a question arises as to whether a particular member is implementing policies consistent with the Principles, the Fund will give the member the benefit of any reasonable doubt, including with respect to an assessment of fundamental exchange rate misalignment. In circumstances where the Fund has determined that a member is implementing policies that are not consistent with these Principles and is informing the member as to what policy adjustments should be made to address

this situation, the Fund will take into consideration the disruptive impact that excessively rapid adjustment would have on the member's economy.

21. Principle A sets forth the obligation contained in Article IV, Section 1(iii); further guidance on its meaning is provided in the Annex to this Decision. Principles B through E constitute recommendations rather than obligations of members. A determination by the Fund that a member is not following one of these recommendations would not create a presumption that that member is in breach of its obligations under Article IV, Section 1.

A. A member shall avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.

B. A member should intervene in the exchange market if necessary to counter disorderly conditions, which may be characterized inter alia by disruptive short-term movements in the exchange rate of its currency.

C. Members should take into account in their intervention policies the interests of other members, including those of the countries in whose currencies they intervene.

D. A member should avoid exchange rate policies that result in balance of payments instability.

E. A member should seek to avoid domestic economic and financial policies that give rise to domestic instability.

22. In its surveillance of the observance by members of the Principles set forth above, the Fund shall consider the following developments as among those which would require thorough review and might indicate the need for discussion with a member:

(i) protracted large-scale intervention in one direction in the exchange market;

(ii) official or quasi-official borrowing that either is unsustainable or brings unduly high liquidity risks, or excessive and prolonged official or quasi-official accumulation of foreign assets, for balance of payments purposes;

(iii) (a) the introduction, substantial intensification, or prolonged maintenance, for balance of payments purposes, of restrictions on, or incentives for, current transactions or payments, or (b) the introduction or substantial modification for balance of payments purposes of restrictions on, or incentives for, the inflow or outflow of capital;

(iv) the pursuit, for balance of payments purposes, of monetary and other financial policies that provide abnormal encouragement or discouragement to capital flows;

(v) fundamental exchange rate misalignment;

(vi) large and prolonged current account deficits or surpluses; and

(vii) large external sector vulnerabilities, including liquidity risks, arising from private capital flows.

(ii) Multilateral surveillance

23. Beyond members' obligations under Article IV, Section 1, and recognizing that a member's policies may have a significant impact on other members and on global economic and financial stability, members are encouraged to implement exchange rate and domestic economic and financial policies that, in themselves or in combination with the policies of other members, are conducive to the effective operation of the international monetary system.

Part III - Procedures for Surveillance

24. In conducting surveillance, the Fund will make use of various procedures and will adapt these to changing circumstances. As described below, Article IV consultations with members serve as vehicles for both bilateral and multilateral surveillance, except for ad hoc consultations referred to in paragraph 29 which are a vehicle for bilateral surveillance. Other procedures serve as vehicles for multilateral surveillance.

25. Each country that becomes a member of the Fund after the adoption of this decision shall, within thirty days of the date of its membership, notify the Fund in appropriate detail of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1. Each member, regardless of its date of membership, shall notify the Fund promptly of any changes in its exchange arrangements.

C. Article IV Consultations

26. Members shall consult with the Fund regularly under Article IV to enable the Fund to (i) assess members' compliance with their obligations under Article IV, Section 1 and, in particular, to exercise firm surveillance over the conduct of their exchange rate policies, and (ii) discuss with members the impact of their policies on the operation of the international monetary system. In principle, the consultations under Article IV shall comprehend the regular consultations under Articles VIII and XIV, and shall take place annually. They shall include consideration of the observance by members of the principles and guidance set forth in paragraphs 21 and 23 of this Decision as well as of a member's obligations under Article IV, Section 1. In addition, they shall include a discussion of the spillover effects of a member's exchange rate and domestic economic and financial policies that may significantly influence the effective operation of the international monetary system, for example, by undermining global economic and financial stability.

27. It is expected that no later than sixty-five days after the termination of discussions between the member and the staff, the Executive Board will reach conclusions and thereby complete the consultation under Article IV, except in the case of consultations with members eligible for financing under the Poverty Reduction and Growth Trust established by Decision No. 8759-(87/176), ESAF, as amended, where it is expected that the Executive Board will reach conclusions no later than three months from the termination of discussions between the member and the staff.

D. Bilateral Surveillance – Ad hoc Article IV Consultations

28. The Managing Director shall maintain close contact with members in connection with their exchange arrangements and their policies under Article IV, Section 1, and will be prepared to discuss on the initiative of a member important changes that it contemplates in its exchange arrangements or its policies.

29. (a) Whenever the Managing Director considers that important economic or financial developments are likely to affect a member's exchange rate policies or the behavior of the exchange rate of its currency, the Managing Director shall, in the context of the Fund's exercise of firm surveillance over members' exchange rate policies, initiate informally and confidentially a discussion with the member. After such discussion the Managing Director may report to the Executive Board or informally advise the Executive Directors and, if the Executive Board considers it appropriate, an ad hoc Article IV consultation between the member and the Fund shall be conducted in accordance with the procedure set out in subparagraph (b) below.

(b) A staff report will be circulated to the Executive Directors under cover of a note from the Secretary specifying a tentative date for Executive Board discussion which will be at least 15 days later than the date upon which the report is circulated. The Secretary's note will also set out a draft decision taking note of the staff report and completing the ad hoc consultation without discussion or approval of the views contained in the report; the decision will be adopted upon the expiration of the two-week period following the circulation of the staff report to the Executive Directors unless, within such period, there is a request from an Executive Director or decision of the Managing Director to place the report on the agenda of the Executive Board. If the staff report is placed on the agenda, the Executive Board will discuss the report and will reach conclusions which will be reflected in a summing up.

(c) Unless otherwise decided by the Executive Board, the conduct of an ad hoc consultation with a member will not affect the

consultation cycle applicable to the member or the deadline for completion of the next consultation with the member.

E. Other Multilateral Surveillance Activities

(i) Periodic Reports on the International Monetary System

30. The Fund will assess all issues relevant for the effective operation of the international monetary system, as described in paragraph 11 of this Decision. These assessments may take the form of periodic or ad hoc reports produced by staff for discussion by the Executive Board. In particular, broad developments in exchange rates will be reviewed periodically by the Fund, inter alia in discussions of the international adjustment process within the framework of the World Economic Outlook. The Fund will continue to conduct consultations in preparing for these discussions. In order to inform the Fund's oversight of the operation of the international monetary system, the Managing Director may collaborate with other international bodies in conducting assessments of relevant issues.

(ii) Multilateral Consultations

31. Whenever the Managing Director considers that an issue has arisen in a policy area or a member country that may significantly influence the effective operation of the international monetary system, and that requires collaboration among members that is not already effectively taking place in another forum in which the Fund is a party, the Managing Director shall informally and confidentially discuss the issue with the relevant members. When the Managing Director forms the view that a multilateral consultation is necessary, the Managing Director may recommend such a consultation to the Executive Board, which may decide that a multilateral consultation will be held. Members shall consult with the Fund in a manner that is consistent with the decision of the Executive Board.

32. A multilateral consultation will consist of discussions between Fund staff and management and officials of relevant member countries, including, in the case of a currency union, with officials of relevant union-level institutions. The Fund will facilitate discussions

among participating members and encourage them to agree on policy adjustments that will promote the effective operation of the international monetary system. In these discussions, the Fund will provide analysis and propose policy options that participating members may adopt, and may advise on the effect of different combinations of policy adjustments. During the course of these discussions, the Executive Board will be briefed by the Managing Director.

33. After the conclusion of these discussions, the Managing Director will report to the Executive Board on the discussions, any agreed policy adjustments and their impact on the participating members and the operation of the international monetary system. The Executive Board will conclude the multilateral consultation with the formal consideration of this report.

Part IV - Review

34. It is expected that the Fund will review this Decision and its general implementation at intervals of three years, and at such other times as consideration of such matters may be placed on the agenda of the Executive Board.

ANNEX

Article IV, Section 1(iii) and Principle A

1. Article IV, Section 1(iii) of the Fund's Articles provides that members shall "avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members." The language of this provision is repeated in Principle A contained in Part II of this Decision. The text set forth below is designed to provide further guidance regarding the meaning of this provision.

2. A member would only be acting inconsistently with Article IV, Section 1(iii) if the Fund determined both that: (a) the member was manipulating its exchange rate or the international monetary system and (b) such manipulation was being carried out for one of the two purposes specifically identified in Article IV, Section 1(iii).

(a) "Manipulation" of the exchange rate is only carried out through policies that are targeted at—and actually affect—the level of an exchange rate. Moreover, manipulation may cause the exchange rate to move or may prevent such movement.

(b) A member that is manipulating its exchange rate would only be acting inconsistently with Article IV, Section 1(iii) if the Fund were to determine that such manipulation was being undertaken "in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members." In that regard, a member will only be considered to be manipulating exchange rates in order to gain an unfair competitive advantage over other members if the Fund determines both that: (A) the member is engaged in these policies for the purpose of securing fundamental exchange rate misalignment in the form of an undervalued exchange rate and (B) the purpose of securing such misalignment is to increase net exports.

3. It is the responsibility of the Fund to make an objective assessment of whether a member is observing its obligations under Article IV, Section 1(iii), based on all available evidence, including consultation with the member concerned. Any representation made by the member regarding the purpose of its policies will be given the benefit of any reasonable doubt.

The Acting Chair's Summing Up—
2021 Comprehensive Surveillance Review
Executive Board Meeting 21/45, May 10, 2021

Executive Directors broadly agreed with the main conclusions of the Comprehensive Surveillance Review (CSR). They noted that the CSR will serve as a blueprint for Fund surveillance to help the membership navigate the challenges of the next five-to-ten years, informing forthcoming work on capital flows, climate change, and data, among other issues. Directors agreed that Fund surveillance needs to be better interconnected, more timely, topical, and targeted, and welcomed the CSR's ambitions to modernize surveillance modalities.

Directors agreed with the CSR's assessment that a macroeconomic landscape characterized by elevated uncertainties about the

recovery from the COVID-19 pandemic will create difficult trade-offs for policymakers as they seek to achieve inclusive and sustainable growth and stability. Important trends—in digital technology, climate change, inequality, demographics, and geopolitics—affecting economic sustainability will also present opportunities and challenges and, where macro-critical, will need to be incorporated in the Fund's surveillance.

Directors agreed with the four proposed surveillance priorities:

- **Confronting risks and uncertainties.** Directors generally welcomed better integrating risks and uncertainties in the Fund's surveillance, including by increasing the emphasis on the range of potential outcomes relative to the baseline and offering more contingent policy advice, although some Directors cautioned against making surveillance excessively risk-centric. Directors welcomed the emphasis on clearer communication on risks, although the communications should be carefully framed to avoid unintended consequences.

- **Pre-empting and mitigating adverse spillovers.** Directors agreed that the Fund should continue to strengthen its work on spillovers, drawing on better data, tools, and information-sharing frameworks, while strengthening the dialogue with the membership. Directors broadly agreed that the Spillovers Tool and the Spillovers Forum would help in this regard.

- **Fostering economic sustainability.** Directors welcomed a broader focus on sustainability, which can be affected by factors such as demographics, digitalization, inequality, socio- and geopolitical developments, and climate change under certain circumstances. They supported incorporating the macro-financial and distributional impacts of policies, where macro-economically relevant, while considering country-specific political economy, and institutional and capacity constraints. At the same time, Directors recognized the need for Article IV consultations to remain selective and focused in their coverage of new topics and cautioned against over-stretching Fund surveillance. They called on the Fund to coordinate closely with other organizations and better leverage outside expertise whenever possible.

• **Unified policy advice.** Directors agreed that, in an environment of constrained policy space where members may deploy multiple policy tools simultaneously, a more unified approach to the policy mix is needed. They considered that the completion of the Integrated Policy Framework would be helpful in this context.

Directors underscored the importance of strengthening the traction of Fund advice through higher quality analysis, stronger engagement on country-specific issues, more continuous dialogue with all relevant stakeholders, and clear communication. In this context, Directors considered further integration of capacity development (CD) in surveillance as a priority area, including strengthening the use of the CD country strategies. They considered that virtual engagement could be leveraged but stressed that in-person missions were still essential to build relations and trust and ensure a close policy dialogue with the authorities.

Directors welcomed the novel approaches of Board engagement to enhance its strategic role, take up cross-cutting issues in a more comprehensive manner, and be more strategic and forward–leaning. They welcomed the Board Country Matters Meetings (CMMs) as an instrument to focus on conjunctural cross-country policy-relevant issues, with a few requesting opportunities for the Board to provide input and select topics, and looked forward to further detail on the interaction of CMMs and regular surveillance. Directors generally supported the Granular Policy Initiative as a way to provide more specific advice to the membership as they face new challenges.

Directors agreed that focused Article IV Consultations, with topics selected in collaboration with the authorities and while continuing to cover core areas, would help better balance selectivity and comprehensiveness. In this context, Directors emphasized the need to adhere to the principles of evenhandedness and macro-criticality. A number of Directors stressed that more focused reports should not come at the expense of the reports' broad macroeconomic coverage and their use as reference documents.

Directors agreed on the need to deepen macro-financial analysis and further integrate it into bilateral surveillance. They called for

additional efforts in the areas of systemic risk analysis to better anchor macroprudential policy advice. Directors agreed that Article IV staff reports should provide a well-articulated view about systemic risk grounded in a rigorous analysis of financial vulnerabilities. In this context, they stressed the need for closer integration of FSAP findings and recommendations with the Article IV Consultations. They also underscored the need to expand macro-financial talent at the Fund, particularly in country teams, while taking into account budget considerations. Directors further noted that, as digital money gains prominence, Fund surveillance should explore its potential benefits, as well as risks and spillovers.

Directors recognized the importance of a more systematic integration into surveillance of macro-critical emerging topics, including climate change. They generally agreed that coverage of climate change mitigation in Article IV consultations would be strongly encouraged for the largest emitters of greenhouse gases. A few Directors underlined the need to account for past emissions and the energy needs of developing countries as they grow. Directors stressed that Fund surveillance should be open to different policy approaches to climate change mitigation, that coverage of climate issues in surveillance needs to be consistent with the Fund's surveillance mandate and in line with the Paris Agreement. They underscored that, wherever macrocritical, climate change adaptation and transition risk in the context of a global shift to a low-carbon economy should be covered in Article IV reports.

Directors emphasized that better data is critical to deliver on surveillance priorities. They looked forward to closing critical data gaps in surveillance in the areas of public sector data, foreign-exchange intervention data, and indicators for macrofinancial analysis through the forthcoming review of Data Provision to the Fund with a few Directors calling for a cautious approach to foreign-exchange intervention data. Some Directors noted that increased data requirements might place undue additional demands on authorities and should be balanced against capacity considerations.

Directors welcomed the proposed flexible and gradual approach to implementing the new modalities, which revolve around the principle of experimentation, adaptation, and flexibility, while working

within the confines of existing formal frameworks. They looked forward to a revised surveillance guidance note, and sought Board engagement on implementation of modalities as well as coordination across departments in advance of the guidance note and in the context of the semi-annual work program discussions.

Directors recognized that modernizing surveillance might require additional resources and that the specifics will be taken up in the context of the Fund's overall budget discussions. Directors concurred that no changes to the Integrated Surveillance Decision are required. They agreed that progress on CSR implementation will be reassessed in about two years in the context of an interim review and that the comprehensive review will remain on a five year-cycle.

SU/21/62
May 19, 2021

The Chairman's Summing Up—
2018 Interim Surveillance Review,
Executive Board Meeting 18/31, April 5, 2018

Executive Directors welcomed the Interim Surveillance Review (ISR) and broadly supported its main conclusions and recommendations. They noted that significant progress had been made in advancing the priorities laid out in the 2014 Triennial Surveillance Review (TSR). This has enabled the Fund's surveillance to be more integrated and risk-based and better adapt to evolving developments and challenges facing the membership. Directors welcomed the progress in the Fund's risk work and inward spillovers, fiscal and external sector assessments, and in the quality and integration of macrofinancial analysis into Fund surveillance. They considered the ISR's detailed stocktaking a valuable input to the Comprehensive Surveillance Review (CSR) scheduled for 2019.

Directors noted that better integration of bilateral and multilateral surveillance has resulted in a deeper understanding of global risks and spillovers in the flagship reports and an increased focus on inward spillovers in Article IV consultations. They noted that, while outward spillover work is being developed via a range of surveillance outputs, this work should feature more prominently in Article IV consultations.

They thus encouraged staff to make further efforts to understand and ensure deeper and more consistent coverage of outward spillovers in surveillance, including through outreach with member countries.

Directors recognized the efforts being made to strengthen external sector assessments. These efforts include the External Balance Assessment (EBA) methodology and the External Sector Report (ESR), which have helped promote greater multilateral consistency for major economies and adoption of the EBA-lite methodology for other countries. Directors looked forward to the upcoming discussion on the refinements of the EBA and EBA-lite methodologies to further improve them and their application. In this context, they highlighted the need to further enhance consistency and transparency, ensure careful and clear public communication about the nature of the exercise and role of judgment, and better integrate external assessments into the broader policy discussion. Directors noted that the Fund's Institutional View (IV) on capital flows is now being embedded in surveillance, with greater attention to country circumstances, and encouraged more consistency in applying the framework across the membership as experience accumulates. A few Directors saw merit in fine tuning implementation of the IV, drawing on experience thus far, including further nuancing the distinction between macroprudential and capital flow measures.

Directors noted that fiscal policy advice continues to adapt to the evolving challenges of the membership, reflecting greater attention to anchors and the use of debt sustainability analyses, especially in low-income countries. They emphasized that with the recovery strengthening and financing conditions expected to tighten, rebuilding buffers, reversing the build-up in debt levels and vulnerabilities, and limiting procyclicality in the upturn will become more pressing. Directors welcomed ongoing work to investigate the impact of technology and digitalization on fiscal policy, as on other areas. In this context, a few Directors called for further work on fiscal space, while a few others asked for additional analysis on fiscal rules.

Directors welcomed the progress in integrating macrofinancial analysis into bilateral surveillance and called for continued efforts to mainstream macrofinancial surveillance and extend its coverage,

including the use of the balance sheet approach and assessment of risks from outside the banking sector and technological innovation. They recognized that the macrostructural pilot initiative has facilitated better integration of structural issues into macroeconomic analysis, and improved the depth and granularity of coverage in country papers, noting that there remains scope to increase the country-specificity of policy advice. Directors generally viewed pilot initiatives as an effective approach to build knowledge and experience in addressing emerging issues, with analysis to be incorporated into surveillance where macrocritical, and considered for mainstreaming where the issue is relevant for a large part of the membership, within the Fund's resource constraints. A few Directors supported more systematic tackling of climate change. Directors underscored the importance of better leveraging external expertise in areas where Fund expertise is limited. They also looked forward to a conceptual framework for macrostructural analysis in low-income and developing countries.

Directors acknowledged the efforts in support of evenhandedness by developing a shared understanding of the issues, establishment of an evenhandedness mechanism, and progress in risk-adjusted surveillance. While internal resource allocation is increasingly informed by country vulnerabilities, Directors emphasized the need for continuing progress in aligning surveillance inputs with risks.

Directors saw a need to better leverage the Fund's expert analysis in its core areas of expertise and lessons from cross–country experience. They agreed that both technology and people-based solutions are needed to identify and disseminate these lessons effectively, building on the Fund's knowledge management strategy. Directors also called for better integration of capacity development with surveillance. They looked forward to further efforts to address data gaps, particularly in the areas of public debt and financial sector work, and anticipated that the Fund's budget framework, capacity development, human resources, and information technology strategies should help attain surveillance goals.

Directors underscored that the forthcoming CSR should evaluate the traction of Fund surveillance and emphasized the importance of the planned engagement with members and other stakeholders to

identify priorities for the CSR. They saw merit in the CSR adopting a forward-looking focus to enable the Fund to continue supporting member countries and effectively address the impact arising from evolving global challenges. Director emphasized the importance of tailoring policy advice to reflect members' specific circumstances.

SU/18/48
April 10, 2018

The Chairman's Summing Up—
2014 Triennial Surveillance Review,
Executive Board Meeting 14/90, September 26, 2014

Executive Directors welcomed the Triennial Surveillance Review (TSR) and expressed their appreciation to the staff team and all the external contributors for their invaluable inputs into this exercise. They noted that significant progress has been made in strengthening Fund surveillance since the last TSR in 2011, particularly in integrating bilateral and multilateral surveillance. Directors broadly supported the main conclusions and most of the recommendations of the review. They appreciated the focus on strengthening the implementation of recent reforms following the adoption of the Integrated Surveillance Decision (ISD), while addressing emerging challenges.

In this spirit, Directors acknowledged that the priorities set in 2011 continue to be relevant. At the same time, they stressed the need to refine, adapt, and reinforce surveillance to ensure its effectiveness and relevance in an interconnected post-crisis world. Accordingly, Directors endorsed the five operational priorities for 2014–19: (i) risks and spillovers; (ii) macro-financial surveillance; (iii) macro-critical structural policy advice; (iv) cohesive and expert policy advice; and (v) a client-focused approach to surveillance. Directors looked forward to the Managing Director's action plan, which will outline concrete measures and preliminary resource implications to take forward work in these priority areas.

Risks and spillovers. Directors saw risks and spillovers as a first order issue for the Fund, even after the crisis has subsided. They called for steadfast implementation of the ISD, particularly through more systematic analysis of outward spillovers and spillbacks in

systemic countries; and greater quantification of the impact of risks and spillovers on recipient countries, including through the presentation of alternative risk scenarios in Article IV consultations. In this context, most Directors agreed that external sector assessments should be strengthened through wider use of the external balance assessment (EBA) methodology, subject to data availability, while continuing to refine the analyses and the methodology. Some Directors considered it more appropriate to address methodological shortcomings before extending the analysis to a broader group of countries, or incorporating EBA results in other surveillance activities. In further integrating surveillance, Directors underscored the need to maintain the appropriate balance between bilateral and multilateral aspects, so as not to lose sight of country-specific issues. Directors supported efforts to deepen analyses of sources and transmission of risks. They generally saw the usefulness of national balance sheet analyses in capturing risks from gross as well as net flows, which could help deepen and further tailor risk and spillover analysis to country circumstances. Directors recognized that additional data are needed to fully support these analyses, although legal and institutional frameworks in some countries may constrain the sharing of confidential information. Further efforts by both the Fund and its members are therefore needed to address data gaps.

Macro-financial surveillance. Directors agreed that macro-financial analysis should become an integral part of Article IV consultations. They stressed that, given the complexity of the relationship between the financial sector and the real economy, it would be critical to provide the required technical support, improve analytical tools, and strengthen the macro-financial skills of Fund staff. Directors also welcomed the intention to strengthen Fund surveillance of macroprudential policies as a complement to other policies. They urged staff to build its knowledge base and draw lessons from country experiences in this area, in cooperation with other standard-setting agencies.

Structural policies. Directors emphasized the importance of recognizing all macro-critical structural issues and their macroeconomic implications. Most Directors supported establishing clearer principles for the Fund's engagement in structural issues based on macro-criticality and the Fund's expertise or interest in a 'critical mass'

of the membership, leveraging the expertise of other international organizations and local experts where possible. Some others were reluctant to see any expansion of the Fund's work in non-core areas where the Fund has limited expertise.

Cohesive and expert policy advice. Directors shared the view that strengthened efforts to improve the understanding of intersectoral linkages and policy interactions would help the Fund formulate a cohesive package of advice. In this context, Directors agreed that fiscal policy advice should continue to account for its growth and sustainability implications, supported by a clear and well-justified anchor. More broadly, most Directors generally saw thematic Article IV staff reports as a way forward, particularly where they help draw out risks and sectoral interconnections relevant for the countries concerned, although a concern was expressed that taking a thematic approach runs the risk of overlooking important sectors. Directors supported further efforts to ensure continuity in Fund missions and to share cross-country policy experiences, including by better integrating technical assistance into surveillance. They also saw scope to enhance collaboration among Fund departments and with other international organizations in areas where strong expertise exists in other agencies.

Client-focused approach. Directors agreed that the impact of the Fund's policy advice depends not only on its analytical quality, but also on its candor and clarity, as well as the way it engages with its members. They noted that earlier engagement and more informal discussions with members would help better tailor policy advice to country circumstances and improve traction. At the same time, the Fund should not shy away from delivering difficult messages, particularly to systemic economies. Directors supported enhancing two-way accountability, including by monitoring changes in Fund policy advice more systematically, and a few would welcome greater scrutiny of country reports by external reviewers.

Effective communication. Directors emphasized that clear communication is integral to the Fund's overall surveillance strategy. They agreed that considerable scope exists to streamline surveillance messages, and broadly supported synthesizing policy messages in the Global Policy Agenda. In addition, most Directors saw room for

merging some multilateral publications as a way to improve the effectiveness and coherence of Fund messages, with a number of Directors also suggesting a reduction in the frequency of some publications. A number of other Directors favored retaining the current suite of multilateral surveillance products for now—including the Spillover Report and the Pilot External Sector Report—noting their distinct roles in integrating bilateral and multilateral surveillance.

Global cooperation. Directors agreed that the Fund has a vital role to play in fostering global cooperation in a post-crisis world. While some Directors saw merit in the proposal to appoint an expert group to explore in depth the adequacy of the Fund's mandate for ensuring global economic and financial stability, most Directors were not convinced that now is the right time to engage in such a debate when the attention should remain on other pressing priorities.

Evenhandedness. Directors stressed the importance of tackling perceptions of a lack of evenhandedness. Many Directors were open to the idea of assessing evenhandedness in terms of the inputs to surveillance, particularly resources and the depth of analysis based on judgments about domestic and systemic risks, while also being mindful of surveillance outputs. However, a number of Directors saw a need to pay even greater attention to the outputs of surveillance, noting that differences in Fund advice for countries with similar characteristics are the main source of concerns. Directors saw merit in establishing a mechanism for authorities to report concerns about evenhandedness, allowing the Fund to better identify and understand the issues and act on them transparently.

Resources. Directors acknowledged that some of the proposals require additional resources. However, many Directors urged management to implement the Board-endorsed recommendations within a neutral resource envelope. Directors called for careful consideration of options to secure savings and efficiency gains while ensuring that the needs of the diverse members are satisfactorily met; these may include prioritization, redeployment of staff resources, and consolidation of some surveillance products. They looked forward to considering priorities and resource issues across the Fund in the context of budget discussions.

Reviews. Directors today completed the review of the implementation of Fund surveillance. Most Directors agreed that, given the time needed to effectively implement surveillance reforms and the resource-intensive review, it would be appropriate to move comprehensive reviews of Fund surveillance to a five-year cycle, with an interim progress report, although a few Directors would have preferred retaining a three-year cycle, possibly with a streamlined format. Directors considered the interim report to be an important opportunity to assess implementation, identify teething problems or any needed mid-course correction, and help shape the next surveillance review.

BUFF/14/94
September 30, 2014

The Acting Chair's Summing Up—
Evenhandedness of Fund Surveillance—
Principles and Mechanism for Addressing Concerns,
Executive Board Meeting 16/16, February 22, 2016

Executive Directors welcomed staff's efforts to develop a more robust framework to help ensure the evenhandedness of Fund bilateral and multilateral surveillance, in line with the recommendations of the 2014 Triennial Surveillance Review. They emphasized that the evenhanded treatment of member countries is essential to the Fund's credibility and legitimacy and, thus, to the traction of its policy analysis and advice. Directors broadly supported staff's proposals as a step toward addressing actual and perceived cases of lack of evenhandedness. In this regard, they considered that the formulation of principles and the establishment of a mechanism for addressing concerns about lack of evenhandedness would be a useful initial step to complement existing avenues for dialogue throughout the surveillance processes.

Directors agreed on the importance of having a clearer and shared understanding of what it means to be evenhanded in surveillance, as lack of clarity on this definition has been an obstacle to addressing issues related to evenhandedness. They agreed that evenhandedness should be viewed through the lens of "uniformity of treatment," which is a long-standing and central tenet of the Fund's operations. Accordingly, evenhandedness does not mean that member

countries be treated identically, but that member countries in similar circumstances should be treated similarly. Directors acknowledged the substantial degree of judgment required to apply this principle, and some of them were concerned that this could also give rise to a lack of evenhandedness.

Directors recognized the importance of better understanding whether and how surveillance is appropriately calibrated to country circumstances. They emphasized that the "outputs" of surveillance—effectively, the Fund's policy analysis and advice as well as their presentation—should continue to be the primary basis for gauging evenhandedness. In this regard, many Directors noted that differences in the language, candor, and tone of Fund advice are sources of concerns. Most Directors considered that the concept of risk-adjusted "inputs" could be a useful tool for assessing how well surveillance "outputs" are calibrated to country circumstances. A number of others, however, cautioned against using 'risk–adjustment' as an overarching principle to calibrate surveillance inputs, and emphasized the importance of also considering other non-risk factors. A number of Directors noted that, when allocating resources to surveillance and considering risks, the Fund should take into account that Fund surveillance is the only source of analysis for some small or non-systemic member countries. A number of Directors observed that a high staff mission turnover affects the quality and evenhandedness of surveillance.

Directors acknowledged that forming a view on evenhandedness will require a significant degree of judgment. In this regard, they noted that the proposed principles related to surveillance "inputs" in the broad areas of available resources, analytical depth, and quality of engagement aim to provide a clearer basis for assessing whether differences in surveillance represent a lack of evenhandedness or reflect appropriate tailoring to country circumstances and, thus, should support more effective engagement among the Fund, its member countries, and other stakeholders on issues related to evenhandedness. Directors also took note that the outlined principles are not an exhaustive or exclusive list.

Directors supported the establishment of a mechanism for authorities to report concerns about lack of evenhandedness, while

underscoring the importance of preserving the independence and candor of staff advice. They noted that such a mechanism would complement ongoing efforts to deepen the dialogue with member countries, which also provide a basis to tackle concerns about lack of evenhandedness in surveillance. Directors emphasized that the mechanism should allow Directors to report concerns on any country cases and not just on those countries in their constituency, and noted the importance of a prompt and timely review of reported concerns. Many Directors agreed that the proposed mechanism is a balanced and clearly defined channel that will help deal with concerns in a more transparent way, ensuring that these are not left unaddressed. A number of others felt, however, that the proposed mechanism is too cumbersome and onerous for the authorities, which could discourage reporting. While some Directors encouraged the establishment of a parallel, simpler process for cases that are not deemed by the authorities to be severe enough to warrant going through the full assessment mechanism, a number of others called for evenhandedness issues to be identified earlier and discussed more candidly in the surveillance process, with some Directors considering the mechanism as a last resort.

Many Directors agreed that the proposed staff-based committee will help ensure an efficient process and familiarity with the Fund's operational issues, and that the proposed safeguards should ensure the independence and integrity of the committee, for instance, by including an external expert where appropriate or recusal of committee members with a potential conflict of interest. Many other Directors, however, called for a more active or even permanent involvement of external experts in the committee in order to increase its independence and build confidence in the process, and emphasized that these involvement should not be limited to specific policy or technical issues. While some Directors also noted a possible role for the Independent Evaluation Office (IEO) in this regard, some others only saw scope for the IEO to conduct a review of the mechanism at a later stage rather than assessing specific country cases.

Most Directors considered it appropriate to take a cautious approach to publication during the initial learning phase. They agreed that management's annual reports to the Board will not be published at this stage; instead, the Fund will publish information on general

progress toward addressing evenhandedness concerns through existing publications, such as the Fund's Annual Report. A few Directors emphasized that these arrangements should be reviewed after the initial phase to allow for publication of management's reports.

Directors emphasized that the framework for guiding evenhanded surveillance is a new and untested approach and would need to adapt and evolve as the Fund gains experience. Many of them called for extending the scope of the exercise beyond surveillance to include other Fund operations, particularly lending. Some Directors also noted the need for a cost and benefit analysis of this framework in light of the experience. Directors agreed that the 2019 Comprehensive Review of Surveillance would provide the appropriate opportunity for a thorough evaluation of the proposed principles and mechanism.

BUFF/16/16
February 26, 2016

The Chairman's Summing Up—
Approaches to Macrofinancial
Surveillance in Article IV Reports,
Executive Board Meeting 17/16, March 6, 2017

Executive Directors welcomed the opportunity to discuss the approaches to integrating macrofinancial surveillance in Article IV reports. They commended the progress made by the staff in mainstreaming macrofinancial analysis in line with the recommendations of the 2014 Triennial Surveillance Review and the Managing Director's Action Plan. Directors agreed that financial sector issues are crucial to countries' growth and stability and a well-integrated analysis of these issues would be vital for effective Article IV Surveillance. They appreciated the wide range of macrofinancial issues covered in the Article IV consultations of the diverse group of countries chosen initially for this initiative. Directors supported the Fund's macrofinancial surveillance initiative and agreed that it is appropriate to progressively mainstream macrofinancial surveillance across the membership.

Directors supported the staff's focus on integrating macrofinancial analysis, given its significance to the Fund's core mandate, into

baseline projections, risk assessments, and policy advice in Article IV staff reports. Going forward, they underscored that surveillance should include a two-way assessment of macrofinancial risks and macroeconomic stability, and that financial sector recommendations should be appropriately integrated with the Fund's advice on fiscal, monetary, and structural policies.

Directors considered that the efforts to integrate macrofinancial analysis are strengthening the traction of Fund surveillance by fostering a more effective dialogue with country authorities. Directors urged the staff to continue being flexible and pragmatic in their approach as they extend this work, taking into account country–specific circumstances. They underscored the importance of a deep understanding of a country's institutions, policy frameworks, economic structures, and policy challenges. In addition, macrofinancial analysis should ensure consistent high quality and evenhanded surveillance across the membership. Directors emphasized that staff should continue to engage with country authorities to identify those macrofinancial issues of greatest relevance to a country's economy. A number of Directors emphasized that country surveillance should take due account of the circumstances of members participating in economic or monetary unions.

While recognizing the overall progress, Directors noted that gaps remain and should be addressed, with due account to legal constraints on the provision of confidential supervisory data. These include giving greater attention to how the financial sector would condition the outlook for credit and output, deepening the analysis of the macroeconomic effects of financial shocks, incorporating quantitative approaches to assess financial risks, and improving the availability of financial data. Directors also supported efforts to explore the contribution of the financial sector to long-run growth and financial inclusion. Staff should consider how to integrate macrofinancial perspectives more fully into advice on the overall policy mix and anchor advice on micro- and macroprudential policies on a solid risk assessment informed by a view about systemic risk.

Directors recognized the considerable efforts involved to develop staff's capacity and experience in undertaking macrofinancial

analysis work. Taking into account the Fund's mandate and existing resource constraints, they encouraged the staff to continue to focus on efficient ways to support knowledge-sharing, with a number of Directors emphasizing that this initiative be advanced within the Fund's existing budgetary envelope. Directors called on staff to strengthen cooperation and share expertise of other multilateral institutions as appropriate. They looked forward to discussing progress at the time of the Comprehensive Surveillance Review in 2019.

March 10, 2017
BUFF/17/14

Surveillance over Monetary Unions

SURVEILLANCE OVER MONETARY AND EXCHANGE RATE POLICIES: MEMBERS OF EURO AREA

The Executive Board approves the modalities for conducting surveillance over the monetary and exchange rate policies of the members of the euro area, as set out in SM/98/257 (11/25/98).

Decision No. 11846-(98/125),
December 9, 1998,
effective December 11, 1998

SM/98/257

…

The current frequency of Article IV consultations with individual euro-area countries, which are generally on the standard 12-month cycle, would be maintained, at least during the initial period of Stage 3 of EMU.[1]

[1] However, it is envisaged that there would be some scaling back of resources devoted to individual Article IV consultations in the area of monetary and exchange rate policies to provide the resources needed for surveillance of the common policies of the euro area.

• There would be twice-yearly staff discussions with EU institutions responsible for common policies in the euro area.[1] For practical reasons, these discussions would be expected to be held separately from the discussions with individual euro-area countries, but would be considered an integral part of the Article IV process for each member. The discussions with individual euro-area countries would be clustered, to the extent possible, around the discussions with the relevant EU institutions.

• There would be an annual staff report and Board discussion on "The Monetary and Exchange Rate Policies of Euro-Area Countries in the Context of the Article IV Consultations with these Countries," which would be considered part of the Article IV consultation process with individual euro-area countries. The paper would also cover economic policies from a regional perspective to provide an adequate setting for the discussions on monetary and exchange rate policies.[2] A report on the second (follow-up) set of discussions would also be issued to the Board for information and to provide adequate context for bilateral consultations with euro-area countries that did not coincide broadly with the annual Board discussion on the euro area.

• There would be a summing up of the conclusion of the Board's annual discussion on "The Monetary and Exchange Rate Policies

[1] As is done for Article IV consultations with national authorities, the staff would leave a concluding statement with the ECB at the end of the discussions.

[2] As noted in BUFF/98/93 (9/24/98), while for each member of the EU fiscal policy remains the responsibility of national authorities, discussions at the EU level would also need to evaluate the fiscal position of the euro area as a whole in order to assess the stance of monetary and exchange rate policies and the coherence of macroeconomic policies. They would also need to cover developments in structural areas relevant to the Fund's surveillance over the policies of members of the euro area as a whole. In this context, the staff missions referred to above would visit the European Commission.

of the Euro Area Countries in the Context of the Article IV Consultations with these Countries." It would be cross-referenced in the summings up for the Article IV consultations with euro-area countries, which would be given at the conclusion of the Article IV process for each country. This approach would have the advantage of recognizing clearly the obligation of euro-area countries to consult with the Fund in this context. …

MODALITIES FOR SURVEILLANCE OVER EURO-AREA POLICIES IN CONTEXT OF ARTICLE IV CONSULTATIONS WITH MEMBER COUNTRIES

The current frequency of Article IV consultations with individual euro-area countries, which are generally on the standard 12-month cycle, will be maintained.

There will be twice-yearly staff discussions with EU institutions responsible for common policies in the euro area. These discussions will be held separately from the discussions with individual euro-area countries, but are considered an integral part of the Article IV process for each member. The discussions with individual euro-area countries will be clustered, to the extent possible, around the discussions with the relevant EU institutions.

There will be an annual staff report and Board discussion on Euro-Area Policies in the Context of the Article IV Consultations with Member Countries, which will be considered part of the Article IV consultation process with individual members. In addition to monetary and exchange rate policies, the staff report will also cover from a regional perspective other economic policies relevant for Fund surveillance. Staff will report informally to the Board on the second round of discussions with EU institutions to provide adequate context for bilateral consultations with euro-area countries that do not coincide broadly with the annual Board discussion on the euro area.

There will be a summing up of the conclusion of the Board's annual discussion on Euro-Area Policies in the Context of the Article IV Consultations with Member Countries. It will be incorporated

by reference into the summings-up for the Article IV consultations with individual Euro-Area members that take place before the next Board discussion of the Euro-Area common policies. To the extent that the summing up for the euro area covers economic policies that apply to all EU member countries and that are considered relevant for Fund surveillance, the pertinent parts of the summing up for the euro area could also be referred to in the bilateral Article IV consultations with EU member countries that are not part of the euro area. (SM/02/359, 11/21/02)

Decision No. 12899-(02/119),
December 4, 2002,
as amended by Decision No. 14062-(08/15)
February 12, 2008

MODALITIES FOR SURVEILLANCE OVER CENTRAL AFRICAN ECONOMIC AND MONETARY UNION POLICIES IN CONTEXT OF ARTICLE IV CONSULTATIONS WITH MEMBER COUNTRIES

Staff will hold annual discussions with the regional institutions responsible for common policies in the Central African Economic and Monetary Union (CEMAC). These discussions will be held separately from the discussions with individual CEMAC members.

There will be an annual staff report and Board discussion of the common policies of CEMAC. Both staff's discussions with CEMAC institutions and the Board discussion of the annual staff report will be considered an integral part of the Article IV consultation with each member of CEMAC.

In addition to common policies in CEMAC that are relevant for surveillance, including monetary and exchange rate policies, the annual staff report will cover from a regional perspective other economic policies relevant for Fund surveillance for which responsibility remains at the national level. There will be a summing up of the conclusion of the Board's annual discussion on CEMAC's common policies. It will be incorporated by reference into the summings-up for the Article IV consultations with individual CEMAC members that take place before the next annual Board discussion of CEMAC's

common policies. The Board discussions for the Article IV consultations with individual CEMAC members will be clustered, to the extent possible, around the Board discussion on the common policies of CEMAC.

If considered necessary by the Managing Director, staff will hold a second round of discussions during the year with regional institutions and report to the Board informally on these discussions to provide adequate context for bilateral consultations with the individual CEMAC members that do not coincide broadly with the annual Board discussion on the CEMAC's policies.

The frequency of Article IV consultations with individual CEMAC members shall be determined in accordance with the Board decisions on consultation cycles. (SM/05/429, 12/22/05)

Staff reports and related documents pertaining to Fund surveillance under Article IV concerning (i) the common monetary and exchange rate policies of CEMAC, and (ii) the policies of each individual Fund member that forms part of CEMAC, shall be communicated to the Bank of Central African States (BEAC) at the same time the relevant staff report is made available to the Executive Board, provided, however, that a staff report or related document concerning the policies of an individual Fund member will only be shared with BEAC with that member's consent.

Decision No. 13654-(06/1),
January 6, 2006,
as amended by Decision No. 14059-(08/15),
February 12, 2008

Modalities for Surveillance over Eastern Caribbean Currency Union Policies in Context of Article IV Consultations with Member Countries

Staff will hold annual discussions with the regional institutions responsible for common policies in the Eastern Caribbean Currency Union (ECCU). These discussions will be held separately from the discussions with individual ECCU members.

There will be an annual staff report and Board discussion of the common policies of ECCU. Both staff's discussions with ECCU institutions and the Board discussion of the annual staff report will be considered an integral part of the Article IV consultation with each member.

In addition to common policies in ECCU that are relevant for surveillance, including monetary and exchange rate policies, the annual staff report will cover from a regional perspective other economic policies relevant for Fund surveillance for which responsibility remains at the national level. There will be a summing up of the conclusion of the Board's annual discussion on ECCU's common policies. It will be incorporated by reference into the summings-up for the Article IV consultations with individual ECCU members that take place before the next annual Board discussion of ECCU's common policies. The Board discussions for the Article IV consultations with individual members will be clustered, to the extent possible, around the Board discussion on the common policies of ECCU.

If considered necessary by the Managing Director, staff will hold a second round of discussions during the year with regional institutions and report to the Board informally on these discussions to provide adequate context for bilateral consultations with the individual members that do not coincide broadly with the annual Board discussion on the ECCU's policies.

The frequency of Article IV consultations with individual members shall be determined in accordance with the Board decisions on consultation cycles. (SM/05/429, 12/22/05)

Staff reports and related documents pertaining to Fund surveillance under Article IV over the (i) common monetary and exchange rate policies of ECCU, and (ii) the policies of each individual Fund member that forms part of ECCU, shall be communicated to the East Caribbean Central Bank (ECCB) at the same time the relevant staff report is made available to the Executive Board, provided, however, that a staff report or related document concerning the policies of an

individual Fund member will only be shared with ECCB with that member's consent.

Decision No. 13655-(06/1),
January 6, 2006,
as amended by Decision No. 14060-(08/15),
February 12, 2008

MODALITIES FOR SURVEILLANCE OVER WEST AFRICAN ECONOMIC AND MONETARY UNION POLICIES IN CONTEXT OF ARTICLE IV CONSULTATIONS WITH MEMBER COUNTRIES

Staff will hold annual discussions with the regional institutions responsible for common policies in the West African Economic and Monetary Union (WAEMU). These discussions will be held separately from the discussions with individual WAEMU members.

There will be an annual staff report and Board discussion of the common policies of WAEMU. Both staff's discussions with WAEMU institutions and the Board discussion of the annual staff report will be considered an integral part of the Article IV consultation with each member of WAEMU.

In addition to common policies in WAEMU that are relevant for surveillance, including monetary and exchange rate policies, the annual staff report will cover from a regional perspective other economic policies relevant for Fund surveillance for which responsibility remains at the national level. There will be a summing up of the conclusion of the Board's annual discussion on WAEMU's common policies. It will be incorporated by reference into the summings-up for the Article IV consultations with individual WAEMU members that take place before the next annual Board discussion of WAEMU's common policies. The Board discussions for the Article IV consultations with individual WAEMU members will be clustered, to the extent possible, around the Board discussion on the common policies of WAEMU.

If considered necessary by the Managing Director, staff will hold a second round of discussions during the year with regional institutions and report to the Board informally on these discussions to

provide adequate context for bilateral consultations with the individual WAEMU members that do not coincide broadly with the annual Board discussion on the WAEMU's policies.

The frequency of Article IV consultations with individual WAEMU members shall be determined in accordance with the Board decisions on consultation cycles. (SM/05/429, 12/22/05)

Staff reports and related documents pertaining to Fund surveillance under Article IV over the (i) common monetary and exchange rate policies of WAEMU, and (ii) the policies of each individual Fund member that forms part of WAEMU, shall be communicated to the Central Bank of West African States (BCEAO) at the same time the relevant staff report is made available to the Executive Board, provided, however, that a staff report or related document concerning the policies of an individual Fund member will only be shared with BCEAO with that member's consent.

Decision No. 13656-(06/1),
January 6, 2006,
as amended by Decision No. 14061-(08/15),
February 12, 2008

Extension of Consultation Cycles Due to COVID-19 Pandemic—Regional Institutions Responsible for Common Policies in Currency Unions

1. Staff hold annual discussions with the regional institutions responsible for common policies of each of: (i) the Central African Economic and Monetary Union; (ii) the Eastern Caribbean Currency Union; and (iii) the West African Economic and Monetary Union pursuant to Decision No. 13654-(06/1), Decision No. 13655-(06/1), and Decision No. 13656-(06/1), as amended, respectively. Further, there is an annual staff report and Board discussion on common policies of each of the currency unions. The next Board discussion with the regional institutions of each of the currency unions will take place within twelve months following the expected deadline established at the time of the last Board discussion for the respective currency union.

2. Pursuant to Decision No. 12899-(02/119), as amended, staff holds twice-yearly staff discussions with EU institutions responsible for common policies in the euro area, in the context of Article IV consultations with member countries. Further, there is an annual staff report and Board discussion on Euro Area Policies in the context of Article IV consultations with member countries. The next Board discussion on Euro Area Policies will be held within twelve months following the expected deadline established at the time of the last Board discussion on Euro Area Policies. (SM/20/103, 07/07/20)

Decision No. 16768-(20/49),
April 22, 2020,
as amended by Decision No. 16848-(20/77),
July 14, 2020

Capital Flows

The Chair's Summing Up—Review of the Institutional View on the Liberalization and Management of Capital Flows, Executive Board Meeting 22/27, March 21, 2022

Executive Directors welcomed the opportunity to discuss the review of the Institutional View (IV) on the Liberalization and Management of Capital Flows. They noted that, at the time of its adoption, it was envisaged that the IV would evolve in the light of research and lessons from its implementation.

Directors highlighted the useful contributions from the work on the Integrated Policy Framework (IPF) and the Independent Evaluation Office's evaluation on IMF Advice on Capital Flows in informing the review. Directors underlined that the core principles of the IV remain valid, namely the overall presumption that capital flows are desirable and can bring substantial benefits for countries. The IV should continue to aim to help countries reap those benefits while managing the risks to macroeconomic and financial stability of large and volatile capital flows. CFMs can be useful in certain circumstances, but should not substitute for warranted macroeconomic adjustments. It is also important to ensure that the Fund's policy framework on capital flows also guards against unintended effects or possible inappropriate use of CFMs. A number of Directors

emphasized that strong macroeconomic frameworks and sound financial regulation and supervision, as well as structural reforms and market development to reduce underlying market imperfections, are the first line of defense to protect against excessive capital volatility. A number of Directors noted that policies in both source and recipient countries have a role in mitigating the multilateral risks associated with capital flows.

Directors supported the proposal on the use of measures that are both capital flow management measures and macroprudential policy measures (CFM/MPMs) on debt inflows in a preemptive manner (i.e., in the absence of a capital inflow surge) in some circumstances. They agreed that such measures may be warranted when systemic financial risks from stock vulnerabilities, notably currency mismatches, cannot be addressed effectively and efficiently with conventional policy instruments. Directors also generally concurred that, in narrow and exceptional circumstances, preemptive CFM/MPMs may also be warranted to address vulnerabilities from local currency-denominated external debt stocks. A few Directors emphasized that the appropriate conditions for use of preemptive CFM/MPMs should be sufficiently forward-looking to allow a timely and effective response to systemic risks.

Directors stressed that the appropriateness of preemptive CFM/MPMs should be subject to a comprehensive evaluation process and periodic reviews to ensure that they do not substitute for necessary macroeconomic adjustments, undermine market development, or Exchange Arrangements and Surveillance 5 maintain or exacerbate external imbalances. Their adoption may also complement needed macroeconomic policy adjustments. CFM/MPMs should be targeted, temporary, and transparent. A number of Directors highlighted the importance of the Fund's capacity development assistance to address capacity constraints and underlying vulnerabilities. A number of Directors also emphasized the importance of staff judgment and flexibility in evaluating CFM/MPMs and to be mindful of the limitations of the Fund's external sector assessment frameworks. Directors noted that if preemptive CFM/MPMs produce adverse spillovers that may significantly influence the effective operation of the international monetary system, in line with the Integrated Surveillance Decision, staff should examine whether alternative policy actions could achieve the same domestic policy objectives while minimizing the negative outward

spillovers. They encouraged staff to transparently assess when CFM/MPMs are no longer appropriate and to discuss alternative policies. Directors stressed the need for staff guidance to ensure evenhanded and careful implementation of the evaluation process, as well as giving appropriate weight to the views of the authorities.

Directors broadly agreed with the proposal to accord a special treatment to certain categories of CFMs, including those introduced solely for national or international security reasons, adopted pursuant to certain internationally-agreed prudential frameworks (including reciprocity agreements), implemented in line with FATF standards to combat money laundering and the financing of terrorism, and CFMs arising from certain international cooperation standards against the avoidance or evasion of taxes. They concurred that the IV is not the right framework to assess the appropriateness of such measures, while noting that they should still be categorized as CFMs if those measures qualify as such under the definition of CFMs in the IV, and discussed in surveillance if they are macro-critical or may generate significant spillovers, consistently with the Integrated Surveillance Decision. Many Directors cautioned that measures introduced for national or international security reasons should be used sparingly and avoid misuse.

Directors noted that the IV's advice for managing capital inflow surges, responding to disruptive outflows, and undertaking capital flow liberalization remains unchanged. They welcomed the additional guidance provided to conduct assessments of macro-criticality and identify capital flow surges, imminent crises, and premature liberalization, noting that such assessments play an important role in formulating policy advice under the IV. Some Directors sought further clarification of some aspects. Directors called for a careful balance of staff judgment and evenhandedness, as well as transparency, when implementing the IV and assessing CFMs. Directors also welcomed the clarifications provided on certain operational issues, such as the treatment of measures that are both CFMs and exchange restrictions or multiple currency practices.

Directors noted that certain topics, including the use of CFMs for social or political objectives, the distributional effects of capital flow liberalization, the use of outflow CFMs outside of (imminent) crisis circumstances, and in particular the effects of digitalization and

climate change on capital flows, need further research and could not be addressed in this review. Directors encouraged staff to continue research on these topics and consider their policy implications in a timely manner in a future review of the IV.

Directors urged careful and balanced external communication to stakeholders on the changes to the IV while emphasizing that the fundamental principles of the framework are preserved.

SU/22/45
March 25, 2022

The Chair's Summing Up—
Toward an Integrated Policy Framework,
Executive Board Meeting 20/96, September 28, 2020

Executive Directors welcomed the opportunity to discuss the takeaways from the Integrated Policy Framework (IPF) analytical work stream. They noted that policymakers of ten face difficult tradeoffs in pursuing domestic and external stabilization objectives in the presence of volatile capital flows. In this context, they recognized the importance of jointly considering, under certain circumstances, the role of monetary, exchange rate (including foreign exchange intervention), macroprudential and capital flow management policies, and their interactions with each other and other policies. They noted that having a systematic framework can also help central banks employing multiple tools communicate policy decisions and enhance credibility.

Directors agreed that the IPF offers valuable analytical insights into how country characteristics, initial conditions, and the nature of shocks affect whether the use of multiple policy tools is warranted. They appreciated the breadth and depth of the analysis, including advances in modeling, extensive empirical work, and informative case studies. Directors agreed that the paper highlights the main tradeoffs in the use of multiple tools, although many Directors also stressed the importance of other considerations, including integrating fiscal policy more fully into the analysis, exploring more deeply multilateral implications or spillovers of IPF policies, extending the analysis of intertemporal tradeoffs, and deriving lessons from the COVID-19 crisis. Some Directors also suggested other potential extensions of the framework.

Directors agreed that optimal policy combinations depend on the nature of shocks, country characteristics, and initial conditions. They noted the IPF finding that in countries with flexible exchange rates, deep foreign exchange markets, and continuous market access, allowing full exchange rate adjustment to economic and financial shocks is typically optimal. A few Directors emphasized that in such cases, the findings indicate no rationale for capital flow management measures. On the other hand, Directors noted that in the presence of frictions and vulnerabilities common in emerging market and developing economies, while flexible exchange rates continue to provide significant benefits, other tools can play a useful role for certain shocks. In particular, Directors took note of the analytical finding that macroprudential measures, foreign exchange intervention, and capital flow management measures can, under certain circumstances, help enhance monetary autonomy, improve financial and price stability, and reduce output volatility in countries with financial frictions and/or balance sheet vulnerabilities. A number of Directors highlighted the finding that the use of precautionary capital flow management measures can lower risks to financial stability under certain conditions, although a few Directors pointed out that such measures tend to become "sticky" and that policymakers' ability to adjust them over the financial cycle needs to be taken into account.

Directors agreed that the deployment of policy tools should be guided by a clear framework and an assessment of costs and benefits. The macroeconomic and financial stabilization benefits of IPF policies need to be balanced against potential costs in terms of market development and other possible unintended consequences. The persistent use of IPF tools may perpetuate the very vulnerabilities that rationalize their deployment. Directors noted that the use of IPF tools is not a substitute for deep markets, healthy balance sheets, and strong institutions. The tools should not be used to support misaligned exchange rates or substitute f or warranted macroeconomic adjustment. In this context, Directors highlighted the Fund's role in assisting members in fostering deeper markets, strengthening institutions, and addressing underlying vulnerabilities. Directors also underscored that while models provide a useful guide, the complexity of real-life situations and tradeoffs (particularly intertemporal ones), as well as other practical challenges (such as endogeneity of policy and country conditions and

determining the nature and source of shocks) suggest a need for caution and judgment in the application of IPF tools and the importance of communicating clearly the actions and objectives. Similarly, country experiences should be assessed in detail and carefully integrated in the framework.

Directors emphasized that the analysis does not support indiscriminate use of IPF tools and that the operationalization of the findings should include safeguards to minimize the risk of inappropriate use of IPF policies. Directors noted that ensuring robustness and developing metrics to assess country characteristics will be essential for translating the framework's findings into implementable policy advice. Directors cautioned against the mechanical application of safeguards and emphasized the need for judgment when the framework is operationalized.

Directors affirmed that Fund policy advice remains guided by the Institutional View on the Liberalization and Management of Capital Flows and other existing Fund policies. In this context, they emphasized the importance of careful communication of the IPF's analytical findings, acknowledging its assumptions, limitations, and qualifications. Directors welcomed the intention to use the IPF's analytical findings as an input for the upcoming review of the Institutional View, along with the report by the Independent Evaluation Office on IMF Advice on Capital Flows.

SU/20/148
October 1, 2020

The Acting Chair's Summing Up—
Increasing Resilience to Large and Volatile Capital Flows—
The Role of Macroprudential Policies,
Executive Board Meeting 17/55, June 28, 2017

Executive Directors welcomed the discussion on the role of macroprudential policies in increasing resilience to large and volatile capital flows and a conceptual framework for identifying and assessing macroprudential measures (MPMs), which in some cases may also be capital flow management measures (CFMs). They appreciated the detailed country case studies, which provide a valuable insight from

international experience in this policy area. Directors recognized that capital flows deliver significant benefits but also have the potential to contribute to a build-up of systemic financial risk, especially if they are large and volatile. They also reiterated that macroeconomic policies, including exchange rate flexibility, need to play a key role in managing risks associated with capital flows, and that MPMs and CFMs should not be used to substitute for warranted macroeconomic adjustment.

Directors agreed that macroprudential policies, in support of sound macroeconomic policies and strong financial supervision and regulation, can play an important role in helping countries harness the benefits of capital flows. MPMs can help mitigate systemic financial risks and improve the capacity of the financial systems to safely intermediate cross-border flows. Specifically, Directors noted that the use of MPMs can increase countries' resilience to aggregate shocks, including those associated with capital flows, and can contain the build-up of systemic vulnerabilities over time. The proposed conceptual framework does not modify the Institutional View on the liberalization and management of capital flows as agreed in 2012, and Directors did not suggest changes to it.

A number of Directors suggested an in-depth discussion of the question of whether CFMs can be used preemptively to manage systemic risks that may arise from capital flows. The Institutional View does not support the preemptive use of CFMs—a point reiterated by a few Directors at the meeting—although a few others saw merit in reconsidering the case. Directors also noted that the strengthening of macroprudential policy frameworks can usefully form part of broader efforts to enhance risk management, and prudential regulation and supervision so as to support capital flow liberalization.

Directors highlighted that capital outflows should be handled primarily by macroeconomic policies. Nevertheless, where sufficient buffers are in place, a relaxation of MPMs may assist in countering financial stress from outflows. Directors emphasized the need to carefully calibrate decisions on relaxing particular MPMs, mindful of the

need to preserve market confidence and the financial system's resilience to future shocks.

Directors concurred that the conceptual framework laid out in the staff paper provides a helpful basis for guiding staff assessment of measures with the goal of providing consistent, evenhanded, and well-targeted policy advice to member countries in the context of surveillance. They stressed that the context, calibration of the measure, and other country-specific circumstances should be taken into account in applying the framework. Noting the degree of judgment involved, Directors considered that a well-documented justification would be useful to understand how staff has reached a particular judgment and help inform efforts to ensure consistent and evenhanded application of the framework, as well as greater clarity regarding the basis for assessment. Some Directors urged staff to proceed with caution in categorizing measures and avoid prescriptive advice that may trigger an adverse market reaction.

Directors observed that, while experience in the use of MPMs is growing, policymakers are still learning how best to calibrate them, with a view toward maximizing their benefits and minimizing costs to financial institutions, borrowers, and economic growth. Gauging the effectiveness of specific MPMs, notably in terms of the reduction in risk and severity of crises, remains challenging. Accordingly, Directors emphasized the need to progressively build up expertise and allow the macroprudential framework to evolve over time to incorporate new experience and insights.

Directors encouraged staff to continue deepening the understanding of macroprudential policies and their effectiveness, as well as how to apply the conceptual framework appropriately, drawing lessons from country experiences. They supported the plans to compile a database of MPMs reported by member countries and to integrate staff findings into Fund surveillance and technical assistance. Directors also called for continued close engagement with member countries and relevant international institutions in this area, including on use of MPMs to address risks from cross-border capital flows. They encouraged staff to provide further opportunity to follow up on these

and other issues related to capital flows, including the issues requested by the Board.

BUFF/17/50
July 4, 2017

The Acting Chair's Summing Up—Capital Flows—Review of Experience with the Institutional View, Executive Board Meeting 16/110, December 5, 2016

Executive Directors welcomed the review of experience with the institutional view on the liberalization and management of capital flows since its adoption in 2012. They considered that the institutional view remains relevant in the current environment, and that there is no need for substantive adjustment at this point. However, as recognized at the time of its adoption, this institutional view would need to remain flexible and evolve over time to incorporate new experience and insights. Directors broadly agreed with the main findings and the view that a few emerging issues identified in the review could benefit from further clarification. As highlighted in the institutional view, Directors underscored that capital flows provide significant benefits, but at the same time they also acknowledged that such flows carry risks if they are large and volatile. Accordingly, Directors emphasized the importance of implementing sound macroeconomic and financial sector policies, including exchange rate flexibility, which would enable countries to reap the full benefits of capital flows while mitigating risks. Directors recognized that full liberalization of capital flows may not be an appropriate goal for all countries at all times, although many of them remained of the view that capital account liberalization should be an important long-term objective and emphasized that the Fund should clearly communicate its support for this objective. Directors also reiterated that capital flow management measures (CFMs) should not be used to substitute for warranted macroeconomic adjustment. They recognized that both push and pull factors remain important for capital flows, highlighting that source and recipient country policies have implications for the size and volatility of capital flows.

Directors noted that the capital flow environment has changed significantly since 2012. The policy challenge for recipient countries, which reflect substantial heterogeneity, has generally shifted from

handling capital inflow surges to dealing with capital flow reversals, while continuing to manage volatility. Directors observed that policy responses have generally been along the lines envisioned in the institutional view. Countries have relied primarily on macroeconomic policies to manage capital flow reversals. CFMs on outflows were generally used in crisis or imminent crisis circumstances as part of a broad policy package, except in a few cases where countries faced particular challenges. Countries that had experienced large inflows also responded mainly with macroeconomic policies. Some countries used macroprudential measures to manage financial risks arising from capital flows. A few Directors would have preferred deeper analysis of country experiences with CFMs on inflows and their consistency with the institutional view, including in the context of Fund surveillance.

Directors took positive note of the continued gradual trend toward greater capital account liberalization. They welcomed the finding that, in general, countries' pace and sequencing of liberalization have taken into account macroeconomic and financial sector policies and conditions, complemented by supporting reforms, broadly in line with the integrated approach in the institutional view.

Directors recognized the role that the institutional view has played in Fund surveillance, providing an analytical framework and basis for consistent policy advice for both source and recipient countries, as well as informing capacity building, particularly in low-income countries and frontier markets. In so doing, the institutional view does not alter members' rights and obligations under the Fund's Articles of Agreement. Directors appreciated the discussion in Fund surveillance, both bilateral and multilateral, of spillovers and alternative policies that achieve similar domestic objectives while minimizing negative spillovers. Many Directors encouraged staff to pay more attention in its surveillance to the role of source countries in internalizing policy spillovers. Directors welcomed the progress in implementing the global financial regulatory and supervisory agenda and in international cooperation to address financial risks and spillovers that can affect capital flows. They also supported ongoing efforts to address gaps in capital flow data, in collaboration with other international organizations and member countries, mindful of the resource implications of these efforts.

Directors supported follow-up work on the interaction between macroprudential and capital flow policies, especially the role of macroprudential policy frameworks in addressing systemic financial risks arising from capital flows, taking into account countries' financial and institutional development. They called for continued close cooperation with the Bank for International Settlements (BIS), the Financial Stability Board (FSB), and the Organization for Economic Co-operation and Development (OECD), respecting each other's mandate. Directors called on staff to continue to assess the effectiveness of CFMs, including the extent to which CFMs are circumvented, although they acknowledged that differentiating the effects of CFMs from those of other policies could be challenging.

Directors also saw merit in clarifying further the conditions that could lead to the reimposition of CFMs during liberalization and when countries, while not in crisis or imminent crisis circumstances, face other specific challenges. With regard to other issues that have arisen in the debate, a number of Directors were skeptical about the structural use of CFMs to influence the composition of capital flows or to enhance policy autonomy; however, some others felt that this topic, while going beyond the institutional view, deserves further examination, particularly in the context of emerging and frontier markets.

Directors generally saw value in the Fund promoting a more consistent global approach to handling capital flows, including among bilateral and multilateral agreements. They stressed in particular the need to take into account country-specific macroeconomic and financial stability considerations in determining the appropriate policy response, as emphasized in the institutional view. Directors encouraged further analysis and communication of country experiences, and continued engagement with member countries and other relevant regional and international organizations on capital flow issues. To this end, they supported, in particular, the Fund's continued engagement with the OECD, including in the ongoing review of the OECD Code of Liberalization of Capital Movements.

December 9, 2016
BUFF/16/93

The Acting Chair's Summing Up—The Liberalization and Management of Capital Flows—An Institutional View
Executive Board Meeting 12/105, November 16, 2012

Executive Directors welcomed the opportunity to consider the proposal for a Fund institutional view on capital flows and policies related to them, in their meetings on November 7 and on November 16.[1] They recognized that the institutional view builds on previous Fund policy papers and Board discussions on capital flows, drawing on country experiences and analytical work by Fund staff and others.

Most Directors agreed that the institutional view, as presented in SM/12/250, Revision 1, is comprehensive, flexible, and balanced. They agreed that it provides a good basis for Fund policy advice and, where relevant for bilateral and multilateral surveillance, assessments on issues of liberalization and management of capital flows. They stressed that this institutional view would need to remain flexible and evolve over time to incorporate new experience and insights, also taking into account specific country circumstances, and to be reviewed periodically. A few Directors noted therefore that adopting an institutional view at this stage would seem premature and would have preferred further work and discussion.

Many Directors emphasized that the role of source countries in capital flows should be adequately integrated into the institutional view. Directors underscored that the institutional view in no way alters members' rights and obligations under any international agreements, including the Fund's Articles. While recognizing that the institutional view is fully described in the main text of the paper, most Directors agreed that Box 3 offers a useful summary of its key elements. Some

[1] Ed. Note: The following summings-up on capital flows are found in Selected Decisions, 37th Issue, pp. 72-79: The Chairman's Summing Up—The Fund's Role Regarding Cross-Border Capital Flows, Executive Board Meeting 10/122, December 17, 2010; The Chairman's Summing Up—Recent Experiences in Managing Capital Inflows—Cross-Cutting Themes and Possible Policy Framework, Executive Board Meeting 11/28, March 21, 2011; and The Acting Chair's Summing Up—The Multilateral Aspects of Policies Affecting Capital Flows, Executive Board Meeting 11/09, November 14, 2011.

Directors would, however, have liked to see in the box a more comprehensive summary from the main text, as well as more discussion in general of the risks associated with capital flows.

Capital Flow Liberalization

Directors noted that capital flows can have important benefits for individual countries and for the global economy, including by enhancing financial sector competitiveness, facilitating productive investment, and easing the adjustment of imbalances. At the same time, the risks associated with the size and volatility of capital flows and with premature liberalization should be clearly recognized.

Directors observed that a country's net benefits from liberalization, and therefore its appropriate degree of liberalization, would depend on its specific circumstances, notably the stage of institutional and financial development. Countries with extensive and long-standing measures to limit capital flows could benefit from further liberalization in an orderly manner. Directors agreed that there should be no presumption, however, that full liberalization is an appropriate goal for all countries at all times, although a number of them viewed capital account liberalization as a worthy long-term goal for all countries. A number of Directors highlighted the costs of maintaining capital controls, both for the country itself and for other countries and the international system as a whole.

Directors emphasized that capital flow liberalization needs to be well planned, timed, and sequenced, so as to minimize possible adverse domestic and multilateral consequences. Most viewed the "integrated approach" to liberalization as appropriate, consistent with countries' individual circumstances, particularly their institutional and financial development, and taking into account macroeconomic and financial sector prudential policies. A number of Directors stressed the importance of a cautious approach to liberalizing capital flows, paying due attention to the potential risks, which can be magnified if prerequisites are not adequately in place. Even where adequate prerequisites are in place or in long-open economies, including advanced economies which have drawn benefits from capital flows,

the size and volatility of flows can pose risks to which policymakers need to remain vigilant.

Managing Capital Flows

Directors noted that rapid inflow surges or disruptive outflows pose policy challenges, notwithstanding the benefits of capital flows. They underscored the importance of enhancing the economy's resilience in normal times by implementing sound macroeconomic policies, deepening financial markets, strengthening financial regulation and supervision, and improving institutional capacity. Directors also emphasized that macroeconomic policies—monetary, fiscal, and exchange rate management—have to play a key role in managing inflow surges or disruptive outflows, supported by sound financial supervision and regulation and strong institutions.

Directors agreed that, in certain circumstances, capital flow management measures (CFMs), i.e., measures that are designed to limit capital flows, can be useful and appropriate. These circumstances include situations in which the room for macroeconomic policy adjustment is limited, or appropriate policies take undue time to be effective. Directors stressed that CFMs should not substitute for warranted macroeconomic adjustment. Directors generally agreed that CFMs should seek to be targeted, transparent, and temporary, being lifted once inflow surges abate or disruptive outflow pressures subside, that CFMs should seek to avoid discriminating on the basis of residency, and the least discriminatory measure that is effective should be preferred. While most Directors expressed a preference for avoiding discrimination between residents and non-residents, a few Directors emphasized that when failure to differentiate between residents and non-residents would render the policy ineffective, residency–based measures may be justified. Directors concurred that certain CFMs can continue to be useful over the longer term for safeguarding financial stability. For responding to disruptive outflows, most Directors shared the view that CFMs should generally be used only in crisis situations or when a crisis is considered to be imminent, and in combination with sound macroeconomic policies and financial regulation.

Many Directors emphasized that both push and pull factors drive capital flows and, therefore, that policies in countries that generate large capital flows deserve adequate focus, in order to ensure a balanced approach. Most Directors concurred that policies in source countries play an important role in promoting the stability of the international monetary system, and accordingly policymakers should seek to better internalize the risks associated with their policies. Indeed, policymakers in all countries need to take into account how their policies may affect economic and financial stability in other countries, and globally. Directors stressed that better cross-border coordination of **relevant policies**, including at the regional level, would help to mitigate the riskiness of capital flows.

Role of the Fund

Directors noted that the Fund's legal framework for surveillance has long recognized the importance of capital flows and policies to manage them, even though the Fund's mandate with respect to international capital movements is more limited than that on payments and transfers for current international transactions. With this in mind, most Directors noted that the Fund is well-placed to provide policy advice and, where relevant and in accordance with the Integrated Surveillance Decision, assessments on issues related to capital flows, in close cooperation with country authorities. Specifically, most Directors endorsed the proposal set forth in paragraph 60 of SM/12/250, Revision 1, for use of the institutional view in policy advice and in bilateral and multilateral surveillance. Moreover, many Directors stressed the need for surveillance in important source countries to assess properly the potential impact of policies on cross-border capital flows. Directors emphasized that CFMs maintained outside of the proposed institutional view would not be considered measures that the Fund could require members to eliminate as a condition for the use of Fund resources.

Directors generally called on staff to continue to strengthen collaboration with other international organizations and institutions involved in the design and promotion of international frameworks in the area of capital flows, including on data issues. In particular, they noted that the proposed institutional view could help the Fund

play a useful role in promoting a more consistent approach toward the treatment of CFMs under other international agreements.

Directors underscored the importance of providing operational clarity on the institutional view in a guidance note to staff, reflecting the specific points of emphasis made by Directors, with a view to ensuring effective, consistent, and evenhanded implementation. They looked forward to an opportunity to be consulted prior to finalization of the guidance note.

BUFF/12/125
November 29, 2012

Trade

The Acting Chair's Summing Up–
Review of the Role of Trade in the Work of the Fund
Executive Board Meeting 23/22, March 27, 2023

Executive Directors welcomed the timely review of the role of trade in the work of the Fund and broadly agreed with its main findings. They noted that the review will serve as a blueprint for an enhanced strategy that will reinvigorate the role of the Fund in trade. This will assist country authorities navigate the challenges associated with a changing trade landscape in the coming years.

Directors recognized the importance of the Fund fulfilling its traditional institutional mandate on trade and welcomed the high-quality and policy-relevant work done by the Fund in this area in recent years. Nonetheless, against the backdrop of a changing trade policy landscape with challenges related to climate change and technology, the growing use of trade policy for non-trade objectives, and recent trade tensions, Directors considered that the Fund should boost its attention to trade policy issues, including in the context of bilateral surveillance, as well as scale up its expertise, to ensure that the Fund's work on trade remains central and its policy advice is seen as evenhanded. Directors noted that the trade work should continue to focus on the areas of Fund expertise, emphasizing topics of macroeconomic, fiscal, and financial relevance. Amid competing institutional priorities and resource pressures,

Directors generally agreed that the scale up of Fund work on trade should primarily be attained through careful internal re-prioritization, while protecting other priorities, and continued active collaboration with other international institutions, including the World Trade Organization (WTO). Some Directors cautioned against underestimating the needed resources for the reinvigorated trade agenda.

Directors noted that the Fund could contribute to addressing key trade policy challenges through multiple channels, including bilateral and multilateral surveillance, advocacy, and inter-institutional cooperation. Directors generally encouraged staff to maintain its support for strengthening the WTO. They agreed that a strong multilateral system is central to open, stable, and transparent trade policies and the Fund should remain a vocal advocate. The Fund could bring a more active voice to major global trade policy debates, such as on subsidies and other trade-distortive policies and barriers to trade and investment. Directors noted that the Fund is not well placed to assess the appropriateness of trade measures imposed for national or international security reasons, but that it should assess the economic implications of such policies, including spillovers.

Directors encouraged more consistent and more active coverage of trade policy issues in bilateral surveillance, and urged staff to translate its analysis and multilateral surveillance into tailored and practical policy advice, including how the gains from trade can be shared by all. Regardless of countries' level of development, open, stable, and transparent trade policies are important for economic growth and stability. Trade diversification and supply chain resilience will also be crucial. For advanced economies, a key priority is to avoid new trade and investment restrictions and other discriminatory measures wherever feasible. Further opening markets to products, especially those of export interest to developing countries, and reducing barriers to services trade will also be important. Improved domestic policies to facilitate adjustment to technological change and import competition are critical to better share the benefits of open trade. For emerging market economies, further liberalization of goods and services markets would bring benefits. At the same time, trade policy should be better integrated with structural reforms promoting competition. For low-income countries, greater trade openness should be complemented by

improved trade facilitation and increased access to regional and global markets. This should be underpinned by macroeconomic stability and structural reforms and supported by relevant technical assistance. The Fund can fill the analytical and policy gaps to assess the development and growth impacts of trade in the world economy. Attention should also be paid to the implications of country characteristics on trade.

Going forward, Directors considered it important to continue to periodically review the role of trade in the Fund's work. They asked staff to provide regular briefings on the evolution of the trade landscape and implementation of this trade strategy.

SU/23/49
March 31, 2023

The Chairman's Summing Up—Review of the Role of Trade in the Work of the Fund, Executive Board Meeting 15/21, February 27, 2015

Executive Directors welcomed the review of the role of trade in the work of the Fund and broadly agreed with its main findings. They noted that the trade landscape has changed rapidly in recent years. Directors considered that trade is an essential component of the global policy agenda to bolster growth and saw a need to reignite the multilateral trade system. They noted that there are potentially large global gains to be derived from further trade liberalization and integration, including from traditional trade liberalization in many countries and sectors, lowering barriers in new trade policy frontiers, and additional expansion of global supply chains. Directors also noted that trade reforms can complement and augment the benefits of other structural reforms, spur additional infrastructure investment, and support the strengthening of policy and institutional frameworks.

Directors welcomed the high quality and policy-relevant work done by the Fund. They emphasized that the Fund's work in this area should remain within its mandate, addressing trade issues deemed macro-critical and taking into account resource constraints and limited trade expertise. This would require careful prioritization and continued collaboration with other international institutions, including the World Trade Organization and the World Bank.

Directors emphasized that the coverage of trade issues in Fund surveillance should be tailored to the specific needs of individual countries. Recognizing differences across countries, Directors noted that for advanced countries, a key issue would be the implications of their efforts to pioneer and advance new trade policy areas such as services, regulations, and investment. For emerging market economies, there are still benefits from traditional liberalization and anchoring to global supply chains. For low-income countries, greater integration requires sustained efforts to reduce trade costs, including upgrading trade infrastructures and improving economic institutions both at national and regional levels, supported by relevant technical assistance.

Directors agreed that better embedding trade in surveillance work would require a concerted effort on several fronts. They saw merit in enhancing efforts to translate key implications from the evolving trade landscape and continuing analytical work, and in further developing a work agenda for the Fund for the next five years based on the key considerations discussed. Several Directors suggested that staff should consider a range of issues for further work. Some Directors were open to having a clearer institutional view. In this regard, Directors noted that the 2010 reference note on trade policy will be updated to provide staff guidance on macro-relevant trade and trade policy issues. Directors stressed the importance of ensuring that the Fund's approach to trade policies is evenhanded. Going forward, Directors considered it important to regularly review the role of trade in the Fund's work.

BUFF/15/19
March 11, 2015

Sovereign Wealth Funds

The Acting Chair's Summing Up—Sovereign Wealth Funds—The Santiago Principles—Generally Accepted Principles and Practices Developed by the International Working Group, Executive Board Meeting 08/87, October 3, 2008

Executive Directors commended the International Working Group of Sovereign Wealth Funds (IWG) for its intensive and

collaborative efforts, which have led to a consensus on a voluntary set of generally accepted principles and practices (GAPPs)—also known as the Santiago Principles. The Principles represent a significant achievement by a group of 23 diverse countries with sovereign wealth funds (SWFs). Directors welcomed the professional role played by the Fund staff in facilitating, coordinating, and providing secretarial support to the Group. They also appreciated the contribution by the OECD and the World Bank, and the engagement of recipients of SWF investments to maintain an open investment regime.

Directors viewed the development of the Santiago Principles as a good example of collaborative engagement between countries with SWFs and the recipient countries. It is the first time that SWFs have set out a comprehensive framework to guide their institutional arrangements, governance structures, and investment decisions. The Principles, together with the SWF survey conducted by the Fund staff, also provide a useful point of reference for policymakers, financial markets, and the general public.

Directors stressed that the principles are voluntary in nature, and that their implementation is subject to home country laws, regulations, requirements, and obligations. Most Directors agreed that the Santiago Principles appropriately recognize a number of key elements. In particular, the Principles recognize the need for:

• First, sound and clear legal frameworks, and a governance framework that ensures separation of responsibilities and promotes operational independence in the management of SWFs and accountability, including through high-quality auditing and accounting standards;

• Second, SWF operations to be conducted in compliance with applicable regulatory and disclosure requirements in the countries in which they operate;

• Third, close coordination between the SWF's activities and macroeconomic policy formulation where the SWF's activities have direct domestic macroeconomic implications, and provision of data to the government, or other relevant agencies, for inclusion where appropriate in macroeconomic datasets;

• Fourth, the publication of relevant financial information relating to the SWF to demonstrate its economic and financial orientation;

• Fifth, investment decisions to be based on economic and financial grounds;

• Sixth, adequate risk management frameworks and regular internal reporting of investment performance;

• Seventh, public disclosure of an SWF's general approach to voting securities of listed entities; and

• Eighth, regular review of the implementation of the Santiago Principles by the SWF or by its owner or governing bodies.

Most Directors believed that the implementation of the Santiago Principles by countries with SWFs will improve the understanding of SWF investment operations, and help alleviate concerns raised by countries that are recipients of SWF investments. This will help foster trust and confidence in the global operations of SWFs, and strengthen an open environment for cross-border investments. From the perspective of the SWF countries, the Principles provide SWFs with strong incentives to hold themselves to high standards. They will be helpful, in particular, in guiding the management of countries' fiscal and external surpluses through SWFs in a sound, prudent, and accountable manner. In this way, the Principles should help to further strengthen the stabilizing benefits that SWFs bring to the global financial markets.

Notwithstanding the progress achieved, the IWG recognizes the need to keep the Santiago Principles under review as capital markets develop and sovereign institutional arrangements evolve, and to work to further improve the Principles over time. In particular, several aspects of the Principles could benefit from further work, such as those relating to the provision of comprehensive and reliable information about SWF activities, and potential risks to investment operations and SWF balance sheets. In this respect, a number of Directors encouraged SWFs to work toward public disclosure of their financial information, including annual reports and ex post voting records. Some other Directors stressed the need to ensure a level playing field vis-à-vis other

institutional investors. A few Directors also underscored that, to preserve full ownership of the Principles by the SWFs, it will be important to continue with the voluntary approach going forward.

The issue of how to monitor the implementation of the Santiago Principles remains to be agreed upon by the owners of SWFs. Directors welcomed the intention of the IWG to consider establishing a Standing Group that could review the Principles and provide a forum for the exchange of ideas among SWFs and with recipient countries, as well as examine ways in which aggregate information on SWF operations could be collected and made available to the public. If established, it will be important for the Standing Group to take full cognizance of the relevance of the macroeconomic and financial stability perspectives in its work.

Directors stressed the importance of clear and nondiscriminatory policies by recipient countries toward SWF investments. They welcomed the progress being made by the OECD in this area, and encouraged continued dialogue and coordination between the OECD and SWFs. Directors also noted that several countries with SWFs are also becoming recipients of investments from other SWF countries. They looked forward to the guidelines by the OECD for recipient countries.

Most Directors agreed that the Fund staff should continue to play a constructive role in support of the work of the IWG. Most Directors also felt that the Fund staff can play a helpful role in facilitating the activities of the Standing Group once it is established. Some Directors emphasized, however, that, in the current tight budgetary environment facing the Fund, staff resources should remain focused on strategic priorities. A few Directors suggested that the possible modalities of future Fund involvement should be worked out in light of the experience gained with the Standing Group, and with the updated guidelines for recipient countries.

BUFF/08/151
October 9, 2008

Fragile and Conflict-Affected States

The Chair's Summing Up—
The IMF Strategy for Fragile and Conflict-Affected States,
Executive Board Meeting 22/23, March 9, 2022

Executive Directors welcomed the opportunity to discuss the Fund's strategy for fragile and conflict-affected states (FCS). They concurred that addressing fragility and conflict is an important policy priority for the international community, especially given the disproportionate economic impact of the pandemic in FCS, and the interlinkages with climate change, food insecurity, and persistent gender disparities. Directors agreed that the implications of fragility and conflict are macro-critical and relevant to the Fund's mandate—both in terms of the long-run economic impact on members, but also because spillovers originating in FCS can undermine macroeconomic stability and growth prospects in neighboring countries and regions.

Directors noted that about one fifth of Fund members are classified as FCS. They agreed that the Fund has an important role to play, within its mandate, to help these countries exit from fragility and support them to achieve macroeconomic stability, enhance resilience, strengthen governance, and promote inclusive growth. Directors expressed strong support for the proposed FCS strategy and its measures, which responds to the Board-endorsed recommendations of the 2018 Independent Evaluation Office Report on The IMF and Fragile States and builds on actions under the related Management Implementation Plan. They welcomed the inclusive process through which the FCS strategy was developed, with extensive consultations with the World Bank, the UN system, and other partners and stakeholders.

Directors endorsed the proposed principles of engagement to ensure that the Fund's mandate and comparative advantage will be effectively leveraged to help country authorities in FCS achieve better macroeconomic outcomes. They emphasized the importance of focusing engagement on areas within the Fund's core competencies; promoting greater tailoring of instruments to the country-specific manifestations of fragility and conflict; as well as strategically enhancing

partnerships with humanitarian, development, peace, and security actors. Directors noted that country ownership and effective communication with the public are key to advancing reforms in FCS.

Directors strongly supported the proposal to roll out Country Engagement Strategies (CES) across FCS. They concurred that the CES is an important vehicle to identify the key drivers of fragility and conflict to better tailor Fund engagement; support the integration of surveillance, capacity development (CD), and lending programs; inform program design and conditionality; and support a stronger dialogue with country authorities and partners. Directors emphasized the importance of consultations with country authorities throughout the CES process, as well as leveraging other institutions' analyses and expertise. Many Directors suggested considering a faster rollout of CES than proposed, if feasible. These Directors also suggested keeping the option of preparing CES for countries not formally defined as FCS but that are at high risk.

Directors generally agreed with the proposed measures to further calibrate the Fund's instruments and modalities of engagement to FCS conditions. They supported an expanded field presence to ensure that stepped-up CD provision in FCS is better tailored to local absorptive capacity and coordinated with other development partners. Directors emphasized the critical role that Fund CD can play in supporting FCS to progressively build institutions that effectively perform macroeconomic policy functions, noting the alignment between the FCS strategy and the FY23-25 CD priorities.

With regard to the lending toolkit, Directors supported the view that FCS that can implement UCT-quality programs should be encouraged to do so. They supported making full use of existing flexibility in the lending toolkit and enhancing program design through realistic macroeconomic frameworks and parsimonious and tailored conditionality aligned with institutional capacity and informed by the CES. Many Directors underlined that floating tranches should not be attached to core aspects of the program so as not to disincentivize reforms. Directors noted that the recognition of post-program financing gaps should be accompanied with the appropriate safeguards. A few

Directors suggested considering post program assessments for defunct arrangements. To address situations where there is an urgent balance-of-payment need and UCT-quality programs are not possible, most Directors expressed openness to using the flexibility of having concurrent staff-monitored programs and RCF/RFI, as this should support the transition to a UCT-quality arrangement, and looked forward to proposals for targeted adjustments to the RCF framework. Many Directors also suggested exploring in the future options for a new ECF window enabling shorter-duration arrangements to transition to longer-term UCT-quality programs. Lastly, Directors noted that the proposed Resilience and Sustainability Trust (RST) could help FCS address their long-term structural challenges, but many Directors expressed concerns that many FCS may not qualify for the RST if a UCT-quality program is required. Directors requested that more information and a clear justification on the approach adopted in a country be included in staff reports for Board discussion.

Directors supported enhancing partnerships to amplify the impact of Fund engagement in FCS by leveraging complementarities while avoiding duplication of efforts and leveraging the Fund's engagement to catalyze increased donor support. Collaboration with the World Bank is especially critical and the adoption of its methodology for FCS classification as proposed in the FCS strategy is an important step to ensure greater consistency of approaches between the two institutions. A few Directors underlined the importance of robust Country Policy and Institutional Assessments. Directors emphasized the need to ensure a smooth transition to the new FCS classification methodology, which should not result in diminished support to countries that will be dropped from the current internal IMF FCS list.

Directors agreed with the resource allocation proposal, consistent with the FY23-25 Medium-Term Budget, as per the budget augmentation framework. They agreed with the proposed FCS engagement model focused on closer support and follow-up with country authorities and partners. Directors supported the initiatives to enhance the expertise, recognition, and accountability of staff working on FCS, along with appropriate incentives. Directors acknowledged the inherent risks in FCS engagement and the importance of risk mitigation. Many Directors stressed that the Fund should be prepared to accept

residual risks when sufficiently assessed and justified to fulfill its unique mandate and be able to best serve its membership.

Directors looked forward to the planned operational guidance to help staff effectively implement the FCS strategy, as well as to annual updates on progress made. A number of Directors suggested having a timeframe for reviewing implementation of the FCS Strategy.

SU/22/38
March 11, 2022

Climate Change

The Chair's Summing Up—
IMF Strategy to Help Members
Address Climate Change Related Policy Challenges—
Priorities, Modes of Delivery, and Budget Implications,
Executive Board Meeting 21/73, July 16, 2021

Executive Directors welcomed the opportunity to discuss a strategy to help Fund members address climate change related policy challenges. They concurred that climate change is a global existential threat that poses critical macroeconomic and financial policy challenges for the whole Fund membership in the coming years and decades. Against this backdrop, Directors broadly agreed that the Fund has an important role to play, within its mandate, in supporting members' efforts to address climate change related challenges through its surveillance, when macro-critical, and through its capacity development (CD) activities.

Directors supported a more comprehensive coverage of climate change related policy challenges in Article IV consultations, where macro-critical. In line with the conclusions from the Comprehensive Surveillance Review, they generally agreed that coverage of climate change mitigation in Article IV consultations would be strongly encouraged for the largest emitters of greenhouse gases. Some Directors stressed that this means that coverage of these policies would be voluntary. Directors supported the proposal to regularly cover adaptation and resilience building policies for the most vulnerable countries to climate change, including options to attract climate financing.

In addition, they generally saw a need to cover the management of transition risks, including for fossil fuel exporters, of adjusting to a low-carbon economy, while taking into consideration each country's own circumstances. Directors agreed that Financial Sector Assessment Programs should have a climate component where climate change may pose financial stability risks. This would help assess any potential pressure points for the financial system from physical climate shocks and from the transition to a low-carbon economy. A few Directors emphasized that this climate component should be aligned with the standards being developed by relevant international standard-setting bodies to ensure a consistent policy advice.

Directors supported expanding climate-related CD efforts, given rising demand by the membership. They also generally supported complementing Fund CD resources with donor-funded activities. A number of Directors also noted that the Fund could consider using program conditionality to support borrowing countries to increase their resilience to climate change shocks and ensure macroeconomic sustainability, provided the conditionality is in line with the Fund's lending mandate and policies. A few Directors cautioned, however, against using climate-related conditionality.

Directors agreed that policy papers and multilateral surveillance reports should remain critical outlets for disseminating the Fund's analytical and policy work on climate change, especially for topics with a multilateral component that require policy coordination, such as mitigation policies or climate financing. Directors underscored that reliable climate data are a critical foundation for macro-climate analysis and encouraged further work in this area. They generally stressed the importance of developing models and standardized toolkits to support the Fund's work in both multilateral and bilateral surveillance, while being mindful of potential limitations in models and toolkits, including due to specific country circumstances.

Directors stressed the importance of partnering with other institutions, including the World Bank Group, on climate-related work. They called for a more systematic approach to collaboration to leverage the expertise of other institutions, while minimizing overlap and maximizing value for the membership.

Directors took note of the proposal for gradually adding 95 Full-Time Equivalents to implementing the proposed climate strategy. They looked forward to assessing this, together with other funding requests, during the discussion of the Fund's overall budget. Directors generally agreed that some internal re-organization that facilitates an efficient delivery of the climate strategy would be needed, in particular by establishing climate hubs in functional departments and reinforcing area departments as necessary. A few Directors stressed that greening the Fund's own operations and reducing its carbon footprint will be key for the institution's credibility.

SU/21/108
July 21, 2021

Digital Money

The Acting Chair's Summing Up—
Elements of Effective Policies for Crypto Assets,
Executive Board Meeting 23/11, February 8, 2023

Executive Directors welcomed the opportunity to discuss the board paper on elements of effective policies for crypto assets. They noted the timeliness and importance of the paper, as well as its relevance to the IMF's wide and diverse membership, and generally underscored the need for a comprehensive framework. They considered that the growing adoption of crypto assets in some countries, the extra-territorial nature of crypto assets and its providers, as well as the increasing interlinkages with the financial system, motivate the need for a comprehensive, consistent, and coordinated response.

Directors generally observed that while the supposed potential benefits from crypto assets have yet to materialize, significant risks have emerged. These include macroeconomic risks, which encompass risks to the effectiveness of monetary policy, capital flow volatility, and fiscal risks. They also noted serious concerns about financial stability, financial integrity, legal risks, consumer protection, and market integrity. Against this backdrop, Directors broadly welcomed the proposed framework and its elements.

Directors agreed that crypto assets have implications for policies that lie at the core of the Fund's mandate. In particular, the

widespread adoption of crypto assets could undermine the effectiveness of monetary policy, circumvent capital flow management measures, and exacerbate fiscal risks. Widespread adoption could also have significant implications for the international monetary system in the longer term. Directors, therefore, emphasized that robust macroeconomic policies, including credible institutions and monetary policy frameworks are first-order requirements and that Fund advice in these areas will remain crucial. Directors generally agreed that crypto assets should not be granted official currency or legal tender status in order to safeguard monetary sovereignty and stability. Fiscal risks posed by crypto assets including contingent liabilities to the government should be fully disclosed as part of countries' fiscal risk statement, and the applicability of tax regimes should be clarified.

Directors broadly agreed on the need to develop and apply comprehensive regulations, including prudential and conduct regulation to crypto assets, and effective implementation of the FATF standards on AML/CFT. They noted that the Fund should work closely to support the regulatory work under the leadership and guidance of standard-setting bodies. In this context, Directors emphasized the importance of fully aligning the framework with the initiatives and standards set by the standard-setters. Directors agreed that strict bans are not the first-best option, but that targeted restrictions could apply, depending on domestic policy objectives and where authorities face capacity constraints. A few Directors, however, thought that outright bans should not be ruled out. Directors noted that regulation should be mindful not to stifle innovation, and the public sector could leverage some of the underlying technologies of crypto assets for their public policy objectives.

Directors emphasized the importance of prioritizing elements of the framework where countries face implementation challenges, including weak regulatory institutions. They stressed that the pace and sequencing of implementation should be tailored to countries' respective circumstances. It will be important to underpin the regulatory treatment with clear and sound private and public law frameworks. Strong coordination between authorities, both at the domestic and international levels, is critical for consistent implementation and avoiding regulatory arbitrage. Directors also highlighted the importance of promoting the principle of "same activity, same risk, same regulation."

Directors agreed that the framework should be used to guide staff's policy dialogue with country authorities and capacity development activities, as well as participation in discussions with standard-setting organizations. They underscored the need to focus on the Fund's comparative advantage and on macrofinancial implications. They also saw a role for the Fund in serving as a bridge between the experience of its membership and the international standard- and rule-setting process, including disseminating best practices. Directors underscored the importance of tailored advice and close dialogue with authorities, given the different stages of development of crypto assets and different capacities among member countries. Fund capacity development support will be crucial.

Directors stressed the importance of addressing the significant data gaps and emphasized the role of the Fund in monitoring risks and impacts on the international monetary system. They welcomed in this context the new G20 Data Gaps Initiative. Consistent recording of crypto assets in macroeconomic statistics across economies, underpinned by a reliable data framework, will be important.

Looking ahead, Directors emphasized that the Fund could serve as a thought leader in further analytical work on rapidly evolving developments in crypto assets. They underscored the importance of promoting ongoing knowledge sharing and lessons from practical implementation issues in the field. Fund work on crypto assets is expected to remain within the agreed budget augmentation framework.

SU/23/24,
February 16, 2023

The Chair's Summing Up—
The Rise of Public and Private Digital Money—A Strategy to Continue Delivering on the IMF's Mandate,
Executive Board Meeting 21/69, July 7, 2021

Executive Directors welcomed the opportunity to discuss the strategy to continue delivering on the IMF's mandate given the rise of digital money. They noted that an increased adoption of digital money can foster greater efficiency and financial inclusion but also poses important challenges, and that the Fund has a critical role to play to help its members harness the benefits and manage the risks of

digital money. Against this background, Directors broadly welcomed the staff's proposals for closer engagement with other organizations and country authorities involved in this area, tailored support to member countries, and broader efforts in capacity development. Noting the fast-moving developments with digitalization and the need for the Fund to act swiftly and be at the forefront in this area, and be able to assist its members, many Directors found the strategy to be appropriately ambitious. Many other Directors, however, called for further prioritization and a more phased implementation of the strategy, given the complexity of the issue and the evolving regulatory environment.

Directors agreed that digital money has implications that lie at the core of the Fund's mandate and that the Fund must be part of the discussions on these issues. In particular, digital money has wide-ranging implications for the international monetary system, spillover and cross-border effects, and the structure and stability of domestic economies. Directors, therefore, emphasized that digital money must be designed, regulated, and provided so that countries maintain control over monetary policy, financial conditions, capital account openness, and foreign exchange regimes. They also underscored that domestic economic and financial stability must be protected by carefully designed public-private partnerships, a smooth transition of the role of banks, and fair competition. Ensuring financial integration and inclusion will also be important.

Directors broadly agreed that given its mandate, near-universal membership, focus on macro-financial policies and spillovers, diversity of expertise, and unique ties to member countries, the Fund could serve as a thought leader in analytical work and policy development, particularly on issues related to the international monetary and financial system, in close collaboration with other organizations and provide timely advice in surveillance and capacity development to its members when requested. They also saw a role for the Fund in serving as a bridge between the experience of its membership and the international policy-making process. Directors underscored the importance of tailored advice, given the different stages of development of this issue and different capacities among member countries. In particular, low-income countries and EMDCs with less developed digital capabilities will need timely advice and capacity development assistance in

macro-critical areas pertinent to these countries. A number of Directors saw scope for the Fund to focus more at this stage on the development of analytical frameworks and on multilateral surveillance and capacity development, and piloting or limiting the coverage of this issue in bilateral surveillance.

Directors underscored the need to focus on the Fund's comparative advantage and to partner and collaborate with other international financial institutions, country authorities, standard setters, as well as the private sector, to maximize synergies and minimize duplication of work and foster knowledge sharing. Effective delineation of responsibilities will be important. To ensure efficiency gains and avoid putting an excessive burden on hiring external experts, Directors also emphasized the importance of internal training of fungible economists to mainstream this important workstream, as well as staff exchanges with other organizations and country authorities. They also underscored the importance of promoting knowledge sharing and cooperation between country teams and functional departments.

Directors noted the proposal on resource allocation and broadly agreed that this would need to be considered holistically in the context of the broader budget augmentation request. They called for consideration of policy options and trade-offs in deciding the resource allocations in the new areas of work. As such, Directors looked forward to the Board engagement on the proposed budget augmentation request. In their preliminary assessment, many Directors were supportive of, or open to considering, the resource request, while many other Directors suggested a more modest, phased increase in resources calibrated to actual developments and finer details on work priorities. A number of Directors emphasized the importance of prioritizing and ensuring adequate resources to assist members, particularly LICs, with low capacity for mitigating the risks from the spread of digital money and from spillovers.

Going forward, regular engagement with the Board will be important to reevaluate the appropriateness of the strategy and any agreed resource allocation.

SU/21/98
July 12, 2021

Governance Issues

The Chair's Summing Up—
Review of Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance,
Executive Board Meeting 23/26 April 4, 2023

Executive Directors welcomed the opportunity to review the implementation of the 2018 Framework for Enhanced Fund Engagement on Governance, and broadly agreed with the staff's proposals. They considered that the 2018 Framework has made the Fund's engagement more candid, systematic, and effective, while acknowledging that there remain areas for improvement. While many Directors also considered that the 2018 framework has made the Fund engagement more evenhanded, many other Directors expressed lingering concerns about evenhandedness.

Directors welcomed the systematic assessment of the full membership of the Fund under a robust, centralized, interdepartmental process to identify corruption vulnerabilities and governance weaknesses linked to corruption in the six state functions most relevant to economic activity. Going forward, Directors called for further analysis on the effectiveness of the Fund's engagement in these areas.

Directors recognized the increase in candid discussions of many identified corruption and related governance vulnerabilities in Article IV staff reports, underpinned by specific policy advice over the three-year surveillance cycle. However, they noted the limited coverage of some areas such as market regulation.

Directors acknowledged that the proportion of governance-related conditions in Fund-supported programs has increased, with conditionality aligned with programs goals. They considered compliance rates for governance-related benchmarks to be somewhat disappointing—albeit similar to those for other structural benchmarks in areas outside of governance. Directors supported a final stocktaking of the implementation of governance safeguards during the COVID-19 emergency financing, with a few Directors noting the uneven implementation of these commitments. In this context, Directors supported

updating guidance on the use of governance commitments in emergency financing.

Directors called for further efforts to ensure a fully evenhanded implementation of the 2018 Framework and address concerns by many Directors regarding evenhandedness. While Directors noted that the staff's analysis found no evidence of systematic biases, many Directors found the results insufficient to draw conclusions. Directors also noted that only 13 countries have volunteered for the Fund to assess their frameworks for combatting transnational aspects of corruption—a number still below expectations—which may contribute to perceptions that the Fund's engagement on governance issues is not sufficiently evenhanded.

Directors welcomed the Fund's expanded work on governance issues in capacity development (CD), including leveraging existing CD and establishing new forms of delivery, particularly governance diagnostics. They encouraged further speeding up of strategic integration and alignment of CD to country-specific policy advice.

Directors noted that achieving a lasting reduction in corruption is a challenge and that implementation is constrained by limited capacity and vested interests. As such, Directors considered the Fund's continued robust engagement on these issues to be crucial whenever macro-criticality can be established.

Directors supported staff proposals to strengthen implementation in line with the objectives of the 2018 Framework, guided by macro-criticality and core expertise of the Fund, while stressing the need for prioritization and phasing of the proposals, given competing demands under the tight budgetary environment. Directors supported staff proposals to update more regularly the centralized assessment of the membership, allowing staff to refresh qualitative information and track improvements or backsliding in the implementation of policy advice, and to improve the consistency of coverage across the six state functions, including by exploiting synergies with other work streams. Directors encouraged other jurisdictions to volunteer for the assessment of transnational aspects of corruption and agreed that efforts should continue to sustain and deepen the coverage of this exercise.

Directors endorsed enhancing effectiveness of the engagement and addressing key obstacles identified by strengthening external interactions and internal processes, including efforts to enhance ownership and support for reforms, and particularly encouraged strengthening political economy analysis. Directors supported further developing targeted CD in response to increasing demand from authorities, leveraging governance diagnostics to inform engagements, implementing practical measures to enhance interactions and collaboration with other international organizations and civil society, fine-tuning staff guidance on governance safeguards in emergency financing, and establishing mechanisms to improve monitoring of the implementation of governance-related Article IV recommendations. In addition, Directors supported further integration of governance and anti-corruption with other Fund priorities such as Fragile and Conflict affected States (FCS), climate change, and digitalization/GovTech. Directors also generally supported deepening the work on rule of law and anti-corruption issues and building upon the increasing role of supreme audit institutions (SAIs) in supporting anti-corruption efforts. They concurred that achieving sustained mitigation of corruption requires a tailored and sequenced approach mindful of implementation capacity constraints and political economy realities.

Directors looked forward to an update from the staff on the implementation of the Framework in two to three years, and for a review by the Executive Board within five years.

SU/23/55
April 10, 2023

Review of 1997 Guidance Note on Governance—A Proposed Framework for Enhanced Fund Engagement

The Executive Board approves the text of "Addressing Governance Vulnerabilities—A Framework for Enhanced Fund Engagement," which is set forth in Annex 1 to SM/18/55 and Correction 1. (SM/18/55, 03/09/18)

Decision No. 16350-(18/32),
April 6, 2018

SM/18/55 and Correction 1

Annex 1. Addressing Governance Vulnerabilities—A Framework for Enhanced Fund Engagement

Introduction

1. The Fund has completed its review of the 1997 Policy on the Role of the Fund in Governance Issues (1997 Governance Policy). While the 1997 Governance Policy remains an appropriate basis for the Fund's work in this area, further guidance from the Executive Board is needed to ensure that the objectives of that policy are achieved. Experience has underscored the critical impact that these governance issues can have on the ability of the Fund to implement its mandate. In particular, there is considerable evidence that systemic corruption can have a particularly pernicious effect on a country's ability to achieve sustainable, inclusive economic growth. Accordingly, the framework set forth below ("A Framework for Enhanced Fund Engagement") is designed to promote more systematic, effective, candid and evenhanded engagement with member countries regarding those governance vulnerabilities, including corruption, that are judged to be macro-critical.

2. The Fund's engagement on governance issues will continue to be guided by the principles set forth in the 1997 Governance Policy and, more broadly, by the Fund's overall mandate. Specifically:

• First, the Fund should engage with its members on their governance vulnerabilities in the context of bilateral surveillance and the use of Fund resources when these weaknesses are judged to be sufficiently severe to be relevant to these activities.

• Second, when they become relevant for surveillance and use of Fund resources, the Fund's assessment of governance vulnerabilities should not be limited to only those associated with corruption.

• Third, where a relevant governance vulnerability falls outside the area of the Fund's expertise, the Fund should rely on the work of other international institutions, particularly the World Bank.

• Fourth, an effective strategy requires action to curb the facilitation of corrupt practices by private actors, particularly in the transnational context.

• Fifth, when engaging on these issues, the Fund should continue to avoid interfering in individual enforcement cases.

• Finally, the Fund should continue to avoid interference in the domestic or foreign politics of a member or expressing views on the design of a particular political system.

Elements of the Framework for Enhanced Fund Engagement

3. The Fund will assess the severity of members' governance vulnerabilities in a systematic manner. This will include an assessment of the extent to which the state functions that are most relevant to economic activity are undermined by governance vulnerabilities. Subject to the availability of information, the state functions to be assessed – and the specific issues to be covered - will normally include the following:

(a) Fiscal Governance—The primary focus will be on the quality of the institutional framework and practices that support revenue administration, public financial management, and fiscal transparency for the public sector.

(b) Financial Sector Oversight—An assessment of the quality of financial sector oversight will include examination of the capacity and effective autonomy of the supervisory agency. The assessment will also cover those aspects of the design of the regulatory and supervisory framework that are most relevant to safeguarding the integrity of financial system and minimizing opportunities for corruption.

(c) Central Bank Governance and Operations—This assessment will include: (a) the adequacy of the mandate, decision-making structure and autonomy of the central bank; (b) the adequacy of the accountability and transparency framework; and (c) the effectiveness of the internal control environment.

(d) Market Regulation—The assessment in this area will focus primarily on the extent to which the complexity and opacity of the regulatory environment creates rent-seeking opportunities, and more generally, hinders the operation of private business.

(e) Rule of Law—The focus of this assessment would be on those aspects of the rule of law that support the protection of property and contractual rights, including the predictability and timeliness of the enforcement of those rights.

(f) Anti-Money Laundering and Countering the Financing of Terrorism—This assessment would focus not only on the adequacy of the legal framework, but also on overall institutional capacity and effective implementation.

4. The assessment of severity of governance vulnerabilities will also include an examination of the severity of corruption, given its particularly pernicious impact on a member's ability to achieve sustainable, inclusive growth.

5. The Fund will be guided by several principles when selecting and using the information that will be needed to make the assessments under paragraphs 3 and 4 above.

(a) First, to the extent possible and where relevant, the Fund should rely on information it has already obtained in the context of existing Fund activities, including discussions with the authorities.

(b) Second, in areas that are not typically within the remit of the Fund, the Fund should rely on information provided by other institutions, especially the World Bank.

(c) Third, the assessments should be holistic, relying on both quantitative and qualitative inputs. If third-party indicators are used, their use must be consistent with the Fund's policy in this area. As such, third-party indicators will be used to complement—and not displace—the analysis of Fund staff and other international organizations, including the World Bank. The Fund will not publish country rankings of its assessment of corruption or other general governance vulnerabilities.

6. The Fund's assessment of the economic impact of the governance vulnerabilities that have been identified pursuant to paragraphs 3, 4, and 5 above will be guided by the applicable standards for surveillance and the use of Fund resources. In particular:

(a) With respect to bilateral surveillance, a determination as to whether a member's governance vulnerabilities significantly affect its prospective or present balance of payments or domestic stability within the meaning of the Integrated Surveillance Decision will be based on an assessment of the severity of these vulnerabilities, taking into account the application of the assessment framework described in paragraphs 3, 4 and 5 above and the overall circumstances of the member. Consistent with the treatment of other long-term issues, if a determination is made that governance vulnerabilities are sufficiently severe to significantly affect prospective or present stability, there will be flexibility on the timing of its inclusion in the Article IV process. More specifically, the timing of its inclusion will primarily take into account the perceived urgency of governance vulnerabilities relative to other concerns, but could also consider other factors such as the availability of information needed to apply the framework in an effective manner. At a minimum, however, these vulnerabilities, when sufficiently severe to be relevant for surveillance, would be substantively discussed within the context of a medium-term surveillance cycle (normally within three years).

(b) To determine whether reforms to address governance vulnerabilities should be a condition for the use of the Fund's resources, the Fund will assess (i) the severity of governance vulnerabilities; and (ii) whether addressing the identified vulnerabilities is of critical importance for achieving the goals of the member's program.

7. Where governance weaknesses, including corruption, are judged to be sufficiently severe to be relevant for bilateral surveillance and use of Fund resources, the Fund's policy advice would be guided by its diagnosis of the nature of the weaknesses in the country in question. With regard to engagement on corruption, experience demonstrates the need for the implementation of a multipronged strategy that requires not only anti-corruption measures but also broad-based regulatory and institutional reforms. Since weaknesses may exist in areas that are outside the Fund's expertise, the Fund should collaborate closely with

other international organizations as appropriate. The Fund's technical assistance will be prioritized to take into consideration those areas of governance reform that are deemed to be of critical importance in surveillance and use of Fund resources.

8. In order to address corruption, it is imperative that members implement measures to prevent private actors from offering bribes or providing services that enable the proceeds of corrupt acts to be concealed. This is particularly relevant in the transnational context. Accordingly, irrespective of whether a member is experiencing severe corruption itself, the Fund urges all members to volunteer to have their own legal and institutional frameworks assessed in the context of bilateral surveillance for purposes of determining whether: (a) they criminalize and prosecute the bribery of foreign public officials; and (b) they have an effective AML/CFT system that is designed to prevent foreign officials from concealing the proceeds of corruption.

9. Experience with the application of this Framework will be reviewed within three years.

The Role of the Fund in Governance Issues—
Guidance Note,
EBS/97/125, July 2, 1997

I. Introduction

1. Reflecting the increased significance that member countries attach to the promotion of good governance, on January 15, 1997, the Executive Board held a preliminary discussion on the role of the Fund in governance issues, followed by a discussion on May 14, 1997 on guidance to the staff.[1] The discussions revealed a strong consensus among Directors on the importance of good governance for economic efficiency and growth.[2] It was observed that the Fund's role in these issues had been

[1] The Interim Committee Declaration of September 26, 1996 on Partnership for Sustainable Global Growth also attached particular importance "to promoting good governance in all its aspects."

[2] Concluding Remarks by the Chairman, SUR/97/48 (5/21/97).

evolving pragmatically as more was learned about the contribution that greater attention to governance issues could make to macroeconomic stability and sustainable growth in member countries. Directors were strongly supportive of the role the Fund has been playing in this area in recent years through its policy advice and technical assistance.

2. The Fund contributes to promoting good governance in member countries through different channels. First, in its policy advice, the Fund has assisted its member countries in creating systems that limit the scope for ad hoc decision making, for rent seeking, and for undesirable preferential treatment of individuals or organizations. To this end, the Fund has encouraged, inter alia, liberalization of the exchange, trade, and price systems, and the elimination of direct credit allocation. Second, Fund technical assistance has helped member countries in enhancing their capacity to design and implement economic policies, in building effective policymaking institutions, and in improving public sector accountability. Third, the Fund has promoted transparency in financial transactions in the government budget, central bank, and the public sector more generally, and has provided assistance to improve accounting, auditing, and statistical systems in all these ways, the Fund has helped countries to improve governance, to limit the opportunity for corruption and to increase the likelihood of exposing instances of poor governance, in addition, the Fund has addressed specific issues of poor governance, including corruption,[1] when they have been judged to have a significant macroeconomic impact.

3. Building on the Fund's past experience in dealing with governance issues and taking into account the two Board discussions, the following guidelines seek to provide greater attention to Fund involvement in governance issues, in particular through:

• a more comprehensive treatment in the context of both Article IV consultations and Fund-supported programs of those governance issues that are within the Fund's mandate and expertise;

[1] Corruption could be defined as the abuse of public office for private gain, a definition also used by the World Bank.

• a more proactive approach in advocating policies and the development of institutions and administrative systems that aim to eliminate the opportunity for rent seeking, corruption, and fraudulent activity;

• an evenhanded treatment of governance issues in all member countries; and

• enhanced collaboration with other multilateral institutions, in particular the World Bank, to make better use of complementary areas of expertise.

II. Guidance for Fund Involvement

Responsibility for good governance

4. The responsibility for governance issues lies first and foremost with the national authorities. The staff should, wherever possible, build on the national authorities' own willingness and commitment to address governance issues, recognizing that staff involvement is more likely to be successful when it strengthens the hands of those in the government seeking to improve governance. However, there may be instances in which the authorities are not actively addressing governance issues of relevance to the Fund. In such circumstances, the staff should raise their specific concerns in this regard with the authorities and point out the economic consequences of not addressing these issues.

Aspects of governance of relevance to the Fund

5. Many governance issues are integral to the Fund's normal activities. The Fund is primarily concerned with macroeconomic stability, external viability, and orderly economic growth in member countries. Therefore, the Fund's involvement in governance should be limited to economic aspects of governance. The contribution that the Fund can make to good governance (including the avoidance of corrupt practices) through its policy advice and, where relevant, technical assistance, arises principally in two spheres:

• improving the management of public resources through reforms covering public sector institutions (e.g., the treasury, central bank, public enterprises, civil service, and the official statistics function),

including administrative procedures (e.g., expenditure control, budget management, and revenue collection);

• supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to efficient private sector activities (e.g., price systems, exchange and trade regimes, banking systems and their related regulations).

6. Within these areas of concentration, the Fund should focus its policy advice and technical assistance on areas of the Fund's traditional purview and expertise. Thus, the Fund should be concerned with issues such as institutional reforms of the treasury, budget preparation and approval procedures, tax administration, accounting, and audit mechanisms, central bank operations, and the official statistics function. Similarly, reforms of market mechanisms would focus primarily on the exchange, trade, and price systems, and aspects of the financial system. In the regulatory and legal areas, Fund advice would focus on taxation, banking sector laws and regulations, and the establishment of free and fair market entry (e.g., tax codes and commercial and central bank laws). In other areas, however, where the Fund does not have a comparative advantage (e.g., public enterprise reform, civil service reform, property rights, contract enforcement, and procurement practices), the Fund would continue to rely on the expertise of other institutions, especially the World Bank. But, consistent with past practice, policies and reforms in these areas could, as appropriate, be part of the Fund staff's policy discussions and conditionality for the Fund's financial support where those measures were necessary for the achievement of program objectives.

7. Although it is difficult to separate economic aspects of governance from political aspects, confining the Fund's involvement in governance issues to the areas outlined above should help establish the boundaries of this involvement. In addition, general principles that are more broadly applicable to the Fund's activities should also guide the Fund's involvement in governance issues. Specifically, the Fund's judgments should not be influenced by the nature of a political regime of a country, nor should it interfere in domestic or foreign politics of any member. The Fund should not act on behalf of a member country in influencing another country's political orientation or behavior. Nevertheless, the Fund

needs to take a view on whether the member is able to formulate and implement appropriate policies. This is especially clear in the case of countries implementing economic programs supported by the Fund from the guidelines on conditionality that call on Fund management to judge that "the program is consistent with the Fund's provisions and policies and that it will be carried out."[1] As such, it is legitimate for management to seek information about the political situation in member countries as an essential element in judging the prospects for policy implementation.

The criteria for Fund involvement

8. The Fund's mandate and resources do not allow the institution to adopt the role of an investigative agency or guardian of financial integrity in member countries, and there is no intention to move in this direction. The staff should, however, address governance issues, including instances of corruption, on the basis of economic considerations within its mandate.

9. In considering whether Fund involvement in a governance issue is appropriate, the staff should be guided by an assessment of whether poor governance would have significant current or potential impact on macroeconomic performance in the short and medium term, and on the ability of the government to credibly pursue policies aimed at external viability and sustainable growth. The staff could draw upon comparisons with broadly agreed best international practices of economic management to assess the need for reforms.

10. As regards possible individual instances of corruption, Fund staff should continue raising these with the authorities in cases where there is a reason to believe they could have significant macroeconomic implications, even if these effects are not precisely measurable. Such implications could arise either because the amounts involved are potentially large, or because the corruption may be symptomatic of a wider governance problem that would require changes in the policy or regulatory framework to correct. Instances could include, for example, the diversion of public funds through misappropriation, tax (including

[1] Guidelines on Conditionality, Decision No. 6056-(79/138), paragraph 7.

customs) fraud with the connivance of public officials, the misuse of official foreign exchange reserves, or abuse of powers by bank supervisors that could entail substantial future costs for the budget and public financial institutions. Corrupt practices could also occur in other government activities, including the regulation of private sector activities that do not have a direct impact on the budget or public finances, such as ad hoc decisions made in relation to the regulation of foreign direct investment. Such practices would be counter to the Fund's general policy advice aimed at providing a level playing field to foster private sector activity.

11. Instances of corruption that do not meet the threshold of having significant macroeconomic implications are best addressed through the Fund's efforts to promote transparency and remove unnecessary regulations and opportunities for rent seeking—consistent with the broad principles that apply to other issues of economic governance. Staff recommendations could include improvements in government management processes and systems that would have the beneficial side effect of preventing a recurrence of corrupt practices, or advice to the authorities to seek the assistance of competent institutions for advice in these areas.

The modalities of Fund involvement in governance issues

12. Governance issues are relevant to all member countries although the problems differ depending on the economic systems, institutions, and the economic situation. The mode of Fund involvement will have implications for the manner in which governance concerns are addressed by staff in different member countries. Nonetheless, whatever the mode of involvement, the Fund's main contribution to improving governance in all countries—both countries receiving financial support from the Fund and other countries—will continue to be through support for policy reforms that remove opportunities for rent-seeking activities and through sustained efforts to help strengthen institutions and the administration capacity in member countries.

Article IV consultation discussions

13. In Article IV consultation discussions, the staff should be alert to the potential benefits of reforms that can contribute to the promotion

of good governance (e.g., reduced scope for generalized rent seeking, enhanced transparency in decision making and budgetary processes, reductions in tax exemptions and subsidies, improved accounting and control systems, improvements in statistical dissemination practices, improvements in the composition of public expenditure, and accelerated civil service reform). The potential risks that poor governance could adversely affect private market confidence and, in turn reduce private capital inflows and investment—even in countries enjoying relatively strong growth and private capital inflows—should also be brought to the attention of the authorities. Fund policy advice should also make use of the broad experience of countries with different economic systems and institutional practices and be based on the broadly agreed best international practices of economic management, and on the principles of transparency, simplicity, accountability, and fairness. In the case of international transactions that involve corruption, the staff should pay equal attention to both sides of corrupt transactions and recommend that such practices be stopped if they have the potential to significantly distort economic outcomes (e.g., the tax deductibility of bribes in member countries or certain operations of official agencies). Where poor governance with a significant economic impact is evident and brought to the staff's attention in its surveillance activities, the staff should discuss the issue with the authorities.

Use of Fund resources

14. While the policy advice indicated above in relation to Article IV consultations is also relevant in the case of Fund-supported programs, the need to safeguard the Fund's resources must also be taken into account.

15. The use of conditionality related to governance issues emanates from the Fund's concern with macroeconomic policy design and implementation as the main means to safeguard the use of Fund resources. Thus, conditionality, in the form of prior actions, performance criteria, benchmarks, and conditions for completion of a review, should be attached to policy measures including those relating to economic aspects of governance that are required to meet the objectives of the program. This would include policy measures which may have important implications for improving governance, but are covered by the Fund's conditionality primarily because of their direct macroeconomic impact

(e.g., the elimination of tax exemptions or recovery of nonperforming loans). While the Fund staff should rely on other institutions' expertise in areas of their purview (e.g., public enterprise reform by the World Bank), it could nevertheless recommend conditionality in these areas if it considers that measures are critical to the successful implementation of the program.

16. Weak governance should be addressed early in the reform effort. Financial assistance from the Fund in the context of completion of a review under a program or approval of a new Fund arrangement could be suspended or delayed on account of poor governance, if there is reason to believe it could have significant macroeconomic implications that threaten the successful implementation of the program, or if it puts in doubt the purpose of the use of Fund resources. Corrective measures that at least begin to address the governance issue should be prior actions for resumption of Fund support and, if necessary, certain key measures could be structural benchmarks or performance criteria. Examples of such measures include recuperation of foregone revenue and changes in tax or customs administration. The staff would need to exercise judgment in assessing whether the actions adopted by the authorities were adequate to address the governance concerns; as in the case of other policies in which the track record is weak and the commitment of the authorities is in doubt, it may be appropriate in some circumstances to call for a period of monitoring prior to a resumption of financial support. The authorities' policy response could also entail changes in management in public institutions and, as appropriate, the removal of individuals from involvement in particular operations where corruption had occurred, and efforts to recover government funds that have been misappropriated. The staff must, of course, be mindful of the need to avoid action prejudicial to any related domestic legal processes in a particular case.

Technical assistance

17. The Fund's technical assistance programs should continue to contribute to improving economic aspects of governance. This would apply to areas of Fund expertise, including budget management and control, tax and customs administration, central bank laws and organization, foreign exchange laws and regulations, and macroeconomic

statistical systems and dissemination practices. In these areas, technical assistance missions should bring to the attention of the authorities areas in which procedures and practices fall short of best international practices.

Identification of governance problems

18. In the context of Article IV consultations, program negotiations, and technical assistance missions, the staff should be alert to aspects of poor governance that would influence the implementation and effectiveness of economic policies and private sector activities. For example, this could be related to a weak and poorly remunerated civil service, which could be addressed through civil service reforms encompassing a restructuring or selective increase in pay scales or the process and transparency of the privatization process. The staff should also pay attention to inconsistencies or improbabilities in the various data and accounts in member countries. For instance, tax collection might fall short of the expected potential yields as a result of weak administration of tax laws, procedural complexities or the widespread abuse of exemptions. The staff should bring data inconsistencies that are not judged to be the result of problems in statistical collection and compilation to the attention of the authorities. The staff should also advise that greater transparency in macroeconomic policy implementation could help build private sector confidence in government policies, for example, the consolidation of all extra budgetary accounts within the budget, the early publication of the budget, and early reporting on the outcome at the end of the fiscal year.

19. It is recognized that there are clear practical limitations to the ability of the staff to identify deficiencies in governance. The availability, quality, and reliability of information are likely to be important factors affecting Fund involvement in corruption cases. The staff should continue to rely on information provided by the authorities. If inconsistencies in public accounts and reports suggest that a problem exists, the staff should, in the first instance, raise the issue with the authorities. In its endeavor to seek information, the staff may need to be prepared to face some tension in the working relationship with country authorities in specific cases potentially involving corrupt practices. The staff may also point out that, in an atmosphere of widespread rumors of

corrupt practices, and where the rumors have some genuine credence, an independent audit may be desirable to address such concerns. If the staff considers that further information is required to resolve an issue that has a significant macroeconomic impact, it may be appropriate to make use of information from third parties, including other international organizations and donors. In view of the confidential nature of the information obtained by the staff from member countries, staff enquiries will need to be handled with due discretion and regard for the sensitive nature of the issue.

Coordination with bilateral donors and other multilateral institutions

20. The Fund should collaborate with other multilateral institutions and donors in addressing economic governance issues. Recognizing that the interests of these bodies are more diverse than the Fund's—ranging from political aspects of governance to specific project-related issues—the Fund staff should exercise independent judgment in formulating policy advice. In addition, the staff should focus its analysis and technical assistance only on those issues that are within its expertise. However, as noted in paragraph 6, conditionality may apply to measures to address governance concerns in areas outside the Fund staff's expertise. Fund staff should also keep abreast of changes in the policies of partner organizations and specific efforts in member countries on governance issues. This should include the activities of partner organizations, particularly the World Bank, in addressing governance issues in areas which are outside Fund staff's competence but nonetheless important for the achievement of the economic policies advocated by the Fund (e.g., the reliable enforcement of contracts).

21. Given the commonality of interest with other multilateral institutions, the Fund should seek to strengthen its collaboration on issues of governance with them, and in particular with the World Bank. This should include, especially when requested by the authorities concerned, coordination of action to improve governance.

22. As regards bilateral donors, it is useful to distinguish two different cases in which donor responses to economic and noneconomic

governance issues affect the Fund's relations with its members, although in practice there is seldom a clear separation between such economic and noneconomic aspects:

• In cases where bilateral donors or creditors withhold or interrupt external support because of concern over political and/or economic aspects of governance, the Fund should have an independent view on the economic implications. The Fund staff should examine whether these issues have a direct and significant impact on macroeconomic developments in the short or medium term. If this is the case, the staff should seek to assist the member country concerned through policy advice and technical assistance in areas of its expertise and coordinate as appropriate with donors with a view to helping to address the governance issues before recommending provision of Fund financial support. If this is not the case, but donors continue to withhold support, the staff should seek to assist the authorities in reformulating a program with greater internal adjustment to compensate for reduced external financing, paying due regard to the medium-term sustainability in the absence of a resumption of external assistance. If this were not feasible because of a lack of financing assurances, i.e., adequate external financing for the reformulated program is not in place, as a last resort, the staff should recommend that the Fund withhold its own financial support but continue to provide technical assistance support.

• In cases where governance issues significantly affect short- or medium-term economic developments but donors and creditors continue their financial assistance to the country concerned and do not assist the government in improving governance, Fund staff nevertheless has an independent responsibility for raising the governance issue with the authorities and for reporting to the Board on this issue. There may be occasions when the Fund staff may raise its concerns with donors and creditors, including at consultative group meetings and in round tables. But these instances would need to be addressed with care with the guidance of the Board and due regard to the confidential nature of such information. There are clear limitations to what the Fund's contribution to improvements in governance in member countries can achieve without the active support from the rest of the international community.

Reporting to the Executive Board

23. The Executive Board will be kept informed about developments in significant cases involving governance issues and will have the opportunity to comment on the operation of these guidelines as country cases are brought forward. In addition, there will be a periodic review by the Executive Board of the Fund's experience in governance issues.

The Chairman's Summing Up—
Review of 1997 Guidance Note on Governance—
A Proposed Framework for Enhanced Fund Engagement,
Executive Board Meeting 18/32, April 6, 2018

Executive Directors welcomed the review of the 1997 Guidance Note on the Role of the Fund in Governance Issues (the "1997 Governance Policy"). They concurred that, while the 1997 Governance Policy remains an appropriate basis for the Fund's work in this area, further guidance from the Executive Board is needed to enhance the effectiveness of Fund engagement. To that end, they noted that today's adoption of the Framework for Enhanced Fund Engagement will promote a more systematic, candid, and evenhanded engagement on governance issues, including on corruption. Directors underscored that, in circumstances where corruption is systemic, the failure of the Fund to address these issues in surveillance and in Fund-supported programs gives rise to reputational risks and could also undermine the safeguarding of Fund resources.

Directors agreed that the Fund's engagement should continue to be guided by the 1997 Governance Policy. They emphasized that the overall objective of the policy is to assist members in strengthening governance, including the tackling of corruption. Directors welcomed the systematic approach relied on in the Framework for Enhanced Fund Engagement to assess the severity of governance. They concurred that the state functions identified are appropriate given the Fund's mandate regarding economic activity. In that context, they emphasized that the analysis of the rule of law should focus on those aspects that are critical to economic performance and, in particular, the protection of property and contractual rights. Directors also emphasized that governance

vulnerabilities may manifest themselves in regulatory capture, including in the area of financial sector oversight.

Directors agreed that the Fund's assessments of governance vulnerabilities should be holistic, relying on both quantitative and qualitative information. They also agreed that, to the extent possible and where relevant, staff would rely on information already obtained by the Fund, including from member authorities, in the context of existing Fund activities. In that regard, Directors emphasized that, whenever data gaps exist, they should be specifically acknowledged. They also stressed that the use of third-party indicators should be consistent with the Fund's policy in this area, and should only complement—and not displace—the analysis of Fund staff and that of other international organizations, including the World Bank and regional development banks. They noted that collaboration with these organizations, and the use of information provided by them, will be consistent with Fund policy. Directors agreed that the Fund should not publish country rankings of its assessment of corruption or other general governance vulnerabilities.

Directors also agreed that the Fund should continue to address governance issues and corruption in surveillance when the applicable standard of the Integrated Surveillance Decision has been met. Given the evidence of the negative association between weak governance and corruption, on the one hand, and inclusive growth and fiscal performance, on the other hand, Directors agreed that a determination as to whether governance and corruption vulnerabilities are relevant to surveillance will be based on an assessment of whether they are sufficiently severe to significantly affect prospective or present balance of payments and domestic stability. They supported the flexibility in the timing of the inclusion of these issues—where warranted—in Article IV consultations, in line with the approach taken for other long-term issues. With respect to use of Fund resources (UFR), Directors emphasized that reforms to address governance and corruption vulnerabilities should be conditions for UFR when these vulnerabilities are assessed as severe and addressing them is of critical importance for achieving the goals of a member's program. Directors also stressed the need to recognize any ongoing governance reforms in the member

country since the responsibility for governance issues lies primarily with the national authorities.

Directors emphasized that Fund policy advice should be informed by the diagnosis of the vulnerabilities, and be specific and tailored to member countries' circumstances and implementation capacity, taking into account the inherent complexity of these issues. They stressed the importance of early and close engagement with the authorities on these issues. Directors also emphasized that, in the context of surveillance, the authorities' own views should be adequately reflected in the relevant staff report. The authorities will be informed sufficiently in advance of the intention to discuss these issues and the discussions will be open and transparent. Directors underscored the need for candid discussions in staff reports, using clear and direct language.

Directors acknowledged that there are likely to be areas where the Fund does not have a comparative advantage relative to other international institutions. They, therefore, urged the staff to continue to rely on the expertise of other institutions, especially the World Bank, in these areas. More generally, they noted that the Fund should collaborate with other institutions to minimize duplication of work. For example, with respect to AML/CFT, Directors emphasized that the Fund should continue to rely on existing division of responsibilities with other assessor bodies, particularly the FATF.

With respect to capacity development in governance and corruption, Directors agreed that the Fund's support to member countries should be appropriately prioritized with—and well–integrated into—surveillance and UFR. Given that entrenched weaknesses require sustained efforts, particularly in the context of fragile states, Directors emphasized that the Fund's capacity development strategy in this area needs to be anchored within a longer-term framework.

Directors supported the increased emphasis in the Framework on measures to prevent private actors, including those involved in organized crime, from offering bribes or providing services that facilitate concealment of corruption proceeds, thereby helping to reduce illicit financial flows. Given the importance of the transnational dimension, Directors welcomed the decision made by several jurisdictions

to volunteer to have their legal and institutional frameworks assessed in the context of future Article IV consultations, and encouraged other jurisdictions to volunteer as well. The assessments will determine whether: (a) they criminalize and prosecute the bribery of foreign public officials; and (b) they have an effective AML/CFT system that is designed to prevent foreign officials from concealing the proceeds of corruption. Directors emphasized that these assessments should also take into account the effectiveness of implementation.

Directors took note of Management's plan to adopt a centralized institutional process for the assessment of the severity and impact of governance and corruption vulnerabilities to ensure that similarly-situated countries are treated similarly in both surveillance and UFR. The centralized process will be implemented by a standing Working Group with a key role in ensuring an evenhanded implementation of the Framework.

Directors welcomed Management's intention to assess the resource implications of the application of the Framework in the Administrative Budget for FY 2020. They looked forward to regular updates from the staff on the implementation of the Framework and a review by the Executive Board within three years of its adoption.

SU/18/49
April 11, 2018

Mainstreaming Gender

The Chair's Summing Up—
IMF Strategy Toward Mainstreaming Gender,
Executive Board Meeting 22/69, July 22, 2022

Executive Directors welcomed the opportunity to discuss the IMF Strategy Toward Mainstreaming Gender. They noted that the strategy is particularly timely given the current economic uncertainties and recent shocks, which are exacerbating pre-existing gender gaps.

Directors recognized that reducing gender inequality can increase economic growth, reduce inequality, and foster economic and financial resilience. Well-designed macroeconomic and financial

policies can support efficient and inclusive outcomes and equitably benefit women, girls, and the society in general. In this light, Directors broadly supported the strategy, with most concurring that narrowing macrocritical gender gaps falls squarely within the IMF's mandate. They noted that the Fund has an important role to play in mainstreaming gender in its core activities when it is deemed macrocritical. A number of Directors considered that, given its mandate and core competencies, the role of the IMF in tackling gender disparities is relatively limited. A few other Directors saw merit in defining SMART goals and objectives in the operationalization of the strategy.

Directors concurred with the strategy's focus on four pillars: (i) empowering country teams to provide tailored and granular policy advice to countries by developing and deepening tools for modeling and data analysis and creating a centralized data hub offering comparable, cross-country gender-related indicators; (ii) establishing a robust governance framework and a supportive internal organizational structure to promote wider buy-in from staff and ownership from country authorities and key stakeholders, and ensure that macrocritical aspects of gender are integrated in country work in an evenhanded manner by relying on a combination of a top-down and a bottom-up approach; (iii) deepening collaboration with other international partners, such as the World Bank Group and UN Women, to benefit from knowledge sharing and peer learning, leverage complementarities, and maximize the impact on the ground; and (iv) efficiently utilizing resources allocated to gender by realizing economies of scale and avoiding duplication of effort. On data, Directors highlighted the importance of supporting mem-bers with data capacity constraints, with some cautioning against placing additional resource pressures for data collection on member countries and the Fund. On collaboration, a few Directors expressed reservations regarding the involvement of CSOs and NGOs as external funding partners.

Directors broadly agreed on the importance of integrating gender in the IMF's core functions—surveillance, lending, and capacity development (CD). They noted that member countries may have different challenges and characteristics that are at the core of gender gaps, and that country circumstances require a tailored and granular approach by Fund staff that avoids overly standardized recommendations. Staff will need to engage closely with country authorities on these issues in

both surveillance and program contexts while also being mindful of cultural and other sensitivities. A few Directors emphasized that Fund engagement should remain targeted to macroeconomic objectives.

Directors agreed that where gender gaps are judged to significantly influence present or prospective balance of payment needs and domestic stability, staff should include gender in Article IV Consultations. They noted further that this assessment will need to be made on a case-by-case basis, and the coverage in surveillance will be limited to areas in which the IMF has expertise, focusing on key macroeconomic and financial policies. The timing and sequencing of gender-related policy advice need to be carefully considered vis-à-vis country authorities' implementation capacity and policy priorities.

Directors broadly supported introducing gender in IMF program conditionality but stressed that gender-related structural benchmarks should be included only if they are critically important to achieving program goals, and that the measures are within the country authorities' control. Parsimony and prioritization will be important. A few Directors cautioned against including gender-related conditionality at this early stage of implementing the strategy and given the current difficult conjuncture.

Directors noted that CD can be particularly impactful to assist countries in implementing their gender policy objectives. Member countries can benefit from CD that is provided in coordination with other IFIs, development partners, and IMF Regional Technical Assistance Centers and Regional Training Centers.

Directors broadly welcomed the strategy's ambitious vision coupled with its gradual, measured implementation timeline. They noted that a phased approach is in line with resource availability and accounts for the need to develop an adequate knowledge base and expertise among staff to engage meaningfully with members. Directors urged staff to work expeditiously in articulating clear criteria for assessing the macrocriticality of gender issues and operationalizing this assessment. Most Directors suggested advancing the timeline for the Staff Guidance Note. Directors broadly supported exploring synergies with other Fund workstreams such as climate, digitalization, and

fragile and conflict-affected states, with a few Directors stressing the importance of clearly establishing the relevance and connection to these workstreams.

Directors also supported the strategy's call for enhanced internal and external communications to set expectations, build support and ownership, and foster peer learning, and welcomed the plans to conduct a periodic stocktaking and Board engagement on the implementation of the strategy.

SU/22/117,
July 27, 2022

Military Expenditures

Concluding Remarks by the Acting Chairman—
Military Expenditure and the Role of the Fund,
Executive Board Meeting 91/138, October 2, 1991

During the discussions on the World Economic Outlook, Directors touched on the issue of military spending in the context of the need to raise global savings and to help meet new investment demands. The scale of global resources devoted to military spending—estimated at nearly 5 percent of world GDP—underscores its importance. In the more recent discussion on Military Expenditure and the Role of the Fund, most Directors indicated that as military expenditures can have an important bearing on a member's fiscal policy and external position, information about such expenditures may be necessary to permit a full and internally consistent assessment of the member's economic position and policies. At the same time, Directors emphasized that national security, and judgments regarding the appropriate level of military expenditures required to assure that security, were a sovereign prerogative of national governments and were not in the domain of the work of the Fund.

While many Directors saw a limited, albeit important, role for the Fund in the collection and analysis of data on military spending, a number questioned the role of the Fund in this area. Since the collection of data from all members in the context of Article IV consultations requires the cooperation of members, Directors felt it important, in light of the diverse views expressed during this meeting, to find a

common ground that commands a wide degree of support. This common ground should be based on the Fund's mandate in the Articles.

In the context of the Fund's surveillance responsibilities, the staff needs to request of members certain data to provide the analytic basis for an effective assessment of members' macroeconomic policies. At a minimum and for all members, aggregate data which include fiscal expenditures (including off-budget accounts), international trade, and external assets and liabilities, must be reported fully to the Fund. These data should therefore encompass military transactions, even if not separately identified. It has been the policy and practice of the Fund staff to seek comprehensive macroeconomic data for this purpose. In those instances when inconsistencies in data suggested significant reporting gaps, Fund staff has informed the Board and supplemented data from the authorities to the extent possible with data from other sources. Most Directors agreed that the Fund staff should enhance its work to improve the comprehensiveness, comparability, and timeliness of such data reported by authorities.

As military spending is a highly sensitive area, however, several Directors expressed concern about the degree of data disaggregation that might be requested by the staff. In the past, the staff has generally requested, or been offered by authorities of members countries, more detailed information on the breakdown of government expenditures, either on a national or fiscal accounts basis, which have been part of the documentation in staff reports. Such disaggregation, say, as between consumption and capital items, may be necessary in order fully to assess growth prospects and external viability. The staff will continue to request a breakdown of government expenditures, but still at a highly aggregated level, in the context of the Article IV consultation process in order to assess the consistency and sustainability of a member's policies. The staff will continue to rely on the voluntary cooperation of the authorities in the submission of data. Data deficiencies, which were thought to impair the ability to assess a member's economic position and prospects and to conduct meaningful policy discussions, would be brought to the attention of the Board in the manner in which such data deficiencies are normally so reported. Directors agreed that data on military expenditures should not serve as a basis for establishing performance criteria or similar conditions associated with Fund-supported programs.

Countries, when contemplating downsizing their military establishments, may wish to be assisted by the staff in assessing the possible effects of such downsizing on macroeconomic performance. In such cases, the authorities may wish to provide such data as would permit more detailed economic analysis and facilitate economic policy discussions. The Fund staff would work closely with Bank staff in these cases on the structural issues associated with shifting domestic resources to other uses.

The macroeconomic effects of military spending could also be analyzed from a regional and global perspective in the WEO.

BUFF/91/186,
October 3, 1991

Surveillance Procedures

ARTICLE IV CONSULTATION CYCLES

This Decision is adopted pursuant to Article IV, Sections 3 (a) and (b) of the Fund's Articles. It establishes a framework for the periodicity of consultations between the Fund and each member on the member's policies under Article IV, Section 1.

1. Except as provided for in paragraphs 2 and 3 below, consultations with members shall be conducted in accordance with the principles set out in this paragraph.

In principle, Article IV consultations with members will take place annually. Article IV consultations that take place on the standard twelve-month cycle will be subject to a grace period of 3 months and, accordingly, will be expected to be completed within 15 months of the date of the completion of the most recent consultation.

The Fund may decide to place a member on a consultation cycle that is longer than 12 months but, in any event, is not longer than 24 months (hereinafter an "extended cycle") only if the member does not meet any of the following criteria:

(a) the member is of systemic or regional importance;

(b) the member is perceived to be at some risk because of policy imbalances or particular threats from exogenous developments, or the

member is facing pressing policy issues of broad interest to the Fund membership; or

(c) the member has outstanding credit to the Fund under all facilities above one hundred fifty percent (150%) of the member's quota. (SM/24/103, Sup. 3, 12/16/24)

The Fund will place a member on an extended cycle only after consulting with the Executive Director for the member and obtaining the member's consent.

2. Whenever a Fund arrangement (other than an arrangement under the Flexible Credit Line (FCL), Precautionary and Liquidity Line (PLL), or Short-Term Liquidity Line (SLL)), Policy Coordination Instrument (PCI), or a Policy Support Instrument (PSI) is approved for a member, that member shall automatically be placed on a 24-month consultation cycle. Article IV consultations with such members shall be conducted in accordance with the procedures specified below.

(a) Article IV consultations with such a member will be expected to be completed within 24 months of the date of completion of the previous Article IV consultation with that member. The consultation cycle will be shortened where a program review under an arrangement for the member is not completed by the date for completion specified in the arrangement: in these circumstances the next Article IV consultation with that member will be expected to be completed by the later of (i) 6 months after the date specified in the arrangement for completion of the review, and (ii) 12 months, plus a grace period of 3 months, after the date of completion of the previous Article IV consultation, provided, however, that, where the relevant program review is completed before the later of the dates specified in (i) and (ii) above, the next Article IV consultation will be expected to be completed within 24 months of the date of completion of the previous Article IV consultation with that member.

(b) A member that has completed an arrangement (other than an FCL or PLL arrangement) by drawing all amounts, or a PCI or PSI by completing all reviews, shall remain on the cycle determined pursuant to paragraph 2(a) above, unless at the time of the final review under the arrangement, PCI, or the PSI, the Executive Board determines, based on the criteria specified in paragraph 1, that a different cycle shall

apply. Where the arrangement, PCI, or PSI is cancelled by the member, or the arrangement expires with undrawn amounts or the PCI or PSI expires with uncompleted reviews or is terminated, the member concerned shall remain on the cycle determined pursuant to paragraph 2(a) above, unless the Executive Board determines, based on the criteria specified in paragraph 1, that a different cycle will apply.

3. Whenever an FCL, PLL, or SLL arrangement is approved for a member, that member will automatically be placed on a 12-month consultation cycle. Article IV consultations with such members will be conducted in accordance with the procedures specified below:

(a) if, prior to the approval of the FCL, PLL, or SLL arrangement, the member was on an extended cycle, the next Article IV consultation with that member will be expected to be completed by the later of (i) 6 months after the date of approval of the arrangement, and (ii) 12 months, plus a grace period of 3 months, after the date of completion of the previous Article IV consultation;

(b) if an FCL or a PLL arrangement is completed by drawing all amounts, expires with undrawn amounts, or is cancelled by the member, or if an SLL arrangement expires or is cancelled by the member**,** that member will remain on the standard 12-month cycle, unless the Executive Board determines that a different cycle will apply.

4. At the conclusion of each Article IV consultation with a member, the Fund will specify the cycle that will apply to the next Article IV consultation with the member.

5. Decision No. 12794-(02/76), adopted July 15, 2002, as amended, is hereby repealed. (SM/10/253, 9/21/10)

Decision No. 14747-(10/96),
September 28, 2010,
as amended by Decision Nos. 15017-(11/112), November 21, 2011,
15945-(16/14), February 17, 2016, and
16232-(17/162), July 14, 2017,
Decision C of 16747-(20/43), April 14, 2020, and
17886-(24/119),
December 17, 2024

Extension of Consultation Cycles Due to COVID-19 Pandemic—Member Article IV Consultations

Notwithstanding the provisions of Decision No. 14747-(10/96), adopted on September 28, 2010, as amended, the Article IV consultation cycle for each member shall be extended by twelve months. This extension shall apply only to the consultation cycle for the upcoming Article IV consultation for each member. (SM/20/89, 04/14/20)

Decision No. 16767-(20/49),
April 22, 2020
as amended by Decision No. 16847-(20/77),
July 14, 2020

Extension of Consultation Cycles Due to COVID-19 Pandemic—Regional Institutions Responsible for Common Policies in Currency Unions

1. Staff hold annual discussions with the regional institutions responsible for common policies of each of: (i) the Central African Economic and Monetary Union; (ii) the Eastern Caribbean Currency Union; and (iii) the West African Economic and Monetary Union pursuant to Decision No. 13654-(06/1), Decision No. 13655-(06/1), and Decision No. 13656-(06/1), as amended, respectively. Further, there is an annual staff report and Board discussion on common policies of each of the currency unions. The next Board discussion with the regional institutions of each of the currency unions will take place within six months following the expected deadline established at the time of the last Board discussion for the respective currency union.

2. Pursuant to Decision No. 12899-(02/119), as amended, staff holds twice-yearly staff discussions with EU institutions responsible for common policies in the euro area, in the context of Article IV consultations with member countries. Further, there is an annual staff report and Board discussion on Euro Area Policies in the context of Article IV consultations with member countries. The next Board discussion on Euro Area Policies will be held within six months following the expected deadline established at the time of the last Board discussion on Euro Area Policies. (SM/20/89, 04/14/20)

Decision No. 16768-(20/49),
April 22, 2020

Proposed Steps to Address Excessive Delays in the Completion of Article IV Consultations

This decision is adopted pursuant to Article IV, Section 3(a) and (b) of the Fund's Articles. It establishes a framework for addressing cases where there are delays in the completion of Article IV consultations or mandatory financial stability assessments.

1. Whenever an Article IV consultation for a member or a mandatory financial stability assessment pursuant to Decision No. 14736-(10/92), September 21, 2010 (a "mandatory financial stability assessment") has not been concluded within 12 months of the expected deadline for conclusion, and staff discussions with the member have not been completed, the Managing Director shall notify the member in writing of the delay. The notification shall be calibrated to the circumstances of the member and, where appropriate, shall remind the member of its obligation to consult. Subsequent notifications shall be sent to the member at 12 month intervals as long as the Article IV consultation or mandatory stability assessment has not been concluded and staff discussions with the member have not been completed. If the Managing Director determines that: (i) the Article IV consultation or mandatory financial stability assessment has been delayed because of exceptional circumstances, such as extreme natural disaster, extreme civil unrest or war, or (ii) there is uncertainty as to the views of the international community regarding the recognition of an administration in effective control of the country, the Managing Director may postpone sending the notification of the delay to the relevant member until the Managing Director decides that the situation leading to the postponement no longer exists. The Managing Director will promptly inform the Executive Board of any decision to postpone or resume sending notifications to a member.

2. The Fund shall, at intervals of not more than six months, publish a list of all members whose Article IV consultation or mandatory financial stability assessment has, as of the date of publication, not been concluded within 18 months of the expected deadline for conclusion. For each such member, the list shall, in particular, specify (i) the fact of the delay in completion and (ii) the reasons for the delay. Where applicable, the list will note the cases when staff discussions with members have been completed.

3. Whenever an Article IV consultation or a mandatory financial stability assessment for a member has not been concluded within 18 months of the expected deadline for conclusion, staff shall, except as provided below, informally brief Executive Directors on the economic developments and policies of the member or on its financial sector, as applicable. No such briefing shall be required to the extent that (i) staff discussions with the member for the Article IV consultation or mandatory financial stability assessment have been completed, or (ii) Executive Directors have, within the previous twelve months, been briefed on the member's economic developments and policies or on its financial sector, as applicable, in another context, or (iii) the Managing Director, in exceptional circumstances, determines that the available information is so inadequate as to seriously undermine the ability of Fund staff to conduct a meaningful analysis of the member's economic developments and policies or of its financial sector, as applicable. Following the initial briefing and, for so long as the conditions set out in (i), (ii) and (iii) have not been met, staff shall, in cases of delayed Article IV consultations, brief the Executive Directors on the economic development and policies of the relevant member every 12 months thereafter; and in cases of delayed mandatory financial stability assessments, brief the Executive Directors on the financial sector of the relevant member every 60 months thereafter. Whenever a briefing under this paragraph is held, the Fund will make public the fact that the briefing took place. The Fund may authorize the publication of documents prepared for such briefings only if: (1) a member requests such publication; and (2) the Fund determines that the member is cooperating with the Fund in resolving the delay in completing an Article IV consultation or a mandatory financial stability assessment and that publication would facilitate such a resolution. The publication will be accompanied by a disclaimer clarifying that: (a) the documents do not represent the views of the Executive Board; (b) the documents were prepared based on publicly available data and without consultation with the member; and (c) the informal briefing does not constitute an Article IV consultation with the member. Whenever the Managing Director makes the determination specified in (iii) above, the Managing Director will inform the Executive Board that no such briefing will be held and the Fund will make public the fact that no briefing was held due to the lack of adequate information.

4. Any calculation of the deadlines in paragraphs 1, 2, and 3 above shall be made in accordance with Decision No. 14747-(10/96), September 28, 2010, as amended and Decision No. 14736-(10/92), September 21, 2010, as amended, taking into account any grace period, as applicable.

5. Paragraph 1 of this Decision shall begin to apply one month after the date of adoption of this Decision.

6. Paragraph 2 of this Decision shall begin to apply immediately upon the date of adoption of this Decision provided, however, that the first public announcement required under that paragraph shall take place no later than six months following the date of adoption of the Decision.

7. Paragraph 3 of this Decision shall begin to apply six months after the date of adoption of this Decision. (SM/12/24, 02/03/12)

Decision No. 15106-(12/21), February 29, 2012,
as amended by Decision Nos. 15494-(13/110),
December 2, 2013, and 15950-(16/18),
February 25, 2016

Further Extension of Consultation Cycles Due to COVID-19 Pandemic—Temporary Suspension of Framework to Address Excessive Delays in the Completion of Article IV Consultations

The Fund hereby suspends until April 22, 2021 the application of Decision No. 15106-(12/21), as amended, on the Proposed Steps to Address Excessive Delays in the Completion of Article IV Consultations. (SM/20/103, 07/07/20)

Decision No. 16850-(20/77),
July 14, 2020

Further Extension of Consultation Cycles Due to COVID-19 Pandemic—Temporary Suspension of Annual Report on Framework to Address Excessive Delays in the Completion of Article IV Consultations

The Fund hereby suspends for 2020 the issuance of the Annual Report on Delayed Article IV consultations mandated by Decision No. 15765-(15/39). (SM/20/103, 07/07/20)

Decision No. 16851-(20/77),
July 14, 2020

SURVEILLANCE PROCEDURES—IMPLEMENTATION OF THREE-MONTH PERIOD

The Executive Board approves the proposed method of applying the three-month rule for implementing the procedures for surveillance, set forth in EBD/83/161, 6/3/83.

Decision No. 7427-(83/83),
June 8, 1983

Attachment

EBD/83/161

The document entitled "Surveillance over Exchange Rate Policies," attached to Decision No. 5392-(77/63), includes certain Procedures for Surveillance. Of these, Procedure II states that "Not later than three months after the termination of discussions between the member and the staff, the Executive Board shall reach conclusions and thereby complete the consultation under Article IV." This three–month period begins from the last day of discussions between the authorities and the staff mission and it is counted off on a calendar basis. Accordingly, the first Board day (viz., Monday, Wednesday, or Friday) upon the completion of the three-month period is regarded as the deadline for Executive Board discussion. Sometimes Executive Board consideration and completion of the Article IV consultation are delayed beyond the three-month deadline (see SM/83/43, 3/1/83, pages 29–30), and in such cases, Board approval is usually sought on a lapse-of-time basis for an extension of the period. The procedure is administered flexibly in the sense that if Board discussion is scheduled just one or two Board days after the deadline, the three–month waiver paper seeking Board approval is not necessarily circulated.

However, there are certain periods during the year when Board meetings would normally be avoided for the convenience of Executive Directors. For example, in 1983 Board meetings were not scheduled in the weeks of February 7–11 and April 25–29 because of Interim and Development Committee meetings, respectively. For the same reason, Board meetings are not likely to be scheduled during August 8–19, 1983 because of the informal Board recess and during approximately September 16–30 because of the Annual Meetings

and ancillary meetings, including caucus meetings. It would be appropriate and convenient to recognize these recurrent and normal gaps in the Board's schedule when applying the three-month rule. Accordingly, if a three-month deadline falls in a period such as one of those mentioned above when a Board meeting would normally not be scheduled, the Friday of the week immediately following such a period would be regarded as the applicable deadline for the purposes of the rule. . . .

Guidelines on Minimum Circulation Periods for Executive Board Documents—Amendment

1. Staff reports for Article IV consultations with members shall be subject to a minimum circulation period of two weeks for all members. The Guidelines on Minimum Circulation Periods for Executive Board Documents, EBD/97/66, Sup. 2 are amended accordingly.

2. The circulation period provided for in Paragraph 1 will apply to all Article IV consultations for which staff reports are issued after the effective date of this decision. (EBD/09/8, 1/27/09)

Decision No. 14260-(09/11),
February 3, 2009

Lapse of Time Procedures for Article IV Consultations

1. The completion of an Article IV consultation on a lapse of time basis may be proposed by the Managing Director with the approval of the Executive Director for the member concerned, or by the Executive Director for the member concerned, in accordance with the procedures set forth herein.

2. **Eligibility**: (a) Subject to 2(b) below, the lapse of time procedure would be proposed for Article IV consultations where the following conditions apply: (i) there are no acute or significant risks, or general policy issues requiring Board discussion; (ii) policies or circumstances are unlikely to have a significant regional or global impact in the near term; (iii) in the event a parallel program review is being completed, it is also being completed on a lapse of time

basis; and (iv) the use of Fund resources is not under discussion or anticipated.

(b) The lapse of time procedure for an Article IV consultation will not be proposed where: (i) the last Article IV consultation was concluded on a lapse of time basis; (ii) more than 24 months has elapsed since Board discussion of an Article IV consultation; or (iii) the country is on a 24-month consultation cycle and has not been considered by the Executive Board under a program review in the preceding twelve months.

3. Procedures for Proposing Lapse of Time for Article IV Consultations:

(a) *By the Managing Director*: On the basis of the eligibility criteria set forth in paragraph 2 above, a judgment would be made by the Managing Director on whether a country meets the eligibility criteria. If the criteria are met, the Managing Director, with the approval of the Executive Director for the member concerned, would propose completion of an Article IV consultation on lapse of time at the time the staff paper is circulated to the Executive Board. The cover memorandum for the circulated staff paper will: (i) include a deadline for Executive Directors to object to a proposal by the Managing Director for lapse of time completion that is consistent with paragraph 4 below; (ii) specify the date upon which the decision will become effective if no objection to the proposal for lapse of time is received; (iii) specify a reserved date, consistent with minimum circulation periods for Article IV consultations, for discussion if an Executive Director objects to the proposal for lapse of time consideration; and (iv) explain the reasons why lapse of time completion is warranted. Should the Managing Director judge that a member meets the lapse of time criteria, but the Executive Director for the member concerned does not approve, the cover memorandum circulating the staff paper would include a notation to this effect.

(b) *By the Executive Director for the Member Concerned*: On the basis of the eligibility criteria set forth in paragraph 2 above, the Executive Director for the member concerned may propose the completion of an Article IV consultation by lapse of time no more than two business days after the issuance of the staff paper to the Executive Board, and

preferably, as soon as possible after the circulation of the staff paper. The Executive Director's notification will: (i) include a deadline for Executive Directors to object to the proposal by the Executive Director for the member concerned for lapse of time completion that is consistent with paragraph 4 below; (ii) specify the date upon which the decision will become effective if no objection to the proposal for lapse of time is received; (iii) specify a reserved date, consistent with minimum circulation periods for Article IV consultations, for discussion if an Executive Director objects to the proposal for lapse of time consideration; and (iv) explain the reasons why lapse of time completion is warranted.

4. **Objections:** An Executive Director may object to a proposal for lapse of time consideration up to two business days before the end of the lapse of time period. A Director need not announce the reasons for an objection, but would be expected to inform the Executive Director for the member concerned of those reasons.

5. **Effective Date:** If no objection is received to a proposal for lapse of time completion of an Article IV consultation, the decision recording the completion of the Article IV consultation will be recorded in the minutes of the next Board meeting with effect on the date of effectiveness stated in the cover note described in paragraph 3(a) or 3(b) above.

6. **Review:** A review of the lapse of time procedures for Article IV consultations is expected to be conducted 12 months after the date of the effectiveness of this Decision.

7. **Transitional Provisions and Repeal of Earlier Procedures:**

(a) The provisions of this Decision concerning lapse of time procedures for Article IV consultations shall apply to staff reports issued following the date of the effectiveness of this Decision.

(b) The "Procedures for Completion of Article IV Consultations on a Lapse of Time Basis" set forth in SM/96/214, Supp. 1, 11/6/96 are hereby repealed.

Part A of Decision No. 14766-(10/115), November 29, 2010,
as amended by Decision No. 15207-(12/74),
July 19, 2012

Article V, Section 2(*b*)

Technical and Financial Services

Technical Services

General Decisions

The Acting Chair's Summing Up—
Review of the Fund's Capacity Development Strategy—
Towards a More Flexible, Integrated, and Tailored Model,
Executive Board Meeting 24/35, April 4, 2024

Executive Directors welcomed the opportunity to discuss the Fund's capacity development (CD) strategy. They noted the sustained progress in implementing the recommendations of the previous CD strategy reviews to further enhance the efficiency and impact of Fund CD, and broadly supported the proposals of the review toward a more flexible, integrated and tailored CD model. Directors commended the staff's work and their outreach efforts to build consensus for the proposals leading up to the Board discussion. They also called for strengthening coordination and communication with other development partners to improve traction and efficiency of Fund CD delivery.

Directors appreciated the quality and value added of Fund CD, noting the central role it plays in supporting member countries. The importance of Fund CD was also recognized by the IEO evaluation in 2022 and confirmed by the recent surveys of CD stakeholders. Directors noted that Fund CD should continue to respond to the membership's demands and evolving needs, and endorsed the vision of agile and demand-driven CD that focuses on the Fund's comparative advantages and is well-integrated with surveillance and lending activities. Directors broadly supported the review's proposals in six inter-related areas:

CD Prioritization and Integration

Directors concurred that the current size of CD relative to surveillance and lending is broadly appropriate, while noting that

prioritization is key to meeting the evolving and most pressing needs of our members. They underscored the need to closely collaborate with authorities in setting priorities to ensure ownership, and stressed the importance of further deepening CD integration with the Fund's surveillance and lending activities, including through improved coverage of those efforts in staff reports for heavy CD users. Directors considered that CD delivery should be scaled up to address unmet demand from member countries in the Western Hemisphere.

Funding Model

Directors concurred that external funding has enabled the Fund to expand significantly its CD and better meet members' needs. While acknowledging the risks associated with the Fund's reliance on external financing for CD, they agreed that external financing would continue to play a key role, given internal budget constraints. Directors encouraged staff to continue work on mitigating those risks, and welcomed in this regard the staff's ongoing efforts to increase the flexibility and diversity of funding sources, including through regional and thematic vehicles, with a number of Directors also calling for deployment of a larger share of internal resources. Directors also supported exploring the future establishment of a CD stabilization mechanism, and called for additional work on its design, mechanisms, and funding sources. Most Directors also supported the proposed modification in the charging policy for CD delivery to lift the self-financing requirement for high-income members that are already contributors to Fund CD, with a few Directors calling for this requirement to be lifted for all high-income members.

Impact

Directors welcomed the progress in enhancing monitoring and evaluation of Fund CD (prioritized by past CD Strategy Reviews) to more effectively demonstrate effectiveness and impact. They concurred with the proposed enhancements of the results management framework, including measures to seek explicit agreement with country authorities on targeted results and resource commitments; and developing strategic results frameworks at the project level. Directors also welcomed the proposals to build standardized

mechanisms for monitoring and evaluation results to directly inform CD priorities. They emphasized that coordination with other development partners is critical to enhancing the efficiency and impact of Fund CD.

Modalities

Directors welcomed proposals to further modernize the ways that country-tailored CD is implemented, such as combining in-person and virtual delivery and further integrating technical assistance and training. While in-person CD delivery is a large and essential component of Fund CD, they welcomed the increased effectiveness under mixed modalities supported by technological progress. Directors stressed that the choice of modalities should be tailored to country-specific circumstances and the authorities' absorptive capacity, particularly in fragile and conflict-affected states and in small developing states. They also supported undertaking a review of the Fund's external training curriculum to complement these approaches.

Field Presence

Directors agreed that field presence, in particular through the global network of Regional CD Centers (RCDCs), has become fundamental to the Fund's CD model. They supported the proposals to clarify RCDC governance, regularly review RCDC's coverage and, after careful consideration, introduce modifications to their financing and administrative frameworks, effectively adopting these centers as an integral part of the CD strategy in order to strengthen the effectiveness of this network.

HR Policies

Directors emphasized the importance of appropriate HR policies to maintain the quality and continuity of CD expertise, and to incentivize staffing in these areas. They supported initiating a strategic review of the HR framework for staff working on CD over the medium term to complement existing HR initiatives, such as the work on the local employment framework. Directors emphasized the desirability of increasing mobility and career progression possibilities for specialized economists and CD experts, including by adjusting and harmonizing policies and practices for these career streams.

Directors also urged staff to manage the risks associated with the reform proposals. They called for careful management of resource implications of the proposals' implementation in a flat real budget environment, and welcomed in this regard the staff's assessment that most costs could be achieved by re-prioritizing within current workstreams. A few Directors considered that an implementation roadmap with indicative timeframes and accountabilities would be useful to support implementation.

It is expected that the next review of the Fund's CD strategy will be completed no later than April 2029.

SU/24/51
April 8, 2024

Summing Up by the Acting Chairman—
Settlement of Disputes Between Members Relating
to External Financial Obligations—
Role of the Fund,
Executive Board Meeting 84/99, June 22, 1984

I shall begin by outlining four general points that were made in the course of the Board discussion. First, Executive Directors generally endorsed the approach that the Fund has taken in the three major aspects of the subject dealt with in the staff paper.

Second, Directors agreed that the functioning of the international monetary system depended on members' fulfilling their international financial obligations promptly and according to the terms of those obligations. Therefore, the Fund had a direct interest in the settlement of overdue obligations and a role to play in accordance with the Articles of Agreement.

Third, there was a consensus that the circumstances surrounding overdue financial obligations typically were complex, and that there were often important differences among individual cases. Thus, Directors preferred not to codify the Fund's approach in each of the three main areas discussed. Instead, most of them supported the idea that the Fund should continue to fulfill its responsibilities under the

Articles on a case-by-case basis within the context of the present policies and procedures, which could be expected to continue to evolve as individual cases of overdue financial obligations and related general policy matters were discussed. There was a strong feeling among Directors that the Fund should show caution and restraint in making judgments on issues involving claims on such overdue obligations.

Fourth, Directors stressed the importance of the Fund's helping member governments to improve their statistical base and to increase the supply of information on their external debt obligations, particularly in cases involving overdue claims. Where necessary, the Fund could provide the technical resources to help sort out the frequently complex circumstances surrounding the debt situation, including individual cases.

Let me turn now to more specific comments on the three major areas dealt with in the staff paper. With respect to the Fund's jurisdiction under Article VIII and Article XIV, there was strong support for the policies and practices that the Fund had followed to date. Directors generally agreed that, in exercising its functions under Article VIII and Article XIV, the Fund was entitled to examine the context in which nonpayment of a financial obligation had occurred in order to determine whether or not it involved an exchange restriction and, as such, was subject to Fund approval, and that members were obliged to provide the information that the Fund required to make such a determination. The Fund has developed a substantial body of principles and practices for determining which measures were and were not within its jurisdiction and when approval under Article VIII was appropriate. These judgments were inherent in the exercise of the Fund's jurisdiction.

Executive Directors also generally endorsed the Fund's existing policies and practices for dealing with disputed financial obligations in members using Fund resources. This concerned primarily the identification and treatment of payments arrears. Directors accepted the general premise that, to restore its financial position, a member country must reduce and eliminate its external payments arrears. In that context, there was broad support for the approach that the Fund had taken to the problems involving countries with large external payments arrears. It was noted that the degree of involvement by the Fund in helping countries to deal with their arrears had varied depending, in

part, upon the severity of the case. Some Directors noted that the pivotal role that it had been necessary for the Fund to play in helping some member countries should be the exceptional practice, not the general practice. Nevertheless, the Fund should stand ready to provide technical and analytical expertise to help a member country to negotiate a financing agreement with its external creditors.

Most Directors attached importance to the principle that a member country should give comparable treatment to all its creditors, although there was not broad support for trying to define that principle in detail. There was a strong feeling that responsibility for the enforcement of the principle of comparable treatment was ultimately in the hands of creditors, and that the Fund should take into account the actions of the creditors when assessing the viability of, and progress under, a Fund-supported program. In that connection, Directors felt that the debt relief to help to close the financing gap of a member could best be dealt with through a Paris Club negotiation, which usually involved a large number of a country's creditors. A Paris Club Agreed Minute could be seen as satisfying a member country's need for debt relief and could be used for judging whether or not a country's financing gap has been closed. A Paris Club Agreement also has implications for official creditors not participating in the Paris Club because of the commitment of the debtor to seek and to accord comparable treatment to those creditors. Some Directors stressed that it would be helpful to know about a Paris Club meeting well in advance of its occurrence, although it was also accepted that such notification was ultimately the responsibility of the debtor country in consultation with its creditors. At the same time, it was clearly desirable for as many of a country's creditors as possible to participate in a Paris Club meeting.

Directors also generally agreed that, if an anticipated bilateral agreement required by the Paris Club, between a debtor and one of its official creditors, were not ratified within the specified period, the amount of arrears involved should be included in the calculation of arrears for purposes of the debtor country's Fund-supported program. While there was general support for that approach, there was a call for flexibility and the exercise of judgment by the Fund when making such decisions during the course of a Fund-supported program. If a debtor country had made its best efforts to comply with a Paris Club requirement to conclude a bilateral agreement but had been unable to do so,

the arrears involved should not be included in the calculation of arrears for purposes of the debtor country's Fund-supported program. However, such judgments should be made on a case-by-case basis.

Decisions on whether or not a country's financing gap had been closed, and on whether or not rescheduling and refinancing agreements were being fulfilled, should be made by the Fund itself. The Fund should take into account the particular circumstances of a member, such as the preconditions on the provision of debt relief by other agencies.

There was a strong consensus on three general matters relating to the use of the Fund's good offices. First, in the light of the Fund's primary responsibilities concerning the international monetary system and of its specific authority under the Articles to provide financial and technical services, management and staff should stand ready to use their good offices in helping members engaged in a particular dispute over an external financing obligation. Second, such good offices should, however, be limited in scope and frequency, although in that connection there were differences in emphasis among Directors. Some felt that the Fund should be more active, others that the Fund must be quite cautious. In short, the use of good offices should be consistent with available resources and should be substantially technical. Third, all Directors attached great importance to the Fund's remaining neutral in issues of debt dispute. It should be clearly understood that the Fund's good offices were meant to bring the parties to a dispute together. Fourth, there was agreement that the Fund should act in such cases only if both parties wished to have the Fund provide its good offices.

BUFF/84/107
August 13, 1984

Financial Sector Assessment Program and G-20 Mutual Assessment

The Acting Chair's Summing Up—
2021 Financial Sector Assessment Program Review—
Towards a More Stable and Sustainable Financial System,
Executive Board Meeting 21/46, May 12, 2021

Executive Directors welcomed the Financial Sector Assessment Program (FSAP) Review and its background papers. They noted

that the FSAP has made an important contribution to Fund surveillance and capacity development. They also noted the potential strains facing financial systems across the Fund membership in the wake of the COVID-19 pandemic which have highlighted the significance of risks from the nonfinancial sector and vulnerabilities in nonbank financial institutions (NBFIs) and financial market infrastructures. In addition, the membership is facing important new opportunities and challenges, including from climate change and digitalization.

Directors emphasized that the three-pillar approach to conducting FSAPs—focusing on risk analysis, oversight, and safety nets—has worked well. The risk-focused approach to scoping Financial Stability Assessments (FSA) has provided flexibility to address relevant risks while helping to prioritize and contain the program's resource footprint in the face of increasingly complex financial stability challenges since the previous review. Going forward, greater use could be made of the flexibility within the framework when scoping issues for FSAPs, balancing current coverage with emerging risks and issues, with continued tailoring of FSAPs to country specifics, effective prioritization, and in close consultation with the country authorities. The risk-based approach would help decide whether to conduct a full standard assessment versus a focused review and leverage the findings of recent standards assessment to tailor the scope of FSAs. Directors endorsed the Key Attributes of Effective Resolution Regimes as the assessment benchmark for insurance resolution frameworks in FSAPs and standalone assessments.

Directors welcomed ongoing efforts to further enrich the FSAP's risk analysis toolkit. They stressed the importance of strengthening the development of tools to assess interactions between solvency, liquidity, and contagion risks, vulnerabilities among NBFIs, risks in nonfinancial sectors, interconnectedness, macrofinancial interactions, the macroprudential policy stance and new risks. Directors emphasized the importance of continued efforts to increase the efficiency, dissemination, and ease of use of the FSAP toolkit and to ease data constraints. They also stressed the need for continued efforts to strengthen the toolkit to enhance the assessment of financial vulnerabilities in low and lower-middle income countries.

Directors welcomed the proposals to improve the traction of FSAPs. While most FSAP recommendations were implemented, challenges arose when members faced political economy constraints or where there may have been differences in technical views. In this context, Directors welcomed the introduction of the authorities' views in FSSAs. Directors also welcomed efforts to leverage the FSAP to develop risk analysis tools for use in bilateral surveillance and looked forward to further progress in this direction. They emphasized the importance of closer integration of the Article IV consultation process with the FSAP.

Directors welcomed the update and expansion of the list of jurisdictions with Systemically Important Financial Sectors (SIFS) that are subject to periodic mandatory FSAs, and a few Directors recalled that Fund policy requires the periodic review of the list and assessment frequency. They recognized that the cost of the FSAP had been broadly stable over time. Going forward, the slight cost increase from expanding the list of mandatory FSAs while maintaining space for voluntary FSAs could be accommodated within the current resource envelope.

Directors clarified the framework for expected periodic FSAs with supra-national authorities. A periodic FSA with a supra-national authority would be conducted if at least one member with a SIFS has delegated financial sector policies to the supra-national authority. The individual member country FSAs would be scoped to leverage the planned work on the supra-national FSA to avoid duplication.

SU/21/59
May 17, 2021

2021 Financial Sector Assessment Program Review—Integrating Stability Assessments Under the Financial Sector Assessment Program into Article IV Surveillance

Decision No. 14736-(10/92), adopted September 21, 2010, as amended by Decision No. 15495-(13/111), December 6, 2013, is hereby further amended to reflect the changes set forth in the Annex to this Decision (SM/21/52, 04/16/21).

Decision No. 17041-(21/46),
May 12, 2021

ANNEX

Integrating Stability Assessments Under the Financial Sector Assessment Program into Article IV Surveillance: Text of Amended Decision

This Decision sets out the scope and modalities of bilateral surveillance over the financial sector policies of members with systemically important financial sectors and of multilateral surveillance over the spillovers arising from such policies in accordance with Article IV, Sections 3(a) and (b) of the Fund's Articles and the Fund's Decision on Bilateral and Multilateral Surveillance - 2012 Integrated Surveillance Decision (Decision No. 15203-(12/72), adopted July 18, 2012 (the "ISD").

Introduction

1. The obligations of the Fund and its members with regard to bilateral and multilateral surveillance are set forth in Article IV of the Fund's Articles and further elaborated in the ISD.

a. With respect to bilateral surveillance, Article IV, Section 1 requires each member to "collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates" ("systemic stability"). Recognizing the important impact that a member's domestic economic and financial policies can have on systemic stability, Article IV, Sections 1(i) and (ii) establish obligations for members respecting the conduct of these policies, including their financial sector policies. In accordance with the framework set out in Article IV, the ISD provides that systemic stability is most effectively achieved by each member adopting policies that promote its own balance of payments stability and domestic stability—that is, policies that are consistent with members' obligations under Article IV, Section 1 and, in particular, the specific obligations set forth in Article IV, Section 1, (i) through (iv). "Balance of payments stability" refers to a balance of payments position that does not, and is not likely to, give rise to disruptive exchange rate movements. In the conduct of their domestic economic and financial policies, members are considered to be promoting

balance of payments stability when they are promoting their own domestic stability that is, when they comply with the obligations of Article IV, Sections 1 (i) and (ii) of the Fund's Articles. For this purpose, the ISD requires the Fund's bilateral surveillance to assess, in particular, whether a member's domestic policies are directed towards domestic stability. It provides that "financial sector policies (both their macroeconomic aspects and macroeconomically relevant structural aspects)" will always be the subject of the Fund's bilateral surveillance with respect to each member. The ISD also provides that, where relevant, each member is accountable for those policies that are reconducted by union-level institutions on its behalf.

b. With respect to multilateral surveillance, Article IV, Section 3 (a) requires the Fund to oversee the international monetary system in order to ensure its effective operation, and requires members to consult with the Fund on any issue that the Fund considers necessary for this purpose. The ISD recognizes that the international monetary system may only operate effectively in an environment of global economic and financial stability, and provides that the Fund in its multilateral surveillance will focus on issues that may affect global economic and financial stability, including the spillovers arising from policies of individual members that may significantly influence the effective operation of the international monetary system. The policies of members that may be relevant for this purpose include, among others, members' financial sector policies.

2. While an examination of members' financial sector policies is important in all cases of bilateral surveillance, the Fund decides that, taking into account the framework described above and the overall purpose of surveillance, heightened scrutiny should be given in bilateral surveillance to the financial sector policies of those members whose financial sectors are systemically important, given the risk that domestic and balance of payments instability in such countries will lead to particularly disruptive exchange rate movements and undermine systemic stability. Heightened scrutiny should also be given in multilateral surveillance to the spillover effects of the financial sector policies of those members, given the risk that they may undermine global economic and financial stability. As financial

stability assessments are a key tool for assessing members' financial vulnerabilities and financial sector policies, it is appropriate that financial stability assessments be conducted with such members as provided for in this Decision.

3. This Decision does not impose new obligations on members or, in particular, modify the scope of their obligations under Article IV. The Fund, in its bilateral surveillance, will continue to assess whether a member's domestic economic and financial policies are directed toward the promotion of domestic stability. In its multilateral surveillance, the Fund may discuss the impact of members' policies on the effective operation of the international monetary system and may suggest alternative policies that, while promoting the member's own stability, better promote the effective operation of the international monetary system.

Scope and modalities of financial stability assessments

4. *Determination of systemic importance*. The Managing Director, in consultation with the Executive Board, will identify those members that have systemically important financial sectors. This determination will be made in the context of each review that is conducted under paragraph 9 below, and will be based on an assessment taking into account the size and interconnectedness of members' financial sectors as contemplated in paragraphs 23 to 27 in SM/13/304[1] and further modified in Appendix V of SM/21/52. Pursuant to paragraph 7 of Appendix V of SM/21/52, two sets of thresholds are relevant for the methodology. Using the lower set of thresholds, the methodology identifies jurisdictions with financial sectors that are considered systemically important. Using the higher set of thresholds, the methodology identifies the subset of those jurisdictions with systemically important financial sectors that are subject to more frequent financial stability assessments.

[1] Ed. Note: The texts of paragraphs 23 to 27 of SM/10/235 (8/31/2010) are reproduced in the attachment below.

5. *Financial stability assessments*. Where the financial sector of a member is determined to be systemically important pursuant to paragraph 4 of this Decision, the member shall engage in a financial stability assessment in the context of bilateral and multilateral surveillance under Article IV of the Fund's Articles in accordance with the terms of this Decision. For this purpose, the member shall consult with the Fund and the authorities of the member shall make themselves available for discussions with Fund staff of the issues that fall within paragraph 6 of this Decision.

6. *Scope of financial stability assessments*. The financial stability assessments undertaken under this Decision will consist of the following elements:

a. An evaluation of the source, probability, and potential impact of the main risks to macro-financial stability in the near-term for the relevant financial sector. Such an evaluation will involve: an analysis of the structure and soundness of the financial system; trends in both the financial and nonfinancial sectors; risk transmission channels; and features of the overall policy framework that may attenuate or amplify financial stability risks (such as the exchange rate regime). Both quantitative analysis (such as balance sheet indicators and stress tests) and qualitative assessments will be used to evaluate the risks to macro-financial stability.

b. An assessment of the authorities' financial stability policy framework. Such an assessment will involve: an evaluation of the effectiveness of financial sector supervision; the quality of financial stability analysis and reports; the role of and coordination between the various institutions involved in financial stability policy; and the effectiveness of monetary policy.

c. An assessment of the authorities' capacity to manage and resolve a financial crisis should the risks materialize. Such an assessment will involve an overview of the country's liquidity management framework; financial safety nets (such as deposit insurance and lender-of-last-resort arrangements); crisis preparedness and crisis resolution frameworks; and the possible spillovers from the financial sector onto the sovereign balance sheet.

d. Where relevant, the assessments will also cover the spillovers arising from a member's financial sector policies that may significantly influence global economic and financial stability.

7. *Modalities of assessments*. The key findings and recommendations of a financial stability assessment under this Decision will be summarized in a Financial System Stability Assessment Report (FSSA) that will normally be discussed by the Executive Board at the same time as the relevant Article IV consultation report.

8. *Frequency*. Where the financial sector of a member is determined to be systemically important pursuant to this Decision, it will be expected that a financial stability assessment will be conducted and the FSSA resulting from such an assessment will be discussed by the Executive Board by no later than the deadline for completion of the first Article IV consultation with the member that follows the relevant anniversary of such determination or, in the case of the financial sector of a territory of a member, the date of completion of the Article IV consultation discussion with respect to that territory by the Executive Board that follows the relevant anniversary of such determination. It is expected that subsequent FSSAs for a member with a systemically important financial sector will be discussed by the Executive Board by no later than the deadline for completion of the first Article IV consultation with that member that follows the relevant anniversary of the date of completion of the previous Executive Board discussion of the FSSA respecting that member or, in the case of the financial sector of a territory of a member, the date of completion of the first Article IV consultation discussion with respect to that territory by the Executive Board that follows the relevant anniversary of the date of completion of the previous Executive Board discussion of the FSSA respecting the financial sector of that territory. For purposes of this paragraph, the relevant anniversary shall be the tenth, except that for members with systemically important financial sectors that are identified by the methodology using the higher set of thresholds referenced in paragraph 4, above, the relevant anniversary shall be the fifth.

9. *Supranational institutions*. This Decision applies to members that have delegated any of the financial sector policies within the

scope of paragraph 6 to supranational institutions, subject to the following considerations.

a. *Financial stability assessment.* Where a member has been identified as having a systemically important financial sector in accordance with paragraph 4 of this decision and the member has delegated any of the financial sector policies within the scope of paragraph 6 to supranational institutions, staff will conduct a financial stability assessment with the relevant supranational institutions.

b. *Scope and modalities.* The scope of financial stability assessments undertaken under this Decision with supranational institutions will be broadly as outlined in paragraph 6 of this Decision to the extent applicable. The key findings and recommendations of a financial stability assessment will be summarized in a FSSA that will normally be discussed by the Executive Board at the same time as the relevant report on common policies in the context of Article IV consultations with member countries.

c. *Frequency.* The financial stability assessment with supranational institutions will occur at the frequency applicable to the relevant member subject to mandatory financial stability assessments with the highest frequency. The FSSA will constitute an integral part of the FSSA for each individual member and of the Article IV consultation with each individual member.

Miscellaneous

10. *Review*. It is expected that the Fund will review this Decision no later than five years following the date of its adoption and subsequently at intervals of no longer than five years. In particular, as "systemic importance" is a dynamic concept, the Fund will, in the context of each such review, examine and revise, as necessary, the criteria and methodology for determining members with systemically important financial sectors. Moreover, the Fund may review this Decision at any time to take into account major advances in the availability of data and in the development of methodologies for assessing the systemic importance of financial sectors. (SM/13/304, 11/18/13).

Attachment[1]

Paragraphs 23 to 27 in SM/10/235 (8/31/2010)

23. **The point of departure for defining systemic importance for this exercise is the conceptual framework developed by the IMF, BIS, and FSB**.[2] This framework—originally developed for evaluating the systemic importance of financial institutions, markets, and instruments (SIMIs)—approaches systemic importance from both a domestic and a global point of view. It identifies the following three key concepts: (i) size, i.e., the volume of financial services provided by an individual financial institution or market; (ii) interconnectedness, i.e., the extent of linkages with other financial institutions or markets; and (iii) substitutability, i.e., the extent to which other institutions or markets can provide the same services in the event of the failure of part of the system.

24. **Systemic importance of a financial sector is defined below with the focus on its size and interconnectedness**. The volume of financial services provided by a financial sector is the main component of systemic importance. Size is measured across several dimensions, to capture the importance of a particular financial sector in the specific jurisdiction (expressed in terms of the jurisdiction's output) and in the global financial system (expressed in absolute terms and scaled by the jurisdiction's GDP relative to world GDP). Cross–border interconnectedness is an important complementary measure: it captures the systemic risk that can arise through direct and indirect interlinkages among financial sectors in the global financial system, i.e., the risk that individual failure or malfunction may have severe repercussions on other countries or on systemic stability. As regards the notion of substitutability, while it is important at the level of individual institutions and markets, it is not included in the criteria. As acknowledged in IMF/BIS/FSB (2009),

[1] Ed. Note: These paragraphs, which are referred to in paragraph 4 of the Annex to Decision No. 15495-(13/111), December 6, 2013, are included for the reader's convenience.

[2] IMF/BIS/FSB, (2009), "Guidance to Assess the Systemic Importance of Financial Institutions, Markets and Instruments: Initial Considerations."

the concept of substitutability is difficult to measure, because it is hard to capture the degree of uniqueness of an individual institution or a specific market in the provision of a financial service. More importantly, substitutability may not be a relevant concept for entire financial sectors.

25. **It is important to bear in mind the limitations of this definition of systemic importance:**

• **It is not a proxy for a jurisdiction's systemic importance writ large.** The analytical approach used in this paper is focused on the financial sector. It does not purport to measure all aspects of a country's relative importance in the world economy, such as the size of the domestic market, growth potential, trade linkages, etc. As a result, some large, systemically important economies may be ranked lower than smaller countries that have relatively big and/or highly interconnected financial sectors.

• **It does not capture market perceptions.** This approach is entirely data based. Market perception of a financial sector's systemic importance, though a key component of systemic risk, can be volatile; is influenced by economic and political factors that go beyond the size and interconnectedness of the particular financial sector; and is hard to measure objectively. It is therefore not incorporated into this approach.

• **The extent of vulnerabilities is not a factor.** The methodology is focused on systemic importance as measured by size and interconnectedness, not vulnerabilities. This is because the benefits of regular financial stability assessments would be maximized—both for the individual members and for the global financial system—if these assessments were focused on the jurisdictions with the most systemically important financial sectors, not on the most vulnerable. To be sure, members faced with macrofinancial vulnerabilities, regardless of their size or interconnections, would also benefit from an in-depth look at their financial sectors and may need additional Fund support. But there are other instruments, including Article IV surveillance, voluntary FSAPs, and technical assistance, which would continue to provide this analysis.

• **Like all quantitative analyses, it is limited by the quality of data.** In particular, it may not reflect accurately the importance of nonbank and unregulated segments of the financial sector, given the difficulties countries often experience in collecting such data, nor can it fully take into account differences in the quality of data collection and reporting across countries.

26. **The methodology for identifying jurisdictions with systemically impor-tant financial sectors, explained in greater detail in the accompanying Back-ground Paper, is a three-stage process that uses available financial data for the entire Fund membership.** The need to apply the criteria uniformly across the entire membership limits the data that can be used. Data for the analysis are mainly drawn from the BIS, the IMF's *World Economic Outlook*, the IMF's *International Financial Statistics, the IMF's Coordinated Portfolio Investment Survey*, and the United Nations Conference on Trade and Development's datasets on foreign direct investment. The sample covers 191 jurisdictions (187 Fund members plus four territories that are subject to Article IV surveillance) for the year 2008.

• **In the first stage, separate ordinal rankings of jurisdictions are developed for size and interconnectedness.**

  • The size of a jurisdiction's financial sector is measured by the volume of financial services. The size ranking is a median of four rankings, three of which are measures of the "absolute" size of the sector (currency and deposits as a proxy for the banking–system balance sheet; volume on nonbank financial services; and the jurisdiction's international investment position, all measured in U.S. dollars), and the fourth is a measure of the "relative" size of the financial sector (financial depth, measured as a share to the jurisdiction's output). The first three capture the importance of a jurisdiction's financial sector in the global financial system and the fourth measures the relative weight of the financial sector within a given jurisdiction. At the same time, since distress in an individual financial sector can propagate to the rest of the world both directly through financial connections and indirectly through real economy linkages, these measures of size are weighted by the relative size of each jurisdiction's total output to global economic output.

• Interconnectedness is determined on the basis of bank-based network analysis. The basic idea (see Background Paper) is to infer from the pattern of cross-border linkages to what extent the banking sector of a particular jurisdiction is an important center in the international banking network.[1] Data availability has limited the measures of interconnectedness to the banking sector only, so the network is defined as a set of bilateral claims of different banking systems on each other. The importance (or "centrality") of a banking sector in the network is measured in terms of the number and structure of claims on other banking sectors.

• **In the second stage, the rankings of size and interconnectedness are combined into a single weighted composite index of systemic importance.** To derive the single index, the relative weights for size and interconnectedness are set at 0.7 and 0.3, respectively. As size is a more fundamental measure of systemic importance, it is given a relatively higher weight in the composite index than interconnectedness. As a robustness check, alternative composite rankings are calculated for a range of different weight combinations, and different ways of combining the indices of size and interconnectedness (using averages instead of medians), and different types of bilateral financial assets and liabilities (such as equity, debt, and FDI) are tested.

• **In the third stage, cluster analysis is used to identify groups of jurisdictions with financial sectors that have consistently the highest degree of systemic importance.** The underlying idea is to "let the data speak for themselves" in identifying groups of financial sectors whose rankings are relatively stable across different weight combinations. To capture this idea, the standard deviation of ordinal rankings across different combinations of weights is calculated for each financial sector as a proxy for the robustness of the ranking.

[1] Ed. Note: The following text is footnote 14 in the original text: "14 The network analysis is based on von Peter (2007), *International Banking Centres: A Network Analysis*, BIS Quarterly Review, and Kubelec and Sá (2010), *The Geographical Composition of National External Balance Sheets: 1980–2005*, Bank of England Working Paper No. 384."

Clusters of jurisdictions are then calculated by iteratively minimizing the within-cluster sum of squared standard deviations from cluster means over several possible clusters of jurisdictions. The final list includes the clusters with the jurisdictions that are not just the highest ranked, but also have the most robust rankings across different weighting schemes and represent a substantial share of the global financial system. This methodology eschews as much as possible a priori judgments on the size and makeup of the list (the number of jurisdictions to be included is not predetermined, and it is not possible to "cherry pick" individual jurisdictions), and allows the data to indicate its final composition.

27. **The results identify 25 jurisdictions with the most systemically important financial sectors** (Table 1). They cover almost 90 percent of the global financial system and represent almost 80 percent of global economic output. The group contains 15 of the G-20 countries and advanced economies are heavily represented. The United Kingdom's financial sector has the highest composite rank. The United States' financial sector is ranked third despite being ranked first in size because of its relatively lower level of cross-border connections. Several euro area economies are also highly ranked because of the high degree of interconnectedness of their financial sectors. Although these connections are largely within the euro area, for the purposes of this exercise they have been treated as all other cross-border flows because first, they may give rise to cross-border systemic risk affecting the domestic stability of the individual countries, as well as the external stability of the euro area as a whole; second, the authorities in these countries still have considerable independence in their domestic financial sector policies; and third, comprehensive cross-border resolution mechanisms are yet to be established. Moreover, Article IV consultations (and FSAPs) with these members are still conducted separately. Given the degree of financial integration of the euro area countries and the gradual move toward a more integrated system of regulation and supervision in the European Union, this treatment of cross-border exposures of these countries could be reconsidered in the future.

Further Extension of Consultation Cycles Due to COVID-19 Pandemic—Temporary Extension of Cycle for Mandatory Financial Stability Assessments Under the Financial Sector Assessment Program

Notwithstanding the provisions of paragraph 8 of the Annex to Decision No. 15495-(13/111) adopted on December 6, 2013, it is expected that the upcoming FSSA for a member with a systemically important financial sector will be discussed by the Executive Board by no later than the first deadline for completion of an Article IV consultation with that member that follows the sixth anniversary of the date of completion of the previous Executive Board discussion of the FSSA respecting that member or, in the case of the financial sector of a territory of a member, the first deadline for completion of an Article IV consultation discussion with respect to that territory by the Executive Board that follows the sixth anniversary of the date of completion of the previous Executive Board discussion of the FSSA respecting the financial sector of that territory. (SM/20/103, 07/07/20)

Decision No. 16849-(20/77),
July 14, 2020

The Acting Chair's Summing Up—
Mandatory Financial Stability Assessments
Under the Financial Sector Assessment Program—Update,
Executive Board Meeting 13/111, December 6, 2013

Executive Directors welcomed the opportunity to consider the review of the 2010 Board Decision that made stability assessments under the Financial Sector Assessment Program (FSAP) a regular and mandatory part of bilateral surveillance under Article IV for jurisdictions with systemically important financial sectors. Directors highlighted the success in implementing the 2010 Decision, with mandatory financial stability assessments already completed or underway for almost all of the jurisdictions identified pursuant to the 2010 Decision. They noted that the use of a more risk-based approach to financial sector surveillance has enabled the Fund to allocate FSAP resources more effectively and helped strengthen the integration of FSAPs and Article IV consultations in these jurisdictions.

Directors agreed that it is necessary to align the legal basis for mandatory financial stability assessments with the 2012 Integrated Surveillance Decision (ISD). The ISD made Article IV consultations a vehicle for both bilateral and multilateral surveillance, enabling the Fund, in an Article IV consultation, to examine spillovers arising from a member's domestic policies when these may significantly influence the effective operation of the international monetary system. Consistent with the approach under the ISD, mandatory financial stability assessments would also cover spillovers from a member's financial sector policies when those policies undermine either the member's own stability or may significantly influence the effective operation of the international monetary system, for example by undermining global economic and financial stability.

Directors endorsed the proposal to modify the methodology for determining systemically important financial sectors to incorporate lessons from the crisis, in particular the importance of interconnectedness. They agreed that the systemic importance of a jurisdiction's financial sector should be determined not only on the basis of size and cross-border banking linkages, as was the case in the original 2010 methodology, but also take into account other potential transmission channels for shocks. In this regard, Directors considered the new methodology to be a substantial improvement, as it shifts the emphasis to interconnectedness, expands the range of covered exposures, and brings into consideration complexity and the potential for price contagion across financial sectors while remaining rules-based, data-driven, and transparent. A few Directors, however, considered the new methodology to be somewhat complex and less transparent than the previous one. Some Directors were also concerned that it omits certain countries that experienced banking and financial crisis during the post-2008 period.

Directors took note of the 29 jurisdictions whose financial sectors have been determined by the Managing Director to be systemically important. Directors considered that the list and the methodology itself would need to be periodically reviewed as members' financial sectors and markets evolve, and analytical methods and data sources improve, including for nonbank, central counterparty clearing houses, hedge funds, and unregulated segments of the financial sector. Continued

efforts to improve the reporting and quality of data will be important. Some Directors considered that the methodology for determining systemic importance should leave some room for judgment in assessing the potential risk that some jurisdictions not subject to mandatory FSAPs can pose to the global financial system, and a few Directors considered that vulnerability could be captured in the methodology.

Directors noted that the incremental resource impact on the FSAP program of the increase in the number of jurisdictions with systemically important financial sectors would be modest and manageable. Most Directors, however, expressed concern that the shift toward a more risk-based approach to financial sector surveillance has reduced the availability of voluntary FSAPs in jurisdictions with non-systemic financial sectors. Directors emphasized the need to make sufficient resources available to ensure continued delivery of non-mandatory FSAPs. Various suggestions were made in this regard, including better prioritization of the workload, reallocation of resources, or higher budgetary allocation. A few Directors also suggested promoting self-assessments, backed by quality checks by the Fund. Directors looked forward to the budget framework discussions and the FSAP review in 2014 to further consider these and other issues.

BUFF/13/115
December 17, 2013

The Acting Chair's Summing Up—
Review of the Financial Sector Assessment Program—
Further Adaptation to the Post-Crisis Era,
Executive Board Meeting 14/85, September 15, 2014

Directors welcomed the opportunity to review the Financial Sector Assessment Program (FSAP), which has become a key pillar of the Fund's financial sector surveillance since its inception in 1999, and to assess the impact of the significant reforms introduced at the last program review in 2009, in the wake of the global financial crisis. Directors agreed that these reforms have considerably improved the FSAP, and there is no need for major changes to the current framework. They also noted that the recent experience has highlighted useful lessons that should be used to further strengthen the program and improve its input to Article IV surveillance.

Directors agreed that the reforms introduced in 2009 have strengthened the focus, effectiveness, and traction of FSAPs. A clearer definition of the content has proved effective in disciplining and focusing assessments, and the delineation of responsibilities of the Fund and the Bank in developing and emerging market countries has strengthened institutional accountability. The analysis of vulnerabilities has benefitted from the introduction of the Risk Assessment Matrix (RAM); the expansion of stress tests to cover a broader set of risks; the ongoing progress in the analysis of spillovers; and the coverage of macroprudential frameworks and financial safety nets.

Directors welcomed the results of the survey of national authorities, which show a high degree of satisfaction with the FSAP; the high rate of implementation of FSAP recommendations; and the increasing rate of publication of the Financial System Stability Assessment (FSSA). Directors agreed that these gains can be consolidated and extended by further strengthening the focus on systemic risk; continuing to refine the analysis of vulnerabilities while being transparent about its limits; and enhancing quality and clarity of the FSSA.

Directors considered that FSAPs provide an in-depth assessment of stability risks and systemic resilience. They encouraged further improvements in the risk assessment, including by expanding the coverage of stress tests to the non-bank sector; enhancing the quality of RAMs and their integration with the assessments; and strengthening the analysis of interconnectedness, cross-border exposures, and spillovers. They supported more systematic evaluations of institutional arrangements for micro- and macroprudential supervision and financial safety nets, although a few Directors noted the lack of an established international best practice for macroprudential policies.

Directors concurred that the 2010 decision to make financial stability assessments under the FSAP mandatory for jurisdictions with systemically important financial sectors was an appropriate response to the global financial crisis. However, they recognized that this decision has limited the availability of FSAPs to non-systemic countries in a resource-constrained environment. Directors agreed that other forms of engagement with members with non-systemic financial sectors should be used to help address their needs, first and foremost improved

coverage of financial sector issues in Article IV consultations, but also more targeted technical assistance and dissemination of best practices. Many Directors, however, cautioned that technical assistance is not a substitute for FSAPs and called for using savings in other areas or additional resources to increase the frequency of FSAPs for non-systemic countries, including low-income countries.

Directors noted that the success of the FSAP depends on the cooperation of all counterparts, notably policymakers and supervisors, as well as on the availability of high-quality data. A number of Directors underscored that a more systematic provision on a voluntary basis of data that go beyond the requirements of regular surveillance is an important determinant of the success of the FSAP and, more broadly, macro-financial surveillance. Directors agreed that the FSSA should be clear and transparent on the availability and quality of data underlying the risk assessment while recognizing the legal constraints that some authorities may face.

Directors agreed that key standards and codes are a valuable tool for an exhaustive and comprehensive assessment of financial supervision. Many saw scope for streamlining and targeting these assessments in a manner consistent with the FSAP's focus on systemic risk and, more broadly, the Fund's macrofinancial surveillance mandate. Directors encouraged staff to explore ways to focus these assessments on key areas from the perspective of financial stability, along the lines outlined in the proposed macrofinancial approach to supervisory standards assessments. A number of Directors expressed concern about the risk that partial assessments might create gaps in the evaluation of financial sector supervision. Directors looked forward to an early briefing on staff consultations with standards setters and stakeholders, and to considering specific proposals, which balance the need to streamline with that of maintaining a proper coverage of standards, in the context of the next review of the Standards and Codes initiative.

Most Directors supported aligning the next FSAP reviews with the regular reviews of surveillance. A few Directors suggested going beyond and fully integrating the FSAP review into the surveillance review.

BUFF/14/91
September 22, 2014

Confidentiality Protocol—Protection of Sensitive Information in the Financial Sector Assessment Program

Purpose

1. The World Bank (the "Bank") and the International Monetary Fund (the "Fund")[1] have agreed to cooperate in the implementation of a Financial Sector Assessment Program (the "FSAP"), designed to assist the authorities of members of the Bank and Fund in determining the condition of their financial sectors, identifying strengths, vulnerabilities and risks in these sectors, assessing the observance and implementation of internationally accepted financial sector standards, and elaborating reforms that would address vulnerabilities and risks, and position the sectors to contribute more effectively to financial stability, economic growth and the reduction of poverty.

2. For the FSAP to be effective, it is critical that financial institutions and governmental entities feel comfortable sharing relevant market-sensitive information and documents with the FSAP teams, which will include staff members of the Bank and Fund as well as consultants engaged for the FSAP. To encourage the sharing of such sensitive information and documents, staffs of the Bank and Fund have prepared this Protocol to describe procedures aimed at preventing unauthorized access to and disclosure of sensitive information obtained through the FSAP. This Protocol is an application of the existing policies and guidelines of the Institutions concerning the safeguarding of sensitive information and documents, which are listed in Appendix I, and does not represent the adoption of new policies or guidelines.

Classification and handling of sensitive information

3. Three levels of classification will be used for sensitive information provided to the Institutions in connection with the FSAP: (a) STRICTLY CONFIDENTIAL; (b) CONFIDENTIAL; and (c) for OFFICIAL USE ONLY (NOT for PUBLIC USE).[2]

[1] Hereinafter, the World Bank and the Fund are referred to as the "Institutions."

[2] General Administration Order 35 in the Fund also provides for a classification category of SECRET; however, this classification category is currently under review in the Fund, and it is likely to be abolished in the near future.

STRICTLY CONFIDENTIAL

Information and documents that are deemed to be of a highly sensitive nature or to be inadequately protected by the CONFIDENTIAL classification shall be classified as STRICTLY CONFIDENTIAL and access to them shall be restricted solely to persons with a specific need to know. The staffs of the Institutions shall establish a control and tracking system for documents classified as STRICTLY CONFIDENTIAL, including the maintenance of control logs. Documents classified as STRICTLY CONFIDENTIAL shall be (i) marked with such classification on each page; (ii) kept under lock and key or given equivalent protection when not in use; and (iii) in the case of physical documents, transmitted by an inner sealed envelope indicating the classification marking and an outer envelope indicating no classification, or, in the case of documents in electronic form, transmitted by encrypted or password-secured files.

For purposes of this Protocol, the following individuals are deemed to have a specific need to know: (i) the FSAP team leader and deputy leader; (ii) FSAP team members directly involved with the substance of the sensitive information; (iii) immediate supervisors of FSAP team members who are staff members of the Institutions, who need the information to fulfill their management function; and (iv) the Managing Director of the Fund, the President of the World Bank Group, or their respective designated representatives; and (v) other individuals by agreement between the FSAP team leader or deputy leader and the provider of the sensitive information.

CONFIDENTIAL

Information and Documents that must be restricted to persons with a need to know or a legitimate interest in the information, shall be classified as CONFIDENTIAL. A document classified as CONFIDENTIAL shall be (i) marked with such classification on the cover and first page; (ii) kept out of view of unauthorized individuals when not in use; and (iii) transmitted in appropriately marked envelopes.

For purposes of this Protocol, the following individuals are deemed to have a need to know or a legitimate interest in information

and documents classified as CONFIDENTIAL: (i) all FSAP team members; (ii) immediate supervisors and department heads of FSAP team members who are staff members of the Institutions; (iii) the relevant Country Directors and Sector Leaders in the Bank, and the relevant Area Department Mission Chiefs and MAE Country Managers in the Fund;[1] (iv) the Managing Director of the Fund, the President of the World Bank Group, or their respective designated representatives; and (v) other individuals by agreement between the FSAP team leader or deputy leader and the provider of the sensitive information. Authorization is not required for further distribution on a need-to-know basis, within a specific office of one of the Institutions, but any such further disclosure must include notice to each additional recipient that the information is CONFIDENTIAL.

FOR OFFICIAL USE ONLY (NOT for PUBLIC USE)

A document classified as "FOR OFFICIAL USE (NOT for PUBLIC USE)" shall be marked with such classification on the cover and first page and no other specific restrictions on the handling or transmission of such documents shall be imposed other than the general requirement to prevent public access.[2]

4. In general, the lowest appropriate category of classification should be used, and will be decided by the FSAP team leader in consultation with the provider of the sensitive information. It is expected that the majority of sensitive information will be classified as either NOT for PUBLIC USE or CONFIDENTIAL, and that the STRICTLY CONFIDENTIAL classification will need to be used only sparingly.

[1] The term "provider" means an individual or entity that retains the right to restrict the disclosure of information or documents entrusted by the provider to the staffs or FSAP consultants of the Institutions.

[2] Documents receiving this classification in the Fund are normally made available to certain international organizations as identified in decisions of the Executive Board.

Transmitting and referencing sensitive information

5. Cover letters or transmittal forms shall bear the classification of the most restricted attached documents. Documents that quote from, or otherwise contain sensitive information from classified documents shall be marked with the same security classification as the original information with the most restricted classification contained in the records, and shall be treated in the same way as the original information. E-mail messages that convey sensitive information from classified records shall have distribution lists reflecting the restrictions of the relevant classification.

Downgrading of security classifications

6. At the time of classifying as "STRICTLY CONFIDENTIAL" or "CONFIDENTIAL" sensitive information entrusted to the FSAP team, the recipient will make a good faith effort to reach agreement with the provider on specific downgrading instructions, such as when, in what circumstances or under what conditions it might receive a lower classification.

Participation of staff in FSAP teams

7. FSAP team leaders shall be responsible for providing each member of their respective teams a copy of this Protocol and attachments hereto. The policies and guidelines of the Institutions in Appendix 1 provide for procedures and measures in the event of breach by their respective staff members of the applicable policies and guidelines.

Participation of consultants in FSAP teams

8. FSAP team leaders shall, prior to fielding the first FSAP mission, consult with the relevant authorities of the country concerned regarding the participation of any consultant, from either the private or public sectors, in the FSAP team. In choosing consultants to be included in such team, FSAP team leaders will take into account concerns expressed by the relevant authorities about the security of sensitive information in connection with the participation of any particular

consultant. The same procedure shall apply if a consultant is proposed to be added to the team after the first mission.

9. A consultant that participates in an FSAP team shall execute a confidentiality letter in the form of Appendix II (which may be modified from time to time), except when the requisite elements of such letter have been incorporated in the relevant consulting contracts. Such elements are: (i) acknowledgment of receipt of a copy of this Protocol and its attachments; (ii) agreement not to disclose or use to private advantage sensitive information known to the consultant by reason of his participation in the FSAP team; and (iii) agreement that confidentiality obligations undertaken in connection with the FSAP shall survive the termination of the consultant's contract, unless the obligations refer to sensitive information that have been declassified for public use.

10. In the event of a breach of confidentiality by a consultant in connection with the FSAP, the Institution with which the consultant has a contract will address the matter, in accordance with such Institution's rules and procedures. Sharing of sensitive information and FSAP-related documents between the institutions and with authorities.

11. Sensitive information entrusted to the staff and consultants of either Institution, as well as FSAP-related documents generated by the staff and consultants of either Institution, will be shared with identified counterparts in the other institution, subject to the restrictions on access and procedures described or referred to in this Protocol. Nothing in this Protocol shall limit the staffs of the Institutions from sharing sensitive information entrusted to them through the FSAP with the relevant country authorities that are authorized to receive the information.

Disclosure of Protocol

12. This Protocol and attachments thereto shall not be classified. Prior to the commencement of the initial FSAP mission, copies will be provided to the appropriate authorities and will be made available

on request to representatives of financial institutions participating or proposing to participate in the FSAP.

APPENDIX I

General Policies and Guidelines

The security procedures set forth in this Protocol have been prepared particularly for the FSAP in accordance with the following policies and guidelines of the Institutions (Attachments I(a) to I(i)), as amended from time to time, concerning the safeguarding of confidential information and documents:

(a) Guidelines for Bank-Fund Collaboration in the Financial Sector (June 1999);

(b) World Bank Principles of Staff Employment, paragraph 3.1(d);

(c) World Bank Staff Rule 3.01, Section 4.02, Disclosure and Use of Non-public Information (April 1999);

(d) World Bank Policy on Disclosure of Information (March 1994);

(e) World Bank Administrative Manual Statement 10.20, Security of Records (September 1996);

(f) World Bank Administrative Manual Statement 10.20B, Confidentiality in Financial Sector Work (January 1998);

(g) International Monetary Fund Staff Regulations N-4, N-5, N–6, and N-11;

(h) International Monetary Fund Staff Code of Conduct, Section 20, Use and Disclosure of Information (July 1998);

(i) International Monetary Fund, General Administrative Order No. 26, Rev. 2 and Supplement 1, Records, September 5, 1990; and,

(j) International Monetary Fund, General Administrative Order No. 35, Information Security (September 1990).

APPENDIX II

[Date]

[International Monetary Fund or World Bank Address]

Re: FSAP—Confidentiality Obligations

In connection with my participation as a [World Bank/IMF] consultant in the Financial Sector Assessment Program for [country], I hereby confirm that I have received and read copies of the Protocol on Protection of Sensitive Information in the Financial Sector Assessment Program and attachments thereto (the "Documents"). I agree to observe the procedures described in the Documents and, in particular, not to disclose or use for private advantage sensitive information known to me by reason of my participation in the FSAP. I also agree that my confidentiality obligations under the FSAP shall survive termination of my FSAP assignment, unless the obligations refer to sensitive information (as defined in the protocol) that have been declassified for public use.

SM/00/54,
March 15, 2000

The G-20 Mutual Assessment Process and the Role of the Fund

The Executive Board adopts the general framework for the Fund's involvement in the G-20 mutual assessment process described in SM/09/283 and SM/09/283, Supplement 2. (SM/09/283, Sup. 2, 12/17/09)

Decision No. 14487-(09/125),
December 16, 2009

The Acting Chair's Summing Up—Review of the Fund's Involvement in the G-20 Mutual Assessment Process, Executive Board Meeting 11/56, June 3, 2011

Executive Directors welcomed the review of the Fund's role in the G-20 Mutual Assessment Process (MAP) and supported the continuation of Fund engagement in this work.

Directors observed that the Fund's involvement in the G-20 MAP has significant synergies with its surveillance, most notably at the multilateral level. Most Directors noted that the MAP has helped enhance the traction of Fund advice by opening up new channels of communication to G-20 policymakers. Directors considered it important to review the implications of broader G-20/Fund collaboration for the Fund's surveillance as part of the forthcoming Triennial Surveillance Review.

Directors agreed that, while the MAP has evolved, the Fund's input to the exercise has remained within the framework set in December 2009. In this context, Directors took note that the legal nature of the Fund's involvement as technical assistance had not changed. However, a number of Directors considered whether, in substance, such involvement should be treated as surveillance rather than technical assistance.

Directors concurred that Board involvement in this work should be consistent with G-20 ownership of the MAP and preserve the independent nature of staff analysis and input. They appreciated timely briefings by staff of their work in this regard, but differed on the timing and form of Board involvement. While the majority of the Board supported maintaining the current procedure of holding informal Board discussions of MAP reports at the time of submission to the G-20, a number of other Directors suggested advancing such informal discussion ahead of submission and a number of others expressed support for formal Board discussions.

Directors considered resource implications of the Fund's involvement in the G-20 MAP. Most Directors noted that any additional cost, which has in part been met through reprioritization and reallocation of existing resources, should be seen in light of the benefits of this work for the Fund's membership at large, including the synergies with the Fund's surveillance. Some Directors emphasized the need for ongoing assessment of the evolving cost.

BUFF/11/84,
June 9, 2011

Observance of Standards and Codes

The Acting Chair's Summing Up—
Tenth Review of the International Monetary Fund's
Data Standards Initiatives,
Executive Board Meeting 22/20, February 28, 2022

Executive Directors welcomed the opportunity to review the recent experience under the IMF Data Standards Initiatives and to consider proposals for parsimoniously updating the framework through a principles-based addition of a few, new encouraged data categories, taking careful account of country capacity and the constraints imposed by the pandemic.

Directors underscored the important role that the Data Standards Initiatives has played since the mid-1990s in promoting data transparency as a global public good by encouraging countries to voluntarily publish key macroeconomic and financial data. They pointed to the heightened importance of disciplined data publication to inform the public, markets, and the international community in a timely manner, thereby facilitating early resolution of macroeconomic imbalances and market disequilibria, and agreed that the framework has served the membership well.

Directors emphasized that with nearly universal voluntary participation by Fund members, the Data Standards Initiatives continue to exemplify strong and fruitful multilateral action. They commended the transformational progress since the Ninth Review in 2015 and remarkable achievements by Fund members in implementing the standards.

Directors welcomed the impetus to data transparency imparted by the enhancements of the General Data Dissemination System (e-GDDS) introduced in the Ninth Review, which have led to publication of key data by about 70 countries. This expansion has been supported by demand-driven capacity development, which has remained focused on fragile and conflict-affected states, small states, and low-income countries. Directors also stressed the role that strong country ownership has played in the progress thus far.

Directors supported the proposed enhancements to Fund engagement with the e-GDDS countries, including through informal annual consultations and biennial metadata certification. They stressed the importance of addressing key data gaps hindering advancement toward the Special Data Dissemination Standard (SDDS).

Directors acknowledged the significant progress made by a number of SDDS countries to adhere to the highest standard in data dissemination, the SDDS Plus, and encouraged more countries to make the transition. They supported the proposal to encourage SDDS subscribers to modernize the publication technology underpinning the National Summary Data Page by adopting SDMX technology. This would facilitate the eventual establishment of a network of official websites—using a common technology—to publish data under the three tiers of the Initiatives, as envisaged in the 2018 Overarching Strategy on Data and Statistics at the Fund in the Digital Age.

Directors agreed that the framework has worked well during the pandemic, with differential impact for the three country groups, reflecting preexisting differences in infrastructure and organization. They appreciated that the impact of the pandemic on data publication was contained, recognizing that the resilience of the framework to the pandemic shock demonstrated strong country ownership and the Fund's early intervention to help many countries ensure business continuity.

While a practical and flexible approach to help address publication delays during the pandemic had worked well, Directors agreed to introduce a "force majeure" clause in the SDDS and SDDS Plus frameworks. The modification would permit suspension of the activation of nonobservance procedures when deviations from requirements arise from unforeseen circumstances beyond the authorities' control, such as severe natural disasters or a pandemic. Any suspension of nonobservance procedures should be carefully evaluated.

Directors supported the parsimonious and principles-based proposal for encouraging publication of new data categories broadly

in line with new data needs for surveillance and policymaking at the national and global levels. They agreed to adding the proposed encouraged data categories under each of the Initiatives to fit the needs of each of the groups, taking careful account of capacity. At the same time, some Directors encouraged staff to be ambitious in the next review by closely considering whether to transition the new encouraged data categories to be required.

Directors agreed that the new encouraged data categories covering aspects related to public debt, macro-financial analysis, foreign exchange intervention, climate change, and gender were broadly appropriate. Some Directors noted the potential market sensitivities in publishing foreign ex-change intervention and called for extra caution and flexibility in terms of timeliness and granularity of the data being requested, and before changing it from encouraged to required. On the other hand, a few Directors thought that the proposed data on foreign exchange intervention and debt should have been required for SDDS Plus countries and encouraged for SDDS countries, for the credibility of the initiative and in line with best practices in transparency. Some Directors also suggested exploring in future reviews the addition of other climate indicators subject to the evolution of policy on mitigation and adaptation.

Directors emphasized the importance of continued outreach to members, including provision of tailored capacity development assistance to address challenges and constraints, particularly in e-GDDS subscribers. Adequate transition periods and flexibility will also be important. Directors also stressed the need for continued collaboration with other international organizations.

Directors agreed that the next review of the Fund's Data Standards Initiatives should take place in about five years broadly in line with the Review of Data Provision to the Fund for Surveillance Purposes or earlier if appropriate. Some Directors, however, urged staff to complete the next review in 2025 in line with the original five-year schedule.

SU/22/34
March 4, 2022

The Acting Chair's Summing Up—
The 2017 Joint Review of the Standards and Codes Initiative,
Executive Board Meeting 17/63, July 17, 2017

Executive Directors welcomed the 2017 review of the standards and codes (S&C) initiative. They agreed that the initiative continues to make a substantial contribution to promoting international financial stability and there are no major gaps in its overall architecture. Directors noted that while implementation of the recommendations of the 2011 S&C review has been mixed with uneven coverage across certain policy areas and member countries, several policy areas have demonstrated considerable dynamism in S&C work.

Directors appreciated the Review's updates on the developments in the underlying S&C and individual policy areas led by the Fund and the World Bank and agreed that these provide member countries helpful tools to strengthen their policy frameworks. They generally concurred that the Fiscal Transparency Code provides a good way forward, including its outcome-focused, modular, and graduated approach, to increase the relevance of Fund-set transparency S&C.

Directors endorsed the proposed strategic approach to devolve operational reviews and responsibilities to individual policy areas, including leveraging progress made so far, while ensuring strategic oversight at the level of the overall initiative. In this context, structured consideration of good practices and reporting should help sustain momentum between S&C reviews and ensure alignment of S&C work with member needs and the Fund's strategic priorities. A number of Directors pointed to the need to consider the resource implications of individual policy area decisions for effective strategic oversight. A few Directors noted that a more decentralized approach could lead to fragmentation of the framework.

Directors welcomed the progress that has been made in establishing a standard for crisis resolution and operationalization of its assessment methodology, including through close collaboration between the Financial Stability Board as the standard setter and the

Fund and the Bank. They endorsed the Key Attributes of Effective Resolution Regimes for Financial Institutions as they apply to the banking sector and the related assessment methodology, which will underpin work in the Crisis Resolution and Deposit Insurance policy area.

Directors looked forward to the forthcoming Fund-led policy area reviews. They emphasized that these area reviews should consider the scope for improvements based on identified best practices drawn from across the policy areas, and should include an assessment of how new elements could improve linkages to surveillance and capacity development. Given recent trends in coverage in certain policy areas, particularly for emerging markets and low-income and developing countries, and resource intensity of assessments, Directors looked forward to discussions of these issues in the context of the forthcoming policy area reviews. They also agreed that increased collaboration across policy areas and close engagement with external Standard Setting Bodies and member countries should support the vitality of the initiative. A number of Directors looked forward to the forthcoming Board paper on Islamic banking.

Directors recognized that progress toward the key objective of strengthening the link between S&C work and Fund surveillance should take into account that surveillance can guide priorities for S&C assessments as much as assessments should feed into surveillance. In this context, they noted that a direct operational link to surveillance may be less important if S&C work continues to increase its orientation around risks and outcomes, thereby aligning with surveillance in another, more fundamental way. Directors agreed that facilitating cross-fertilization of innovation across policy areas, as appropriate, could further promote alignment with surveillance as well as capacity development efforts.

Directors generally supported the staged revision of the Monetary and Financial Policy Transparency (MFPT). They took note that the process will start with an early update to ensure that the monetary part of the code can serve as a diagnostic tool in capacity development by providing benchmarks of good practices for members at different stages of development. This should be followed by timely subsequent

consideration of, if and how an updated financial part of the MFPT could be a helpful supplementary tool to support diagnostic financial sector work. A few Directors underscored that the revision should focus narrowly on gaps and complementing the transparency elements in the financial standards, and seek to avoid an overly complex structure that is too resource-intensive.

In the area of data policy, Directors noted its key role in promoting transparency and saw merit in the value of revisions to support effective economic decision-making, with the outcome of pilot exercises and refinement of the module to be taken up in the 10th review of the Fund's data standards. A few Directors emphasized the need for further testing and undertaking cost-benefit assessments before implementing data policy recommendations.

Noting the importance of increasing traction of S&C work with policy-makers and market participants, some Directors recommended that the results of some assessments be presented in a non-technical manner for ease of understanding. Directors agreed that the next review of the S&C initiative should be undertaken in due course, following experience gained with operationalizing the recommendations of the current review.

BUFF/17/61
July 20, 2017

THE 2017 JOINT REVIEW OF THE STANDARDS AND CODES INITIATIVE

1. The Fund takes note of the Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions (the "Key Attributes") and the Key Attributes Assessment Methodology for the Banking Sector.

2. The Fund endorses the Key Attributes as they apply to bank resolution regimes and the related assessment methodology for the purposes of undertaking assessments and preparing Reports on the Observance of Standards and Codes (ROSCs). (SM/17/166, 06/20/17)

Decision No. 16237-(17/63),
July 17, 2017

The Acting Chair's Summing Up—
Ninth Review of the Fund's Data Standards Initiatives,
Executive Board Meeting 15/43, May 1, 2015

Executive Directors welcomed the opportunity to review the experience under the Fund's Data Standards Initiatives and to consider the proposal for enhancing the General Data Dissemination System (GDDS). They agreed that the review was timely, given the importance of addressing data gaps and disseminating internationally-comparable data to support surveillance and forestall financial crises. Directors expressed broad satisfaction with developments and progress since the Eighth Review of the Fund's Data Standards Initiatives in 2012.

Directors shared the view that the near universal participation in the Fund's data initiatives confirms the high value placed by member countries on data standards. They also noted that the success of the data dissemination initiatives depends critically on a strong political commitment of country authorities as well as adequate human, financial, and technical resources. In this regard, some Directors highlighted the importance of further Fund efforts to promote the benefits of readily available and comparable statistical information.

Directors concurred that the Special Data Dissemination Standard (SDDS) established in 1996 has by now matured and fewer Fund resources are required to monitor observance. Directors underscored the need for subscribers to continue—in collaboration with Fund staff—to implement the changes called for in earlier reviews, in particular to step up dissemination of the encouraged data categories.

Directors welcomed the recent launch of the SDDS Plus—the third and highest tier of the data standards—with an initial cluster of eight adherents. A number of Directors supported more flexibility in the terms for compliance with all the data requirements, including by lengthening the transition or changing it to a rolling five-year period. With implementation still at an early stage, however, Directors did not envisage further changes to the SDDS Plus at this time. They agreed that the highest priority is to promote adherence by economies with systemically-important financial sectors.

Directors noted that only a few GDDS countries have graduated to the SDDS and underscored the need to foster this transition. At the same time, many Directors agreed that capacity constraints—rather than lack of incentives—prevent progress of small and low-income members toward SDDS subscription and called for adequate and well-coordinated donor funding. These Directors underscored the need to avoid stigmatizing countries that do not plan to move to SDDS in the immediate future owing to lack of capacity.

Directors broadly endorsed staff's proposal to enhance the GDDS framework (e-GDDS) to assist countries with relatively weak statistical capacity. They agreed that the emphasis on data dissemination in the e-GDDS will support transparency, encourage statistical development, and help create strong synergies between data dissemination and surveillance. However, a few Directors cautioned that a compulsory switch to e-GDDS could push some members to leave the system altogether. A number of other Directors emphasized the importance of preserving the voluntary nature of data dissemination under the e-GDDS and the confidentiality of market-sensitive information.

Directors considered the resource implications of the different proposals for country authorities and the Fund. They were reassured that the proposals take into account recent efforts to streamline surveillance through alignment with existing requirements and welcomed plans to collaborate with regional development banks in the implementation of the e-GDDS. A number of Directors, however, were concerned that the more advanced data initiatives may undermine the provision of technical and financial assistance to low-capacity e-GDDS participants. More specifically, a number of Directors raised concerns about the availability of Fund resources to provide the technical support needed to achieve meaningful progress toward SDDS.

Directors broadly agreed that the next review of the Fund's data standards initiatives should take place in about five years. Many Directors expressed preference for an earlier engagement of the Board, particularly if progress among e-GDDS participants continues to stall or modifications of current data standards become warranted.

BUFF/15/39
May 7, 2015

Offshore Financial Centers

The Acting Chair's Summing Up—Offshore Financial Centers—Report on the Assessment Program and Proposal for Integration with the Financial Sector Assessment Program, Executive Board Meeting 08/48, May 30, 2008

Executive Directors welcomed the opportunity to review the experience with the offshore financial center (OFC) program and consider the integration of the OFC program into the Financial Sector Assessment Program (FSAP).

Directors welcomed the progress made in implementing the four elements of the OFC program agreed in 2003: (i) monitoring of activities and compliance with international standards; (ii) enhancing transparency; (iii) technical assistance; and (iv) cooperation with standard setters and other agencies. They were encouraged that the reassessments, although based on a small sample and to be interpreted with caution, indicated improvements in compliance with prudential standards, as well as progress on prudential cross-border cooperation and information exchange. Given the scope for further improvements, in particular in lower- and middle-income OFCs, Directors encouraged OFCs to further enhance work in these areas.

Directors observed that, to varying degrees, some weaknesses remain in the regulatory frameworks of OFCs for anti-money laundering and combating the financing of terrorism (AML/CFT). Although compliance with the standard is generally comparable with that of non-OFC jurisdictions, Directors pointed to low compliance in areas that pose risks for both OFCs and the jurisdictions with which they interact. They encouraged OFCs to take early and effective actions to address these issues.

Directors welcomed that most OFC jurisdictions had published their assessment reports and many had published their detailed assessments, and encouraged all jurisdictions to publish their reports. Directors also commended the 28 jurisdictions that have submitted data as part of the Information Framework Initiative, and encouraged the remaining jurisdictions to submit their data.

Against this background, most Directors supported the integration of the OFC program with the FSAP, although it was emphasized that integration should not result in a less rigorous assessment of OFCs. Directors noted that integration of the two programs would permit a more risk-focused approach to assessments, and would eliminate the need for the Fund to maintain a separate list of OFCs, which has become increasingly difficult to justify in the face of financial globalization. Directors saw as a positive aspect of the integration that a broader range of issues would be covered under the FSAP compared with OFC assessments, which would strengthen the Fund's financial sector surveillance and contribute to a more effective oversight of the global financial system. Directors noted that analysis should be tailored to the risk profile of each jurisdiction, including by focusing on cross-border issues as appropriate.

Directors were of the view that integration would also permit a more effective prioritization and use of resources. In particular, decisions on which jurisdictions would be assessed would be taken based on the same criteria used in the FSAP. Directors generally concurred to assess the nine or ten OFCs that account for the overwhelming volume of activity about every 5–7 years, and that smaller jurisdictions should be assessed less frequently. However, Directors stressed that the frequency of such FSAP assessments should be considered in a flexible manner so as to respond to changing risks and circumstances and taking into account information collected through continuous monitoring (or the nonprovision of information).

Directors stressed that the integration of the OFC program with the FSAP should not lead to a diminished focus by the Fund on OFCs' compliance with international standards. The assessments under the OFC program and the FSAP have led to significant improvements in the quality of supervision in OFCs. Directors called on the staff to work to maintain this momentum, including by working closely with international bodies, such as the FSF and standard setters. Directors noted that, in addition to Article IV consultations, member countries could also be monitored outside the assessment cycle. Other jurisdictions will continue to be monitored by the staff, including through the

Information Framework Initiative. Directors encouraged jurisdictions to continue to work with the Fund to improve data collection, compilation, and dissemination.

Directors noted that, as part of the global arrangements for AML/CFT assessments involving the IMF, World Bank, FATF, and FATF-Style Regional Bodies, attention will continue to be paid to money laundering and financing of terrorism vulnerabilities posed by OFCs. The integration of the programs would not affect the scope or cycle of AML/CFT assessments or the range of jurisdictions to be assessed, either in the context of an FSAP or on a standalone basis.

Directors noted that, under the integrated program, the publication policy would continue to be voluntary and would be guided by the policies determined under the FSAP. They also noted that participation in the Information Framework Initiative would contribute to transparency.

Directors agreed that all OFC assessments would be undertaken as part of the FSAP starting in FY 2010. Jurisdictions scheduled to be assessed under the second phase of the OFC program prior to FY 2010 could receive a Module 2 assessment or FSAP. Directors also agreed that assessments of jurisdictions that have already been assessed under the OFC program would be treated as FSAP updates under the FSAP.

Directors agreed that, as the FSAP is currently available only to members, its coverage would be extended to encompass the four non-member jurisdictions presently covered by the OFC program. They noted that the Board would continue to have the option to request discussion of non-member assessments and to invite non-member representatives to attend the Board meeting. Some Directors suggested that consideration be given to having those non-members contribute financially to cover the Fund's administrative expenses in such exercises. Directors also agreed that technical assistance would continue to be provided to help strengthen supervision of the financial sector and address money laundering and financing of terrorism risks, including

in those non-members, while recognizing the need for prioritization within the context of a tighter resource envelope.

BUFF/08/78,
June 4, 2008[1]

Anti-Money Laundering and Combating the Financing of Terrorism

The Acting Chair's Summing Up—
2023 Review of the Fund's Anti-Money Laundering and Combating the Financing of Terrorism Strategy,
Executive Board Meeting 23/87, November 20, 2023

Executive Directors welcomed the opportunity to review the Fund's AML/CFT Strategy. They stressed that addressing money laundering, terrorist financing, and proliferation financing risks is integral to the Fund's mandate to support the integrity and stability of the international financial system and member countries' economies. They welcomed the staff's stocktaking of the progress that has been made and the lessons learned. They agreed with the overall direction to continue to enhance staff's understanding of the nature and severity of financial integrity risks, with a greater focus on assessing and mitigating negative macroeconomic impacts, which will help staff further prioritize the depth and scope of its engagements. They emphasized that staff should continue to rely on the multipronged approach and synergies across the Fund's various workstreams to support individual member countries' efforts in enhancing the effectiveness of their AML/CFT frameworks.

Directors supported the proposed approach on surveillance, where staff will put greater focus on the linkages between financial integrity issues and fiscal, financial sector, and structural priorities. They agreed that staff should continue to cover financial integrity

[1] Ed. Note: Pursuant to Decision No. 13814-(06/98), November 15, 2006, future reviews will be conducted on an "as needed" basis. The expectation going forward is that "as needed" would generally mean a lag of at least five years between any such reviews.

issues under the current principles of engagement and deepen its coverage in an even handed manner, commensurate with the risks faced by members, on a mandatory basis when these issues are macrocritical and on a voluntary basis when requested by the member country. With regard to FSAPs, Directors concurred that the current policy of mandatory coverage of AML/CFT issues with flexibility in scope and depth remains appropriate and supported proposal to put greater emphasis on the nexus between financial integrity and financial stability. Directors also agreed with the proposed approach on Fund-supported programs, where staff will continue to use its own judgment and expertise in designing financial integrity and AML/CFT conditionality in line with program objectives and subject to the principles of criticality, parsimony, and avoiding cross-conditionality. Directors also noted the importance of better understanding political economy constraints. A number of Directors emphasized the need for flexibility and technical support for members with capacity weaknesses. In this context, a few Directors considered that it is preferable to address AML/CFT issues through tailored capacity development support.

Directors welcomed the CD activities delivered by staff to member countries and agreed that, in line with the Fund's CD strategy, staff should continue to provide comprehensive CD support with greater flexibility to respond to the evolving demand from the membership and deepen support for other Fund workstreams. They noted that a better understanding of ML/TF risks will allow staff to continue to further develop the CD program in line with evolving risks such as those related to digital money, laundering of the proceeds of corruption, tax evasion, and environmental crimes. Directors reiterated the need to continue to coordinate with other TA providers to maximize efforts and avoid duplication of efforts.

Directors concurred that staff should continue to integrate financial integrity issues in other Fund policies. They also welcomed staff's proposal to deepen its engagement with a broader range of external stakeholders, including through enhanced collaboration with other international and regional organizations and civil society, and leverage global and regional partnerships to maximize the impact of the Fund's AML/CFT work program while focusing on its comparative advantage.

Directors highlighted the importance of the Fund's continued engagement in AML/CFT assessments with a focus on quality and consistency. They generally supported or were open to staff's proposal to increase gradually its assessment-related work, to be able to deliver two Fund-led assessments and participate in one FSRB-led assessment per year from FY 2028 onward, without prejudice to other core workstreams and subject to the reallocation of resources to enable this increase. Some Directors, nonetheless, considered the current pace of assessments to be broadly adequate. Directors looked forward to considering staff's proposal to increase its assessment work in the context of the medium-term budget process.

Directors noted that the next review of the AML/CFT Strategy would be expected to be completed within the next five years.

SU/23/152
November 22, 2023

Summing Up by the Acting Chair—Anti-Money Laundering and Combating the Financing of Terrorism—Proposals to Assess a Global Standard and to Prepare ROSCs,
Executive Board Meeting 02/80, July 26, 2002

…

In moving forward, Directors emphasized that the following four key principles should guide the Fund's role in AML/CFT assessments and accompanying ROSCs:

• the staff's involvement in assessing non-prudentially regulated financial sector activities should be confined to those that are macroeconomically relevant and pose a significant risk of money laundering/terrorism financing;

• all assessment procedures should be transparent and consistent with the mandate and core expertise of the different institutions involved, and compatible with the uniform, voluntary, and cooperative nature of the ROSC exercise;

• the assessments should be followed up with appropriate technical assistance at the request of the countries assessed in order to build their institutional capacity and develop their financial sectors; and

• the assessments would be conducted in accordance with the comprehensive and integrated methodology.

….

Directors endorsed the proposal to use two approaches to conduct the assessments:

• FATF and FSRBs-led assessments and associated ROSCs, which would be undertaken in the context of FATF/FSRB mutual evaluations and would not include Fund/Bank staff; … .

…

Directors emphasized the importance of the delivery of technical assistance to help countries address gaps in the AML/CFT frameworks that are identified in assessments, and the associated allocation of additional resources to this effort. However, it was stressed that this should not come at the expense of more traditional core technical assistance.

…

BUFF/02/118
August 26, 2002

The Acting Chair's Summing Up—Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)—Report on the Review of the Effectiveness of the Program, Executive Board Meeting 11/55, June 1, 2011

Executive Directors welcomed the opportunity to discuss the effectiveness of the AML/CFT program. They noted that the Fund's work has significantly contributed to the international community's response to money laundering and the financing of terrorism.

Directors recognized that AML/CFT assessments are an important part of the ROSC and FSAP programs and rely on close cooperation and coordination with other key players, notably the Financial Action Task Force (FATF) and the World Bank. Directors noted that, although useful, the comprehensiveness of the FATF standards sets a high benchmark. Compliance remains low, assessments are resource intensive, and country specific issues may not receive full attention. In this context, a few Directors called for further evidence of the effectiveness of AML/CFT assessments.

Against this background, Directors saw merit in exploring ways to strengthen AML/CFT assessments, including the possibility of conducting targeted, risk-based assessments. While Directors acknowledged the potential benefits of a risk-based approach, many Directors preferred to keep options open pending FATF discussions of these issues next year.

Directors agreed that, under a framework for risk-based assessments, the first AML/CFT assessment for a member would be comprehensive while subsequent assessments would focus on those areas that present the greatest risk of money laundering and/or terrorist financing taking place without being detected or sanctioned. This approach would produce better targeted and more focused assessments.

Directors agreed that a shift to targeted and risk based AML/CFT ROSCs would need to be agreed with the standard setter and other stakeholders. In particular, the methodology for conducting such assessments and criteria for the selection of issues to be assessed with respect to specific countries need to be developed in cooperation with the FATF and the FATF-style regional bodies along with other stakeholders. Directors agreed that staff, in continued close cooperation with the World Bank, should raise these issues with FATF and report to the Board within two years. To the extent that there is a sufficient consensus within the international community to move to a risk-based approach, Fund staff should also make a specific proposal on how to move forward, including an analysis of the associated resource implications.

Directors recognized that the FSAP framework has provided an effective mechanism for addressing AML/CFT issues on a consistent

basis. Most Directors agreed to maintain the mandatory link of AML/CFT assessments with every FSAP, although a number of Directors expressed the view that, going forward, the incorporation of AML/CFT into an FSAP should be determined on a case-by-case basis, as is the case for other standards and codes and if justified by the level of money laundering and terrorist financing risks.

Directors continued to support Fund collaboration with the FATF, including its International Cooperation Review Group (ICRG) process towards non-cooperative jurisdictions (NCJs). Consistent with guidance provided in the recent Board review of the Standards and Codes Initiative, Directors agreed that staff should continue to participate in the ICRG, play a "good offices" role, and provide relevant information on member countries under review with the consent of the relevant members, while refraining from participating in those aspects of the process that are coercive in nature. Directors noted that staff participation in such cases should not be seen as an endorsement of possible public statements on NCJs.

The majority of the Board endorsed the approach and considerations outlined in the paper for the coverage of AML/CFT issues and their related predicate crimes in the context of modular financial stability assessments under the FSAP and bilateral surveillance. However, a number of other Directors expressed the view that the framework proposed by staff, although useful, required further elaboration before it could be applied for the purposes of financial stability assessments and bilateral surveillance under Article IV. In addition, Directors broadly supported the continued inclusion of AML/CFT issues in Article IV discussions on a voluntary basis, while a number of Directors favored a more consistent treatment across members of these issues in bilateral surveillance.

Directors welcomed the strategic delivery of the Fund's AML/CFT technical assistance program, which is now almost exclusively funded by external resources.

Directors noted that the next review of the AML/CFT program would be expected to be completed within the next five years.

BUFF/11/77,
June 6, 2011

The Acting Chair's Summing Up—Review of the Fund's Strategy on Anti-Money Laundering and Combating the Financing of Terrorism, Executive Board Meeting 14/22, March 12, 2014

Executive Directors welcomed the opportunity to review the Fund's strategy on AML/CFT. They agreed that the Fund's work has significantly contributed to the international community's response to money laundering and the financing of terrorism, and encouraged continued cooperation in this area with the World Bank, the Financial Action Task Force (FATF) and the FATF-Style Regional Bodies (FSRBs). Directors also highlighted the important role played by the Fund in capacity building efforts in member countries on AML/CFT.

Directors welcomed the 2012 revision of the AML/CFT standard by FATF and the recent update of the assessment methodology, in particular the greater attention to risks and country context, which should result in more focused and meaningful assessments. They therefore endorsed the revised FATF standard and the new assessment methodology for the Fund's operational work.

Directors noted that deficiencies in a country's AML/CFT regime can have important implications for macroeconomic and financial stability. They therefore broadly supported the direction taken by staff in including financial integrity issues in Article IV consultations and Fund-supported programs. Directors encouraged staff to continue its efforts to integrate AML/CFT issues into its surveillance and in the context of Fund-supported programs when financial integrity issues are critical to financing assurances or to achieve program objectives. Some Directors emphasized the need for evenhandedness in the coverage of these issues in surveillance and Fund programs.

Directors reaffirmed that AML/CFT assessments are an important part of the ROSC and FSAP programs, and stressed the importance of ensuring adequate quality of assessment reports across the range of assessor bodies. They noted that, with the expansion of the FATF and FSRBs network in recent years, the Fund has increasingly drawn upon the FATF/FSRBs assessments for the purposes of its own work, in application of the burden sharing arrangements between the international financial institutions and the FATF/FSRBs. In this respect, Directors

welcomed the steps taken by the FATF to strengthen quality and consistency controls for future assessment reports and looked forward to all assessor bodies implementing similar controls. They encouraged staff to participate actively in the review mechanisms, as resources permit.

A number of Directors supported, or were open to, the staff's proposal to limit the conversion of FATF/FSRB assessments into ROSCs to the FSAP context where the assessments have undergone a satisfactory quality and consistency review and are not clearly deficient. However, many other Directors, representing a majority of the Board, preferred to continue converting all assessments into ROSCs, underscoring that the FATF's strengthened controls will ensure that these reports meet the requisite quality standards. In light of this, the current system of converting all assessments into ROSCs following a pro forma review will be maintained.

Directors noted the resource implications of (i) the increased inclusion of AML/CFT issues in surveillance and in Fund-supported programs, (ii) the assessments under the revised methodology, and (iii) staff's participation in the strengthened quality and consistency controls. In light of the overall budget situation, most Directors considered it appropriate for staff to reduce the number of Fund-led comprehensive assessments to two or three per year.

Directors stressed the importance of timely and accurate AML/CFT input into every FSAP. They agreed that, where possible, this input should be based on a comprehensive quality AML/CFT assessment and, in due course, on targeted updates/ROSCs, in line with the approach taken under other standards and codes. To facilitate this, Directors encouraged continued efforts by all assessor bodies to align their assessment schedules with the FSAP's. They also noted that consistent with the general policy, staff would, if necessary, supplement the information derived from the ROSCs to ensure the accuracy of AML/CFT input. In addition, they recognized that there may be instances where comprehensive assessments or targeted updates against the prevailing standard will not be available. Directors generally agreed that, in these instances, staff may need to derive key findings on the basis of other sources of information.

Directors noted that the next review of the AML/CFT program would be expected to be completed within the next four years.

BUFF/14/23
March 14, 2014

PARTICIPATION BY FUND STAFF IN ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM ASSESSMENTS BY OTHER ASSESSOR BODIES

Staff may, in exceptional circumstances, join AML/CFT assessments, including follow-up assessments, led by other assessor bodies, provided that the following conditions are met:

1. The assessed country meets one of the following criteria: (i) the assessed country has strong financial, trade, economic, or legal linkages with a country or countries that are members of another FSRB [FATF-Style Regional Bodies], and the FSRB of the assessed country does not necessarily have the Fund's global perspective and expertise, or (ii) the Fund has a particular interest in or expertise on a financial integrity-related issue in the assessed country, where such issue is determined to be macro-relevant.

2. The following safeguards are in place: Fund staff's participation in an assessment is explained and delineated by a disclaimer in the assessment report, and Fund can pull out from an assessment if reputational and other risks arise that in the view of staff cannot be adequately mitigated. (SM/20/18, 01/10/20)

Decision No. A/14216-(20/8),
January 22, 2020

Framework Administered Account

TECHNICAL ASSISTANCE—ESTABLISHMENT OF FRAMEWORK ADMINISTERED ACCOUNT

1. Pursuant to Article V, Section 2(b), the Fund adopts the Instrument to establish an account for the administration by the Fund of resources to be contributed by: (i) governments or other official

agencies of countries and (ii) intergovernmental organizations, in accordance with the terms and conditions of the Instrument set forth in the Annex to EBS/01/202.

2. The provisions of the Instrument may only be amended by a decision of the Fund and with the concurrence of the contributors that are financing activities through the account at the time of such decision.

Decision No. 10942-(95/33), April 3, 1995,
as amended by Decision Nos. 11162-(95/121), December 19, 1995,
and 12641-(01/126),
December 6, 2001

ANNEX TO EBS/01/202

Instrument for a Framework Administered Account for Technical Assistance Activities

To help fulfill its purposes, the International Monetary Fund (the "Fund") has adopted this Instrument to establish an account in accordance with Article V, Section 2(b) which shall be governed by, and administered in accordance with, the provisions of this Instrument.

1. The Fund hereby establishes an account (the "Framework Account") for the purpose of the administration of resources to be contributed by: (i) governments or other official agencies of countries and (ii) intergovernmental organizations (individually referred to as a "Contributor," collectively referred to as "Contributors"), in order to finance technical assistance activities of the Fund.

2. The resources provided by Contributors to the Framework Account shall be: (i) grants, or (ii) proceeds of grants or loans that have been received by the Contributor from entities other than the Fund for the purpose of financing technical assistance to the Contributor. The resources may be used by the Fund only for technical assistance activities consistent with its purposes, in accordance with the procedures specified in paragraph 3 of this Instrument.

3. (a) The financing of technical assistance activities shall be implemented through the establishment and operation of subaccounts within the Framework Account. A subaccount may be established with resources from one or more Contributors; with the agreement of the Managing Director and after consultation with the Contributors of such a subaccount, a Contributor may be added to the subaccount following the subaccount's establishment.

(b) The establishment of a subaccount shall be subject to prior approval by the Fund, upon the recommendation of the Managing Director. When recommending approval of the establishment of a subaccount, the Managing Director shall specify the essential terms of the understandings that have been reached between the Contributor(s) and the Managing Director regarding (i) the nature, design and implementation of the technical assistance activities to be financed from the subaccount in question and (ii) the method by which the costs of the technical assistance activities will be financed from resources contributed to the subaccount by the Contributor(s). Further understandings between the Managing Director and the Contributor(s) shall determine the conditions governing and methods used for the disposition of any net contributions for purposes of paragraph 13. Following the establishment of a subaccount, the Fund shall be authorized to use the resources in the subaccount in accordance with the understandings reached between the Contributor(s) and the Managing Director.

4. Costs charged to a subaccount of the Framework Account as a result of costs incurred by the Fund in the performance of technical assistance activities shall be based on standard costs as determined by the Fund, unless otherwise agreed between the Fund and the Contributor(s). A subaccount shall also be charged an amount equivalent to a percentage of such costs so as to help cover the expenses incurred by the Fund in the administration of the technical assistance activities financed from the subaccount in question.

5. Resources in a subaccount may be used to make disbursements to the Fund's General Resources Account as required to reimburse the Fund for expenditures incurred by the Fund on account of any technical assistance activity financed by resources from such subaccount.

6. All transactions and operations of the Framework Account shall be denominated in U.S. dollars.

7. Resource held in a subaccount of the Framework Account pending disbursement shall be invested at the discretion of the Managing Director. Earnings net of any costs associated with such investments shall accrue to the subaccount and shall be available for the purposes of the subaccount.

8. Subject to the requirement of Fund approval specified in paragraph 3, the Managing Director is authorized (i) to make all arrangements, including establishment of accounts in the name of the Fund, as he deems necessary to carry out the operations of the Framework Account; and (ii) to take all other measures he deems necessary to implement the provisions of this Instrument.

9. Assets held in the Framework Account shall be accounted for separately from the assets and property of other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of the Framework Account nor shall the assets of the Framework Account be used to discharge or meet any liabilities, obligations, or losses incurred by the Fund in the administration of such other accounts. The assets and property held in each subaccount of the Framework Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of any other subaccount of the Framework Account.

10. (a) The Fund shall maintain separate financial records and prepare separate financial statements for the Framework Account. Such records and statements, which shall include a breakdown with respect to each subaccount, will be maintained in accordance with generally accepted accounting principles. The financial statements for the Framework Account shall be expressed in U.S. dollars. For each subaccount, a report on the subaccount's expenditures and a review of the activities financed by it shall be prepared by the Fund and furnished to the subaccount's Contributor(s) annually, or more often if agreed between the Contributor(s) and the Managing Director.

(b) The External Audit Firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions conducted through the Framework Account. The audit shall relate to the financial year of the Fund.

(c) The Fund shall report on the position of the Framework Account, including a breakdown with respect to each subaccount, in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the External Audit Firm on the Framework Account.

11. Subject to the provisions of this Instrument, the Fund, in administering the Framework Account, shall apply, mutatis mutandis, the same rules and procedures as apply to the operation of the General Resources Account of the Fund.

12. The Framework Account or any subaccount thereof may be terminated by the Fund at any time; the termination of the Framework Account shall terminate each subaccount thereof. A subaccount may also be terminated by the Contributor of the resources to the subaccount or, in the case of a subaccount comprising resources from more than one Contributor, by all the Contributors participating in the subaccount at the time of termination, provided that a Contributor to such a subaccount may cease its own participation in the subaccount at any time without termination of the subaccount. Termination shall be effective on the date that the Fund or the Contributor(s), as the case may be, receives notice of termination, or such later date, if any, as may be specified in the notice of termination.

13. The Managing Director and the Contributor(s) shall reach understandings under paragraph 3(b) of this Instrument on the disposition upon termination of the subaccount of any balances, net of the amounts of continuing liabilities and commitments under the activities 'financed, that may remain in the subaccount with respect to the Contributor or, in the case of a subaccount comprising resources from more than one Contributor, the Contributors participating in the subaccount at the time of termination. The Managing Director and the Contributor(s) may also reach understandings with respect to retransfer to the Contributor of its contribution, net of the amounts of

continuing liabilities and commitments under the activities financed, prior to termination of the subaccount; absent such understandings, any net contribution shall be retransferred to the Contributor only upon termination of the subaccount.

ESTABLISHMENT OF A NEW FRAMEWORK ADMINISTERED ACCOUNT FOR SELECTED FUND ACTIVITIES

1. Pursuant to Article V, Section 2(b), the Fund adopts the Instrument to establish an account for the administration by the Fund of resources to be contributed by donors, in accordance with the terms and conditions of the Instrument set forth in the Annex to EBS/09/27.

2. The provisions of the Instrument may only be amended by a decision of the Fund, and with the concurrence of the contributors that are financing activities through the account at the time of such decision. Such concurrence may be presumed if contributors do not object within thirty days after the issuance of the proposed amendment to contributors. (EBS/09/27, 3/6/09)

Decision No. 14294-(09/31),
March 27, 2009

ANNEX

Instrument for a Framework Administered Account for Selected Fund Activities

To help fulfill its purposes, the International Monetary Fund (the "Fund") has adopted this Instrument to establish a framework administered account for Selected Fund Activities, which shall be governed by, and administered in accordance with, the provisions of this Instrument.

1. The Fund hereby establishes an account, the "Framework Administered Account for Selected Fund Activities" (the "SFA Framework Account"), for the purpose of the administration of resources to be contributed by (i) donors and (ii) recipients of technical services in relation to the application of the Fund's policies on charging

for technical assistance (individually referred to as a "Contributor," collectively referred to as "Contributors"), in order to finance Selected Fund Activities.

2. For purposes of the SFA Framework Account, "Selected Fund Activities" include:

(a) technical and financial services provided by the Fund consistent with Article V, Section 2(b) of the Fund's Articles, including:

(i) the provision of technical services in the form of technical assistance and training of officials, and

(ii) activities in support of the provision of technical services including, but not limited to research, high-level conferences and international standard setting initiatives, secondments, assignments, and staff exchanges; and

(b) such other activities or services for which the Fund may accept external financing under its policies, consistent with the purposes of the Fund.

3. The resources provided by Contributors to the SFA Framework Account shall consist of:

(i) grants,

(ii) proceeds of grants or loans that have been received by a Contributor from entities other than the Fund, or

(iii) amounts paid in connection with the Fund's policies on country contributions for technical assistance. The resources may be used by the Fund only in accordance with the procedures specified in paragraph 4 of this Instrument.

4. The financing of Selected Fund Activities shall be implemented through the establishment by the Fund of subaccounts within the SFA Framework Account.

(a) The establishment of a subaccount shall be subject to prior approval by the Fund, upon the recommendation of the

Managing Director, with or without a request from a Contributor. When proposing the establishment of a subaccount, the Managing Director shall specify (i) the essential terms and conditions of the subaccount with respect to the nature, design and implementation of the Selected Fund Activities to be financed from the subaccount in question and (ii) the method by which the costs of the activities will be financed from resources contributed to the subaccount.

(b) A subaccount may be used to administer resources from one or more Contributors. The essential terms and conditions of the subaccount may provide for additional Contributors to be added to the subaccount following its establishment, with the consent of the Managing Director and the concurrence of existing Contributors. Each Contributor to a subaccount shall consent to the essential terms and conditions of the subaccount before the Managing Director may accept that the Contributor's resources flow into the subaccount.

(c) Following the establishment of a subaccount, the Managing Director shall be authorized to use the resources in the subaccount in accordance with essential terms and conditions of the subaccount.

5. Costs incurred by the Fund in the performance of Selected Fund Activities and charged to the subaccount shall be based on the prevailing cost system that the Fund employs at the time that relevant activities are financed under the subaccount, unless otherwise agreed between the Fund and the Contributor(s). Each subaccount shall also be charged an amount equivalent to a percentage of costs charged to the subaccount for Selected Fund Activities so as to help cover the expenses incurred by the Fund in the administration of the subaccount in question.

6. Resources held in a subaccount may be used to make disbursements to the Fund's General Resources Account as required to reimburse the Fund for expenditures incurred by the Fund on account of any Selected Fund Activity financed by resources from such subaccount.

7. All transactions and operations of the SFA Framework Account shall be denominated in U.S. dollars.

8. Resources held in a subaccount pending disbursement shall be invested at the discretion of the Managing Director. Earnings net of any costs associated with such investments shall accrue to the subaccount and shall be available for the purposes of the subaccount.

9. Subject to the requirement of Fund approval specified in paragraph 4, the Managing Director is authorized (i) to make all arrangements, including establishment of accounts in the name of the Fund, as he deems necessary to carry out the operations of the SFA Framework Account; and (ii) to take all other measures he deems necessary to implement the provisions of this Instrument.

10. Assets held in the SFA Framework Account shall be accounted for separately from the assets and property of other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of the SFA Framework Account nor shall the assets of the SFA Framework Account be used to discharge or meet any liabilities, obligations, or losses incurred by the Fund in the administration of such other accounts. Unless otherwise specified in the essential terms and conditions of the subaccount, the assets and property held in each subaccount of the SFA Framework Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of any other subaccount of the SFA Framework Account. The essential terms and conditions of the subaccount may authorize the Fund to transfer amounts directly to and from the subaccount to other subaccounts under the SFA Framework Account.

11. (a) The Fund shall maintain separate financial records and prepare separate financial statements for the SFA Framework Account. Such records and statements, which shall include a breakdown with respect to each subaccount, will be maintained in accordance with International Financial Reporting Standards. The financial statements for the SFA Framework Account shall be expressed in U.S. dollars. For each subaccount, a report on the subaccount's expenditures and a review of the activities financed by it shall be prepared by the Fund and furnished to the subaccount's Contributor(s) annually, or more often if agreed between the Contributor(s) and the Managing Director. The essential terms and conditions of the subaccount may provide for direct

reporting on subaccount expenditures by the Fund to specified third parties.

(b) The External Audit Firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions conducted through the SFA Framework Account. The audit shall relate to the financial year of the Fund.

(c) The Fund shall report on the position of the SFA Framework Account, including a breakdown with respect to each subaccount, in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the External Audit Firm on the SFA Framework Account.

12. Subject to the provisions of this Instrument, the Fund, in administering the SFA Framework Account, shall apply, mutatis mutandis, the same rules and procedures as apply to the operation of the General Resources Account of the Fund.

13. A Contributor may cease its participation in the subaccount or withdraw from the subaccount at any time without causing the termination of the subaccount. A Contributor's withdrawal shall become effective on the date that the Fund receives notice of withdrawal, or such later date, if any, as may be specified in the notice of withdrawal.

14. The SFA Framework Account may be terminated by the Fund at any time, upon request of the Managing Director; the termination of the SFA Framework Account shall terminate each subaccount thereof. A subaccount may be terminated by the Fund upon the request of the Managing Director with the concurrence of all Contributors participating in the subaccount at the time of termination. A subaccount may be terminated by the Fund upon the request of a Contributor with the concurrence of the Managing Director and all other Contributors participating in the subaccount at the time of termination.

15. The essential terms and conditions of each subaccount shall specify terms for the disposition upon termination of the subaccount of any balances, net of the amounts of continuing liabilities and commitments under the activities financed, that may remain in the subaccount at the time

of termination. The essential terms and conditions of a subaccount shall also specify the terms of distribution of a contribution of a Contributor, net of the amounts of continuing liabilities and commitments under the activities financed, upon the withdrawal by the Contributor from the subaccount. Unless otherwise provided in the essential terms and conditions of a subaccount, any net contribution held in that subaccount shall be retransferred to a Contributor only upon the Contributor's withdrawal from the subaccount or upon termination of the subaccount.

Policy Support and Policy Coordination Instruments

REVIEW OF THE POLICY COORDINATION INSTRUMENT AND PROPOSAL TO ELIMINATE THE POLICY SUPPORT INSTRUMENT— ELIMINATION OF THE POLICY SUPPORT INSTRUMENT

1. Decision No.13561-(05/85), adopted October 5, 2005, as amended, establishing the Policy Support Instrument, is hereby repealed.

2. References in other Fund decisions to the Policy Support Instrument are hereby deleted. (SM/23/203, 08/31/23)

Decision No. 17563-(23/77),
October 4, 2023

The Acting Chair's Summing Up—
Adequacy of the Global Financial Safety Net—
Proposal for a New Policy Coordination Instrument,
Executive Board Meeting 17/62, July 14, 2017

Executive Directors approved the proposal to establish the Policy Coordination Instrument (PCI), as part of the Fund's broader effort to strengthen the global financial safety net (GFSN). They generally agreed that a new non-financial instrument, designed for countries seeking to unlock financing from multiple sources and/or to demonstrate a commitment to a reform agenda, could enhance the effectiveness of the Fund's toolkit, promote a more efficient allocation of global resources, and help improve coordination with regional financing arrangements and across different layers of the GFSN.

Directors broadly endorsed the objective of the PCI and, with a few caveats, supported its key design features. They agreed that the PCI

should aim to help countries design and implement a full-fledged macroeconomic program to prevent crises and build buffers, enhance macroeconomic stability, or address macroeconomic imbalances. Directors generally concurred that policies supported under the PCI should meet the standard required under an upper credit tranche (UCT) financial arrangement with the Fund. They also agreed that the PCI should be available to all member countries except those that need Fund financial support at the time of PCI approval or those with overdue obligations to the General Resources Account and the Poverty Reduction and Growth Trust (PRGT).

Directors supported the proposed modalities of the new instrument. They generally agreed that a review-based approach to monitoring program conditionality could help alleviate stigma and streamline the review process while preserving the UCT standard and the Executive Board's judgment regarding its decision to complete a review. Directors stressed the need to ensure that the elimination of the requirement for a waiver of non-observance in cases where program quantitative targets were not met does not weaken the positive signaling effect of the PCI and undermine the UCT standard. Directors thus underscored that the completion of a program review under the PCI would require a Board assessment that any deviation from a quantitative or reform target was either minor or temporary, or that sufficient corrective action had been taken to achieve the objectives of the program. They recognized that the review-based approach proposed for the PCI would not have implications for Fund financial arrangements, as this issue had been thoroughly discussed and settled for financial arrangements in 2009.

Directors welcomed the flexibility built into the PCI design. Specifically, they supported a more flexible review schedule, with a short buffer period for authorities to implement overdue policies, take corrective actions, or mobilize necessary financing to close the financing gap. Directors appreciated that, beyond the buffer period, staff would provide an interim performance update for information to the Board. They called for careful communication in cases where non-completion of a review for a twelve-month period results in an automatic termination of the PCI.

Directors noted that an on-track PCI could facilitate access to Fund resources should the member experience a balance of payments need. While the concurrent use of the PCI and Fund financing under

certain instruments would be possible, a few Directors saw a case for cancelling the PCI when a member requests Fund financing, noting conceptual and operational issues with such concurrent use. A number of Directors stressed that access to financing from other GFSN sources would need to respect the mandate and decision-making process of each institution, prompting a need for staff to engage with those prospective financing institutions. At the same time, Directors emphasized the importance of upholding the Fund's independence and reputation. They supported applying the publication regime and misreporting framework similar to those for the PSI, which they considered important to strengthen the signaling effect of the instrument and to safeguard the integrity of Fund assessments under the PCI.

Directors recognized the positive signaling effect of the PSI for PRGT-eligible countries. They noted, however, that the advent of the PCI could potentially give rise to overlaps between the PCI and the PSI, and for this reason, a few Directors would prefer eliminating the latter to maintain a streamlined toolkit. Directors broadly agreed to retain the PSI, pending a comprehensive assessment in the context of the review of facilities for low-income countries in 2018.

Directors noted that the PCI is a form of technical assistance and, as such, charging for the PCI will follow the relevant technical assistance policy. They supported reviewing the instrument after the approval of ten PCI-supported programs or after five years from the adoption of the PCI, whichever is triggered first, or earlier if warranted, given uncertainty about the potential demand for the instrument and resource implications.

BUFF/17/59
July 20, 2017

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 General Resources Account ("GRA") or Poverty Reduction and Growth Trust ("PRGT"); 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 the Fund's GRA, to the PRGT, or to the Resilience and Sustainability Trust ("RST").

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 from the GRA or PRGT 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 (hereinafter "buffer period"), the Board will be provided with an interim performance update by staff, normally for information. Thirty days (hereinafter "grace period") will be added to the buffer period only where within the buffer period (i) a staff-level agreement on the completion of the review of the program under the PCI and on the request for a new arrangement has been reached and announced and (ii) a member expresses its intention to notify the Fund of its decision to cancel the PCI and to make joint requests for the completion of the review of the program under the PCI and for approval of a new arrangement, provided that the grace period will be available only for the Executive Board to consider the joint requests referred to in (ii) above. 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 buffer period that, once lapsed, triggers the interim performance update will be reduced proportionally, provided that the grace period will be added to the buffer period in the circumstances specified in this paragraph.

(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, PRGT, or RST; (b) noncompletion of a review in any of the following circumstances: (i) where reviews are scheduled semi-annually, noncompletion of a review for a fifteen-month period, computed from the scheduled review date of the last completed review or from approval of the PCI plus, where applicable, the expiration of the grace period specified in paragraph 7.b above; and (ii) where reviews are scheduled more frequently than semi-annually, noncompletion of a review for a period of twelve months computed from the scheduled review date of the last completed review or from approval of the PCI plus the lapsing of the buffer period and, where applicable the grace period, specified in paragraph 7.b above; or (c) the approval for the relevant member of an arrangement with the Fund other than a SBA or SCF arrangement or an arrangement under the Resilience and Sustainability Facility. 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. It is expected that the Fund will review the application of this Decision on a five-year interval or earlier, if warranted. (SM/23/203, 08/31/23)

Decision No. 16230-(17/62),
July 14, 2017
as amended by Decision No, 17231-(22/37), April 13, 2022, and
17562-(23/77),
October 4, 2023

The Acting Chair's Summing Up—
Review of the Policy Coordination Instrument and
Proposal to Eliminate the Policy Support Instrument,
Executive Board Meeting 23/77, October 4, 2023

Executive Directors welcomed the review of the Fund's experience with the Policy Coordination Instrument (PCI) since its establishment in 2017, as well as the proposal to eliminate the Policy Support Instrument (PSI). They noted that the PCI is an important part of the Fund's non-financing instruments, which has helped countries signal strong policy commitment to a reform agenda and unlock financing from official and private creditors.

Directors agreed that the PCI has served the membership well and broadly met the goals and expectations set out at its establishment. They also concurred that the strong policy commitment and the flexibility provided under the PCI have played an important role in facilitating access to Fund financing when needed. To ensure that it remains fit for purpose in today's complex global environment, Directors endorsed proposals to enhance the PCI's operational flexibility and clarity, while safeguarding its signaling of strong policy commitment.

Directors supported the proposals to enhance the flexibility of the PCI review schedule, while maintaining regular and uninterrupted signals. To reduce the risk of sending a premature off-track signal, they agreed to extend the PCI automatic termination period, based on the review frequency. This will ensure that countries can always make use of the three-month buffer before the automatic termination of the PCI. Directors also agreed to allow, in exceptional circumstances, an additional 30 days ("grace period") beyond the regular buffer period for the completion of a review under a PCI that is on-track and where the PCI user is transitioning to a Fund arrangement. This adjustment would ensure a smoother transition, reduce administrative burdens, and have limited impact on the signaling value of the PCI. To mitigate any potential complication with the scheduled PCI review dates, Directors welcomed guidance to encourage sufficient time between the fixed review date and the next test date.

Directors saw scope for improving the modalities for concurrent use of the PCI with SBA and/or SCF arrangements. They supported the requirement to demonstrate in staff reports the relevance of retaining the PCI at approval of an SBA and/or SCF arrangement and, if the arrangement exceeds 12 months in length, at subsequent reviews. Directors also supported the clarification that the duration of an SBA and/or SCF arrangement used concurrently with a PCI can extend beyond the end date of the existing PCI and will depend on the length of financing and adjustment needs.

Directors agreed to examine, at the time of the interim review of the RST expected in April 2024, issues regarding concurrent use of the PCI with the RSF. This would allow for a holistic consideration of issues, which cut across many Fund instruments. Such issues include the appropriateness of existing safeguards to ensure that a country requesting an RSF arrangement with a concurrent PCI does not have a BoP gap, and issues of termination of RSF financing when a country transitions from a PCI to a Fund arrangement.

Notwithstanding the very positive experience among PCI users, Directors noted limited awareness of the PCI's benefits by non-users, which may inhibit its take-up and its catalytic role. In this context, they called for an external outreach to communicate these benefits to country authorities, creditors, and the public. In addition, noting that coordination with Regional Financing Arrangements (RFAs) in the context of Fund policy support under a PCI remains untested, Directors recommended closely engaging with RFAs.

Given the lack of demand for the PSI and the universal switch of PSI users to the PCI, Directors endorsed the proposal to eliminate the PSI. While programs supported by the Fund under both instruments meet UCT-quality standards, Directors noted the strong preference of past PSI users for the PCI, given its greater flexibility, universal applicability, and the perception that it is an upgrade relative to the PSI. As such, Directors stressed the importance of clearly communicating that the elimination of the PSI is not expected to have any negative impact on PRGT-eligible countries. More generally, Directors reiterated the importance of maintaining a streamlined and coherent toolkit.

SU/23/142
October 5, 2023

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 General Resources Account ("GRA") or Poverty Reduction and Growth Trust ("PRGT"); 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 the Fund's GRA, to the PRGT, or to the Resilience and Sustainability Trust ("RST").

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 from the GRA or PRGT 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, PRGT, or RST; (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 a SBA or SCF arrangement or an arrangement under the Resilience and Sustainability Facility. 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)

Decision No. 16230-(17/62),
July 14, 2017
as amended by Decision No, 17231-(22/37),
April 13, 2022

Financial Services

Poverty Reduction and Growth Trust

Poverty Reduction and Growth Trust

1. The Fund adopts the Instrument to Establish the Poverty Reduction and Growth Trust (PRGT) that is annexed to this decision.

2. The Fund is committed, if it appeared that any delay in payment by the Trust to lenders would be protracted, to consider fully and

in good faith all such initiatives as might be necessary to assure full and expeditious payment to lenders.

Decision No. 8759-(87/176) ESAF,
December 18, 1987,
as amended by Decision Nos. 9115-(89/40) ESAF, March 29, 1989,
9488-(90/106) ESAF, July 2, 1990,
9555-(90/146) ESAF, September 24, 1990,
9585-(90/161) ESAF, November 15, 1990,
10092-(92/94) ESAF, July 23, 1992,
10287-(93/23) ESAF, February 22, 1993,
10515-(93/162) ESAF, November 29, 1993,
10530-(93/170) ESAF, December 15, 1993,
10532-(93/170) ESAF, December 15, 1993,
11114-(95/110) ESAF, November 20, 1995,
11395-(96/110) ESAF, December 9, 1996,
11434-(97/10), February 4, 1997,
11435-(97/10), February 4, 1997,
11533-(97/67) ESAF, July 2, 1997,
11610-(97/113), December 19, 1997,
11832-(98/119) ESAF, November 20, 1998,
12087-(99/118) PRGF, October 21, 1999,
effective November 22, 1999,
12206-(00/55) PRGF, May 31, 2000,
12228-(00/66) PRGF, June 30, 2000,
12252-(00/77) PRGF, July 27, 2000,
12279-(00/86), August 25, 2000,
12326-(00/111) PRGF, November 10, 2000,
12344-(00/117) PRGF, November 28, 2000,
12545-(01/84) PRGF, August 22, 2001,
12560-(01/85) PRGF, August 23, 2001, effective September 19, 2001,
13374-(04/105) PRGF, November 9, 2004,
13588-(05/99) MDRI, November 23, 2005, effective January 5, 2006,
13590-(05/99) ESF, November 23, 2005, effective January 5, 2006,
13689-(06/24) ESF, March 10, 2006,
13774-(06/78), August 30, 2006, effective December 8, 2006,
13849-(06/108), December 20, 2006,
14153-(08/82), September 19, 2008, effective November 24, 2008,
14253-(09/08), January 27, 2009,
14287-(09/29), March 24, 2009, effective April 1, 2009,

14354-(09/79), July 23, 2009, effective January 7, 2010,
14593-(10/41), April 28, 2010, effective June 1, 2010,
15035-(11/116), December 1, 2011,
15226-(12/83), August 27, 2012,
15303-(13/1), December 21, 2012,
15352-(13/32), April 8, 2013,
15481-(13/103), November 11, 2013,
15482-(13/103), November 11, 2013,
15576-(14/36), April 24, 2014,
15692-(14/109), December 10, 2014,
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17067-(21/64), June 21, 2021,
17076-(21/68), June 30, 2021,
17077-(21/68), June 30, 2021,
17079-(21/71), July 14, 2021,
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17181-(21/121), December 20, 2021,
17231-(22/37), April 13, 2022,
17327-(22/83), September 30, 2022,
17487-(23/46), June 6, 2023,
17507-(23/52), June 27, 2023,
17510-(23/52), June 27, 2023, and
17667-(24/11),
January 29, 2024

ANNEX

Instrument to Establish the Poverty Reduction and Growth Trust

Introductory Section

To help fulfill its purposes, the International Monetary Fund (hereinafter called the "Fund") has adopted this Instrument establishing the Poverty Reduction and Growth Trust (hereinafter called the "Trust"), which shall be administered by the Fund as Trustee (hereinafter called the "Trustee"). The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. *General Provisions*

Paragraph 1. *Purposes*

The Trust shall assist in fulfilling the purposes of the Fund by providing:

(a) loans on concessional terms (hereinafter called "Trust loans") to low-income developing members that qualify for assistance under this Instrument, in order to:

(i) support programs under the Extended Credit Facility (hereinafter called the "ECF") that enable members with a protracted balance of payments problem to make significant progress toward stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth;

(ii) support programs under the Standby Credit Facility (hereinafter called the "SCF") that enable members with actual or potential short-term balance of payments needs to achieve, maintain or restore stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth;

(iii) support policies under the Rapid Credit Facility (hereinafter called the "RCF") of members facing urgent balance of payments needs so as to enable them to make progress towards achieving or restoring stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth; and (iv) for

a transitional period, support programs under the Exogenous Shocks Facility that help members to resolve their balance of payments difficulties whose primary source is a sudden and exogenous shock in a manner consistent with strong and durable poverty reduction and growth; and

(b) grants, for a transitional period, to subsidize post-conflict and/or natural disaster emergency assistance purchases under Decision No. 12341-(00/117) made by low-income developing members as of January 7, 2010, through transfers to the Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account for PRGT Eligible members annexed to Decision No. 12481-(01/45) ("the ENDA/EPCA Subsidy Account").

Paragraph 2. *Accounts of the Trust*

The operations and transactions of the Trust shall be conducted through a General Loan Account, an ECF Loan Account, an SCF Loan Account, and an RCF Loan Account (the latter four accounts collectively referred to herein as the "Loan Accounts"), a Reserve Account, a General Subsidy Account, an ECF Subsidy Account, an SCF Subsidy Account, an RCF Subsidy Account, an ESF Subsidy Account, a Subsidy Reserve Account (the latter six accounts collectively referred to herein as the "Subsidy Accounts"), a Deposit and Investment Account, and a Long-Term Investment Account. The resources of the Trust shall be held separately in these Accounts.

Paragraph 3. *Unit of Account*

The SDR shall be the unit of account for commitments, loans, and all other operations and transactions of the Trust, provided that commitments of resources to the Subsidy Accounts may be made in currency.

Paragraph 4. *Media of Payment of Contributions and Exchange of Resources*

(a) Resources provided under borrowing agreements or donated to the Trust shall be received in a freely usable currency, subject to the

provisions of (c) below, and provided that resources may be received by the Subsidy Accounts in other currencies.

(b) Payments by the Trust to creditors or donors shall be made in U.S. dollars or such other media as may be agreed between the Trustee and such creditors or donors.

(c) Resources provided under borrowing agreements or donated to the Trust may also be made available in or exchanged for SDRs in accordance with such arrangements as may be made by the Trust for the holding and use of SDRs.

(d) The Trustee may exchange any of the resources of the Trust, provided that any balance of a currency held in the Trust may be exchanged only with the consent of the issuers of such currencies.

Section II. *Trust Loans*

Paragraph 1. *Eligibility and Conditions for Assistance*

(a) The members on the list annexed to Decision No. 8240-(86/56) SAF, as amended, shall be eligible for assistance from the Trust.

(b) Assistance under the ECF

(1) Assistance under the ECF shall be committed and made available to a qualifying member under a single arrangement of no less than three years and up to five years (hereinafter called an "ECF arrangement") in support of a macroeconomic and structural adjustment program presented by the member. It would be expected that ECF arrangements would normally be approved for a period of three years, although arrangements for up to five years may also be approved, where appropriate, and if the member so requests. The member shall also present a detailed statement of the policies and measures it intends to pursue for the first twelve months of the arrangement, and indicate how the program advances the member's poverty reduction and growth objectives, in line with the objectives and policies of the program. The ECF arrangement will prescribe the total amount of resources committed to the member, the amount

to be made available during the first year of the arrangement, the phasing of disbursements during that year, and the overall amounts to be made available during the subsequent years of the arrangement. Disbursements shall be phased at regular intervals no more than six months apart (one upon approval and at normally regular intervals thereafter) with performance criteria applicable specifically to each disbursement and appropriate monitoring of key financial variables in the form of quantitative benchmarks and structural benchmarks for critical structural reforms. Structural benchmarks may be targeted for implementation either by a specific date or by the time of a specific review under the ECF arrangement. The ECF arrangement shall also provide for reviews by the Trustee of the member's program scheduled at intervals that are the same as those applicable to disbursements to evaluate the macroeconomic and structural reform policies of the member and the implementation of its program and reach new understandings if necessary. The determination of the phasing of, and the conditions applying to, disbursements after the first year of the ECF arrangement will be made by the Trustee in the context of reviews of the program with the member. At each review, the member will present a detailed statement describing progress made under the program, the policies it will follow during the next 12 months or up to the remaining period of the arrangement to further the realization of the objectives of the program, and how the program advances the country's poverty reduction and growth objectives, with such modifications as may be necessary to assist it to achieve its objectives in changing circumstances.

(2) Before approving an ECF arrangement, the Trustee shall be satisfied that the member has a protracted balance of payments problem and is making an effort to strengthen substantially and in a sustainable manner its balance of payments position under a policy program that supports significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

(3)(i) Subject to subparagraph (ii) below, the Trustee shall not complete the second or any subsequent review under an ECF Financial Services arrangement unless it finds that: (A) the member concerned has a poverty reduction strategy that has been developed and made

publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review; and (B) the poverty reduction strategy has been issued to the Executive Board and has been the subject of a staff analysis in the staff report on a request for an ECF arrangement or a review under an ECF arrangement. A Poverty reduction strategy issued to the Executive Board on or after May 24, 2019 shall be named Poverty Reduction and Growth Strategy (PRGS) and a poverty reduction strategy that has been issued to the Executive Board as an Economic Development Document shall be deemed a PRGS. A PRGS shall comprise any of the following: (a) a document developed by a member country on its national development plan or strategy that is already in existence and publicly available, and documents its poverty reduction strategy; or (b) a document newly prepared by a member country documenting its poverty reduction strategy. 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.

(ii) In cases where a member has limited institutional capacity for meeting the PRGS requirement specified in subparagraph (i) above, the member may request approval by the Executive Board of an extension of the deadline for issuance of the PRGS up until the fourth review under the ECF arrangement. 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: (A) the member can provide adequate justifications based on persistent limited institutional capacity for meeting the PRGS requirement and other urgent priorities; and (B) the member's 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 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.

(iii) For purposes of this Instrument, subject to the terms of Section II, paragraphs 1(b)(3)(i)-(ii) above, the terms I-PRSP, PRSP,

PRSP preparation status report and APR shall have the meaning given to each of them in Section I, paragraph 1 of the PRG-HIPC Trust Instrument (Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended).

(4) A member may cancel an ECF arrangement at any time by notifying the Fund of such cancellation. An ECF arrangement for a member approved after the date of adoption of this decision will automatically terminate before its term if no program review under the arrangement has been completed over a period of eighteen months. The Trustee, at the authorities' request, may decide to delay the termination of the arrangement by up to three months in cases where the reaching of understandings between the authorities and the Trustee on targets and measures to put the ECF-supported program back on track within the term of the arrangement, appears imminent. The ECF arrangement will automatically terminate at the end of the extended period unless a program review under the arrangement is completed within this period. After the expiration of an ECF arrangement for a member, the cancellation of the ECF arrangement by the member, or the automatic termination of the ECF arrangement, the Trustee may approve additional ECF arrangements for an eligible member in accordance with this Instrument.

(c) Assistance under the SCF

(1) Assistance under the SCF shall be committed and made available to a qualifying member under an arrangement (hereinafter called an "SCF arrangement") in support of a macroeconomic and structural adjustment program presented by the member. The period for an SCF arrangement shall range from one to three years. The member shall present a detailed statement of the policies and measures it intends to pursue during the first year of the arrangement, and how the program advances the member's poverty reduction and growth objectives. In addition, the member will make an explicit statement, where applicable, about its intention to treat the SCF arrangement as precautionary. The SCF arrangement will prescribe the total amount of resources committed to the member and the phasing of disbursements during the period of the arrangement; provided that in cases where the period of a SCF arrangement exceeds one year, the

arrangement may prescribe the amount to be made available during the first year of the arrangement and the phasing of disbursements during that year. Disbursements shall be phased at regular intervals no more than six months apart (one upon approval and at approximately regular intervals thereafter) with performance criteria applicable specifically to each disbursement and appropriate monitoring of key financial variables in the form of quantitative benchmarks and structural benchmarks for critical structural reforms. The SCF arrangement shall also provide for reviews by the Trustee of the member's program scheduled at intervals that are the same as those applicable to disbursements to evaluate the macroeconomic and structural reform policies of the member and the implementation of its program and reach new understandings if necessary. In cases where the period of a SCF arrangement exceeds one year, the determination of the phasing of, and the conditions applying to, disbursements during the period of the arrangement following the first year may be made by the Trustee in the context of reviews of the program with the member. At the time of each review, the member will present a detailed statement describing progress made under the program, the policies it will follow during the next twelve months or up to the remaining period of the arrangement to further the realization of the objectives of the program, and how the program advances the country's poverty reduction and growth objectives, with such modifications as may be necessary to assist it to achieve its objectives in changing circumstances. The member may request at any time any previously scheduled and undrawn disbursement under an SCF arrangement, provided that the most recently scheduled review under the arrangement prior to the request has been completed. After the expiration of an SCF arrangement for a member, or the cancellation of the SCF arrangement by the member, or the automatic termination of the SCF arrangement, the Trustee may approve additional SCF arrangements for that member in accordance with the Instrument provided that, normally, no SCF arrangement shall be approved that could result in a member having had SCF arrangements in place for more than three years out of any six-year period, assessed on a rolling basis. In applying this limitation, the Trustee shall not include previously approved SCF arrangements that have expired with no disbursement having taken place or new SCF arrangements whose approval the member has requested and for which the Trustee, at the

time of consideration of the request, assesses that the member does not have an actual balance of payments need.

(2) Before approving a SCF arrangement, the Trustee shall be satisfied (a) that the member does not have a protracted balance of payments problem, and has an actual or potential short-term balance of payment need that is expected (or in the case of a potential balance of payments need, would be expected) to be resolved within two years and in any event not later than three years; (b) that the member's balance of payments difficulties are not predominantly caused by a withdrawal of financial support by donors; and (c) 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, and at achieving, maintaining or restoring a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction.

(3) Notwithstanding subparagraph 2 above, no SCF arrangement shall be approved before January 1, 2010, based solely on the existence of a potential balance of payments need.

(4) The Trustee shall not complete the second or any subsequent review under an SCF arrangement with an initial duration exceeding two years unless it finds that: (A) the member concerned has a poverty reduction strategy that has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review; and (B) the poverty reduction strategy has been issued to the Executive Board and has been the subject of a staff analysis in the staff report on a request for an SCF arrangement or a review under an SCF arrangement. A poverty reduction strategy issued to the Executive Board on or after May 24, 2019 shall be named Poverty Reduction and Growth Strategy Financial Services (PRGS) and shall comprise any of the following: (a) a document developed by a member country on its national development plan or strategy that is already in existence and publicly available, and documents its poverty reduction strategy; or (b) a document newly prepared by a member country documenting its poverty reduction strategy. 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.

(5) A member may cancel an SCF arrangement at any time by notifying the Fund of such cancellation. An SCF arrangement for a member approved after the date of adoption of this decision, which has an initial duration of more than 24 months or is extended to more than 24 months, will automatically terminate before its term if no program review under the arrangement has been completed over a period of eighteen months. The Trustee, at the authorities' request, may decide to delay the termination of the arrangement by up to three months in cases where the reaching of understandings between the authorities and the Trustee on targets and measures to put the SCF-supported program back on track within the term of the arrangement, appears 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.

(d) Assistance under the RCF

(1) Assistance under the RCF shall be made available to a qualifying member through outright loan disbursements. A member requesting assistance under the RCF shall describe in a letter the general policies it plans to pursue to address its balance of payment difficulties, how its policies advance its poverty reduction and growth objectives, and its intention not to introduce measures or policies that would compound its balance of payments difficulties. The member shall also commit to undergoing a safeguard assessment, provide staff with access to its central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with staff. The Trustee will approve support under the RCF only where it is satisfied that the member will cooperate with the Trustee in an effort to find, where appropriate, solutions for its balance of payments difficulties. In exceptional cases, the Managing Director may request that the member implement upfront measures before recommending that the Trustee approve a disbursement under the RCF.

(2) Before approving a disbursement under the RCF, the Trustee shall be satisfied (a) that the member is experiencing an urgent

balance of payments need characterized by a financing gap that, if not addressed, would result in an immediate and severe economic disruption; (b) that the member's balance of payments difficulties are not predominantly caused by a withdrawal of financial support by donors; and (c) normally, that the member either (i) has a balance of payments need that is expected to be resolved within one year with no major policy adjustments being necessary, or (ii) lacks capacity to implement an upper credit tranche-quality economic program owing to its limited policy implementation capacity or the urgent nature of its balance of payments need. If a member has received a disbursement under the RCF within the preceding three years, then any additional disbursements under the RCF may be approved only where the Trustee is satisfied that: (i) the member's balance of payments need was caused primarily by a sudden and exogenous shock, or (ii) the member has established a track record of adequate macroeconomic policies for a period of normally about six-months prior to the request; provided that (A) effective as of January 1, 2022, a member may not receive more than two disbursements under the RCF during any 12-month period; (B) any disbursements between July 13, 2020 and December 31, 2021 shall not count towards the limit set forth in (A) above, and (C) any disbursements made to address an urgent balance of payments need under Section II, Paragraph 2(b)(iv) shall not count towards the limit set forth in (A) above.

(e) General Provisions

(1) A member may not obtain assistance from the Trust under the ECF, SCF or ESF at the same time. So long as the requirements under the Instrument for approval of such assistance have been met, a member may obtain assistance under the RCF when it has an ECF, ESF, or SCF arrangement in place, if (a) disbursements under the relevant arrangement are delayed due to delays in program implementation, the nonobservance of conditions attached to such disbursements or delays in reaching new understandings when necessary, and (b) the member's balance of payments need giving rise to the request for assistance under the RCF is caused primarily by a sudden and exogenous shock.

(2) Commitments under arrangements under this Instrument may be made for the period through December 31, 2029.

(3) The Managing Director shall not recommend for approval, and the Trustee shall not approve, a request for a disbursement under the RCF or an arrangement under this Instrument whenever the member has an overdue financial obligation to the Fund in the General Resources Account, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee (including as Trustee of the Resilience and Sustainability Trust), or while the member is failing to meet a repurchase expectation to the Fund pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action, or is failing to meet a repayment expectation pursuant to Section II, paragraph 3(c) or the provisions of Appendix I to this Instrument, or is failing to meet a repayment expectation pursuant to the provisions of Appendix I of the Instrument to Establish the Resilience and Sustainability Trust, Annex to Decision No. 17231-(22/37).

(4) The Trustee shall not complete a review under an arrangement under this Instrument unless and until all other conditions for the disbursement of the corresponding loan have been met or waived.

Paragraph 2. *Amount of Assistance*

(a)(A) With effect from January 1, 2025, the overall access of each eligible member to the resources of the Trust under all facilities of the Trust as specified in Section I, Paragraph 1(a) shall be subject to (i) an annual limit of 200 percent of quota; and (ii) a cumulative limit of 600 percent of quota, net of scheduled repayments, provided that these percentages of quota shall be immediately reduced to 135 percent of quota and 405 percent of quota, respectively, upon an Executive Board determination that the two general conditions for the effectiveness of quota increases under the Sixteenth General Review of Quotas specified in paragraph 3 of the Board of Governors Resolution No. 79-1, adopted December 15, 2023, have been met. A reduction in access limits under this subparagraph shall not cause members to be subject to the exceptional access criteria set forth in subparagraphs (1)-(4) below of this paragraph if they were not subject to such criteria when the access limits were reduced. The exceptional access criteria will apply if, after the reduction in access limits the Executive Board approves access to PRGT resources (i) under a new arrangement, (ii) through augmentation of access under an arrangement

that was in place before the reduction in access limits, or (iii) through an outright loan under the RCF, in an amount that would cause the member to exceed the overall annual or cumulative access limits in place at that time. The Trustee may approve access in excess of these limits if all of the following criteria are satisfied:

(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 resources under the Trust that cannot be met within the normal limits.

(2) Risks to the sustainability of public debt are adequately contained, which shall be evidenced by, and subject to, the standards set forth below:

I. 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 Bank-Fund Debt Sustainability Framework for Low-Income Countries (the "LIC-DSF") to be at low or moderate overall risk of public debt distress; or

II. Where the member's public debt is assessed to be sustainable but not with high probability (which includes cases where the member's overall risk of public debt distress is assessed to be high or in debt distress), or where the member's debt is assessed to be unsustainable ex ante, access to resources in excess of the normal limits 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 (generally considered to be met for countries that are assessed under the LIC-DSF to be at low or moderate overall risk of public debt distress) (i) within 36 months from Board approval in the case of a new arrangement under this Trust or a loan under the RCF, or within the period of the new arrangement, whichever is longer, or (ii) within the remaining period of an arrangement, in cases where the Board approves a request for an augmentation or a rephasing of access under the arrangement;

(3) The member does not meet the income criterion for presumed blending, as set forth in paragraph 1(a) of Decision No. 17082-(21/71), adopted July 14, 2021, at the time of making a request for resources under this Trust in excess of the access limits set forth in paragraph 2(a)(A) above; and

(4) 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.

(a)(B)(i) During the period from March 22, 2021 to December 31, 2021 (the "Applicable Period"), the annual access limit shall be 245 percent of quota for financing approved through December 31, 2021 (the "Eligible Financing"). For the computation of the annual access under the above specified "Eligible Financing", the annual access limit of 245 percent of quota shall apply for any 12-month period that includes any part of the "Applicable Period."

(a)(B)(ii) Notwithstanding the increase in access limits set forth in Paragraphs 2(a)(A) and 2(a)(B)(i) above, a member's access to PRGT resources approved under an arrangement in place prior to September 9, 2020 that was exempted from the application of Policy Safeguards for High Combined GRA and PRGT Credit set forth in Decision No. 16873-(20/91) will remain subject to observance of the access limits and criteria for exceptional access to the PRGT that were in effect at the time of approval of such arrangement; if access under such an arrangement is augmented, the provisions in paragraphs 2(a)(A) and 2 (a)(B)(i) shall apply to such an arrangement.

(b) Subject to the provisions in subparagraphs (i) to (vi) below the access of each eligible member under the RCF shall be subject to an annual limit of 50 percent of quota, and a cumulative limit of 100 percent of quota, net of scheduled repayments, including where the assistance is requested to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock and the member's existing and prospective policies are sufficiently strong to address the exogenous shock:

(i) each disbursement shall not exceed 25 percent of quota except where the member requests assistance under the RCF to address an

urgent balance of payments need resulting primarily from a sudden and exogenous shock (including a large natural disaster under (ii) below);

(ii) the annual and cumulative access limits under the RCF shall be 80 percent of quota and 133.33 percent of quota, net of scheduled repayments, respectively, where (a) the member requests assistance under the RCF to address an urgent balance of payments need resulting from a natural disaster that occasions damage assessed to be equivalent to or to exceed 20 percent of the member's gross domestic product (GDP) and (b) the member's existing and prospective policies are sufficiently strong to address the natural disaster shock. For the period June 21, 2021 to December 31, 2025, the above cumulative access limit shall be183.33 percent of quota, net of scheduled repayments;

(iii) a member's request for assistance under the RCF to address an urgent balance of payments need resulting primarily from a sudden and exogenous shock shall be subject to a cumulative access limit of 150 percent of quota, net of scheduled repayments for the period from April 6, 2020 to December 31, 2025;

(iv) for a period from September 30, 2022 to March 32, 2024, the Fund may approve financing of up to 50 percent of quota to help a member address an urgent balance of payments need associated with acute food insecurity, increased costs of cereal and fertilizer imports, or cereal exports shortfalls. Access under this subparagraph (iv) shall be fully additional to the annual access limits established under this subparagraph 2(b). A member's access to financing under this subparagraph shall increase the cumulative access limit referred to in subparagraph 2(b)(iii) above to 175 percent of quota until December 31, 2025. Before approving financing under this window, the Fund shall be satisfied that the member has an urgent balance of payments need associated with one of the following:

(1) 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. In assessing the qualification of members under this subparagraph (iv)(1), the

Executive Board would take into account whether the member faces acute food insecurity as defined by the Food and Agriculture Organization (FAO) and World Food Programme (WFP) or a major food crisis per the United Nations Global Report on Food Crisis (UNGRFC), in both cases, based on the most recent publicly available data; or

(2) increased prices of cereal or fertilizer imports that negatively impact the member's external current account where such negative impact amounts to at least 0.3 percent of GDP over a 12-month period, as specified in more detail in SM/22/229; or

(3) cereal exports shortfalls, where the projected negative shock to cereal exports, benchmarked against the previous year, exceeds 0.8 percent of projected GDP for the compensable year[1]; and

(v) outstanding credit by a member under the rapid-access component of the ESF or outstanding purchases from the General Resources Account under emergency post conflict/natural disaster assistance covered by Decision No. 12341-(00/117), shall count towards the annual and cumulative limits applicable to access under the RCF. With effect from July 1, 2015, any purchases from the General Resources Account under the Rapid Financing Instrument shall count towards the annual and cumulative limits applicable to access under the RCF.

(vi) If the Executive Board determines that the general conditions for the effectiveness of quota increases under the Sixteenth General Review of Quotas specified in paragraph 3 of the Board of Governors Resolution No. 79-1 (December 15, 2023) have been met and this determination takes place on or prior to December 31, 2025, the following access limits shall apply:

(1) the percentage of quota referred to in Section II, paragraph (b) with regard to the annual and cumulative access limits under

[1] Ed. Note: Paragraph 5 of Decision No. 17327-(22/83), September 30, 2022, provides: "It is expected that the Fund will review the application of Section II, Paragraph 2(b)(iv) of the PRGT Trust Instrument by end-June 2023."

the RCF shall be changed, respectively, to 35 and 70 percent of quota.

(I) the percentage of quota referred to in Section II, paragraph (b)(i) with regard to the maximum limit on a disbursement under the RCF shall be changed to 17.5 percent.

(III) the percentages of quota referred to in Section II, paragraph (b)(ii) with regard to the annual and cumulative access limit for members experiencing urgent balance of payments needs resulting from the natural disasters as specified in paragraph (b)(ii) shall be changed, respectively, to 55 and 125 percent of quota.

(IV) the percentage of quota referred to in Section II, paragraph (b)(iii) with regard to the cumulative access limit for members experiencing urgent balance of payments needs resulting primarily from a sudden and exogenous shock shall be changed, to 105 percent of quota.

(V) the percentage of quota referred to in Section II, paragraph (b)(iv) with regard to the cumulative access limit specified in subparagraph 2(b)(iii) above for members that have received financing under the RCF under this paragraph (b)(iv) shall be changed to 122.5 percent of quota.

(c) [Ed. Note: The sub-limit on precautionary use of the SCF was repealed by Decision No. 16516-(19/42), May 24, 2019.]

(d) These access limits shall be subject to review from time to time by the Trustee.

(e) To the extent that a member has notified the Trustee that it does not intend to make use of the resources available from the Trust, the member shall not be included in the calculations of the access limits on Trust loans.

(f) The access for each member that qualifies for assistance from the Trust under the ECF, SCF, RCF or ESF shall be determined on the basis of an assessment by the Trustee of the actual or potential balance of payments need of the member, the strength of its adjustment program and capacity to repay the Fund, the amount of the member's

outstanding use of credit extended by the Fund, and its record in using Fund credit in the past. The access for each member that qualifies for assistance under the RCF and ESF shall also take into account the size and likely persistence of the shock (where applicable, in the case of the RCF).

(g) The amount of resources committed to a qualifying member under an ECF, SCF or ESF arrangement may be increased at the time of any review contemplated under the arrangement, to help meet a larger balance of payments need or in the case of an ECF or SCF arrangement, to support a strengthening of the program. The amount committed to a member under an ECF arrangement shall not be reduced because of developments in its 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.

(h) The amount of resources committed to a qualifying member under an ECF or SCF arrangement may also be increased by the Trustee in an ad-hoc review between scheduled reviews under the arrangement to address an increase in the underlying balance of payments problems of the qualifying member where the problem is so acute that the augmentation cannot await the next scheduled review under the arrangement. The Trustee, however, shall not approve requests for augmentation at an ad hoc review if the scheduled review associated with the most recent availability date preceding the augmentation request has not been completed. In support of a request for augmentation between scheduled reviews under an ECF or SCF arrangement, the member will describe in a letter of intent the nature and size of its balance of payment difficulties, and any information relevant to program implementation, including exogenous developments. Before approving such augmentation, the Trustee shall be satisfied that the program remains on track to achieve its objectives at the time of the augmentation, based on the information provided by the member, and, in particular, that the member is in compliance with any continuous performance criteria or that a waiver of nonobservance is justified and

that all prior actions have been met. Requests for augmentation of access that do not exceed 15 percent[1] of quota would be considered for approval on a lapse-of-time basis as provided for in Decision/A/13207, as amended. Following its approval by the Trustee, the augmentation of access under the arrangement will not exceed the amount immediately needed by the member in light of its balance of payments difficulties and will become available to the member in a single disbursement, which the member may request at any time until the availability date of the next scheduled disbursement under the ECF or SCF arrangement. A program review following an augmentation of access under the arrangement between scheduled reviews would be expected to include a comprehensive review of policies under the program. In order to allow the Trustee to undertake such a comprehensive assessment of the member's policies, this review may not be completed on a lapse of time basis.

(i) Any commitment shall be subject to the availability of resources to the Trust.

Paragraph 3. *Disbursements*

(a) Any disbursement shall be subject to the availability of the resources to the Trust.

(b) Disbursements under an arrangement under this Instrument must precede the expiration of the arrangement period. If phased amounts under an arrangement do not become available as scheduled due to delays in program implementation, nonobservance of conditions attached to such disbursements or delays in reaching new understandings when necessary, the Trustee may rephase those amounts over the remaining period of the arrangement. The Trustee may also extend the original period of (i) an ECF arrangement to allow for the disbursement of rephased amounts or to provide additional resources in light of projected developments in the member's balance of payments position,

[1] Ed. Note: This limit will decline to 10 percent upon the effectiveness of the general conditions for quota increases under the 16th General Review of Quotas.

subject to appropriate conditions consistent with the terms of assistance under the ECF, provided that the total period of the arrangement shall not exceed five years overall, and (ii) an SCF or ESF arrangement for up to the overall maximum two-year period referred to in Section II, paragraph 1 (c)(1) and Appendix III, respectively, to allow for the disbursement of rephased amounts or to provide additional resources subject to appropriate conditions consistent with the terms of assistance under the ESF or SCF.

(c) When requesting a disbursement under the SCF, RCF or ESF, the member shall represent that it has a need because of its balance of payments or its reserve position or developments in its reserves. The Trustee shall not challenge this representation of need prior to providing the member with the requested disbursement. If, after a disbursement is made, the Trustee determines that the disbursement took place in the absence of a need, the Trustee may decide that the member shall be expected to repay an amount equivalent to the disbursement, together with any interest accrued thereon, normally within a period of 30 days from the date of the Executive Board decision establishing that the member is expected to make an early repayment. If the member fails to meet a repayment expectation within the period established by the Trustee, (i) the Managing Director shall promptly submit a report to the Executive Board together with a proposal on how to deal with the matter, and (ii) interest shall be charged on the amount subject to the repayment expectation at the rate applicable to overdue amounts under paragraph 4 of this Section.

(d) Following a member's qualification for a disbursement, the disbursement shall be made on the soonest value date for which the necessary notifications and payment instructions can be issued by the Trustee.

(e) No disbursement to a member shall be made after the expiration of the period referred to in Section III, paragraph 3.

(f) In cases of misreporting and noncomplying disbursements of Trust loans, the provisions of Appendix I, which is incorporated at the end of this Instrument, shall apply.

(g) Disbursements under an arrangement to a qualifying member shall be suspended in all the cases specified in Paragraph 1(e)(3) of this Section.

(h) The Trustee's approval of a loan disbursement under the RCF after March 22, 2021 shall automatically expire after 60 days following the date of such approval (the "automatic expiration date") if the Trustee has not received the member's authenticated instructions to request the disbursement of the approved RCF loan. The Trustee, at the member's request made prior to the automatic expiration date, may decide to delay such expiration date for an additional period not exceeding 60 days from the automatic expiration date.

Paragraph 4. *Terms of Loans*

(a) Interest on outstanding balances of Trust loans, and credit under ECF and SCF arrangements and under the RCF approved through April 30, 2025, shall be charged at a rate of zero percent per annum.

(b) Subject to the provisions of Section IV.A, paragraph 5, the interest rates on the outstanding balances of Trust loans under ECF and SCF arrangements, and under the RCF, approved on or after May 1, 2025, shall be as specified below.

(i) For an eligible member that, at the time of the Board approval of the above specified RCF disbursement or of the ECF or SCF arrangement, does not meet the income criterion for presumed blending, as set forth in paragraph 1(a) of Decision No. 17082-(21/71), adopted July 14, 2021 (the "Blending Decision"), interest on all loans under the arrangement, including as it may be extended or augmented, and interest on the Trust loan under the RCF, shall be charged at the rate of zero percent per annum (hereinafter "Tier 1" interest rate);

(ii) Except as specified in subparagraph (iv) below, for an eligible member that, at the time of Board approval of an RCF loan or of an ECF or SCF arrangement, meets the income criterion for presumed blending, as set forth in paragraph 1(a) of the Blending Decision, and does not face debt vulnerabilities that limit its access to international

financial markets as defined in paragraph 1(b) of the Blending Decision, interest on all loans under the arrangement, including as it may be extended or augmented, and interest on the Trust loan under the RCF shall be charged at 70 percent of the SDR interest rate per annum (hereinafter "Tier 2A" interest rate).

(iii) Except as specified in subparagraph (iv) below, for an eligible member that, at the time of Board approval of an RCF loan or of an ECF or SCF arrangement, meets the income criterion for presumed blending, as set forth in paragraph 1(a) of the Blending Decision, but faces debt vulnerabilities that limit its access to international financial markets as defined in paragraph 1(b) of the Blending Decision, interest on all loans under the arrangement, including as it may be extended or augmented, and interest on the Trust loan under the RCF, shall be charged at 40 percent of the SDR interest rate per annum (hereinafter "Tier 2B" interest rate); and

(iv) The following approach shall be adopted in cases involving GDP rebasing, where a member does not meet the income criterion for presumed blending and its GNI per capita does not exceed the IDA operational cutoff by at least 5 percent as of the year before a new rebased GDP is published, it shall not be deemed to have met the income criterion until the member's annual GNI per capita has exceeded the prevailing IDA operational cutoff by at least 5 percent for two consecutive years, not including the year in which the official rebased GDP data is released. For a transitional period, with regard to a member which completed its GDP rebasing after March 11, 2020 and not later than April 30, 2025, the income criterion will be met when the members annual GNI per capita has exceeded the prevailing IDA operational cutoff by at least 5 percent for two consecutive years after, and not including, 2025.

(v) Interest payment shall be due promptly at the end of each IMF financial quarter, in line with the schedule of interest payments to PRGT lenders and with the billing cycle of the GRA and SDR Department.

(c) Notwithstanding the provisions of paragraph (a) or any interest rate determined in terms of the provisions of paragraph (b), interest at a rate

equal to the SDR interest rate shall be charged on the amounts of any overdue interest on or overdue repayments of Trust loans.

(d) Trust loans shall be disbursed in a freely usable currency as decided by the Trustee. They shall be repaid, and interest paid, in U.S. dollars or other freely usable currency as decided by the Trustee. The Managing Director is authorized to make arrangements under which, at the request of a member, SDRs may be used for disbursements to the member or for payment of interest or repayments of loans by the member to the Trust.

(e) The Trustee may not reschedule the repayment of loans from the Trust.

(f) Trust loans under the ECF, RCF and ESF shall be repaid in ten equal semi-annual installments beginning not later than five and a half years from the date of each disbursement and completed at the end of the tenth year after that date. Trust loans under the SCF shall be repaid in nine equal semi-annual installments beginning not later than four years from the date of each disbursement and completed at the end of the eighth year after that date.

Paragraph 5. *Availability Fee*

A charge in the amount of 0.15 percent per annum shall be payable on the full amount of disbursements available during each six-month period under an SCF arrangement, or any shorter period that is remaining under an SCF arrangement, to the extent that such available disbursements were not drawn by the member. The charge shall be paid to the SCF Subsidy Account five days after the end of each relevant period. Payment of the availability fee shall normally be made in SDRs but can also be made in a freely usable currency as decided by the Trustee. The Managing Director shall make the necessary arrangements for the use of SDRs for payment of the availability fee.

Paragraph 6. *Modifications*

Any modification of these provisions will affect only loans made after the effective date of the modification.

Section III. *Borrowing for the Loan Account*

Paragraph 1. *Resources*

(a) For purposes of this Section III, the term "borrowing agreements" shall comprise loan and note purchase agreements, and the term "Trust borrowing" shall comprise loans made to the Trust and notes issued by the Trust, including loans made and notes issued for the purposes set forth in Section III, paragraph 4(b) of this Instrument.

(b) The resources held in the General Loan Account shall consist of:

(i) the proceeds of Trust borrowing for the General Loan Account; and

(ii) payments of principal and interest on Trust loans funded with drawings under borrowing agreements to the General Loan Account, subject to the provisions of Section IV.A, paragraph 4(g) and Section V, paragraph 3 of this Instrument.

(c) The resources held in the ECF Loan Account shall consist of:

(i) the proceeds of loans made to the Trust for the Loan Account of the Trust as of January 7, 2010, unless a lender notifies the Trustee by January 22, 2010, that it wishes to transfer the proceeds of its share in the amounts not yet committed under PRGF and ESF arrangements to another Loan Account.

(ii) the proceeds of Trust borrowing for the ECF Loan Account; and

(iii) payments of principal and interest on Trust loans funded with drawings under borrowing agreements to the ECF Loan Account, subject to the provisions of Section IV.A, paragraph 4(g) and Section V, paragraph 3 of this Instrument.

(d) The resources held in the SCF Loan Account shall consist of:

(i) the proceeds of Trust borrowing for the SCF Loan Account; and

(ii) payments of principal and interest on Trust loans funded with drawings under borrowing agreements to the SCF Loan Account, subject to the provisions of Section IV.A, paragraph 4(g) and Section V, paragraph 3 of this Instrument.

(e) The resources held in the RCF Loan Account shall consist of:

(i) the proceeds of Trust borrowing for the RCF Loan Account; and

(ii) payments of principal and interest on Trust loans funded with drawings under borrowing agreements to the RCF Loan Account, subject to the provisions of Section IV.A, paragraph 4(g) and Section V, paragraph 3 of this Instrument.

Paragraph 2. *Borrowing Authority*

The Trustee may borrow resources for the Loan Accounts on such terms and conditions as may be agreed between the Trustee and the respective creditors, subject to the provisions of this Instrument. For this purpose, the Managing Director of the Trustee is authorized to enter into borrowing agreements and agree to their terms and conditions with creditors to the Loan Accounts of the Trust.

Paragraph 3. *Commitments*

Commitments for drawings under borrowing agreements to the Loan Accounts of the Trust that were entered into before November 30, 1993, shall extend through December 31, 1997, and under borrowing agreements that are entered into after November 30, 1993, shall extend through December 31, 1999. The drawdown period under borrowing agreements to the Loan Accounts of the Trust entered into or amended after September 19, 2001, shall normally extend through December 31, 2018. The drawdown period under borrowing agreements to the Loan Accounts of the Trust entered into or amended after May 31, 2014, shall normally extend through December 31, 2025. The drawdown period may be extended by mutual agreement between the Trustee and the creditor. The Managing Director is authorized to conclude such agreements on behalf of the Trustee.

Paragraph 4. *Drawings under Borrowing Agreements*

(a) The Trustee may draw under borrowing agreements to the General Loan Account for purposes of loan disbursements under any of the facilities of the Trust, provided that it shall draw first (i) under borrowing agreements to the ECF Loan Account for purposes of ECF and ESF loan disbursements, (ii) under borrowing agreements to the SCF Loan Account for purposes of SCF loan disbursements, and (iii) under borrowing agreements to the RCF Loan Account for purposes of RCF loan disbursements, and provided further that before calling on commitments made under new borrowing agreements entered into, or augmented under existing borrowing agreements amended, after May 31, 2014, for disbursements under a facility of the Trust, the Trustee shall aim to first draw resources available for that facility under borrowing agreements entered into before that date, including from the General Loan Account if, and to the extent that, commitments of loan resources for all facilities are considered adequate by the Managing Director. Drawings on the commitments of individual creditors over time shall be made so as to maintain broad proportionality of these drawings relative to commitments to each Loan Account, provided that commitments under borrowing agreements entered into or augmented after May 31, 2014, shall only be taken into account after borrowing agreements entered into before that date have been fully drawn. Drawings under paragraph 4(b) below will not be taken into account for purposes of the proportionality requirement set forth in this paragraph 4(a).

(b) Notwithstanding subparagraph (a) above, the Trustee may draw under one or more borrowing agreements to any Loan Account of the Trust to fund the early repayment of outstanding Trust borrowing under another borrowing agreement to any Loan Account of the Trust ("encashment"), where (i) the terms of all such borrowing agreements permit the Trustee to make drawings to fund such early repayments, and (ii) the creditor requesting early repayment represents that its balance of payments and reserve position (the balance of payments and reserve position of the relevant member if the creditor is the central bank or other official institution of a member) justify the early repayment, and the Trustee, having given

this representation the overwhelming benefit of any doubt, agrees. As from the effective date of such early repayment, the creditor or creditors whose borrowing agreements have been drawn to fund the early repayment shall have the same rights to repayment as the creditor receiving the early repayment had with respect to the encashed claim, including all rights to payments of principal and interest pursuant to paragraph 5 of this Section III. For purposes of Section IV.A of this Instrument, drawings under this paragraph 4(b) shall be considered resources borrowed for the Trust loans for which the disbursements related to the encashed claims were made. Borrowing agreements allowing for encashment shall provide for the same effective maturity dates for drawings under this paragraph 4(b) as apply to encashed claims. Drawings on the commitments of individual creditors under this paragraph 4(b) shall be made with the aim of maintaining broad proportionality of these drawings relative to the commitments of these creditors.

(c) Calls on commitments under borrowing agreements shall be suspended temporarily if, at any time prior to June 30, 1997, in case of a commitment under a borrowing agreement entered into before November 30, 1993, or prior to June 30, 1999, in case of a commitment under a borrowing agreement entered into after November 30, 1993, or prior to June 30, 2018, in case of a commitment under a borrowing agreement entered into after August 31, 2001, or prior to June 30, 2034, in case of a commitment under a loan agreement entered into after May 31, 2014, the creditor represents to the Trustee that it has a liquidity need for such suspension and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. The suspension shall not exceed three months, provided that it may be extended for further periods of three months by agreement between the creditor and the Trustee. No extension shall be agreed which, in the judgment of the Trustee, would prevent drawing of the full amount of the commitment.

(d) Following any suspension of calls with respect to the commitment of a creditor, calls will be made on that commitment thereafter so as to restore as soon as practicable the proportionality of drawings contemplated pursuant to this paragraph 4.

Paragraph 5. *Payments of Principal and Interest*

(a) The Trust shall make payments of principal and interest on its borrowing for the Loan Accounts from the payments into these accounts of principal and interest made by borrowers under Trust loans. Payments of the authorized subsidy shall be made from the Subsidy Accounts in accordance with Section IV.A of this Instrument, and, as required, payments shall be made from the Subsidy Reserve Account and Reserve Account in accordance with Section IV.A and Section V of this Instrument.

(b) The Trust shall pay interest on outstanding borrowing for Trust loans promptly after June 30 and December 31 of each year, unless the particular modalities of a borrowing agreement make it necessary for the Trustee to agree with the creditor on interest payments at other times; provided however that interest on outstanding drawings under borrowing agreements that provide for disbursements in SDRs will normally be paid promptly after April 30, July 31, October 31, and January 31 of each year.

Section IV.A. *Subsidy Accounts*

Paragraph 1. *Resources*

(a) The resources held in the General Subsidy Account shall consist of:

(i) the proceeds of donations made to the Trust for the General Subsidy Account;

(ii) the proceeds of loans made to the Trust for the General Subsidy Account;

(iii) transfers from the Special Disbursement Account in accordance with Section F of Decision No. 14354-(09/79);

(iv) transfers from the Reserve Account in accordance with Section V, Paragraph 5(b)(ii) of this Instrument;

(v) net earnings from investment of resources held in that Account;

(vi) transfers from the Deposit and Investment Account in accordance with Section IV.B, paragraph 3 of this Instrument and transfers from the Long-term Investment Account in accordance with Section IV.C, paragraph 3 of this Instrument;

(b) The resources held in the ECF Subsidy Account shall consist of:

(i) the proceeds of donations made to the Trust for the PRGF-ESF Subsidy Account and the PRGF Subsidy Account as of January 7, 2010, unless a donor notifies the Trustee that it wishes to transfer the proceeds of its outstanding donation to another Subsidy Account by January 22, 2010;

(ii) the proceeds of loans made to the Trust for the PRGF-ESF Subsidy Account and the PRGF Subsidy Account as of January 7, 2010, unless a lender notifies the Trustee that it wishes to transfer the proceeds of its outstanding loan to another Subsidy Account by January 22, 2010;

(iii) the proceeds of donations made to the Trust for the ECF Subsidy Account;

(iv) the proceeds of loans made to the Trust for the ECF Subsidy Account;

(v) transfers from the Special Disbursement Account in accordance with Decision No. 10531-(93/170);

(vi) transfers from the Special Disbursement Account in accordance with paragraph 5(c) of Decision No. 13588-(05/99) MDRI;

(vii) transfers from the Trust for Special Poverty Reduction and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations (PRG-HIPC Trust), in accordance with Section III bis of the Instrument establishing that Trust; and

(viii) net earnings from investment of resources held in that Account.

(c) The resources held in the SCF Subsidy Account shall consist of:

(i) the proceeds of donations made to the Trust for the SCF Subsidy Account;

(ii) the proceeds of loans made to the Trust for the SCF Subsidy Account;

(iii) proceeds from availability fees in accordance with Section II, paragraph 5 of this Instrument; and

(iv) net earnings from investment of resources held in that Account.

(d) The resources held in the RCF Subsidy Account shall consist of:

(i) the proceeds of donations made to the Trust for the RCF Subsidy Account;

(ii) the proceeds of loans made to the Trust for the RCF Subsidy Account; and

(iii) net earnings from investment of resources held in that Account.

(e) The resources held in the ESF Subsidy Account shall consist of:

(i) the proceeds of donations made to the Trust for the ESF Subsidy Account as of January 7, 2010, unless a donor notifies the Trustee that it wishes to transfer the proceeds of its outstanding donation to another Subsidy Account by January 22, 2010;

(ii) the proceeds of loans made to the Trust for the ESF Subsidy Account as of January 7, 2010, unless a lender notifies the Trustee that it wishes to transfer the proceeds of its outstanding loan to another Subsidy Account by January 22, 2010; and

(iii) net earnings from investment of resources held in that Account.

(f) The resources held in the Subsidy Reserve Account shall consist of:

(i) the proceeds of donations made to the Trust for the Subsidy Reserve Account;

(ii) the proceeds of loans made to the Trust for the Subsidy Reserve Account;

(iii) transfers from the Deposit and Investment Account in accordance with Section IV.B, paragraph 3 of this Instrument and transfers from the Long-Term Investment Account in accordance with Section IV.C, paragraph 3 of this Instrument.

(iv) net earnings from investment of resources held in that Account;

(v) payments of overdue principal or interest or interest thereon under Trust loans, and payments of interest under Trust loans to the extent that payment has been made to a creditor from the Subsidy Reserve Account; and

(vi) repayments of the principal under Trust loans, to the extent that resources in the Subsidy Reserve Account have been used to make payments to a creditor due to a difference in timing between scheduled principal repayments to the creditor and principal repayments under Trust loans.

Paragraph 2. *Donations*

The Trustee may accept donations of resources for any of the Subsidy Accounts on such terms and conditions as may be agreed between the Trustee and the respective donors, subject to the provisions of this Instrument. To the extent possible, annual contributions should be made before April 30 of each year. For this purpose, the Managing Director of the Trustee is authorized to accept donations of resources and agree to their terms and conditions with donors to the Subsidy Accounts of the Trust.

Paragraph 3. *Borrowing*

The Trustee may, in exceptional circumstances, borrow resources for any of the Subsidy Accounts from official lenders on such terms and

conditions as may be agreed between the Trustee and the lenders, in order:

(a) to prefinance an amount that is firmly committed to be donated to the Trust for the relevant Subsidy Account; repayment of principal and any payments of interest on such borrowing shall be contingent upon the receipt by the relevant Subsidy Account of the donation that has been prefinanced; and

(b) that the relevant Subsidy Account may benefit from net investment earnings on the proceeds of a loan extended at a concessional interest rate; repayment of principal and any payment of interest on such borrowing shall be made exclusively from the proceeds of liquidation of the investment and the earnings thereon. For this purpose, the Managing Director of the Trustee is authorized to enter into borrowing agreements and agree to their terms and conditions with lenders to the Subsidy Accounts of the Trust.

Paragraph 4. *Authorized Use of Subsidy Accounts*

(a) The Trustee shall draw upon the resources available in the General Subsidy Account to pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for loans under the facilities of the Trust specified in Section I, Paragraph 1 of the Instrument, provided that resources available in the General Subsidy Account shall be drawn upon for these purposes only if there are no other resources immediately available in the ECF Subsidy Account, SCF Subsidy Account, RCF Subsidy Account or ESF Subsidy Account, as the case may be, for these purposes. For purposes of the preceding sentence, resources in the PRG-HIPC Trust that are transferable to the ECF Subsidy Account shall not be considered resources immediately available in the ECF Subsidy Account. The Trustee may also draw upon resources available in the General Subsidy Account for transfer to the ENDA/EPCA Subsidy Account, if there are no other resources immediately available in the ENDA/EPCA Subsidy Account for purposes of the subsidies of post-conflict and/or natural disaster emergency assistance purchases provided by that Account. Any such transfers shall be limited to the amounts needed for subsidy payments.

(b) The Trustee shall draw upon the resources available in the ECF Subsidy Account to pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for loans under the ECF and ESF, provided that resources in the ESF Subsidy Account shall be drawn first, with respect to the interest on ESF loans, before resources in the ECF Subsidy Account are drawn to subsidize ESF loans.

(c) The Trustee shall draw upon the resources available in the SCF Subsidy Account to pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for loans under the SCF.

(d) The Trustee shall draw upon the resources available in the RCF Subsidy Account to pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for loans under the RCF.

(e) The Trustee shall draw upon the resources available in the ESF Subsidy Account to pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for loans under the ESF.

(f) The Trustee shall draw upon the resources available in the Subsidy Reserve Account to:

(i) pay the difference, with respect to each interest period, between the interest due by the borrowers and the interest due on resources borrowed for loans under the facilities of the Trust specified in Section I, Paragraph 1 of the Instrument, provided that resources available in the Subsidy Reserve Account shall be drawn only if there are no other resources available in the relevant Subsidy Accounts for these purposes; or

(ii) to make payments of principal and interest on its borrowing for Trust loans, to the extent that the amounts available from receipts of repayments and interest from borrowers under Trust loans, together with the authorized subsidy under Section IV.A, paragraph 4, are insufficient to cover the payments to creditors as they become

due and payable, provided that resources available in the Subsidy Reserve Account shall be drawn upon for these purposes only if there are no other resources immediately available in the Reserve Account.

(g) Any repayment of principal under Trust loans, to the extent that repayment to a creditor has been made from the Subsidy Reserve Account due to differences in timing between scheduled principal repayments to the creditor and principal repayments under Trust loans, any payments of overdue principal or interest or interest thereon under Trust loans, and any payments of interest under Trust loans to the extent that payment has been made to a creditor from the Subsidy Reserve Account, shall be made to the Subsidy Reserve Account.

Paragraph 5. *Calculation of Subsidy*

(a) The amount of the subsidy shall be determined by the Trustee in the light of (i) the objective of ensuring that the facilities of the Trust are highly concessional facilities and, to the extent possible, of reducing the rate of interest charged on Trust loans in accordance with Section II, paragraphs 4(a), (b), and (c), as well as the objective of subsidizing, as needed, the rate of charge on purchases from the General Resources Account ("GRA") in accordance with the terms of the ENDA/EPCA Subsidy Account; (ii) the rate of interest on resources available to the Loan Accounts and the rate of charge on GRA purchases covered by the ENDA/EPCA Subsidy Account; and (iii) the availability and prospective availability of resources to the Subsidy Accounts of the Trust and the ENDA/EPCA Subsidy Account.

(b) The Trustee shall keep the operation of the Subsidy Accounts under review. If at any time it determines that resources available or committed are likely to be insufficient to reduce the rate of interest on Trust loans in accordance with Section II, paragraphs 4(a), (b), and (c) throughout the operation of the Trust, and to fund needed transfers to the ENDA/EPCA Subsidy Account to subsidize the rate of charge on GRA purchases in accordance with the terms of that Account, then the Trustee shall seek such additional resources as may be necessary to achieve this objective.

(c) Should adequate additional resources not be forthcoming to reduce the rate of interest on Trust loans in accordance with Section II, paragraphs 4(a), (b), and (c), or to fund needed transfers to the ENDA/EPCA Subsidy Account to subsidize the rate of charge on GRA purchases in accordance with the terms of that Account, then the Trustee shall recalculate the subsidy with a view to reducing those interest rates to the lowest feasible rates and funding those transfers to the maximum extent that could be applied throughout the remaining life of the Trust. The rate of interest charged on all outstanding loans by the Trust under the relevant facility shall be adjusted accordingly in the succeeding interest periods, and the level of transfers to the ENDA/EPCA Subsidy Account shall be calculated to achieve the new level of subsidization. Borrowers shall be notified promptly of such adjustments. Further recalculations and adjustments shall be made in subsequent interest periods, as necessary in light of relevant developments, including the rate of interest on resources available to the Loan Accounts, the rate of charge on purchases covered by the ENDA/EPCA Subsidy Account and the availability of resources to the Subsidy Accounts and the ENDA/EPCA Subsidy Account.

(d) If the interest due to creditors for an interest period has exceeded the interest due by borrowers under the relevant facility, together with the authorized subsidy under paragraph 4 of this Section for that period, and payment to creditors of that difference has been made from the Reserve Account in accordance with Section V, paragraph 2, then an amount equivalent to that difference shall be added to the interest due by the relevant borrowers for the succeeding interest period. Payment of that amount shall be made to the Reserve Account in accordance with Section V, paragraph 3. The additional interest due shall not be taken into account in the calculation of the authorized subsidy for that same interest period.

Paragraph 6. *Termination arrangements*

(a) The ESF Subsidy Account shall be terminated after its resources as of January 7, 2010 have been used for subsidy operations in accordance with paragraphs 4(b) and 4(e) of this Section or transferred to other Subsidy Account in accordance with paragraph 1(e) of this Section.

(b) Upon completion of the subsidy operations authorized by this Instrument, the Fund shall wind up the affairs of the Subsidy Accounts. The Fund may also wind up the affairs of any Subsidy Account other than the General Subsidy Account prior to the completion of the overall subsidy operations authorized by this Instrument, if the Fund deems this to be appropriate. In case of termination of a Subsidy Account in accordance with this subparagraph, the remaining resources shall be used as follows:

(i) Any resources remaining in the General Subsidy Account shall be used in a manner consistent with paragraph 4(a) of this Section (i) to reduce to the fullest extent possible the interest rate paid by borrowers in accordance with Section II, paragraphs 4(a), (b), and (c) on loans from the PRGT, by means of payments to such borrowers, and (ii) to fund transfers to the ENDA/EPCA Subsidy Account needed to subsidize the rate of charge on any remaining outstanding GRA purchases in accordance with the terms of the ENDA/EPCA Subsidy Account. Any resources remaining after that subsidization and transfer shall be distributed to the Fund, donors, and creditors that have contributed to the General Subsidy Account, in proportion to their contributions, including donors and creditors of resources transferred from other Subsidy Accounts upon their termination. The resources representing the Fund's share in such distribution shall be transferred to the Special Disbursement Account. Any resources attributable to transfers from the Deposit and Investment Account or from the Long-Term Investment Account shall be transferred to that account.

(ii) Any resources remaining in the ECF Subsidy Account shall be used to reduce to the fullest extent possible the interest rate paid by borrowers on ECF and ESF loans in accordance with Section II, paragraphs 4(a), (b), and (c), by means of payments to such borrowers. Any resources remaining after that subsidization shall be transferred to the General Subsidy Account, provided that a contributor may request that its share in any remaining resources be returned to it.

(iii) Any resources remaining in the SCF Subsidy Account shall be used to reduce to the fullest extent possible the interest rate paid by

borrowers on SCF loans in accordance with Section II, paragraphs 4(a), (b), and (c), by means of payments to such borrowers. Any resources remaining after that subsidization shall be transferred to the General Subsidy Account, provided that a contributor may request that its share in any remaining resources be returned to it.

(iv) Any resources remaining in the RCF Subsidy Account shall be used to reduce to the fullest extent possible the interest rate paid by borrowers on RCF loans in accordance with Section II, paragraphs 4(a), (b), and (c), by means of payments to such borrowers. Any resources remaining after that subsidization shall be transferred to the General Subsidy Account, provided that a contributor may request that its share in any remaining resources be returned to it.

(v) Any resources remaining in the ESF Subsidy Account shall be used to reduce to the fullest extent possible, in accordance with Section II, paragraphs 4(a), (b), and (c), the interest rate paid by borrowers on ESF loans, by means of payments to such borrowers. Any resources remaining after that subsidization shall be transferred to the General Subsidy Account, provided that a contributor may request that its share in any remaining resources be returned to it.

(vi) Any resources remaining in the Subsidy Reserve Account shall be used in a manner consistent with paragraph 4(f) of this Section to reduce to the fullest extent possible the interest rate paid by borrowers in accordance with Section II, paragraphs 4(a), (b), and (c) on loans from the PRGT, by means of payments to such borrowers. Any resources remaining after that subsidization and not attributable to the Deposit and Investment Account or the Long-Term Investment Account shall be transferred to the General Subsidy Account, provided that a contributor may request that its share in any remaining resources be returned to it. Any resources attributable to transfers from the Deposit and Investment Account or the Long-Term Investment Account shall be transferred to that Account.

(vii) For the purposes of the distributions provided for in this paragraph 6, account will be taken of donations, the net earnings from investment of the proceeds of concessional loans extended

to the Subsidy Accounts under paragraph 3(b) above, and the subsidy element of concessional loans extended to the Trust under Section III; the subsidy element associated with such loans shall be calculated as the difference, if positive, between the SDR rate of interest and the interest on such loans, applied to the amount of the loans during the period they were outstanding.

Section IV.B. *Deposit and Investment Account*

Paragraph 1. *Purpose and Resources*

The purpose of the Deposit and Investment Account is to provide a separate vehicle under which the Trust can borrow resources to generate net investment earnings for the benefit of the Subsidy Reserve Account or, at the request of a contributor, the General Subsidy Account. The resources held in the Deposit and Investment Account shall consist of the proceeds from deposit and other investment agreements with contributors and the net earnings on the investment proceeds.

Paragraph 2. *Borrowing for the Deposit and Investment Account*

(a) The Trustee may enter into deposit and other investment agreements for the benefit of the Deposit and Investment Account with the aim of generating net investment earnings from the investment of the resources borrowed. For this purpose, the Managing Director of the Trustee is authorized to enter into deposit and other investment agreements and agree to their terms and conditions with contributors to the Deposit and Investment Account. The borrowed resources shall be invested in accordance with guidelines adopted by the Trustee.

(b) The agreements may provide for the right of a contributor to request the early repayment of the principal amount under its deposit or investment agreement upon representation of a balance of payments need. The contributor shall reconstitute any withdrawn amount as its balance of payments and reserve position improves.

Paragraph 3. *Use of Resources*

(a) Resources in the Deposit and Investment Account derived from net investment earnings shall be transferred to the Subsidy Reserve

Account at the final maturity of the deposit and investment agreement such resources are attributable to; provided that, with the consent of the contributor, the Managing Director is authorized to transfer to the Subsidy Reserve Account at an earlier time resources attributable to that contributor's deposit or investment agreement, to meet the subsidization needs of the Trust.

(b) A contributor may prescribe that investment earnings in the Deposit and Investment Agreement attributable to that contributor's investment be directed to the General Subsidy Account instead of the Subsidy Reserve Account.

Paragraph 4. *Termination Arrangements*

Upon completion of the subsidy operations authorized by this Instrument, the Trustee shall wind down the affairs of the Deposit and Investment Account. Contributors shall be repaid the principal of their deposits or investments and any remaining investment earnings or losses attributed to it.

Paragraph 5. *Repayment of the principal amount and payment of interest to a contributor*

Repayment of the principal amount and any payment of interest to a contributor on any borrowing for the Deposit and Investment Account, including repayment upon maturity, early repayment in accordance with Section IV.B, paragraph 2(b), or repayment in accordance Section IV.B, paragraph 4, shall be made exclusively from resources attributed to the deposit or other investment of this principal amount and the net investment earnings thereon, net of the cumulative interest previously paid to the contributor.

Section IV.C. *Long-Term Investment Account*

Paragraph 1. *Purpose and Resources*

The purpose of the Long-Term Investment Account is to provide a separate vehicle under which the Trust can pool and centralize borrowed resources for generating investment earnings under a long-term

investment strategy for the benefit of the Subsidy Reserve Account, or at the request of a contributor, the General Subsidy Account. The resources held in the Long-Term Investment Account shall consist of the proceeds from long-term investment agreements with contributors and the net earnings on the investment proceeds.

Paragraph 2. *Borrowing for the Long-Term Investment Account*

(a) The Trustee may enter into investment agreements with the Long-Term Investment Account with the aim of generating long-term net investment earnings from the investment of the resources borrowed ("Long Term Investment Agreements"). For this purpose, the Managing Director of the Trustee is authorized to enter into Long-Term Investment Agreements and agree to their terms and conditions with contributors to the Long-Term Investment Account. The borrowed resources shall be invested in accordance with guidelines adopted by the Trustee.

(b) The agreements may provide for the right of a contributor to request the early repayment of the principal amount under its Long-Term Investment Agreement upon representation of a balance of payments need. The contributor shall reconstitute any withdrawn amount as its balance of payments and reserve position improves.

Paragraph 3. *Use of Resources*

(a) Resources in the Long-Term Investment Account derived from net investment earnings shall be transferred to the Subsidy Reserve Account at the final maturity of the investment agreement such resources are attributable to; provided that, with the consent of the contributor, the Managing Director is authorized to transfer to the Subsidy Reserve Account at an earlier time resources attributable to that contributor's Long-Term Investment Agreement, to meet the subsidization needs of the Trust.

(b) A contributor may prescribe that investment earnings in the Long-Term Investment Agreement attributable to that contributor's investment be directed to the General Subsidy Account instead of the Subsidy Reserve Account.

Paragraph 4. *Termination Arrangements*

Upon completion of the subsidy operations authorized by this Instrument, the Trustee shall wind down the affairs of the Long-Term Investment Account. Contributors shall be repaid the principal of their investment and any remaining investment earnings or losses attributed to it.

Paragraph 5. *Repayment of the principal amount and payment of interest to a contributor*

Repayment of the principal amount and any payment of interest to a contributor on any borrowing for the Long-Term Investment Account, including repayment upon maturity, early repayment in accordance with Section IV.C, paragraph 2(b), or repayment in accordance Section IV.C, paragraph 4, shall be made exclusively from resources attributed to the investment of this principal amount and the net investment earnings thereon, net of the cumulative interest previously paid to the contributor.

Section V. *Reserve Account*

Paragraph 1. *Resources*

The resources held in the Reserve Account shall consist of:

(a) transfers by the Fund from the Special Disbursement Account in accordance with Decision No. 8760-(87/176), adopted December 18, 1987, as amended by Decision No. 10531-(93/170), adopted December 15, 1993;

(b) net earnings from investment of resources held in the Reserve Account;

(c) net earnings from investment of any resources held in the Loan Accounts pending the use of these resources in operations;

(d) payments of overdue principal or interest or interest thereon under Trust loans, and payments of interest under Trust loans to the extent that payment has been made to a creditor from the Reserve Account;

(e) transfers by the Fund from the Special Disbursement Account in accordance with Decision No. 10286-(93/23) ESAF, adopted February 22, 1993; and

(f) repayments of the principal under Trust loans, to the extent that resources in the Reserve Account have been used to make payments to a creditor due to a difference in timing between scheduled principal repayments to the creditor and principal repayments under Trust loans.

Paragraph 2. *Use of resources*

(a) The resources held in the Reserve Account shall be used by the Trustee to make payments of principal and interest on its borrowing for Trust loans, to the extent that the amounts available from receipts of repayments and interest from borrowers under Trust loans, together with the authorized subsidy under Section IV.A, paragraph 4, are insufficient to cover the payments to creditors as they become due and payable.

(b) The Trustee may decide to use income from the investment of the resources in the Reserve Account for subsidy purposes by transferring such income to the General Subsidy Account if the Trustee determines that additional subsidy resources are required for the subsidization of outstanding PRGT lending or new lending commitments. The amount of any transfers shall be decided by the Trustee following consultations with all creditors to the Loan Accounts on the adequacy of the Reserve Account to protect claims of the creditors to the PRGT Loan Accounts.

Paragraph 3. *Payments to the Reserve Account*

Any repayment of principal under Trust loans, to the extent that repayment to a creditor has been made from the Reserve Account due to differences in timing between scheduled principal repayments to the creditor and principal repayments under Trust loans, any payments of overdue principal or interest or interest thereon under Trust loans, and any payments of interest under Trust loans to the extent that payment has been made to a creditor from the Reserve Account, shall be made to the Reserve Account.

Paragraph 4. *Review of resources*

If resources in the Reserve Account are, or are determined by the Trustee likely to become, insufficient to meet the obligations of the Trust that may be discharged from the Reserve Account as they become due and payable, the Trustee shall review the situation in a timely manner.

Paragraph 5. *Reduction of resources and liquidation*

(a) Whenever the Trustee determines that amounts in the Reserve Account of the Trust exceed the amount that may be needed to cover the total liabilities of the Trust to creditors that are authorized to be discharged by the Reserve Account, the Trustee shall retransfer such excess amount to the Fund's Special Disbursement Account.

(b) Notwithstanding (a) above, the equivalent of up to SDR 250 million may be transferred from the Reserve Account to the Special Disbursement Account to be used to provide Trust Grants or Trust loans, as defined in the Instrument to Establish a Trust for Special PRG Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations. These transfers will be made only when and to the extent that the Trustee of the Trust established by that Instrument determines that there are no other resources immediately available for this purpose.

(c) Upon liquidation of the Trust, all amounts in the Reserve Account remaining after discharge of liabilities authorized to be discharged by the Reserve Account shall be transferred to the Special Disbursement Account.

Section VI. *Transfer of Claims*

Paragraph 1. *Transfers by creditors*

(a) Any creditor shall have the right to transfer at any time all or part of any claim to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 ("other fiscal agency"), or to any official entity that has been

prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

(b) The transferee shall, as a condition of the transfer, notify the Trustee prior to the transfer that it accepts all the obligations of the transferor relating to the transferred claim with respect to renewal and new drawings, and shall acquire all the rights of the transferor with respect to repayment of and interest on the transferred claim, except that any right to encashment pursuant to Section III, paragraph 4(b) of this Instrument shall be acquired only if the transferee is a member or the central bank or other fiscal agency of a member and, at the time of transfer, the balance of payments and reserve position of the member is considered sufficiently strong in the opinion of the Fund for its currency to be usable in transfers under the Fund's Financial Transactions Plan.

Paragraph 2. *Transfers among electing creditors*

(a) Any creditor to one of the Loan Accounts ("electing creditors") may inform the Trustee that it stands ready, upon request by the Trustee, to purchase claims on the Trust from any other electing creditor, provided that the holdings of claims so acquired shall at no time exceed the amount communicated to the Trustee and subject to the other provisions of this section. A list of electing creditors and the amounts communicated by them shall be established separately by the Trustee. This list may be extended and the amounts therein increased in accordance with communications received subsequently.

(b) An electing creditor shall have the right to transfer temporarily to other electing creditors part or all of any claim arising from its loans to the Trust or note purchases under Section III, if the electing creditor represents to the Trustee that it has a liquidity need to make such transfer and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees.

(c) The Trustee shall allocate each transfer by an electing creditor under this provision to all other electing creditors in proportion to the amounts by which the respective maximum holdings listed in the attachment exceed actual holdings of claims acquired under this provision; provided,

however, that no allocation shall be made to an electing creditor if it represents to the Trustee that it has a liquidity need for exclusion from an allocation and the Trustee agrees, in which case allocations to the remaining electing creditors shall be adjusted accordingly.

(d) The purchaser of any claim transferred under this provision shall assume, as a condition of the transfer, any obligation of the transferor, relating to the transferred claim, with respect to the renewal of drawing on Trust borrowing and to new drawings in the event a renewal, having been requested, is not agreed by the transferor.

(e) Transfers of claims under this provision shall be made in exchange for freely usable currency and shall be reversed in the same media within three months, provided that such transfers may be renewed, by agreement between the transferor and the Trustee, for further periods of three months up to a total of one year. Notwithstanding the above, the transferor shall reverse a transfer under this provision not later than the date on which the transferred claim is due to be repaid by the Trust.

(f) Interest on claims transferred under this Section shall be paid by the Trust to the transferor in accordance with the provisions of the transferor's borrowing agreement with the Trust. The transferor shall pay interest to the transferee(s) on the amount transferred, so long as the transfer remains outstanding, at a daily rate equal to that set out in Rule T-1 of the Fund's Rules and Regulations; such interest shall be payable three months after the date of a transfer or of its renewal, or on the date the transfer is reversed, whichever is earlier.

Section VII. *Administration of the Trust*

Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary; and

(ii) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. *Separation of assets and accounts, audit and reports*

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other trusts and administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument; provided however that for investment purposes, resources of the Trust may be pooled with resources of other trusts or accounts administered by the Fund for the benefit of others under arrangements that allow for the attribution of pooled investments to each relevant trust or account.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or to meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or to meet losses arising out of the administration of the other accounts of the Fund.

(c) The Fund shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the external audit firm on the Trust.

Paragraph 3. *Investment of resources*

(a) Any balances held by the Trust and not immediately needed in operations shall be invested. Investments shall be made as determined by the Trustee in accordance with guidelines adopted by the Trustee from time to time.

Section VIII. *Period of Operation and Liquidation*

Paragraph 1. *Period of operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. *Liquidation of the Trust*

(a) Termination and liquidation of the Subsidy Accounts shall be made in accordance with the provisions of Section IV.A, paragraph 6. Termination and liquidation of the Deposit and Investment Account shall be made in accordance with the provisions of Section IV.B, paragraph 4. Termination and liquidation of the Long-Term Investment Account shall be made in accordance with the provisions of Section IV.C, paragraph 4.

(b) All other resources, if any, shall be used to discharge any liabilities of the Trust, other than those incurred under Section IV.A, and any remainder shall be transferred to the Special Disbursement Account of the Fund.

Section IX. *Amendment of the Instrument*

The Fund may amend the provisions of the Instrument, except this Section and Section I, paragraphs 1 and 2; Section III, paragraphs 4 and 5; Section IV.A, paragraphs 4 and 6; Section IV.B; Section IV.C; Section V; Section VI; Section VII, paragraph 2(a) and (b); and Section VIII, paragraph 2(b).

APPENDIX I

Misreporting and Noncomplying Disbursements Under Poverty Reduction and Growth Facility and Poverty Reduction and Growth Trust Facilities—Provisions on Corrective Action

a. A noncomplying disbursement occurs when (i) the Trustee makes a disbursement to a member in accordance with the Instrument on the basis of a finding by the Trustee or the Managing Director that all applicable conditions established for that disbursement under the terms of the decisions on the disbursement have been observed, and (ii) that finding later proves to be incorrect. For the purposes of these provisions, a condition established under the terms of a decision on a disbursement means a condition specified in the arrangement for the relevant disbursement; in a decision approving the arrangement or approving an outright disbursement; in a decision approving an augmentation of access under an ECF or SCF arrangement during an ad-hoc review, or in a decision completing a scheduled review, or granting a waiver of applicability or for the nonobservance of a performance criterion under the arrangement.

b. Whenever evidence comes to the attention of the staff of the Trustee indicating that a member may have received a noncomplying disbursement, the Managing Director shall promptly inform the member concerned.

c. If, after consultation with the member, the Managing Director determines that the member did receive a noncomplying disbursement, the Managing Director shall promptly notify the member and submit a report to the Executive Board together with recommendations.

d. In any case where the noncomplying disbursement was made no more than four years prior to the date on which the Managing Director informed the member, as provided for in paragraph (b), the Executive Board may decide either (i) that the member will be called upon to make an early repayment, or (ii) that the nonobservance will be waived.

e. If the decision of the Executive Board is to call upon the member to make an early repayment as provided for in paragraph (d)(i),

the member will be expected to repay an amount equivalent to the noncomplying disbursement, together with any interest accrued thereon, normally within a period of 30 days from the date of the Executive Board decision.

f. A waiver under paragraph (d)(ii) will normally be granted only if the deviation from the relevant performance criterion or other 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.

g. If a member fails to meet a repayment expectation under these guidelines within the period established by the Executive Board, (i) the Managing Director shall promptly submit a report to the Executive Board together with a proposal on how to deal with the matter, and (ii) interest shall be charged on the amount subject to the repayment expectation at the rate applicable to overdue amounts under Section II, Paragraph 4 of the Instrument.

h. For the purposes of this decision:

(i) whenever the Managing Director considers there is evidence indicating that a member may have received a noncomplying disbursement, but the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the communication referred to in paragraph (b) may be made by a representative of the relevant Area Department;

(ii) if the Managing Director determines that a member has received a noncomplying disbursement and considers that the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the notification referred to in paragraph (c) may be made by a representative of the relevant Area Department, and the report of the Managing Director contemplated in paragraph (c) shall, wherever possible, be included in a staff report on the relevant member that deals with issues other than the noncomplying

disbursement and shall include a recommendation that the related nonobservance be considered to be de minimis in nature, and that a waiver for nonobservance be granted. In those rare cases when such a staff report cannot be issued to the Board promptly after the Managing Director concludes that a noncomplying disbursement has been made, the Managing Director shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report on the noncomplying disbursement will be prepared for consideration by the Executive Board, normally on a lapse-of-time basis; and

(iii) whenever the Executive Board finds that a noncomplying disbursement has been made but that the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature as defined in paragraph 1 of Decision No. 13849, a waiver for nonobservance shall be granted by the Executive Board.

APPENDIX II

Procedures for Addressing Overdue Financial Obligations to the Poverty Reduction and Growth Trust

The following procedures aim at preventing the emergence or accumulation of overdue financial obligations to the Poverty Reduction and Growth Trust (the "Trust") and at eliminating existing overdue obligations. These procedures will be implemented whenever a member has failed to make a repayment of principal or payment of interest to the Trust ("financial obligation").

1. Whenever a member fails to settle a financial obligation on time, the staff will immediately send a communication urging the member to make the payment promptly; this communication will be followed up through the office of the Executive Director concerned. At this stage, the member's access to the Fund's resources, including Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and HIPC resources, will have been suspended.

2. When a financial obligation has been outstanding for two weeks, management will send a communication to the Governor for that

member stressing the seriousness of the failure to meet obligations to the Trust and urging full and prompt settlement.

3. The Managing Director will notify the Executive Board normally one month after a financial obligation has become overdue, and will inform the Executive Board of the nature and level of the arrears and the steps being taken to secure payment.

4. When a member's longest overdue financial obligation has been outstanding for six weeks, the Managing Director will inform the member concerned that, unless all overdue obligations are settled, a report concerning the arrears to the Trust will be issued to the Executive Board within two weeks. The Managing Director will in each case recommend to the Executive Board whether a written communication should be sent to a selected set of Fund Governors, or to all Fund Governors. If it were considered that it should be sent to a selected set of Fund Governors, an informal meeting of Executive Directors will be held to consider the thrust of the communication. Alternatively, if it were considered that the communication should be sent to all Fund Governors, a formal Board meeting will be held to consider a draft text and preferred timing.

5. A report by the Managing Director 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 brief factual statement noting the existence and amount of arrears outstanding for more than three months will be posted on the member's country-specific page on the Fund's external website. This statement will also indicate that the member's access to the Fund's resources, including Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and HIPC resources, has been and will remain suspended for as long as such arrears remain outstanding. A press release will be issued following the Executive Board decision to limit the member's use of the Trust resources. A similar press release will be issued following a decision to lift such limitation. Periods between subsequent reviews of reports on the member's arrears by the Executive Board will normally not exceed six months. The Managing Director may recommend advancing the Executive

Board's consideration of the reports regarding overdue obligations. The Managing Director 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 Managing Director judges that there is no basis for an earlier evaluation of the member's cooperation with the Fund.

6. The Annual Report and the financial statements will identify those members with overdue obligations to the Trust outstanding for more than six months.

Removal from the list of PRGT-eligible countries

7. When a member's longest overdue financial obligation has been outstanding for six months, the Executive Board will review the situation of the member and may remove the member from the list of PRGT eligible countries. Any reinstatement of the member on the list of PRGT eligible countries will require a new decision of the Executive Board. The Fund shall issue a press release upon the decision to remove a member from the list of PRGT eligible countries. A similar press release shall be issued upon reinstatement of the member on the list. The information contained in such press releases, where pertinent, shall be included in the Annual Report for the year concerned.

Declaration of noncooperation with the Trust

8. A declaration of noncooperation with the Trust may be issued by the Executive Board whenever a member's longest overdue financial obligation has been outstanding for twelve months. The decision as to whether to issue such a declaration would be based on an assessment of the member's performance in the settlement of its arrears to the Trust and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Three related tests would be germane to this decision regarding (i) the member's performance in meeting its financial obligations to the Trust, taking account of exogenous factors that may have affected the member's performance; (ii) whether the member had made payments to creditors other than the Fund while continuing to be in arrears to the Trust; and (iii) the preparedness of the member to adopt comprehensive

adjustment policies. The Executive Board may at any time terminate the declaration of noncooperation in view of the member's progress in the implementation of adjustment policies and its cooperation with the Fund in the discharge of its financial obligations. Upon a declaration of noncooperation, the Fund could also decide to suspend the provision of technical assistance. The Managing Director may also limit technical assistance provided to a member, if in his judgment that assistance was not contributing adequately to the resolution of the problems associated with overdues to the Trust. The Fund shall issue a press release upon the declaration of noncooperation and upon the termination of the declaration. The information contained in such press releases shall be included in the Annual Report(s) for the year(s) concerned.

Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic—Blended Access to Financing Under the PRGT and the GRA

1. A member that is included in the list of members annexed to Decision No. 8240-(85/56) SAF, as amended (i.e., a member eligible for financing under the Poverty Reduction and Growth Trust (PRGT), hereinafter "member") is a "Presumed Blender" in accordance with the criteria set forth below:

a. Income: A member meets the income thresholds for presumed blending if its annual per capita gross national income (GNI) has exceeded the prevailing operational cutoff for assistance from the International Development Association (IDA) by at least 5 percent for two consecutive years (the "income threshold"). Notwithstanding the above, where a member does not meet the income criterion and its GNI per capita does not exceed the IDA operational cutoff by at least 5 percent as of the year before a new rebased GDP is published, it shall not be deemed to have met the income criterion until the member's annual GNI per capita has exceeded the prevailing IDA operational cutoff by at least 5 percent for two consecutive years, not including the year in which the official rebased GDP data is released. For a transitional period, with regard to a member which completed its GDP rebasing after March 11, 2020 and not later than April 30, 2025, the income criterion will be met when the member's annual GNI per capita has exceeded the prevailing IDA operational

cutoff by at least 5 percent for two consecutive years after, and not including, 2025. Once a member has met the income threshold, it shall be deemed to continue to meet the threshold of 95 percent of the IDA operational cut-off.

b. Absence of debt vulnerabilities that limit market access: A member that meets the income threshold as defined in Paragraph 1.a shall be presumed to blend unless it faces debt vulnerabilities that limit its access to international financial markets. A member will be considered to face debt vulnerabilities that limit its access to international financial markets if it is (i) in debt distress or (ii) at high risk of debt distress and either (a) does not meet the criterion of capacity to access international financial markets on a durable and substantial basis for the purpose of graduation from the PRGT eligibility as set forth in Paragraph 1(C)(1)(ii) of Decision No. 14521-(10/3), adopted January 11, 2010, as amended (the "PRGT Eligibility Decision") or (b) is a "small country" or a "microstate", as such terms are defined in paragraph 1 (D) of the PRGT Eligibility Decision.

2. A request by a Presumed Blender for access to PRGT resources shall be approved only in a blend with access to resources in the General Resources Account (GRA). The mix of PRGT and GRA resources shall be provided in a ratio of one to two of PRGT resources to GRA resources, subject to a per arrangement cap on access to PRGT resources set at the norm applicable to ECF and SCF arrangements and subject to the overall limits on access to the PRGT set out in Section II, Paragraph 2 of this Instrument.

3. During the period from December 7, 2023 to December 31, 2024, the cap on access to PRGT resources per arrangement specified in paragraph 2 above shall be increased to 200 percent of quota. The expiration of the temporary increase in the per arrangement access cap set forth in this paragraph shall not affect commitments under existing arrangements that were approved prior to such expiration. The cap on access to PRGT resources of 200 percent of quota per arrangement shall be reduced to 135 percent of quota immediately upon an Executive Board determination that the general conditions for the effectiveness of quota increases under the Sixteenth General Review of Quotas

specified in paragraph 3 of the Board of Governors Resolution No. 79-1 (December 15, 2023) have been met.

Decision No. 17082-(21/71),
July 14, 2021,
Amended on December 15, 2023, and by
17827-(24/98),
October 15, 2024

The Chair's Summing Up—
2023 Review of Resource Adequacy of the Poverty Reduction and Growth Trust, Resilience and Sustainability Trust, and Debt Relief Trusts,
Executive Board Meeting 23/28, April 6, 2023

Executive Directors welcomed the first joint annual review of resource adequacy of the Poverty Reduction and Growth Trust (PRGT), Resilience and Sustainability Trust (RST), and Debt Relief Trusts. They recognized the importance of ensuring that these Trusts are adequately funded given their vital role in helping member countries in the face of a challenging economic environment. They commended countries that already contributed to these Trusts or pledged to support them.

Directors noted the unprecedented scale of zero-interest lending that the PRGT provided to low-income countries (LICs) during 2020–22 to help them address multiple shocks, including the pandemic and the adverse spillovers from Russia's war in Ukraine. They underscored that this critical support was upheld by the 2021 PRGT reforms, which created much-needed borrowing space for LICs.

Directors recognized that higher demand for PRGT borrowing, together with the rapid rise in global interest rates, are putting additional strains on PRGT finances. Noting that immediate implementation of some of the corrective measures envisaged under the 2021 PRGT framework could have a limited impact on PRGT finances while negatively affecting PRGT borrowers, Directors instead endorsed a multi-pronged strategy to address the PRGT's near-term financing needs while advancing efforts required to ensure its longer-term sustainability.

As an immediate priority, Directors called for rapid progress in completing the first stage of the PRGT's two-stage funding strategy through a concerted push to mobilize broadly burden-shared subsidy pledges totaling a further SDR 1.2 billion. Directors agreed that, where feasible, donors should direct subsidy contributions to the Subsidy Reserve Account (SRA) to gain the added benefit of bolstering the PRGT's reserve coverage. Most Directors also saw merit in reallocations from the Subsidy Accounts to the SRA to bolster reserve coverage if needed in the future, with a few Directors calling for early consideration of this option. Directors generally emphasized the need for enhanced monitoring of progress on subsidies and reserves to take timely actions if needed. Directors urged donors to provide the needed remaining pledges in additional loan resources (SDR 3.5 billion) under the 2021 loan fundraising round, including through SDR channeling.

Directors underlined their commitment to a self-sustained PRGT that is fully able to meet the needs of the institution's poorest and most vulnerable members over the longer term. They noted that the 2024/25 comprehensive PRGT review would include an assessment of the appropriate long-term lending envelope as well as the options under the second stage of the funding strategy to sustainably support such PRGT lending, including potential use of Fund internal resources, which could include gold sales, gold pledges, and further suspension of PRGT reimbursement to the Fund, and distributions from Fund reserves. A number of Directors emphasized that adjustments to concessional lending terms, including a tiered interest rate structure, may be needed. Directors looked forward to technical work by staff on the full range of options available, including possible innovative solutions, to facilitate building consensus for timely progress during the 2024/25 review. Many Directors favored early consideration of internal resource use, particularly gold sales.

Directors reaffirmed that substantial progress towards the first stage of the fundraising goals would allow for an ad hoc interim review of PRGT normal access limits, which could consider the feasibility of a temporary increase in line with that recently agreed for the GRA. Given the difficult environment facing LICs, many Directors also favored deferring the next review of PRGT interest rates until the

2024/25 comprehensive PRGT review, while some other Directors preferred to complete the review in July 2023 as originally planned.

Directors recognized that CCRT debt service relief to 31 of the IMF's poorest and most vulnerable members during 2020–22 had freed up scarce financial resources for vital spending to mitigate the impact of the pandemic. They broadly agreed on the need to address the CCRT's severe underfunding so that it can respond to future qualifying events.

Directors welcomed initial operations of the new RST in supporting members to address structural challenges that pose risks to prospective balance of payments stability by providing long-term affordable financing. Noting the strong RST demand from a broad set of eligible members, Directors agreed that pledged resources should be made effective promptly to avoid first-come first-served incentives and ensure even-handedness. The loan resource gap of SDR 6½ billion should also be urgently filled, by seeking additional pledges that can be made effective during 2023–24.

In view of the increase in SDR interest rates, most Directors supported the introduction of a cap at 2.25 percent on the interest rate for the lowest income RST-eligible members to ensure they benefit from affordable lending terms, with a number of Directors expressing their concerns regarding its possible impact on reserve adequacy and the financial base of the trust. Directors underscored the importance of building adequate RST reserves to safeguard the reserve asset status of contributor claims, and called for close monitoring of reserve adequacy to enable the adoption of corrective measures in a timely manner when necessary, with a number of Directors calling for continued exploration of alternative options at the Interim Review of the RST.

Regarding the implementation of RST access policy, Directors noted that all RSF arrangements approved so far had been granted at maximum access. Pointing to the current loan resource gap and the strong RST demand evident from the pipeline of requests, many Directors cautioned against maximum access becoming the norm and emphasized that clear justification is crucial for access levels above the

norm of 75 percent of quota, with a few Directors also emphasizing the importance of the RST's catalytic role. Directors called for redoubled efforts to fill the fundraising gap so that access is not rationed because of lack of resources. They looked forward to a fuller discussion on initial experience with RSF arrangements, including in relation to scope and access, following the Spring Meetings.

SU/23/56,
April 10, 2023

The Acting Chair's Summing Up—
2022 Review of Adequacy of Poverty
Reduction and Growth Trust Finances,
Executive Board Meeting 22/32, April 4, 2022

Executive Directors welcomed the first Review of the Adequacy of Poverty Reduction and Growth Trust (PRGT) Finances since the comprehensive reforms were approved in July 2021. They agreed that the PRGT had provided unprecedented and critical support to low-income countries (LICs) during 2020–21, particularly to meet pandemic-related challenges. Looking ahead, Directors considered it essential for the PRGT to continue supporting LICs to facilitate sustainable post-pandemic recovery and to cope with adverse spillovers from the war in Ukraine.

Directors welcomed the robust shift from emergency financing in 2020 toward multi-year Fund engagement. While the immediacy of the health crisis and sudden drop-in global economic activity had necessitated an urgent response, they considered that close engagement under multi-year Fund-supported arrangements is better placed to lay the foundations for sustained recovery.

Directors expressed concerns that prospects for many LICs had been further disrupted by the war in Ukraine, with spillovers through pressures on food and fuel prices threatening social stability and food security, in addition to existing challenges. They considered that these adverse developments made it more likely that demand for concessional financing would remain elevated over the near and medium terms.

In that context, Directors were reassured by the expansion of LICs' concessional borrowing space from the 2021 PRGT reforms. They underscored that PRGT arrangements could support LICs in developing appropriate policy responses to recent challenges. Directors also noted that the unprecedented increase in PRGT credit outstanding reduced the reserve account coverage ratio below its historical average and called for close monitoring. Directors welcomed staff's assurances that the Board would be quickly alerted if the reserve coverage ratio is projected to drop below 20 percent. Moreover, they highlighted that risks from elevated lending levels should be mitigated by the Fund's multilayered risk management framework, continued reliance on multi-year program engagement, and full implementation of the enhanced safeguards on debt sustainability and capacity to repay introduced in 2021.

Directors endorsed the resilient design of the two-stage funding strategy for the PRGT. While the Baseline lending scenario already allows for historically elevated lending until 2024, they welcomed that the strategy is sufficiently robust to accommodate a High Case scenario. Directors concurred that, if such a scenario arose, additional subsidy needs would be addressed in the second stage of the funding strategy, as part of the next comprehensive review of the PRGT planned for 2024/25. The further use of IMF internal resources, including gold sales, would be carefully considered at that time to ensure the long-term sustainability of the PRGT. Many Directors, therefore, saw merit in commencing early analytical work on the potential use of internal Fund resources ahead of the second funding stage, while some other Directors emphasized the importance of waiting to undertake this work during the next review. A few Directors underscored that extending the suspension of the reimbursement of administrative expenditures to the GRA for a longer period would be a low hanging fruit to strengthen PRGT finances.

Directors welcomed the generous pledges for loan and subsidy resources made by many members. They expressed concerns, however, about the significant shortfall in the pledges compared to the loan and subsidy targets for the first stage of the funding package agreed in July 2021, especially in view of upside risks to PRGT demand and

the potential risks to the PRGT's self-sustained lending capacity. In this regard, Directors encouraged economically stronger members to contribute to the agreed broad burden-shared funding campaign and redouble their efforts to make pledges in a timely manner, utilizing the flexibility available in timing and modalities as needed. Directors also urged strong continued engagement by staff and management.

Directors agreed that PRGT finances were evolving broadly in line with the 2021 assessment and that more time was needed for efforts to mobilize PRGT resources to meet the agreed first stage funding targets. They considered that, while contingent measures are not warranted at the current juncture, recent developments reinforced the importance of keeping the adequacy of PRGT resources under close review. If significant resource shortfalls were to emerge, Directors noted that corrective measures could be taken if deemed appropriate. They therefore looked forward to the next annual Review of the Adequacy of PRGT Finances, while calling for interim informal updates as needed.

Directors noted that the Catastrophe Containment and Relief Trust (CCRT) remains underfunded and emphasized the need for additional grant resources to replenish its cash buffer. They looked forward to the comprehensive CCRT review planned for FY2023.

SU/22/53,
April 7, 2022

The Acting Chair's Summing Up—
Eligibility to Use the Fund's Facilities for
Concessional Financing, 2019,
Executive Board Meeting 20/18, February 19, 2020

Executive Directors welcomed the opportunity to review the PRGT eligibility framework and the associated list of PRGT-eligible countries, and to consider staff's proposals for refining the framework. They emphasized that PRGT eligibility should continue to be guided by a framework that is transparent and rules-based, ensures uniformity of treatment among members, and preserves the Fund's scarce concessional resources for the use of low-income members that are in most need, while maintaining the self-sustainability of PRGT lending.

Directors reiterated that the eligibility framework should remain broadly aligned with International Development Association (IDA) practice, while allowing scope for some differences given the different mandates of the two institutions.

Directors concurred that the existing framework remains broadly appropriate while generally supporting the proposed refinements to improve the assessment of market access, and the extension of the transition period before graduation decisions become effective. They underscored the importance of a robust communication strategy and early engagement with countries that may be graduation candidates in upcoming reviews, to ensure a smooth transition process.

Directors agreed that for the purpose of assessing past market access borrowing from international financial markets below 2 percent of quota in any given year should not count as market access in evaluating the durability requirement for both graduation from and entry into PRGT eligibility. They also supported the proposed clarifications to the definition of commercial borrowing, which would generally exclude borrowing by public corporations on the basis of their own balance sheets and without sovereign guarantees, and would also exclude borrowing that is guaranteed or subsidized by an official external entity and loans from foreign state-owned banks. In this context, some Directors stressed the importance of debt transparency.

Directors broadly supported the proposed modifications related to database use, confirming that the IDS database will be the primary data source used to assess past market access. They agreed that use of this data source will simplify data sourcing, improve data accuracy, and enhance evenhandedness by ensuring that the same five-year period is used to assess market access in all member countries. Directors welcomed the clarifications with respect to the assessment of whether a country "could have tapped" international markets on a durable and substantial basis, even though the scale or duration of actual borrowing fell short of the specified thresholds for past market access. They emphasized the need to follow the "could have tapped" principle in an evenhanded manner across the membership, taking into account country specificities.

Directors concurred that the proposed modifications for assessing market access in the PRGT eligibility framework should also apply to assessments of past market access under the PRGT's blending and exceptional access frameworks. These modifications consist of (i) the use of one primary data source to assess past market access, (ii) the exclusion of de minimis borrowing below 2 percent of quota from indicating market access in that year, and (iii) the clarifications to the definition of commercial borrowing.

Directors welcomed the proposed clarifications with respect to how serious short-term vulnerabilities are assessed. They noted the importance of paying attention to risks stemming from climate change, natural disasters, structural weaknesses, and social unrest in making such assessments, giving due consideration to both historical and forward-looking indicators of risk. Directors also considered it important to ensure that the assessment of vulnerabilities yields consistent outcomes to avoid premature graduation.

Directors generally agreed with the extension of the transition period for the deferred effectiveness of graduation decisions from three to five months to allow adequate time to conclude any ongoing discussions on and obtain Board approval for PRGT financing or support under the Policy Support Instrument (PSI). Directors supported the proposed graduation of Guyana from PRGT eligibility, noting that its graduation is a positive and welcome step signaling Guyana's sustained progress in achieving higher levels of income.

Directors agreed that other members that currently meet the income and/or market access criteria face serious short-term vulnerabilities that preclude graduation from PRGT eligibility during this review.

Directors concurred that no non-eligible members are currently eligible for entry onto the list of PRGT-eligible countries. Directors agreed that the next review of PRGT eligibility would be held on the standard two-year cycle.

SU/20/26,
February 21, 2020

The Acting Chair's Summing Up—Eligibility to Use the Fund's Facilities for Concessional Financing, 2017, Executive Board Meeting 17/38, May 15, 2017

Executive Directors welcomed the opportunity to review the PRGT-eligibility framework and the associated list of PRGT-eligible countries. They emphasized that PRGT eligibility should continue to be guided by a framework that is transparent and rules-based, ensures uniformity of treatment among members in similar circumstances, and preserves the Fund's scarce concessional resources for the use of low-income members that are most in need, while maintaining the self-sustainability of PRGT lending. Directors reiterated that the eligibility framework should remain broadly aligned with International Development Association (IDA) practices, while allowing scope for some differences given the different mandates of the two institutions.

Directors generally concurred that the existing framework remains broadly appropriate, and did not see a need to introduce changes at this time. In this context, they noted that none of the countries that graduated recently from the PRGT-eligibility list are currently at risk of re-entering it.

Directors agreed that no members are currently eligible for entry onto, or graduation from, the list of PRGT-eligible countries. They encouraged staff to continue monitoring closely the potential demand for PRGT resources, underscoring the importance of maintaining the self-sustained capacity of the PRGT. In this regard, Directors welcomed that the decision to keep the list of PRGT-eligible countries unchanged at this review is consistent with the principle of self-sustainability of the PRGT. Noting that 13 countries meet the income and/or market access criteria but are assessed to face serious short-term vulnerabilities,

Directors emphasized the importance of continuing to help these countries address these vulnerabilities and move towards graduation.

Directors agreed that the next review of PRGT eligibility would be held on the standard two-year cycle.

BUFF/17/27,
May 17, 2017

The Acting Chair's Summing Up—
Eligibility to Use the Fund's Facilities for Concessional Financing,
Executive Board Meeting 15/73, July 17, 2015

Executive Directors welcomed the opportunity to review the eligibility framework and the associated list of PRGT-eligible countries, and to consider staff's proposals for enhancing the framework. Directors concurred that PRGT-eligibility should continue to be guided by a framework that is transparent and rules-based to reserve access to Fund's concessional financing for members with low income per capita levels and without durable and substantial access to financing in international markets. Directors agreed that the eligibility framework should ensure uniformity of treatment among members, while taking account of country-specific circumstances. Additionally, the framework should remain consistent with the self-sustainability of PRGT lending capacity over time and broadly aligned with International Development Association practices, allowing scope for some differences in graduation criteria between the Fund and the World Bank given the different mandates of the two institutions.

Directors broadly agreed with staff's proposals to enhance the existing framework by: (i) making use of additional data sources in assessing that a country has durable and substantial market access; and (ii) limiting the application of the serious short-term vulnerabilities criterion so that it would not preclude the graduation of a country with income per capita exceeding the applicable graduation threshold by 50 percent or more. In this context, Directors generally agreed that including domestic and/or private external debt in the assessment of overall debt vulnerabilities would help align the PRGT framework with the latest debt sustainability framework.

Directors supported the graduation of Bolivia, Mongolia, Nigeria, and Vietnam from PRGT eligibility. They generally supported staff's proposals regarding the non-graduation of other members that meet one or both of the graduation criteria but which are prevented from graduation by the presence of serious short-term vulnerabilities. Directors highlighted the need for continued monitoring of the remaining PRGT countries facing serious short-term vulnerabilities and for the Fund to stand ready to provide concessional finance should balance-of-payments

needs emerge. They underscored the need for early engagement and communication on the graduation process with the countries concerned. Directors agreed that there were no new countries that met the entry criteria. More generally, they recommended careful monitoring of graduating economies to minimize the risk of reverse graduation especially in light of the current global financial environment. A number of Directors highlighted that they would have preferred a framework that would allow for flexibility in the graduation process, including continued concessional financing in the immediate period after graduation.

Directors agreed that the next review of PRGT eligibility would be held on the standard two-year cycle.

BUFF/15/68
JULY 23, 2015

AMENDMENT TO THE POVERTY REDUCTION AND GROWTH TRUST INSTRUMENT AND FLOOR FOR THE SIX-MONTH DERIVED SDR INTEREST RATE

1. …

2. …

3. The Executive Board endorses staff's understanding set out in SM/16/259 regarding the implications of a negative six month derived SDR interest rate on outstanding claims under PRGT borrowing agreements subject to this rate. (SM/16/259, 09/13/16)

Decision No. 16051-(16/86),
September 20, 2016

ATTACHMENT

Zero Percent Floor on Six-Month Derived SDR Interest Rate on Borrowed Resources for the PRGT[1]

10. The six-months derived SDR interest rate formula, which is used in currency borrowing agreements for the PRGT, could result

[1] Ed. Note: Reproduced from SM/16/259, 09/13/16, pp. 7–8.

in a negative rate. Outstanding claims under loan and note purchase agreements to the PRGT are either remunerated at the official SDR rate in the case of agreements that, as a rule, provide for drawings in SDR, or at the six-month derived SDR rate, in the case of agreements that, as a rule, provide for drawings in currency (currency agreements). The six-month derived SDR interest rate is currently based on: (1) the U.S. treasury bill rate, (2) the Japanese treasury bill rate, (3) the Euribor, and (4) the Libor (all at six months maturity).[1] The percentage weight of each interest rate instrument in the calculation of the six-month derived SDR interest rate is based on the corresponding weight of each relevant currency in the valuation of the SDR. While the Executive Board adopted a floor of 0.05 percent or five basis points for the official SDR interest rate on October 24, 2014,[2] there is no explicit floor on the six-month derived SDR interest rate. During the current mobilization round, staff has received questions from lenders using currency agreements on what would happen if the interest formula resulted in a negative rate during the low-interest rate environment.

11. In the view of staff, the current PRGT borrowing agreements and the PRGT Instrument provide no basis for charging PRGT lenders a negative rate and a zero percent interest rate floor would automatically be applied in the event the six-month derived SDR rate turned negative. While the interest rate formula for the six-month derived SDR rate could result in a negative rate, neither the PRGT borrowing agreements nor the PRGT Instrument contemplate those charges as a result of a negative interest rate be paid by creditors. In particular, the PRGT Instrument does not include any mechanism for interest payments by PRGT lenders. Furthermore, neither the PRGT Instrument nor the individual agreements require a minimum interest payment by the PRGT. Rather, the PRGT Instrument permits a zero percent interest rate on PRGT loans and has no requirement that remuneration be paid on PRGT borrowing. In light of

[1] Effective October 1, 2016, the six-month Chinese Treasury bill rate will be added to the six-month derived SDR interest rate and the Euribor will be replaced with the six-month Euro-denominated euro government bond yield for bonds rated AA and above, as published by the European Central Bank.

[2] Ed. Note: See Decision No. 15676-(14/94), adopted October 24, 2014.

the foregoing, staff is of the view that a zero percent interest rate floor should be applied to outstanding claims under PRGT loan and note purchase agreements in the event that the six-month derived SDR interest rate formula resulted in a negative rate. The Executive Board is asked to endorse this understanding in the proposed decision to this paper. Upon such endorsement, staff would inform all PRGT creditors using currency agreements of this approach, and new PRGT currency agreements would include a clause clarifying the zero percent floor in case the six-month derived SDR interest rate formula produces a negative rate.

Financing for Development—Enhancing the Financial Safety Net for Developing Countries—Review of Poverty Reduction and Growth Trust Access Limits

1. The Fund as Trustee of the Poverty Reduction and Growth Trust ("PRG Trust") has reviewed the limits of overall access by eligible members to the resources of the Trust under all facilities pursuant to Section II, paragraph 2(d) of the PRG Trust, and decides as follows:

a. The percentages of quota referred to in Section II, paragraph 2(a) with regard to the annual and cumulative limits of overall access under all facilities shall be changed from 150 percent to 75 percent and from 450 percent to 225 percent respectively.

b. The percentages of quota referred to in Section II, paragraph 2(a) with regard to the maximum annual and cumulative limits of overall access under all facilities applicable when a member is experiencing an exceptionally large balance of payments need shall be changed from 200 percent to 100 percent and from 600 percent to 300 percent respectively.

c. The percentages of quota referred to in Section II, paragraph 2(b) with regard to the annual and cumulative limits of access under the RCF shall be changed from 37.5 percent to 18.75 percent and from 150 percent to 75 percent respectively.

d. The percentages of quota referred to in Section II, paragraph 2(b) with regard to the annual and cumulative limits of access under the RCF to address an urgent balance of payments need resulting primarily

from a sudden and exogenous shock shall be changed from 75 percent to 37.5 percent and from 150 percent to 75 percent respectively.

e. The percentages of quota referred to in Section II, paragraph 2(c) with regard to the limits of access at approval of an SCF arrangement that is approved in the absence of an actual balance of payments need shall be changed from 75 percent to 37.5 percent with regard to the average annual access and from 112.5 percent to 56.25 percent with regard to annual access.

2. This decision will become effective when the conditions specified in paragraph 3 of the Board of Governors Resolution No. 66-2 (December 15, 2010) are met and will apply to assistance under the PRGT committed after its date of effectiveness. (SM/15/134, Sup. 1, 06/25/15)

Decision No. 15819-(15/66),
July 1, 2015

The Acting Chair's Summing Up—
Poverty Reduction and Growth Trust—
Review of Interest Rate Structure,
Executive Board Meeting 19/42, May 24, 2019

Executive Directors welcomed the opportunity to review the interest rates charged on credits extended from the Poverty Reduction and Growth Trust (PRGT). They agreed to align the mechanism for determining interest rates to be charged on credit provided under the Stand-by Credit Facility (SCF) with the interest rate mechanism applicable to credit provided under the Extended Credit Facility (ECF), while keeping the latter unchanged. They noted that this change is consistent with the package of reforms adopted in the parallel Review of Facilities for Low-Income Countries.

Directors noted that the change in the interest rate mechanism applicable to SCF credit would simplify the structure of interest rates on concessional lending, making it more like the structure of interest rates charged on non-concessional loans, financed through the General Resources Account (GRA). Directors agreed that the proposed changes are consistent with preserving the fundamental logic of the

PRGT interest rate mechanism, while modestly increasing the overall degree of concessionality of PRGT financing. They noted that the additional subsidy costs can be financed within the PRGT's self-sustaining financing envelope in the context of the full reform package, as discussed in the Review of the Financing of the Fund's Concessional Assistance and Debt Relief to Low Income Countries.

Based on the revised interest rate mechanism and the most recent 12-month average SDR rate, Directors supported staff's proposal to set interest rates on all ECF and SCF credit at zero until June 2021 in the context of a persistently low global interest rate environment. The interest rate on credit provided under the

Rapid Credit Facility (RCF) was set at zero on a permanent basis in 2015. Directors also supported the staff's proposal to waive interest rate charges on the outstanding legacy credit under the Exogenous Shocks Facility (ESF) until November 2020, by which time all the credit previously extended under the ESF is scheduled to be fully repaid, or until the time of the next review. The next review of the PRGT interest rate mechanism is scheduled to take place no later than June 2021.

SU/19/74
May 30, 2019

The Chairman's Summing Up—
Building Resilience in Developing Countries
Vulnerable to Large Natural Disasters,
Executive Board Meeting 19/33, May 1, 2019

Executive Directors welcomed the opportunity to take stock of ongoing staff work on building resilience to natural disasters in vulnerable countries, including the efforts being made to incorporate disaster risks into macroeconomic frameworks and into Fund surveillance more generally.

Directors agreed that natural disasters can have significant and long-lasting effects on economic well-being in many developing countries, particularly small, fragile, and low-income states, and that the frequency and intensity of weather-related shocks are expected

to further increase as climate change evolves. They underscored that the social and economic impact of natural disasters can be mitigated through policies to build resilience, including targeted investments in infrastructure and the effective use of available financial instruments.

Directors agreed that incorporating disaster risk is an important component of sound macroeconomic management in countries where risks of large-scale natural disasters are significant. They agreed that the Fund, in collaboration with the World Bank and other development partners, can help vulnerable countries assess the trade-offs between development needs, rising debt vulnerabilities, and the benefits of ex ante resilience building. Most Directors agreed that the Fund's approach to resilience building should extend to slower-onset disasters, which can also have a detrimental impact on countries.

Directors welcomed the suggested three-pillar approach to resilience-building as a useful framework for analyzing policy options in a systematic fashion and for identifying key priorities. They noted that the approach was informed by the Sendai Framework for Disaster Risk Reduction and the work of the World Bank on disaster risk management and insurance strategies. They agreed that many small, fragile, and low-income countries face significant capacity constraints in developing a full strategy for building resilience, which can severely impair the ability of governments to make effective use of external support, and noted that the Fund and the World Bank are well placed to assist countries in overcoming these capacity gaps. While noting the important role of development partners in supporting national efforts, Directors emphasized that government ownership is crucial in building resilience to natural disasters.

Directors saw merit in governments in vulnerable countries developing a national disaster resilience strategy (DRS), drawing on support from the international financial institutions. The Fund could take a lead role in helping countries develop a macroeconomic policy framework that adequately reflects both disaster costs and returns from resilient investment and that identifies the fiscal actions to support the policy framework. The World Bank and other development banks could take a lead role in helping countries identify and assess disaster vulnerabilities and in prioritizing investment needs. Directors highlighted

the need for Fund staff to collaborate closely with the World Bank in supporting country efforts, with a few Directors underscoring the core expertise of the Bank in key areas where support would be needed.

Overall, a DRS would provide a roadmap for policy design and sequencing, and facilitate coordination of donor support for national plans. Directors remarked that the DRS would focus national attention on active preparation for disasters while providing an anchor for support from development partners. Directors noted scope for further clarifying the details of coordination, sequencing, and responsibilities of different stakeholders in developing an effective country-owned DRS. They also highlighted that the development of a DRS would benefit from peer learning and experience-sharing among countries and agencies. Directors agreed that a credible DRS could help catalyze higher levels of financial support from bilateral donors, climate funds, and other sources, and welcomed the interest expressed by some Caribbean authorities in developing such strategies.

Directors emphasized that the use of risk-transfer instruments should figure more prominently in government measures to improve financial resilience to disasters, while recognizing the challenges involved in developing insurance markets that provide reasonable premium levels relative to expected annual payouts. They welcomed the efforts of donor countries to support insurance market development and strengthen risk pooling. Directors broadly supported additional work by the Fund, in collaboration with the World Bank, to analyze the role and potential contribution of state contingent debt instruments in helping countries build resilience to natural disasters.

Directors noted that the Fund has a valuable role to play in supporting country efforts to build resilience to natural disasters, as part of its surveillance and capacity building activities. A coherent resilience strategy should fit within a medium-term macroeconomic policy framework that is consistent with maintaining debt sustainability, including under adverse shocks—an area of core Fund expertise. Staff could also contribute through analysis of the economic impact of disasters and of trade-offs between public investment and debt accumulation. Directors agreed that the Fund's lending toolkit was sufficiently flexible to provide support for disaster-vulnerable countries that face

a BoP need, but most saw scope to increase access limits as well as to use the toolkit in non-traditional ways to support resilience-building. Directors encouraged giving special attention to countries prone to natural disasters in the upcoming FSAP Review and Comprehensive Surveillance Review.

Directors agreed that disaster resilience strategies need to be based on a robust diagnostic of risks and vulnerabilities and encouraged a pragmatic approach, in coordination with the World Bank. They asked for a full assessment of the Climate Change Policy Assessments being piloted in a handful of small countries, in collaboration with the World Bank, which could provide a valuable diagnostic for national authorities.

Directors noted that building resilience to natural disasters extends to areas in which the Fund does not have relevant in-house expertise. They underscored that providing effective support to governments would require close collaboration and coordination with other institutions that have the relevant expertise, including in developing disaster resilience strategies, and called for a clear division of labor, based on respective mandates, between the Fund, the multilateral development banks, and other gencie

SU/19/60
May 14, 2019

The Acting Chair's Summing Up—
Large Natural Disasters—
Enhancing the Financial Safety Net for Developing Countries,
Executive Board Meeting 17/35, May 5, 2017

Executive Directors welcomed the proposals for enhancing the financial safety net for countries hit by natural disasters. They recognized that, while these countries can avail themselves of the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI), annual access limits under these instruments may be low relative to the size of balance of payment needs caused by large disasters, to which small states are most vulnerable. They noted that, when access limits under the RCF and RFI were halved with the doubling of Fund quotas under

the 14th General Review of Quotas, members that received the lowest quota increases were at a disadvantage and have not benefitted fully from the previous reforms that were intended to address an erosion of access limits.

Accordingly, Directors supported the proposed establishment of new windows under the RCF and RFI to provide annual access of up to 60 percent of quota for countries experiencing urgent balance of payments needs arising from large natural disasters. They noted that this will better help meet the immediate needs of these members and enhance the Fund's catalytic role in mobilizing other external financing. Directors agreed that, pending next year's comprehensive review of the Fund's facilities for low-income countries, the current cumulative access limits for both the RCF and the RFI should remain unchanged at 75 percent of quota. A few Directors saw a case for considering how to further enhance the financial safety net for fragile states.

Directors agreed that qualification for higher access under the large natural disaster windows within the RCF and RFI should be conditional, inter alia, on meeting a disaster damage threshold of 20 percent of the member's GDP. They considered that this threshold strikes the appropriate balance between providing emergency financing to disaster-hit countries on the one hand, and safeguarding Fund resources and discouraging facility shopping on the other hand. Directors also supported the staff's approach to estimating disaster damage, drawing on a range of third-party information and collaborating closely with other organizations, while ensuring that the Fund's response is timely and consistent with its mandate.

Directors welcomed the staff's assessment that the reform proposals would be consistent with the self-sustainability of the Poverty Reduction and Growth Trust (PRGT), and that demand for PRGT resources associated with the proposed damage threshold would not pose significant risks to the robustness of the Trust under a broad range of scenarios.

Directors underscored the importance of closely monitoring the experience with the use of the RCF and RFI, future financing

demand, and the PRGT lending capacity as part of the regular reviews of Fund facilities. They also stressed the need for vulnerable countries to continue to enhance economic and financial resilience to shocks and strengthen policy frameworks, including risk reduction planning, noting in this regard that the Fund's surveillance and technical assistance can play an important role in helping these countries improve disaster preparedness.

BUFF/17/24
May 10, 2017

The Acting Chair's Summing Up—
Social Safeguards and Program Design in PRGT and
PSI-Supported Programs,
Executive Board Meeting 17/43, May 26, 2017

Executive Directors welcomed the opportunity to review the experience with the use of social safeguards measures in PRGT and PSI-supported programs, while recognizing that a more comprehensive assessment of the effectiveness of social safeguards would require further analysis, including from outside the Fund. They generally welcomed the findings in the staff paper that Fund-supported programs with low-income countries had helped to safeguard social spending in most programs, as reflected in indicative targets generally being met. At the same time, Directors saw scope to strengthen the effectiveness of these safeguards in protecting the poor and most vulnerable. In this regard, they generally supported staff's proposals to improve the design of social safeguards measures in PRGT and PSI-supported programs. Directors looked forward to the upcoming IEO evaluation on the "IMF and Social Protection," and encouraged the staff to draw on Board-endorsed policies based on its findings when preparing the staff guidance note that would help clarify how to treat social safeguards measures in Fund-supported programs and surveillance. They indicated that the lessons learned from these experiences, as well as broad consultations with external stakeholders, could usefully feed into the holistic review of low-income facilities scheduled for early-2018. Directors also stressed the importance of pro-active outreach and clear communications on the work of the Fund in this area and on collaboration with other development partners and stakeholders.

Directors welcomed the use of program floors for social and other priority spending as an important safeguard for outlays favoring vulnerable groups. They called for careful definition of the types of expenditures included in program floors to prioritize safeguarding resources for vulnerable groups, especially in cases where fiscal space is limited and the short-term needs of the poor are significant. At the same time, Directors indicated that country authorities should retain flexibility in setting spending targets, to better reflect national priorities. They encouraged staff to support the adoption of spending targets by advising on questions of coverage, on how to strengthen the quality of spending, and on strategies for creating the fiscal space necessary to support such spending.

Directors welcomed the adoption in Fund-supported programs of concrete measures to strengthen social safety nets, noting that such reforms may require time to design and implement. In general, staff should consider national capacity to operate social safety nets, and should seek to strengthen such capacity, where appropriate, with technical assistance and training provided by the Fund and other development partners.

Directors underscored the merits of early and consistent engagement with country authorities, development partners, and other external stakeholders, including civil society organizations, on social safeguards issues. Where social safeguards have the potential to affect domestic or balance-of-payments stability, staff should provide analysis and advice as part of Fund surveillance, with input from development partners where possible. This would provide a strong foundation where there is subsequent engagement under a Fund–supported program, including by taking stock of existing social safety nets; identifying safeguards gaps; exploring technical assistance and training needs; identifying and addressing data gaps; and developing strategies for increasing fiscal space, where necessary.

Directors called for closer and more effective collaboration with the World Bank and other development partners, drawing on the specialist expertise of these agencies and catalyzing their support. Collaboration can also help in identifying possible adverse distributional effects of policy measures and the need to mitigate these through social safeguards.

Directors supported the recommendation to strengthen the documentation of social safeguards measures in country documents for PRGT and PSI-supported programs. They indicated that documentation should cover policy goals for social safeguards; the design of safeguards measures; the factors explaining realized outcomes regarding spending targets and social safety net reform measures; and the corrective policy measures taken, or to be taken, in response to missed program goals. In addition, collaboration with the World Bank, other development partners, and external stakeholders could also be reflected in documents. Where Fund-supported programs include policy measures with a potentially adverse distributional impact, Directors called on staff to document the steps taken to protect vulnerable groups, with input from other development partners and external stakeholders, where possible.

BUFF/17/32
June 1, 2012

The Acting Chair's Summing Up—
Review of the Debt Sustainability Framework for Low Income Countries—Proposed Reforms,
Executive Board Meeting 17/79, September 27, 2017

Executive Directors welcomed the comprehensive review of the Debt Sustainability Framework for Low-income Countries (LIC DSF) and appreciated the extensive consultations with country authorities, the Executive Board, and external stakeholders. They noted that the LIC-DSF is a vital tool for country authorities to help strengthen fiscal policy and debt management and this review has highlighted areas where the framework can be reformed. Directors agreed that the proposed reforms would make the framework more comprehensive and transparent and that the revised LIC-DSF would continue to play a critical role in informing borrowing and lending decisions by more accurately flagging potential debt distress with the aim of avoiding unnecessarily constraining LICS' ability to finance their development. They agreed that the new Guidance Note, templates, and training of officials will be necessary to ensure that the framework is fully accessible to users. Directors also underscored the importance of facilitating the use of the LIC DSF by as many actors as possible, including non-traditional bilateral and commercial creditors.

Directors welcomed that the review maintains the main features of the existing framework. They considered it appropriate that the framework continues to classify countries based on their assessed debt-carrying capacity, estimates threshold levels for a set of key debt burden indicators, evaluates baseline projections and stress test scenarios relative to these thresholds, and combines rules and staff judgment to determine ratings of the risk of entering into external debt distress.

Directors welcomed the proposed composite measure to assess a country's debt-carrying capacity, based on both the CPIA and a set of macroeconomic variables. They observed that the inclusion of macroeconomic variables takes better account of country-specific features, and enables a fuller understanding of, and policy discussions on, how economic policies affect debt carrying capacity. This, in turn, will enhance the contribution of the DSF to policy formulation.

Directors endorsed the proposed new thresholds for debt stock and debt service indicators. They noted that, for countries whose assessment of debt-carrying capacity remains unchanged, the revised framework may imply additional borrowing space, provided countries manage debt service well. Directors observed that the quality of the framework's outputs depend heavily on the quality of the inputs. Against this background and given deep concerns that debt levels in a number of LICS are on the rise again, Directors highlighted the need for borrowers to implement prudent debt management practices, and encouraged countries to further strengthen their Medium-Term Debt Management Strategies, including the capacity to compile needed data. They also expressed concern about "uncaptured debt" in the Fund's work. In this light, they strongly encouraged staff, Management and country authorities to strengthen efforts to ensure full and transparent disclosure and reporting of all debt—including private, quasi-public, and official—noting that the responsibility for doing so was shared between borrowers and lenders. Promoting the Fund's statistical and reporting standards and rules could help in this regard.

Directors agreed that the proposed new tools to assess the plausibility of macroeconomic projections will facilitate a more thorough scrutiny of baseline assumptions. They welcomed the tools' focus on the sources of debt accumulation, the realism of fiscal adjustment, as

well as the projected impact of public investment and fiscal adjustment on growth.

Directors supported the proposed streamlining of debt thresholds and standardized stress tests. They welcomed the recalibration of shocks and the introduction of interactions between key macroeconomic variables in these tests, which should enhance the insights generated by the stress-testing.

Directors agreed that adding tailored scenario stress tests will help evaluate risks of particular importance for some member countries – including those emanating from natural disasters, volatile export prices, market-financing shocks, and contingent liability exposures. They called for clear disclosure in debt sustainability analyses of the key assumptions made in calibrating these tests.

Directors welcomed the re-estimation of benchmarks for assessing total public debt levels, which should improve the quality of the analysis of risks linked to elevated levels of overall public debt. They appreciated the attention given to evaluating rollover risks related to external commercial borrowing. Directors also welcomed the additional information on debt vulnerabilities generated by the more granular assessment of the debt position of countries assessed to be at moderate risk of debt distress.

Directors considered that the prudent application of judgment as a complement to model-based mechanical results, while avoiding excess discretion, remains essential for the final determination of a country's risk rating. They underscored the importance of even-handedness in applying judgment, and called for careful attention to providing guidance to staff in exercising this judgment in a new Guidance Note. Directors underscored that a Board discussion prior to the finalization of the Guidance Note will be helpful. Directors also agreed with the shortening of the projection horizon from 20 to 10 years, with consideration being given to identifiable and material factors that have an effect in the later years.

Directors generally saw merit in maintaining a unified discount rate of five percent for the LIC DSF, the DLP, NCBP, and

the calculation of grant elements. Directors called for revisiting the determination of discount rates in future DSF reviews, or sooner if needed.

Directors welcomed staff assurances that the new framework is expected to become operational in the second half of 2018, six months after the completion of the associated Guidance Note and template. They noted that the proposed July 1, 2018 timeline for the implementation of the revised LIC DSF could be challenging. Directors called on the staff, in collaboration with the World Bank, to update guidance materials and conduct outreach and provide training opportunities to all relevant parties, including staff and LIC authorities, especially those with weak capacity, with enough lead time to ensure that the timeframe would prove feasible. Going forward, staff should continue to monitor the implementation of the framework and bring forward the next review, if warranted.

BUFF/17/72
September 29, 2017

The Acting Chair's Summing Up—Revisiting the Debt Sustainability Framework for Low-Income Countries, Executive Board Meeting 12/16, February 15, 2012

Executive Directors welcomed the timely review of the debt sustainability framework (DSF) for low-income countries (LICs). They welcomed the use of the framework by country authorities in their borrowing decisions, and by a growing community of donors and lenders to help inform financing decisions. Directors noted that experience with the DSF to date suggests that it has performed relatively well and fulfilled its main objectives. They agreed nevertheless that some modest improvements are necessary in light of changing circumstances in LICs, to ensure that the framework remains robust and relevant. In doing so, Directors underscored the importance of maintaining cross-country comparability while also assessing country-specific circumstances adequately and evenhandedly. They also considered the framework as a critical tool for ensuring that LICs have access to the resources necessary to meet their development goals while preserving long-term debt sustainability.

Most Directors agreed that the indicative policy-dependent thresholds used in the framework remain broadly valid. While most supported lowering thresholds for debt service to revenue, a number of Directors cautioned that the more conservative thresholds could unduly constrain LICs' borrowing decisions. Many Directors endorsed a downward revision to the current export-based thresholds for countries with large remittance flows, to adjust for the inclusion of such flows in calculating a country's repayment capacity. However, some viewed such a downward revision as representing an unnecessary tightening of the framework, while some others were skeptical about including remittances explicitly in the DSF, pointing to the limited availability and volatility of data. Directors emphasized the need to exercise judgment when considering cases where remittances should be included, and when interpreting breaches of external debt thresholds more broadly. They endorsed the proposal to maintain all other thresholds at their current values, and recommended that revisions to the framework be explained to country authorities and communicated carefully to the public.

Noting the growing role of domestic debt in some LICs, Directors generally saw scope for strengthening the analysis of total public debt and fiscal vulnerabilities, including from contingent liabilities, along the lines of the recommendations made in the staff paper on Modernizing the Framework for Fiscal Policy and Public Debt Sustainability Analysis. Most Directors supported the proposed benchmarks for total public debt to help determine when to conduct deeper analysis, including in the discussions with country authorities, while cautioning that such benchmarks should not be used mechanically. A few Directors noted that the lack of comprehensive and reliable data on domestic debt makes it difficult to derive benchmarks that could be used across LICs.

Most Directors considered that introducing an additional risk rating would usefully complement the assessment of external public debt, in cases where there are significant vulnerabilities related to domestic public debt or private external debt. The additional risk rating would inform the macroeconomic and structural policy dialogue with country authorities, while the assessment of the risk of external debt distress would continue to inform the financing decisions of the

International Development Association. Some other Directors were not convinced of the need for the additional risk rating, on grounds of data limitations and the risk of weakening LICs' ability to attract foreign capital.

Directors agreed that country-specific information should be taken into account more systematically when assessing the risk of debt distress. They broadly supported more consistent use of judgment in this regard, although a few saw merit in calibrating country- specific thresholds. Directors welcomed the plan to develop clearer guidance for staff, and supported analytical work on alternative approaches to complement the current methodology.

Directors recognized the benefits of public investment for growth and development, which could extend beyond national boundaries. They stressed therefore that understanding the linkages between debt-financed investment and growth, including the positive externalities of regional projects, is critical to the quality of debt sustainability analyses (DSAs). Directors generally welcomed ongoing efforts by staff to develop models and analytical tools to strengthen the treatment of investment-growth linkages in DSAs. A number of Directors urged a cautious approach to this issue, including by using conservative assumptions, accounting for all the costs associated with the investments, and paying due regard to countries' absorptive capacity.

Directors saw merit in improving the assessment of dynamic linkages among macroeconomic variables. They endorsed the proposed methodological refinements of stress tests, on an experimental basis, to enrich the analysis while not having a formal role in determining the risk rating.

Directors generally welcomed efforts to simplify the DSA template, which would allow country authorities to produce their own DSAs more easily, gradually building up their capacity and enhancing the policy dialogue on debt issues. They also supported the proposal to produce full joint DSAs every three years, with lighter updates in the interim years, while maintaining the flexibility to prepare full DSAs if warranted by circumstances, including those prompting a request for

use of Fund resources. Directors underscored the importance of ensuring that these changes do not undermine the quality of DSAs.

BUFF/12/18,
February 17, 2012

The Acting Chair's Summing Up—Reform of the Fund's Policy on Poverty Reduction Strategies in Fund Engagement with Low-Income Countries—Proposals, Executive Board Meeting, 15/62, June 22, 2015

Executive Directors welcomed the opportunity to consider the proposed reform of the Fund's policy on poverty reduction strategies (PRS) in Fund engagement with low-income countries. They concurred that the near-completion of the IMF-World Bank HIPC Initiative, the recent trends in PRS documentation by member countries, and the World Bank's delinking of its IDA concessional lending from the PRS process warrant a reform of the Fund's PRS requirements. These requirements have currently been centered around the Poverty Reduction Strategy Paper (PRSP) used in the context of the HIPC Initiative, as well as the Fund's concessional financing and the Policy Support Instrument (PSI). In this regard,

Directors supported the proposed reforms to the Fund's PRS policy in the context of ECF arrangements and PSIs. Directors noted that the proposed reform does not entail any modification to the HIPC Initiative Instrument.

Directors reiterated the importance of anchoring Fund-supported programs for low-income countries in strategies to achieve sustained poverty reduction and growth, and emphasized the need to adhere to the objectives underlying the PRGT Instrument. Directors welcomed the key objectives of the reform approach that would: (i) maintain a clear link between a member's PRS and its policies under a Fund-supported program with streamlined PRS documentation; (ii) preserve national ownership of the PRS process; and (iii) allow flexibility in PRS procedures to reflect country circumstances. In considering these reforms, some Directors felt that it would be useful to assess the impact of the PRS process and the PRGT on poverty reduction in member countries in the past. A few Directors also suggested

incorporating guidance in defining and setting social spending. For ECF arrangements and PSIs, Directors supported the transmittal to the Fund of an Economic Development Document (EDD) that could comprise an existing national development plan or strategy document or a newly-prepared document on a member's PRS elaborated for Fund-supported program purposes. The latter could take the form of an entirely new PRS document or a streamlined document based on an existing national PRS document, along the lines proposed by staff.

Directors endorsed the proposed minimum standards and good practice guidelines for EDD content, noting that they provide enough flexibility and scope to member countries in documenting their PRS based on specific country circumstances. Some Directors considered it important to incorporate elements of the guidelines into the minimum standards, and some others saw a need to provide an incentive for countries to observe the guidelines in addition to the minimum standards. Directors concurred that existing PRSPs at the time of adoption of the new policy would be deemed to satisfy the new policy for EDDs subject to the requirements proposed by staff with respect to the coverage and expiration of the PRS set out in the EDD.

Directors emphasized the value of participatory processes in elaborating national poverty reduction strategies. Many Directors agreed that countries should be strongly encouraged to pursue participatory processes in line with the good practice guidelines for EDDs, but without making participatory processes mandatory under the new PRS policy. Many other Directors, however, expressed concern that making participation by stake holders non-mandatory could weaken ownership of the PRS. Some of these Directors suggested that participatory processes should be a minimum standard and that the minimum standards should incorporate some other good practices.

Most Directors concurred that an EDD should be required for completion of the first and every subsequent review under an ECF arrangement or a PSI along the lines proposed by staff. This requirement would help ensure close alignment, in terms of timing and substance, between Fund-supported programs and the member's poverty reduction strategy. Some Directors expressed concern, nevertheless, regarding the scope for countries with limited capacity to prepare PRS

documentation by the first review. They stressed the need for effective outreach and early engagement by staff to avoid potential delays in Fund support and ensure good-quality documentation.

Most Directors agreed that the PRS set out in an EDD should not normally be older than five years (exceptionally six years) to qualify for the completion of a review. A few Directors did not support the use of PRS that are more than five years old as basis for an EDD, especially if the requirement for the PRS to be forward-looking is also eliminated.

Most Directors concurred that Joint Staff Advisory Notes outside the HIPC Initiative context should be eliminated. In this regard, Directors welcomed the proposed approach under which Fund staff's assessment of the member country's poverty reduction strategy would be provided in program documentation. Directors further welcomed staff's intention to conduct a PRS implementation review around the mid-point of an ECF arrangement or PSI, with findings reported in program documentation. Most Directors also agreed that member countries would inform the Board of PRS implementation through program documentation and discontinue the preparation of Annual Progress Reports.

Directors stressed the importance of close Fund-World Bank collaboration on poverty reduction and growth issues, including in evaluating the quality of the member country's poverty reduction strategy. Most Directors welcomed the proposed approach under which World Bank staff's views would be communicated to the Board through an assessment letter. A few Directors, however, continued to see merit in a consensus-based assessment of a country's PRS by Fund and Bank staff. Directors agreed that concerns raised by Bank staff on the quality of the PRS would need to be reflected in Fund staff's analysis.

Directors supported the transitional arrangement through end-December 2015 along the lines proposed by staff.

Directors looked forward to a review of the new PRS policy as part of the next Review of the Fund's Facilities for Low-Income Countries expected in 2018.

BUFF/15/53
June 25, 2015

POVERTY REDUCTION AND GROWTH FACILITY TRUST—
OTHER PROVISIONS

…

2. All the provisions applying to assistance under the Poverty Reduction and Growth Facility Trust Instrument, other than those amended or deleted pursuant to Part I[11] of this Decision, shall continue to apply to assistance committed after November 20, 1998 under such Instrument, including the maturity of loans, which will continue to be repaid in ten equal semiannual installments beginning not later than five and a half years from the date of each disbursement and completed at the end of the tenth year after that date with regard to the ECF and the RCF and beginning not later than four years from the date of each disbursement and completed at the end of the eight year after that date with regard to the SCF.

3. The Managing Director shall not recommend, and the Fund shall not approve, a request by a member for the use of the Fund's general resources, Special Disbursement Account resources, or resources administered by the Fund as Trustee, whenever the member is in arrears, or is failing to meet a repayment expectation, to the Poverty Reduction and Growth Facility Trust.

4. …

Decision No. 11832-(98/119) ESAF,
November 20, 1998,
as amended by Decision. No. 13592-(05/99) ESF,
November 23, 2005,
effective January 5, 2006, and
14354-(09/79), July 23, 2009,
effective January 7, 2010

[1] Ed. Note: Part I amended Sections II and V of the PRGF Instrument and added Appendix I.

TRANSFORMATION OF THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY

1. The name of the Enhanced Structural Adjustment Facility established by Decision No. 8757 (87/176) SAF/ESAF, adopted December 18, 1987, shall be changed to the "Poverty Reduction and Growth Facility."

2. The following changes shall be made to the Enhanced Structural Adjustment Facility Trust established by Decision No. 8759-(87/176) ESAF, adopted December 18, 1987:

(a) The name of the Trust shall be changed to the "Poverty Reduction and Growth Facility Trust"; accordingly, Paragraph 1 of Decision No. 8759 and the Title and Introductory Section of the ANNEX to that Decision, containing the Trust Instrument, shall be amended by substituting "Poverty Reduction and Growth Facility Trust" for "Enhanced Structural Adjustment Facility Trust;"

(b) Section I, Paragraph 1 of the Trust Instrument shall be amended to read as follows:

> The Trust shall assist in fulfilling the purposes of the Fund by providing loans on concessional terms (hereinafter called "Trust loans") to low-income developing members that qualify for assistance under this Instrument, in order to support programs to strengthen substantially and in a sustainable manner their balance of payments position and to foster durable growth, leading to higher living standards and a reduction in poverty.

3. The name of the "Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations" shall be changed to the "Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations." Accordingly,

(a) Paragraphs 1 and 2 of Decision No. 11436-(97/10), adopted February 4, 1997, and the title and Introductory Section of

the ANNEX to that Decision containing the Trust Instrument, shall be amended by substituting "Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations" for "Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations."

(b) All references to "ESAF" in Section I, paragraphs 1(viii) and 1(ix), Section I, paragraph 2(b), Section III, Paragraphs 1(a) and 1(b), and Section III, Paragraph 2(c) of the Trust Instrument shall be changed to references to "PRGF."

4. References in other Fund decisions, instruments, agreements or documents related to the Enhanced Structural Adjustment Facility, the Enhanced Structural Adjustment Facility Trust, or any of its Accounts, the ESAF, the ESAF Trust, the Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations, or the ESAF-HIPC Trust shall be understood to be to the Poverty Reduction and Growth Facility, the Poverty Reduction and Growth Facility Trust, or any of its Accounts, the PRGF, the PRGF Trust, the Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations, or the PRGF-HIPC Trust, respectively.

5. This Decision shall become effective when all contributors to the ESAF Trust have consented to the changes.

Decision No. 12087-(99/118) PRGF,
October 21, 1999,
effective November 22, 1999

Establishment of General Policy to Condition Waiver Decisions Under the Poverty Reduction and Growth Trust on Accuracy of Information Regarding Performance Criteria

Any decision granting a waiver for the nonobservance of a performance criterion under an arrangement under a facility of the Poverty Reduction and Growth Trust will be made conditional upon the accuracy of data or other information provided by the member to assess observance of the performance criterion in question.

Any decision waiving the applicability of a performance criterion under an arrangement under a facility of the Poverty Reduction and Growth Trust will be made conditional upon (i) the accuracy of the member's representation that the information necessary to assess observance of the relevant performance criterion is unavailable, and (ii) the accuracy of data provided by the member to assess observance of the same performance criterion for a preceding period (if applicable for that period).

Decision No. 12254-(00/77),
July 27, 2000,
as amended by Decision No. 12559-(01/85) PRGF, August 23, 2001,
effective September 23, 2001, and
Decision No. 14354-(09/79),
July 23, 2009,
effective January 7, 2010

PARTIAL DISTRIBUTION OF THE GENERAL RESERVE ATTRIBUTED TO WINDFALL GOLD SALE PROFITS

1. Pursuant to Article V, Section 2(b), the Fund adopts the Instrument to Establish the Interim Administered Account for Windfall Gold Sales Profits (the "Administered Account") that is attached to this decision.

2. In accordance with Article XVII, Section 3, the Fund prescribes that:

(a) an SDR Department participant or prescribed holder, by agreement with an SDR Department participant or prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or prescribed holder in effecting a transfer to or from the Administered Account or in effecting a payment due to or by the Fund in connection with financial operations under the Administered Account.

(b) Operations pursuant to these prescriptions shall be recorded in accordance with Rule P-9.

3. Pursuant to Article XII, Section 6(d), an amount equivalent to SDR 0.7 billion of the general reserve shall be distributed to

all members in proportion to their quotas. The payment of the distribution shall be made in SDRs or, if the Fund or a member so decides, in the member's own currency, provided that payment to a member with overdue repurchase obligations in the General Resources Account shall be made in the member's own currency.

4. In accordance with Article XII, Section 6(f)(vi) and Article XII, Section 6(f)(ix), the Fund decides to reduce the amount of investment in the Investment Account by an amount equivalent to SDR 0.7 billion and to transfer the proceeds from this reduction to the General Resources Account for immediate use in the Fund's operations and transactions.

5. Paragraphs 1 through 4 above shall become effective when the Managing Director has notified the Executive Board that, in her assessment, satisfactory financing assurances exist regarding the availability of at least SDR 630 million for new subsidy contributions to the Poverty Reduction and Growth Trust based upon: (a) the amount that members have requested in writing be transferred as subsidy contributions to the PRGT from their share in the partial distribution of the general reserve provided for in paragraph 3 of this decision; (b) the amount of other new contributions that members have provided as subsidy contributions to the PRGT in light of this decision; and (c) the amount of other subsidy contributions that members have given written assurances that they will provide to the PRGT in light of this decision.

6. Paragraph 1(b) of the decision on Attribution of Reductions in Fund's Holdings of Currencies, Decision No. 6831-(81/65), adopted April 22, 1981 and effective May 1, 1981, as amended, shall be amended to read as follows: "(b) For a member with overdue repurchase obligations, the reduction shall be attributed to any obligation to repurchase." (SM/12/23, 02/03/12)

Decision No. 15092-(12/19),
February 24, 2012,
as amended by Decision No. 15840-(15/77),
July 24, 2015, and 16575-(19/68),
July 23, 2019

ATTACHMENT

Instrument to Establish the "Interim Administered Account for Windfall Gold Sales Profits"

To help fulfill its purposes, the International Monetary Fund (the "Fund") has adopted this Instrument to establish the Interim Administered Account for Windfall Gold Sales Profits in accordance with Article V, Section 2(b) (the "Account"), which shall be governed and administered by the Fund in accordance with the terms and conditions of this Instrument.

1. The purpose of the Account is to serve as an interim vehicle for the holding and administration of contributions representing all or a portion of members' shares of the partial distribution the general reserve provided for in Decision No. 15092, pending instruction from each such contributing member as to the subsequent disposition of its share of such resources.

2. The SDR shall be the unit of account. Resources provided to the Account shall be in SDRs or currencies as paid to the relevant contributing member by the Fund in the context of the distribution of the general reserve provided for in Decision No. 15092.

3. Upon the instruction of a contributing member, the Fund shall transfer all or part of the resources in the Account that are attributable to that member, including the member's pro rata share of any investment returns, to one or more of the Subsidy Accounts of the Poverty Reduction and Growth Trust (PRGT), or as otherwise specified by the member.

4. The resources held in the Account and not immediately needed for operations of the Account shall be invested at the discretion of the Managing Director. Investments pursuant to this paragraph may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund, (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of

that member, and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member.

5. The assets held in the Account shall be kept separate from the assets and property of all other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations or losses incurred in the administration of the Account; nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred in connection with any such other accounts of, or administered by, the Fund.

6. The Fund shall maintain separate financial records and prepare financial statements for the Account. The financial statements for the Account shall be expressed in SDRs and prepared in accordance with International Financial Reporting Standards.

7. The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions of the Account. The audit shall relate to the financial year of the Fund.

8. The Fund shall report on the assets and property and on the operations and transactions of the Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the audit report of the external audit firm on the Account.

9. Subject to the provisions of this Instrument, the Fund, in administering the Account, shall apply, mutatis mutandis, the same rules and procedures as apply to operations of the General Resources Account of the Fund.

10. The Managing Director is authorized (a) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as she deems necessary to carry out the operations of the Account, and (b) to take all other measures she deems necessary to implement the provisions of this Instrument.

11. No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of this Account. All investment costs, including but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by, and deducted from, the Account.

12. The Account shall be terminated (a) on October 11, 2021 or (b) as promptly as practicable following the receipt of instructions from every contributing member regarding the distribution of its resources in the Account, whichever is earlier.[1] In the event of termination pursuant to (a) above, each Participant with resources remaining in the Account at the time of termination shall have paid in full to it the amount of such resources.

13. The provisions of this Instrument may be amended by a decision of the Fund and with the concurrence of each contributing member with resources remaining in the Account at the time of such decision.

14. Any questions arising under this Instrument between a contributing member and the Fund shall be settled by mutual agreement between the contributing member and the Fund.

Framework Interim Account—Establishment of the Interim Windfall Gold Sales Profits Subaccount, and Termination of the Interim Administered Account for Windfall Gold Sales Profits

I. Pursuant to Article V, Section 2(b), the Fund approves the establishment of the Interim Windfall Gold Sales Profits Subaccount (the "Interim WGSP Subaccount") under the Framework Interim

[1] Ed. Note: Decision No. 16575-(19/68), July 23, 2019 states that this sentence "shall become effective once all remaining contributors have consented to extension of the Account, provided that if no response is received from a contributor by September 25, 2019, such contributor shall be deemed to have consented to the extension of the Account, and provided further that contributors who are not in a position to consent to the amendment shall so notify the Fund by September 25, 2019 and shall receive their shares in the Account no later than October10, 2019." (SM/19/193, 07/17/19)

Account, which was established pursuant to Decision No. 16626-(19/103), December 18, 2019.

II. Consistent with paragraph 2 of the Instrument to Establish the Framework Interim Account (the "Instrument"), the Interim WGSP Subaccount shall be managed in accordance with the Instrument and the following terms and conditions:

1. The purpose of the Interim WGSP Subaccount is to serve as an interim vehicle for the holding and administration of resources transferred from the Interim Administered Account for Windfall Gold Sales Profits (which was established pursuant to Decision No. 15092-(12/19), February 24, 2012, as amended), pending instruction from each such Fund member ("Member") which owns part of these resources as to the disposition of its share of such resources.

2. Upon the instruction of a Member, the Fund shall transfer all or part of the resources in the Interim WGSP Subaccount that are attributable to the Member, including the Member's pro rata share of any investment returns, to one or more of the Subsidy Accounts of the Poverty Reduction and Growth Trust (PRGT), or as otherwise specified by the Member.

3. The Interim WGSP Subaccount shall be terminated by the Fund: (a) as determined by the Fund upon the request of the Managing Director; (b) upon the request of a Member and with the concurrence of all other Members contributing to the subaccount at the time of termination; or (c) as promptly as practicable following the receipt of instructions from every Member regarding the disposition of its resources in the Interim WGSP Subaccount; whichever is earlier. In the event of termination pursuant to (a) or (b) above, each Member with resources remaining in the Interim WGSP Subaccount at the time of termination shall have paid in full to it the amount of such resources, together with its net pro rata share of any investment returns.

4. Any amendment to the terms and conditions of the Interim WGSP Subaccount requires approval of the Executive Board as well as the concurrence of each Member with resources held in the

Interim WGSP Subaccount at the time at which such amendment is proposed. Such concurrence for any proposed amendment of this Instrument may be presumed if Members do not object within thirty days after the issuance of the proposed amendment to Members.

III. A Member's shares in the Interim Administered Account for Windfall Gold Sales Profits shall be transferred to the Interim WGSP Subaccount, subject to the Member's consent; provided that a Member shall be deemed to have consented to such transfer if no response from the Member is received by April 3, 2020; and provided further that a Member that is not in a position to consent to the transfer shall so notify the Fund by April 3, 2020 and shall receive their shares in the Interim Administered Account for Windfall Gold Sales Profits no later than April 30, 2020.

IV. The Interim Administered Account for Windfall Gold Sales Profits shall be terminated as promptly as practicable following the completion of the transfers pursuant to paragraph II.1 of this decision. (EBS/20/14, 03/06/20)

Decision No. 16666-(20/27),
March 12, 2020

INSTRUMENT TO ESTABLISH THE INTERIM ADMINISTERED ACCOUNT FOR REMAINING WINDFALL GOLD SALES PROFITS

1. Pursuant to Article V, Section 2(b), the Fund adopts the Instrument to Establish the Interim Administered Account for Remaining Windfall Gold Sales Profits (the "Administered Account") that is attached to this decision.

2. In accordance with Article XVII, Section 3, the Fund prescribes that:

(a) an SDR Department participant or prescribed holder, by agreement with an SDR Department participant or prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or prescribed holder in effecting a transfer to or from the Administered Account or in effecting a payment due to or by the Fund in connection with financial operations under the Administered Account.

(b) Operations pursuant to these prescriptions shall be recorded in accordance with Rule P-9.

3. Pursuant to Article XII, Section 6(d), an amount equivalent to SDR 1.75 billion of the general reserve shall be distributed to all members in proportion to their quotas. The payment of the distribution shall be made in SDRs or, if the Fund or a member so decides, in the member's own currency, provided that payment to a member with overdue repurchase obligations in the General Resources Account shall be made in the member's own currency.

4. In accordance with Article XII, Section 6(f)(vi) and Article XII, Section 6(f)(ix), the Fund decides to reduce the amount of investment in the Investment Account by an amount equivalent to SDR 1.75 billion and to transfer the proceeds from this reduction to the General Resources Account for immediate use in the Fund's operations and transactions.

5. Paragraphs 1 through 4 above shall become effective when the Managing Director has notified the Executive Board that, in her assessment, satisfactory financing assurances exist regarding the availability of at least SDR 1.575 billion for new subsidy contributions to the Poverty Reduction and Growth Trust based upon: (a) the amount that members have requested in writing be transferred as subsidy contributions to the PRGT from their share in the partial distribution of the general reserve provided for in paragraph 3 of this decision; (b) the amount of other new contributions that members have provided as subsidy contributions to the PRGT in light of this decision; and (c) the amount of other subsidy contributions that members have given written assurances that they will provide to the PRGT in light of this decision. (SM/12/244, 09/17/12)

Decision No. 15228-(12/95),
September 28, 2012,
as amended by Decision No. 16039-(16/75), August 17, 2016,
16246-(17/69), July 26, 2017, and
16422-(18/73),
July 27, 2018

ATTACHMENT

Instrument to Establish the "Interim Administered Account for Remaining Windfall Gold Sales Profits"

To help fulfill its purposes, the International Monetary Fund (the "Fund") has adopted this Instrument to establish the Interim Administered Account for Remaining Windfall Gold Sales Profits in accordance with Article V, Section 2(b) (the "Account"), which shall be governed and administered by the Fund in accordance with the terms and conditions of this Instrument.

1. The purpose of the Account is to serve as an interim vehicle for the holding and administration of contributions representing all or a portion of members' shares of the partial distribution the general reserve provided for in Decision No. 15228-(12/95), pending instruction from each such contributing member as to the subsequent disposition of its share of such resources.

2. The SDR shall be the unit of account. Resources provided to the Account shall be in SDRs or currencies as paid to the relevant contributing member by the Fund in the context of the distribution of the general reserve provided for in Decision No. 15228-(12/95).

3. Upon the instruction of a contributing member, the Fund shall transfer all or part of the resources in the Account that are attributable to that member, including the member's pro rata share of any investment returns, to one or more of the Subsidy Accounts of the Poverty Reduction and Growth Trust (PRGT), or as otherwise specified by the member.

4. The resources held in the Account and not immediately needed for operations of the Account shall be invested at the discretion of the Managing Director. Investments pursuant to this paragraph may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund, (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of

that member, and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member.

5. The assets held in the Account shall be kept separate from the assets and property of all other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations or losses incurred in the administration of the Account; nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred in connection with any such other accounts of, or administered by, the Fund.

6. The Fund shall maintain separate financial records and prepare financial statements for the Account. The financial statements for the Account shall be expressed in SDRs and prepared in accordance with International Financial Reporting Standards.

7. The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions of the Account. The audit shall relate to the financial year of the Fund.

8. The Fund shall report on the assets and property and on the operations and transactions of the Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the audit report of the external audit firm on the Account.

9. Subject to the provisions of this Instrument, the Fund, in administering the Account, shall apply, mutatis mutandis, the same rules and procedures as apply to operations of the General Resources Account of the Fund.

10. The Managing Director is authorized (a) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as she deems necessary to carry out the operations of the Account, and (b) to take all other measures she deems necessary to implement the provisions of this Instrument.

11. No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of this Account. All investment costs, including but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by, and deducted from, the Account.

12. The Account shall be terminated (a) on October 9, 2020, or (b) as promptly as practicable following the receipt of instructions from every contributing member regarding the distribution of its resources in the Account, whichever is earlier.

13. The provisions of this Instrument may be amended by a decision of the Fund and with the concurrence of each contributing member with resources remaining in the Account at the time of such decision.

14. Any questions arising under this Instrument between a contributing member and the Fund shall be settled by mutual agreement between the contributing member and the Fund.

Framework Interim Account — Establishment of the Interim Remaining Windfall Gold Sales Profits Subaccount, and Termination of the Interim Administered Account for Remaining Windfall Gold Sales Profits

I. Pursuant to Article V, Section 2(b), the Fund approves the establishment of the Interim Remaining Windfall Gold Sales Profits Subaccount (the "Interim Remaining WGSP Subaccount") under the Framework Interim Account, which was established pursuant to Decision No. 16626-(19/103), December 18, 2019.

II. Consistent with paragraph 2 of the Instrument to Establish the Framework Interim Account (the "Instrument"), the Interim Remaining WGSP Subaccount shall be managed in accordance with the Instrument and the following terms and conditions:

1. The purpose of the Interim Remaining WGSP Subaccount is to serve as an interim vehicle for the holding and administration

of resources transferred from the Interim Administered Account for Remaining Windfall Gold Sales Profits (which was established pursuant to Decision No. 15228-(12/95), September 28, 2012, as amended), pending instruction from each Fund member ("Member") which owns part of these resources as to the disposition of its share of such resources.

2. Upon the instruction of a Member, the Fund shall transfer all or part of the resources in the Interim Remaining WGSP Subaccount that are attributable to the Member, including the Member's pro rata share of any investment returns, to one or more of the Subsidy Accounts of the Poverty Reduction and Growth Trust (PRGT), or as otherwise specified by the Member.

3. The Interim Remaining WGSP Subaccount shall be terminated by the Fund: (a) as determined by the Fund upon the request of the Managing Director; (b) upon the request of a Member and with the concurrence of all other Members contributing to the subaccount at the time of termination; or (c) as promptly as practicable following the receipt of instructions from every Member regarding the disposition of its resources in the Interim Remaining WGSP Subaccount; whichever is earlier. In the event of termination pursuant to (a) or (b) above, each Member with resources remaining in the Interim Remaining WGSP Subaccount at the time of termination shall have paid in full to it the amount of such resources, together with its net pro rata share of any investment returns.

4. Any amendment to the terms and conditions of the Interim Remaining WGSP Subaccount requires approval of the Executive Board as well as the concurrence of each Member with resources held in the Interim Remaining WGSP Subaccount at the time at which such amendment is proposed. Such concurrence for any proposed amendment of this Instrument may be presumed if Members do not object within thirty days after the issuance of the proposed amendment to Members.

III. A Member's shares in the Interim Administered Account for Remaining Windfall Gold Sales Profits shall be transferred to the Interim Remaining WGSP Subaccount, subject to the Member's

consent; provided that a Member shall be deemed to have consented to such transfer if no response from the Member is received by April 3, 2020; and provided further that a Member that is not in a position to consent to the transfer shall so notify the Fund by April 3, 2020 and shall receive their shares in the Interim Administered Account for Remaining Windfall Gold Sales Profits no later than April 30, 2020.

IV. The Interim Administered Account for Remaining Windfall Gold Sales Profits shall be terminated as promptly as practicable following the completion of the transfers pursuant to paragraph II.1 of this decision. (EBS/20/14, 03/06/20)

Decision No. 16667-(20/27),
March 12, 2020

Heavily Indebted Poor Countries

Establishment of a Trust for Special Poverty Reduction and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations
(PRG-HIPC Trust)

1. The Fund adopts the Instrument to Establish a Trust for Special Poverty Reduction and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations, which is annexed to this decision.

2. The Fund shall conduct semi-annual reviews of the financing of the Trust for Special Poverty Reduction and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations.

Decision No. 11436-(97/10),
February 4, 1997,
as amended by Decision Nos.11492-(97/45), April 24, 1997,
11861-(98/131) ESAF, December 18, 1998,
12087-(99/118) PRGF, October 21, 1999,
effective November 2, 1999,
12132-(00/9) PRGF, January 27, 2000,

12349-(00/118), December 1, 2000,
12561-(01/85) PRGF, August 23, 2001,
effective September 19, 2001,
12680-(02/17) PRGF, February 20, 2002,
12696-(02/27) PRGF, March 15, 2002,
12777-(02/65), June 20, 2002,
12874-(02/110), October 25, 2002,
13224-(04/33), April 1, 2004,
13367-(04/98) PRGF, October 18, 2004,
13373-(04/105) PRGF, November 9, 2004,
13588-(05/99) MDRI and 13590-(05/99) ESF,
November 23, 2005,
effective January 5, 2006,
13775-(06/78), August 30, 2006,
13797-(06/88), October 13, 2006,
13849-(06/108), December 20, 2006,
14039-(08/3), January 14, 2008,
14354-(09/79), July 23, 2009, effective January 7, 2010,
15018-(11/112), November 21, 2011,
15031-(11/115), November 30, 2011, and
17826-(24/98),
October 15, 2024

ANNEX

Instrument to Establish a Trust for Special Poverty and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations

Introductory Section

To help fulfill its purposes, and in furtherance of the purposes of the Poverty Reduction and Growth Trust ("PRGT") as described in the Instrument to Establish the Poverty Reduction and Growth Trust adopted by Decision No. 8759-(87/176) ESAF, December 18, 1987, as amended ("the PRGT Instrument"), the International Monetary Fund ("the Fund") has adopted this Instrument to Establish a Trust for Special Poverty Reduction and Growth Operations for the Heavily Indebted

Poor Countries and for Interim ECF Subsidy Operations ("the Trust"), which shall be administered by the Fund as Trustee ("the Trustee"). The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. *General Provisions*

Paragraph 1. *Definitions* 1[1]

Wherever used in this Instrument, unless the context otherwise requires:

(i) "Initiative" means the program of action endorsed by the Fund, the International Bank for Reconstruction and Development and the International Development Association (hereinafter jointly referred to as "the Bank") in September 1996 and the enhancement of this program agreed in September 1999 for reducing the external debt burden of heavily indebted poor countries to a sustainable level;

(ii) "DSA" means a debt sustainability analysis jointly prepared by the staffs of the Fund and the Bank and the concerned member to provide the basis for determining the member's qualification for assistance under the Initiative;

(iii) "decision point" means the time when the Trustee decides whether a member qualifies for assistance under the Initiative, that is, normally at the end of the initial three-year performance period

[1] Ed. Note: Section A.5 of Decision No. No. 14354-(09/79), July 23, 2009, effective January 7, 2010, states: "Except as otherwise specifically provided, references in other Fund decisions, instruments, agreements or documents to the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust, PRGF, PRGF Trust, PRGF/ESF eligibility or PRGF/ESF Instrument shall be understood to be, respectively, references to the Poverty Reduction and Growth Trust, ECF, PRGT, PRGT eligibility and PRGT Instrument." Further, section B.6(c) of the same decision states: "Except as otherwise specifically provided, references in the PRG-HIPC Trust Instrument to 'interim PRGF' shall be understood to be references to 'interim ECF', and references to 'self-sustained PRGF' shall be understood to be references to "self-sustained ECF."

and decides on the amount of assistance to be provided under the Initiative;

(iv) "completion point" means the time when a decision will be taken by the Trustee to disburse remaining undisbursed assistance committed for a qualifying member, excluding any additional amount committed for a member pursuant to the second sentence of Section III, paragraph 3(e);

(v) "debt sustainability" means the achievement of a sustainable level of external debt which shall be 150 percent for the present value of debt-to-exports ratio calculated on the basis of data available at the decision point. In the special case of a country that has, at the decision point, (i) an exports-to-GDP ratio of at least 30 percent, and (ii) a fiscal revenues-to-GDP ratio of at least 15 percent, a "debt sustainability" target of below 150 percent for the present value of debt-to-exports ratio at the decision point may be set with the specific target determined so as to reduce the present value of debt-to-revenue ratio to 250 percent at the decision point. For the purposes of these calculations, amounts that are subject to an early repurchase or repayment expectation established under the Misreporting Guidelines shall not constitute external debt.

(vi) "traditional debt relief mechanisms" means the application of Naples terms by Paris Club creditors, including the assumption of a stock-of-debt operation, involving a 67 percent present value reduction of the eligible debt of a member at the decision point, and at least comparable treatment by other official bilateral and commercial creditors;

(vii) "interim PRGF subsidy operations" means operations to subsidize the interest rate on interim PRGF financing to be made following full commitment under PRGF arrangements of resources available under borrowing agreements for the current phase of PRGF operations which is expected by about December 31, 2001; interim PRGF operations are expected to take place during the period 2001/02–2014/15;

(viii) "self-sustained PRGF operations means PRGF-type operations financed on a revolving basis from Special Disbursement

Account (SDA) resources through the retransfer of resources from the PRGF Trust Reserve Account, when they are no longer needed to cover the total liabilities of the 1987 PRGF Trust to lenders;

(ix) "PRSP" means a Poverty Reduction Strategy Paper prepared by the member concerned in a participatory process involving a broad range of stakeholders and setting out a comprehensive three-year poverty reduction strategy; and

(x) "I-PRSP" means an Interim Poverty Reduction Strategy Paper prepared by the member concerned setting out a preliminary reduction strategy as a precursor to a full PRSP; and

(xi) "PRSP preparation status report" means a report prepared by the member concerning updating the preliminary poverty reduction strategy set out in an I-PRSP in anticipation of a full PRSP; and

(xii) "APR" means an Annual Progress Report prepared by the member concerned reporting on the implementation of a PRSP and updating it as appropriate; and

(xiii) "Joint Staff Advisory Note" means a document prepared by the staff of the Bank and the Fund containing an analysis of the strengths and weaknesses of the poverty reduction strategy of the member concerned and identifying priority action areas for strengthening the poverty reduction strategy during implementation; and

(xiv) "Misreporting Guidelines" means the Guidelines on Corrective Action for Misreporting and Noncomplying Purchases in the General Resources Account (Decision No. 12249-(00/77), adopted July 27, 2000), and the Provisions on Corrective Action for Misreporting and Noncomplying Disbursements in Arrangements under the Poverty Reduction and Growth Facility and the Exogenous Shocks Facility (Appendix I of the Instrument to Establish the Poverty Reduction and Growth Facility and Exogenous Shocks Facility Trust annexed to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987).

Paragraph 2. *Purposes*

The Trust shall assist in fulfilling the purposes of the Fund by providing balance of payments assistance to low-income developing members by:

(a) making grants ("Trust grants") and/or loans ("Trust loans") to eligible members that qualify for assistance under the terms of this Instrument for purposes of the Initiative; and

(b) subsidizing the interest rate on interim PRGF operations to PRGF-eligible members.

Paragraph 3. *Trust Account and resources*

The operations and transactions of the Trust shall be conducted through an account ("the Account"). Within the Account, the Trustee may establish such sub-accounts as it deems necessary for the administration of the resources in the Account.

The resources held in the Account shall consist of:

(a) grant contributions made to the Trust for the purposes of paragraph 2;

(b) loans, deposits and other types of investments made by contributors with the Trust to generate income to be used for the purposes of paragraph 2;

(c) transfers from the Special Disbursement Account for the purposes of paragraph 2; and

(d) net earnings from investment of resources held in the Account.

Paragraph 4. *Unit of account*

The SDR shall be the unit of account for commitments and all other operations and transactions of the Trust, provided that commitments for contributions may also be made in currency.

Paragraph 5. *Media of payment of contributions and exchange of resources*

(a) Resources provided to the Trust may be received in any currency.

(b) Payments by the Trust shall be made in U.S. dollars or such other media as may be agreed between the Trustee and the payee.

(c) Contributions to the Trust may also be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Trust for the holding and use of SDRs.

(d) The Trustee may exchange any of the resources of the Trust, provided that any balance of a currency held in the Trust may be exchanged only with the consent of the issuer of such currency.

Section II. *Contributions to the Trust*

The Trustee may accept contributions of resources for the Account on such terms and conditions as may be agreed between the Trustee and the respective contributors, subject to the provisions of this Instrument. For this purpose, the Managing Director of the Trustee is authorized to accept grants and enter into loan, deposit or other types of investment agreements with the contributors to the Trust.

Section III. *Trust Grants and Loans*

Paragraph 1. *Eligibility for assistance*

In order to be eligible for assistance from the Trust under Section I, paragraph 2(a) of this Instrument, a member shall meet the following requirements:

(a) the member is PRGF-ESF eligible, i.e., it is included in the list of members annexed to Decision No. 8240-(86/56) SAF, as amended;

(b) the member was pursuing a program of adjustment and reform by October 1, 1996, or the member shall have adopted such a

program in the period beginning October 1, 1996 and ending December 31, 2006, that is either (i) supported by the Fund through ECF, SCF, PRGF, ESF or Extended Arrangements, or, on a case-by-case basis as determined by the Trustee, a Stand-By Arrangement, a decision on rights accumulation, or financial support under the Fund's emergency assistance policy in post conflict countries or under the Rapid Credit Facility or under the Rapid Financing Instrument; or (ii) monitored by the staff, in the circumstances specified in paragraph 2(c) below; and

(c) in support of the member's adjustment and reform program, the member shall have received or is eligible to receive assistance to the full extent available under traditional debt relief mechanisms.

(d) after the assumed full application of traditional debt relief mechanisms, the member's external debt situation, based on both end-2004 and end-2010 data, is unsustainable, as determined by the debt sustainability thresholds in Section I, Paragraph 1(v) of this Instrument.

Paragraph 2. *Qualification for assistance*

The Trustee shall determine whether an eligible member qualifies for assistance under the Initiative in accordance with the criteria set out below:

(a) At the decision point, the DSA shall indicate that the member's external debt situation, even after the assumed full application of traditional debt relief mechanisms, would not be sustainable. Moreover, the member shall have in place a satisfactory poverty reduction strategy set out in an I-PRSP, PRSP preparation status report, PRSP, or 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 the subject of an analysis in a Joint Staff Advisory Note also issued to the Executive Board.

(b) The member has not agreed on an exit operation with Paris Club creditors on Naples terms after September 1999.

(c) The member has established a track record of strong policy performance under programs covering macroeconomic policies and structural and social policy reforms. This requirement shall normally

be satisfied by an initial three-year performance period leading up to the decision point, followed by a second performance period leading up to the completion point, which shall be satisfied when a member has satisfactorily implemented a set of predefined key policy reforms, has a stable macroeconomic position, and has kept on track with its Fund-supported program. In addition, the member country concerned shall have prepared a PRSP and implemented satisfactorily the strategy therein described for at least one year by the completion point 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 the subject of an analysis in a Joint Staff Advisory Note also issued to the Executive Board. In the case of the first three-year period, such programs shall be programs supported by ECF, SCF, PRGF, ESF, or Extended arrangements, or, on a case-by-case basis as determined by the Trustee, Structural Adjustment Facility (SAF) arrangements, Stand-By Arrangements, decisions on rights accumulations (RAPs), programs, programs supported by the Fund under the policy on emergency assistance for post-conflict countries, programs supported by the Fund under the Rapid Credit Facility or under the Rapid Financing Instrument, or programs monitored by the staff (SMPs) in cases where the Executive Board agrees with the staff's assessment that the macroeconomic and structural policies under the SMP meet the policy standards associated with programs supported by arrangements in the upper credit tranches or under the PRGT. For these purposes, an SMP will qualify as of the time of the Executive Board determination referenced in the preceding sentence (including determinations that precede the adoption of this provision), but will qualify only if (i) the member, if not eligible for a RAP, remains current with respect to all obligations to the Fund during the period of the SMP, and (ii) the member, if eligible for a RAP, remains current at least with respect to new obligations falling due to the Fund during the period of the SMP, except that a post-conflict RAP-eligible member that has severely limited payments capacity may, to the extent its payments capacity requires it, be allowed to accumulate new arrears to the Fund during the period of the SMP. In the case of the second performance period, such programs shall be programs supported by ECF, SCF, PRGF, ESF or Extended Arrangements. It is expected that the member shall have a track record of strong and sustainable policy performance when the completion point is reached. The required period shall be

evaluated flexibly by the Trustee. Members could receive credit toward the decision point for programs that were underway prior to the adoption of the Initiative. (EBS/07/152, 12/21/07)

(d) Notwithstanding the provisions of subparagraph (c) above and paragraph 6 below, for a member that has reached a decision point or a completion point prior to January 27, 2000, a commitment of assistance under the revised provisions of this instrument, and delivery of that assistance, may be made by the Trustee on the basis of assessments by the Trustee regarding satisfactory adjustment and reform efforts and overall progress in poverty reduction that is broadly acceptable.

(e) All other creditors (holding debt claims above a de minimis amount) of the member shall have agreed to take action under the initiative.

Paragraph 3. *Amount of assistance*

(a) At the decision point, and in consultation with the Bank, the eligible member and its other creditors, the Trustee shall make a determination of the amount of resources that could be made available from the Trust to achieve a reduction in the present value of debt owed to the Fund by the member. The amount to be committed shall be confirmed by the Trustee in the context of satisfactory assurances regarding the exceptional assistance to be provided under the initiative by the member's other creditors.

(b) At the decision point, based on the external debt sustainability targets established for the member, the Trustee shall commit the amount to be provided from the Trust to a member to permit a reduction in the present value of debt owed by it to the Fund. The specific amount of assistance to be committed by the Trustee will be based on (i) the Fund's share in the present value of the multilateral debt of the member at the decision point; and (ii) the assistance to be provided by multilateral creditors, in terms of a reduction in the present value of the debt owed to them by the member sufficient to achieve the debt sustainability targets, taking into account the exceptional assistance to be provided by Paris Club creditors and at least comparable action by other official bilateral and commercial creditors under te Initiative.

The Trustee shall, subject to the conditions specified below, adjust the amount of assistance committed to a member under this provision, whether or not disbursed to the account established under paragraph 5 below, if the Trustee, on the basis of revised information, recalculates the member's debt sustainability position used for the purposes of reaching the decision point and determines that the recalculated amount of relief to be provided under the Initiative exceeds or falls short of the amount originally committed by more than one percentage point of the targeted net present value of debt as defined in section I paragraph 1(v) above. In such circumstances, the amount of the commitment shall be increased or reduced as necessary to reach the amount to which the member, on the basis of such recalculation, would be entitled under the terms of this Instrument. No such adjustment shall be made: (i) after the completion point; or (ii) in the case of an excess of more than one percentage point, if such excess is attributable to incorrect information on exports, gross domestic product, or fiscal revenues that was not provided by or at the behest of the member. If the amount already disbursed by the Trustee to the account established under paragraph 5 below for the benefit of the member exceeds the adjusted amount of assistance, the Trustee shall retransfer to the Trust any amount remaining in the account equivalent to such excess.

(c) In case of protracted delays by a member in reaching the completion point because of problems in policy implementation, the Trustee may reassess that member's eligibility and qualification for assistance, including the amount of assistance committed at the decision point.

(d) Following commitment of the assistance at the decision point, the Trustee may advance to the member as interim assistance a portion of such committed assistance not to exceed (i) 20 percent of the total assistance committed for each 12-month period following the decision point, and (ii) a maximum of 60 percent of the total assistance committed prior to the member reaching the completion point, provided that the amount of such assistance in any 12-month period does not exceed the amount of debt service falling due to the Fund during that period. In exceptional circumstances, interim assistance could be raised to 25 percent and 75 percent, respectively. Where the Trustee has made a disbursement of resources under this paragraph to the account

established under paragraph 5 below for the benefit of the member on the understanding that all performance-related conditions specified for such disbursement have been met and subsequently determines that any such condition was not met, the Trustee shall retransfer to the Trust any amount remaining in such account from such disbursement up to the total amount of such disbursement as well as all net investment income accrued on the amounts disbursed on the basis of incorrect information provided, however, that no retransfer shall be made if (i) the member's completion point has been reached, (ii) the Trustee decides that such disbursement remains appropriate in view of the member's record of policy implementation and its poverty reduction efforts, or (iii) in cases where the Executive Board finds the nonobservance of the relevant performance-related condition to be de minimis in nature as defined in paragraph 1 of Decision No. 13849 (hereinafter "de minimis"). The retransfer of these amounts will not affect the amount of commitment in NPV terms to the member as established at the decision point. Where the Managing Director or the Trustee, as the case may be, believes the nonobservance of a performance-related condition to be de minimis in nature, (i) any communications with the member respecting such nonobservance may be made by a representative of the relevant Area Department, and (ii) the Executive Board shall be informed of the misreporting in a staff report which deals with issues other than the misreporting; in those rare cases where such a staff report cannot be issued to the Executive 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. The Fund shall issue press releases on its decisions regarding the circumstances of a misreporting and the applicable remedies. except with respect to instances of misreporting involving the nonobservance of performance-related conditions which the Fund considers to be de minimis in nature.

(e) At the completion point, the Trustee shall disburse the amount committed to the member at the decision point, as such amount may have been subsequently adjusted on the basis of revised information on the member's debt sustainability position, less any disbursements made after the decision point. To the extent that the Trustee,

in determining the amount committed to the member under paragraph 3(b) above, included in the member's external debt amounts that, after the decision point, were found to be subject to an early repurchase or repayment expectation under the Misreporting Guidelines, the Trustee shall recalculate and adjust the amount of its commitment, excluding from the member's external debt the amount that was subject to the repurchase or repayment expectation. The Trustee retains the right to commit additional assistance at the completion point, beyond that already committed, but only so as to bring the ratio of the net present value of debt-to-exports to 150 percent (or debt-to-fiscal revenue to 250 percent), if the deterioration in the member's debt sustainability is primarily attributable to a fundamental change in the member's economic circumstances due to exogenous factors. The disbursement of any such additional assistance shall be approved at the completion point or thereafter, whenever the assurances specified in subparagraph (f) below with respect to such assistance have been obtained.

(f) Approval of the disbursements shall be given in the context of satisfactory assurances regarding the exceptional assistance to be provided under the Initiative by the member's other creditors.

Paragraph 4. *Terms of assistance*

(a) The assistance to be provided by the Trust to a qualifying member shall be either through a Trust grant or a Trust loan, or both. The choice of a Trust grant, a Trust loan, or a combination thereof, shall be made by the Trustee on a case-by-case basis, taking into account the objective of bringing the debt-service-to-exports ratio (after assistance under the Initiative from the Fund and other creditors) to the debt sustainability target agreed for the member at the decision point. The maturity of a Trust loan shall be determined by the Trustee on a case-by-case basis, subject to paragraph 4(c) below, taking into account the need to smooth the time profile of the member's total external debt service and its debt service to the Fund (after assistance under the Initiative from the Fund and other creditors). The schedule for using the proceeds of the Trust grant or the Trust loan by the member shall be agreed by the Trustee and the member taking into account the same criteria for deciding among a Trust grant, a Trust loan, or a combination thereof and the maturity of such loan.

(b) Trust grants and Trust loans (including any income from investment of their proceeds) advanced to a member as interim assistance shall be used to meet the member's debt service payments on its existing debt to the Fund as they fall due, in accordance with the schedule for using the proceeds of such grants and loans as determined under the provisions of (a) above. Trust grants and Trust loans (including any income from investment of their proceeds) disbursed to a member at the completion point, along with any amounts previously advanced to the member as interim assistance that remain unused at the completion point, shall be used to effect the early repayment of the member's qualifying debt to the Fund, in accordance with the schedule for using the proceeds of such grants and loans as determined under the provisions of (a) above. Notwithstanding paragraph 6 below, the preceding sentence shall also apply to Trust grants and Trust loans (including any income from investment of their proceeds) that, prior to January 5, 2006, had been disbursed to a member at the completion point or had been advanced to the member as interim assistance and remained unused at the completion point, once agreement is reached between the Trustee and the member on a modified schedule for using the proceeds of the Trust grant or Trust loan as provided for in (a) above.

(c) Trust loans shall be provided to members interest-free and shall have a maturity of no less than ten (10) years and up to twenty (20) years, including a grace period of no less than five-and-a-half (5½) years and up to ten-and-a-half (10½) years. The Trustee may not reschedule the repayment of Trust loans.

Paragraph 5. *Disbursements*

(a) Any disbursement of Trust grants and Trust loans shall be subject to the availability of resources to the Trust.

(b) The proceeds of a Trust grant or Trust loan (or both) shall be paid into a separate account for the benefit of the member and administered by the Trustee. The Trustee shall use these proceeds (including any income from investments of such proceeds) in accordance with paragraph 4(b) above. The terms and conditions for the operation of such account shall be determined by the Trustee.

Paragraph 6. *Modifications*

Any modification of these provisions will affect only Trust grants or Trust loans made after the effective date of the modification, provided that any modification of the interest rate shall apply to interest accruing after the effective date of the modification.

Section III *bis. Subsidies for Interim PRGF Operations*

For purposes of Section I, paragraph 2(b) of this Instrument, and to the extent that resources in the ECF Subsidy Account and General Subsidy Account of the PRGT are insufficient for interim ECF subsidy operations, the Trustee shall transfer to the ECF Subsidy Account of the PRGT, as needed, resources in the Trust Account not earmarked for assistance under Section III of this Instrument. Any such transfers shall be limited to the amounts needed for subsidy payments.

Section IV. *Administration of the Trust*

Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary; and

(ii) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. *Separation of assets and accounts, audits and reports*

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or to meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or to meet losses arising out of the administration of the other accounts of the Fund.

(c) The Fund shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors and shall include in the Annual Report the report of the audit committee on the Trust.

Paragraph 3. *Investment of resources*

(a) Any balance held by the Trust and not immediately needed in operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member

and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currency is involved, with the consent of the issuers of such currencies.

Section V. *Period of Operation and Liquidation*

Paragraph 1. *Period of operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. *Liquidation of the Trust*

If the Trustee decides to wind up the operations of the Trust, the resources in the Account shall be used first to discharge all the liabilities of the Trust. Any amount remaining in the Account after the discharge of all the liabilities of the Trust shall be used first to reimburse the SDA for transfers made in accordance with Decision No. 11434-(97/10), adopted February 4, 1997, and any remaining amount shall then be made available for self-sustained PRGF operations, except that at the request of the contributor, its pro rata share in any unused resources contributed to finance the operations referred to in Section I, Paragraph 2(a) of this Instrument, after the completion of such operations, shall be distributed to the contributor.

Section VI. *Amendment of the Instrument*

The Fund may amend the provisions of the Instrument, except that any amendment of Section I, paragraph 2, Section IV, Section V and this Section shall require the consent of all contributors to the Trust.

PRGF-HIPC Trust Instrument—Sunset Clause on Eligibility

1. The Fund decides not to extend further the sunset clause on eligibility set forth in Section 111, paragraph I (b) of the Instrument to Establish a Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations ("PRGF-HIPC Trust Instrument"), annexed to Decision No. 11436-(9711 O), adopted February 4, 1997. Accordingly, the sunset clause on eligibility shall take effect on December 31, 2006, as scheduled.

2. Notwithstanding paragraph 1 of this decision, the Fund decides to grandfather members that have been, or in the future are, included on the list of members assessed by the Executive Board to have met the end-2004 indebtedness criterion set forth in Section III, paragraph l(d) of the PRGF-HIPC Trust Instrument, and who have not yet met the policy performance criterion set forth in Section III, paragraph 1 (b) of the PRGF-HIPC Trust Instrument. Accordingly, such members could become eligible for assistance under the HIPC Initiative if they adopt, at any time, a program of adjustment and reform of the kind specified in Section III, paragraph 1 (b) of the PRGF-HIPC Trust Instrument. (SM/06/288, Sup. 2, 10/5/06)

Decision No. 13797-(06/88),
October 13, 2006

Trust for Special ESAF Operations for Heavily Indebted Poor Countries and Interim ESAF Subsidy Operations—Terms and Conditions for Administration of Account Provided Under Section III, Paragraph 5(b) of Trust

Pursuant to Section III, Paragraph 5(b) of the Instrument to Establish a Trust for Special ESAF Operations for the Heavily Indebted Poor Countries and Interim ESAF Subsidy (ESAF-HIPC Trust), the Fund, as Trustee of the ESAF-HIPC Trust, establishes the following terms and conditions for the administration of the Account provided for under that provision:

1. The resources of the Account shall consist of (i) the proceeds of grants and/or loans paid into the Account for the benefit of a

member by the ESAF-HIPC Trust, and (ii) contributions by other donors to the reduction of a member's debt service payments on its existing debt to the Fund, and (iii) net earnings from the investment of resources held in the Account.

2. Within the Account, the Trustee shall establish a separate sub-account for the administration of the resources paid into the Account for the benefit of each member for which the resources have been paid. The Trustee shall establish a sub-account within the Account whenever the Fund as Trustee of the ESAF-HIPC Trust grants final approval of a Trust grant and/or Trust loan under the ESAF-HIPC Trust.

3. Following the establishment of a sub-account, the Fund, as Trustee, shall be authorized to use the resources of the sub-account (including any net income from the investment of such resources) to repay the member's existing debt to the Fund, in accordance with the Schedule for using the proceeds of grants and loans as determined under the provisions of Section III, Paragraphs 4(a) and 4(b) of the Instrument to Establish th PRGF-HIPC Trust. The Trustee shall also be authorized to retransfer back to the Trust an amount equivalent to (i) resources disbursed from the Trust into a sub-account in excess of the amount needed to meet the Fund's share of debt reduction in accordance with Section III, paragraph 3(b) of the Instrument to Establish the PRGF-HIPC Trust, or (ii) resources disbursed as interim assistance from the Trust into a sub-account on the incorrect understanding that all performance-related conditions specified for such disbursement were met, in accordance with Section III, paragraph 3(d) of the Instrument to Establish the PRGF-HIPC Trust.

4. (a) Resources held in a sub-account of the Account and not immediately needed for operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a

member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member. Investment which does not involve an exchange of currency shall be made only after consultation with the member whose currency is to be used, or, when an exchange of currency is involved, with the consent of the issuers of such currencies. Earnings, net of any transactions costs, shall accrue to the sub-account and shall be available for the purposes of the sub-account.

(c) The Managing Director of the Trustee is authorized (i) to make all arrangements, including establishment of accounts in the name of the Trustee, with such depositories as may be necessary to carry out the operations of the Account, and (ii) to take all measures necessary to implement the provisions of this decision.

5. The SDR shall be the unit of account.

6. (a) Resources received into a sub-account may be in U.S. dollars or such other media as may be determined by the Trustee.

(b) Resources held in a sub-account may be currencies or currencies exchanged for SDRs in accordance with such arrangements as may be made by the Trustee for the holding and use of SDRs.

(c) The Trustee may exchange any of the resources held in a sub-account provided that any balance of a currency held in the sub-account may be exchanged only with the consent of the issuer of such currency.

(d) Payments made from a sub-account shall be made in U.S. dollars or such other media as may be determined by the Trustee.

7. Assets held in the Account shall be kept separate from the assets and property of all other accounts of, or administered by, the

Trustee. The assets of the Account shall not be used to discharge or meet any liabilities, obligations, or losses incurred by the Trustee in the administration of such other accounts. The assets and property held in a sub-account of the Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Trustee in the administration of any other sub-account of the Account.

8. Subject to the provisions of this decision, the Trustee, in administering the Account, shall apply, mutatis mutandis, the same rules and procedures as apply to the operations of the General Resources Account of the Fund.

9. No charge shall be levied for the services rendered by the Trustee in the administration, operation, and termination of the Account.

10. (a) The Trustee shall maintain separate financial records and prepare separate financial statements for the Account. Such records and statements will be maintained in accordance with generally accepted accounting principles. The financial statements for the Account shall be expressed in SDRs.

(b) The External Audit Committee selected under Section 20 of the Trustee's By-Laws shall audit the operations and transactions conducted through the Account. The audit shall relate to the financial year of the Trustee.

(c) The Trustee shall report on the resources and operations of the Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the External Audit Committee on the Account.

11. (a) The Account shall remain in effect for as long as is necessary, in the judgment of the Trustee, to conduct and to wind up the business of the Account. A sub-account for a particular member would be wound up when the resources of that sub-account have been exhausted in servicing the member's obligations to the Fund.

(b) Any balance remaining in a sub-account upon termination and after the discharge of all obligations of that sub-account shall be

transferred promptly to the member for which the sub-account had been established.

Decision No. 11698-(98/38) ESAF,
April 1, 1998,
as amended by Decision Nos. 12697-(02/27) ESAF, March 15, 2002
and 13589-(05/99) MDRI, November 23, 2005,
effective January 5, 2006

The Chairman's Summing Up at the Conclusion of the Discussion on the Modalities for Special ESAF Operations in the Context of the HIPC Initiative and Other ESAF Issues, Executive Board Meeting 97/10, February 4, 1997

We have now established the structure and modalities for special ESAF operations under the HIPC Initiative, based on the agreement reached in the September Board meetings and the endorsement of the Interim and Development Committee meetings. The decisions to establish the ESAF-HIPC Trust will allow us to place to that account the resources that have already been accumulating for these purposes. The additional decision to allow an early transfer of Reserve Account resources to the Special Disbursement Account (SDA) for the financing of special ESAF operations—to the extent that sufficient resources for this purpose are not immediately available from other sources—responds to the Interim Committee's request to proceed quickly with the implementation of the HIPC Initiative. Together with consents to an early transfer from all ESAF Trust Loan Account creditors, which will be sought during the coming weeks, these decisions will permit the Fund to commit its resources as a participant in the Initiative, as the first countries reach their decision points and are judged to require assistance under the Initiative.

This exercise has been technically complex and has surfaced very genuine and legitimate differences of view regarding how best to provide the assistance needed by our poorest and most heavily indebted members. All of you want to assure that the resources used for this purpose produce the best results—and views can differ on how to accomplish that. I appreciate the spirit all of you brought to this and your willingness to compromise.

In agreeing to the authorization for an early transfer of Reserve Account resources, some Directors stressed the need for maintaining a maximum effort by all to secure bilateral contributions and, if necessary, to consider the optimization of the management of the Fund's reserves for the financing of interim ESAF subsidies and special ESAF operations. We will certainly maintain this effort and the financing of the Trust will be kept under regular review.

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While some of the operational details will need to be developed on a case-by-case basis as specific country cases are presented to the Boards of the Fund and the Bank, a number of issues have been raised by Directors that will need to be taken into account when implementing the HIPC Initiative and the Fund's participation therein.

First, Directors considered that there should be a presumption that ESAF arrangements with HIPC-eligible countries, and especially arrangements during the second stage, would be among the stronger ESAF arrangements. This is appropriate in light of the seriousness of the problems confronting these countries, the need to progress as rapidly as possible with structural reform, and the need to protect Fund resources. We can thus expect to see more frontloading of policy reform and forceful action on critical structural measures in these arrangements.

Second, Directors emphasized that under the agreed framework endorsed by the Interim and Development Committees any shortening of the second stage would be on an exceptional basis for countries which have already sustained records of strong performance and for which the adjustment and reform effort has become firmly rooted. This matter would be decided on a case-by-case basis by the Boards of the Fund and the Bank.

Third, some Directors expressed the view that approval of more than two three-year ESAF arrangements, including for HIPCs having reached their completion points, should be on an exceptional basis. However, most Directors were of the view that the continued ESAF should in principle be open to all ESAF-eligible members, given

the protracted nature of the problems faced by many of them, their vulnerability to external shocks, and the risk of a recurrence of problems even after a sustained period of successful adjustment. Directors stressed that the continuation of ESAF is intended to maintain the Fund's ability to respond to eligible members' needs as they arise, and not to provide a source of continuous financing for individual countries. Directors also agreed that countries having benefited from exceptional assistance under the HIPC Initiative at the completion point would in most cases be expected to have made major progress toward a viable balance of payments position or achieved it, although they were likely to remain dependent on development aid flows. I have also noted the interest expressed by some Directors in exploring the scope for precautionary ESAF arrangements and we will return to that matter.

Fourth, Directors agreed that any reduction at the completion point of the assistance committed to a member at the decision point, would be taken only in concert with all other creditors and only where a major windfall transforms the economic circumstances of the member concerned and not when the improvement in its circumstances is the result of more ambitious adjustment and reform efforts undertaken by the member.

Fifth, Directors discussed the vulnerability factors that should be taken into account at the decision point in determining the debt sustainability targets. These might include a range of factors in addition to those mentioned in the decision, including, as suggested by some Directors, the present value of external debt-to-GDP ratio.

Sixth, the reference to extended arrangements as satisfying the requirement of a track record of strong policy performance in the case of the second three-year period is intended only to cover the possibility that interim ESAF operations could take the form of extended arrangements in the General Resources Account.

Finally, regarding the amounts of Fund assistance under the HIPC Initiative, Directors reiterated the importance of one of the guiding principles of the Initiative, i.e., that the assistance provided by the Fund and other multilateral creditors should preserve the financial

integrity of the institutions and their preferred creditor status. Directors emphasized that before deciding on commitments or disbursements, the Fund would need to have satisfactory assurances concerning the actions and decisions to be taken—on their own responsibilities and in accordance with their own procedures—by other involved creditors. It would not be productive to try to formulate these considerations in mechanical terms in the abstract, but we will have them clearly in mind in considering individual cases.

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Several Directors asked for an early report to the Board on progress on financing the ESAF/HIPC initiatives, including through bilateral contributions. The staff will discuss this issue in the context of a paper on the use of SCA-2 resources, to be presented to the Board in the coming weeks.

BUFF/97/12
February 5, 1997

The Acting Chair's Summing Up—HIPC Initiative—Status of Implementation; Background Papers on the Achievement of Long-Term External Debt Sustainability and External Debt Management in HIPCs; and Update on Financing of PRGF and HIPC Operations and Subsidization of Post-Conflict Emergency Assistance, Executive Board Meeting 02/40, April 9, 2002

1. Directors considered the HIPC Initiative to be an important part of a comprehensive strategy to eradicate poverty. They therefore welcomed the steady progress that has been made to date under the enhanced HIPC Initiative, especially in bringing new countries to the decision point. They noted that 26 countries have reached their decision points, of which 4 countries have reached their completion points, by end-March 2002. The committed debt relief under the enhanced HIPC Initiative would lower the outstanding stock of external debt of these countries by two thirds. This relief would also lower, on average, debt-service payments during 2001–05, compared to 1998–99, by about one third relative to exports and by almost one half relative to government revenue thus allowing

for significant increases in social and poverty-related spending. However, Directors emphasized that HIPC debt relief should not displace other forms of development aid, either to HIPCs or to non-HIPCs.

2. Directors urged the staff to continue to work with the remaining HIPCs, most of which are conflict-affected, to bring them to decision points as soon as conditions permit. Directors noted that progress has been slow in bringing countries that have reached their decision points to the completion point, when the remaining debt relief could be provided on an irrevocable basis. Directors underscored the need for these countries to remain on track with their economic reform and poverty reduction programs in order to reach their floating completion points, while acknowledging that this will require additional effort in the context of the current global economic slowdown and the decline in primary commodity prices.

3. Directors regretted that the participation so far in the delivery of HIPC Initiative assistance by non-Paris Club official and commercial creditors has been poor, and expressed concern about repeated attempts by some official bilateral creditors to sell their claims on HIPCs to the secondary market with attendant risk of litigation. They stressed that participation by all creditors is necessary for the successful implementation of the HIPC Initiative and urged the creditors that have not yet agreed to participate in the Initiative to do so as soon as possible. Directors called on the staff to take all possible measures, within the existing institutional constraints, to help secure a more effective participation of all creditors. In this regard, most Directors welcomed the new supplementary measures proposed by the staff. Some Directors expressed concern about the proposal that non-Paris Club creditors with Fund-supported programs be allowed to include the amount of their debt relief to HIPCs in their financing gaps.

4. Directors stressed that a track record of strong policy performance under Fund- and Bank-supported programs is central to the success of the HIPC Initiative. It was agreed, therefore, that the Bank and the Fund should retain the requirement of at least one-year of satisfactory PRSP implementation before the

completion point under the HIPC Initiative (except as provided for in retroactive cases). Many Directors were of the view, however, that some flexibility in timing could be allowed in cases where there has been satisfactory progress in implementing the PRSP, the other completion point triggers have been met, and the financial cost of delaying the completion point is significant. In such cases, they considered that countries' completion point requests could be submitted for Board consideration without waiting for a full year of PRSP implementation; this would require an amendment of the HIPC Instrument. In interpreting the practical modalities of ascertaining the observance of the standard completion point condition on track record performance under a PRGF-supported program, most Directors agreed that, in the case of extended interruptions of policy performance (more than six months), a satisfactory track record in the form of the completion of one review of a PRGF-supported program covering a period of policy implementation of at least six months would be required immediately before the completion point. While agreeing that a satisfactory macroeconomic performance prior to the completion point is essential, many Directors felt that some flexibility should be applied in judging performance to take into account factors beyond the control of the authorities.

5. Directors expressed concern that the recent global slowdown, coupled with a significant decline in primary commodity prices, has weakened HIPCs' growth and export performance over the past two years and led to a deterioration of external debt indicators for many of them. Continued export volume growth in most HIPCs has moderated the slowdown in real GDP growth, and the overall impact of recent changes in the international economic environment has varied considerably across HIPCs. Of the four countries that have reached their completion points, two seem to be in a good position to maintain long-term debt sustainability, but the situation of the other two is more mixed. For the 20 countries that reached their decision points by end-2001, 8 to 10 are likely to have NPV of debt-to-exports ratios at the completion point above the 150 percent threshold; for 6 of these countries, such deviations were anticipated at the time of their decision points, but to a lesser degree. Directors recognized that these projections would necessarily be modified in

the light of the actual developments in these countries before their completion points are attained.

6. Directors recalled that the enhanced HIPC Initiative provided for the consideration on a case-by-case basis of additional debt relief at the completion point in cases where exceptional exogenous shocks have caused fundamental changes in a country's economic circumstances. They stressed that the potential additional HIPC relief is not meant to compensate for slippages in policy reform and/or imprudent new external borrowing, nor could it be provided on an ongoing basis to deal with future economic shocks. In this context, they also noted the need for greater recognition of downside risks in debt sustainability analyses and in projections for growth and exports at the decision point. Directors recognized that any additional debt relief at the completion point would increase the overall costs of the HIPC Initiative. The financing implications of this would need to be explored in due course.

7. Overall, Directors noted that virtually all HIPCs are heavily dependent on primary commodities for their export earnings and government revenue, and, as a result, they would remain vulnerable to adverse developments in the external environment. Directors agreed that the objective of the enhanced HIPC Initiative is to achieve a lasting exit from unsustainable debt for eligible countries. But many emphasized that HIPC debt relief was not the only factor in ensuring debt sustainability. They emphasized that the achievement of long-term debt sustainability would require, on the one hand, a combination of continued policy reforms aimed at accelerating growth and diversifying the export base, as well as a strengthened external debt management capacity by the HIPCs themselves, and on the other hand, improved access for their exports to world markets and external financing on appropriate terms.

8. Directors underscored that given HIPCs' limited repayment capacity, almost all new financing should be in the form of highly concessional loans and grants. Directors encouraged HIPCs to significantly strengthen their debt management capacities during the HIPC process, especially in increasing transparency and accountability

on new borrowing and on the use of borrowed resources. Directors stressed the importance for HIPCs, as well as the Fund and the Bank, to closely monitor HIPC country debt indicators in order to detect potential debt-servicing problems at an early stage.

9. Directors welcomed the progress made in securing financing for the interim ECF and the Fund's participation in the HIPC Initiative. They were pleased to note that new PRGF loan resources of SDR 4.4 billion had been pledged, of which SDR 4.1 billion are now available, and that nearly all the pledged bilateral subsidy contributions to the PRGF-HIPC Trust have become effective. Directors urged that the remaining bilateral contributions to the PRGF-HIPC Trust be made effective soon to ensure full funding of PRGF-HIPC operations.

10. Directors welcomed contributions by several countries to subsidize post-conflict emergency assistance and encouraged further pledges by other members to ensure that resources remain sufficient to subsidize charges by the poorest members beyond 2002.

11. Directors were in broad agreement with staff analysis that available and pledged loan and subsidy resources appeared sufficient to finance PRGF operations and the Fund's share of HIPC Initiative assistance. They also agreed that accumulated balances in the Reserve Account adequately protected providers of both current and new loans to the PRGF Trust. They noted, however, that consideration might need to be given to mobilizing additional loan and subsidy resources should the recent high demand for PRGF resources continue. Over the long term, the adequacy of the level of self-sustained PRGF operations would also need to be assessed. Directors also noted that any expansion of the list of eligible countries under the HIPC Initiative, or significant topping up at the completion points, if warranted, would increase the cost of the Fund's HIPC Initiative assistance, necessitating the mobilization of additional resources. Some Directors also called for a fuller assessment of the potential costs of topping up going forward. Directors looked forward to a further discussion later this year of the Fund's concessional assistance to low-income countries.

BUFF/02/62
April 15, 2002

Summing Up by the Chairman—Enhanced Initiative for Heavily Indebted Poor Countries (HIPCs) and Poverty Reduction Strategy Papers (PRSPs)—Progress Reports and Review of Implementation, Executive Board Meeting 00/90, September 5, 2000

…

Directors agreed that an overall track record of three years of Bank- and Fund-supported programs prior to the decision point should in general be maintained, but that this should be interpreted flexibly on a case-by-case basis. Most Directors also agreed that the track record requirements immediately preceding a decision point may need to be applied flexibly, especially for countries that have experienced significant program interruptions. They emphasized, however, that countries need to demonstrate strong commitment to reform programs, particularly in the areas of governance and accountability, and that the link between debt relief and poverty reduction should be clearly maintained. In this regard, Directors stressed the importance of establishing a clear framework for the tracking of public expenditure on poverty reduction. A few Directors favored the maintenance of a track record requirement under Fund-supported programs immediately prior to the decision point, particularly for the most difficult cases, to ensure a prospect for a durable resolution of countries' debt problems.

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BUFF/00/147
September 11, 2000

Summing Up by the Acting Chairman—Initiative for Heavily Indebted Poor Countries—Proposal for Streamlining Preliminary Documents, Executive Board Meeting 00/108, November 3, 2000

Directors considered the proposals for streamlining preliminary HIPC documents in EBS/00/207. They agreed that preliminary documents should be streamlined as proposed in paragraph 7 of the paper to focus on a few key issues, notably: eligibility; track record; summary debt sustainability analysis; timing of possible decision points; possible triggers for the floating completion point; and likely

assistance under the Initiative. A number of Directors emphasized that streamlining should not be allowed to compromise the quality and coverage of the information presented to the Board. Some Directors considered that reaching a decision point before the end of the year may be premature for some of the country cases currently envisaged for consideration within that time frame. Accordingly, requests were made that the preliminary documents also include the rationale for the choice of completion point triggers, details on the debt service profiles before and after HIPC Initiative assistance, more information on expenditure tracking and monitoring of debt relief, plans for interim relief, and policies on transparency. Directors also stressed that adequate information on a country's performance under the PRGF, and the justifications for any shortening of the required track record—where appropriate—should be included. The staff will take these factors into account when preparing these papers.

Directors also supported the proposal that, for the remainder of this year, the streamlined preliminary documents be discussed by the Board on a case-by-case basis, after a review period of five working days.

Directors generally supported a review of the experience with these arrangements early in 2001.

BUFF/00/165
November 7, 2000

Multilateral Debt Relief Initiative

LIQUIDATION OF THE MDRI-II TRUST—ESTABLISHMENT OF A POST-MDRI-II TRUST INTERIM ADMINISTERED ACCOUNT

1. Pursuant to Article V, Section 2(b) of the Articles, the Fund adopts the Instrument to Establish the Post-MDRI-II Interim Administered Account (the "Account") that is annexed to this decision.

2. In accordance with Article XVII, Section 3 of the Articles, the Fund prescribes that an SDR Department participant or a prescribed holder, by agreement with an SDR Department participant or a

prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or prescribed holder in effecting a transfer to or from the Account or in effecting a payment due to or by the Fund in connection with financial operations under this Account; and operations pursuant to this prescription shall be recorded in accordance with Rule P-9. (SM/15/141, 06/16/15)

Decision No. 15811-(15/63),
June 23, 2015

Annex

Instrument to Establish the Post-MDRI-II Interim Administered Account

To help fulfill its purposes, the International Monetary Fund (the "Fund"), at the request of two contributors, has adopted this Instrument to establish the Post-MDRI-II Interim Administered Account (the "Account") in accordance with Article V, Section 2(b) of the Fund's Articles of Agreement, which shall be governed and administered by the Fund in accordance with the terms and conditions of this Instrument.

1. The purpose of the Account is to serve as an interim vehicle for the temporary holding and administration of resources transferred to the Account by a member in the context of the liquidation of the Multilateral Debt Relief Initiative-II Trust (the "MDRI-II Trust"), set forth in Attachment II to Decision No. 13588-(05/99), adopted November 23, 2005, as amended by Decision No. 15708- (15/12), adopted February 4, 2015, pending any decision by such member ("Contributor") as to the final disposition of those resources.

2. The SDR shall be the unit of account. Resources provided to the Account shall be in SDRs or any currency. Transfers may be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Fund for holding and use of SDRs.

3. Upon the instruction of a contributing member, the Fund shall transfer all or part of the resources received from a member,

together with the member's pro rata share of the investment returns, to the Catastrophe Containment and Relief Trust established pursuant to Decision No. 15708-(15/12), adopted February 4, 2015, the Poverty Reduction and Growth Trust for use in any current or future subsidy operations authorized for that Trust, or to the account of the contributing member.

4. The resources held in the Account and not immediately needed for operations of the Account shall be invested at the discretion of the Managing Director. Investments pursuant to this paragraph may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; or (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution, that are denominated in SDRs or in the currency of a member.

5. The assets held in the Account shall be kept separate from the assets and property of all other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations or losses incurred in the administration of the Account; nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred in connection with any such other accounts of, or administered by, the Fund.

6. The Fund shall maintain separate financial records and prepare financial statements for the Account. The financial statements for the Account shall be expressed in SDRs and prepared in accordance with International Financial Reporting Standards.

7. The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions of the Account. The audit shall relate to the financial year of the Fund.

8. The Fund shall report on the assets and property and on the operations and transactions of the Account in the Annual Report of

the Executive Board to the Board of Governors and shall include in that Annual Report the audit report of the external audit firm on the Account.

9. Subject to the provisions of this Instrument, the Fund, in administering the Account, shall apply, mutatis mutandis, the same rules and procedures as apply to operations of the General Resources Account of the Fund.

10. The Managing Director is authorized (a) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as he or she deems necessary to carry out the operations of the Account; and (b) to take all other measures he or she deems necessary to implement the provisions of this Instrument.

11. No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of the Account. All investment costs, including but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by, and deducted from, the Account.

12. The Account shall be terminated (a) three years from the effective date of the decision adopting this Instrument, unless the Fund decides to maintain the Account for a longer period of time; or (b) as promptly as practicable following the receipt of instructions from every Contributor regarding the distribution of its resources in the Account, whichever is earlier. In the event of termination under (a) above, the Fund shall distribute to each Contributor with resources remaining in the Account at the time of termination the full amount of such resources, including its share in any retained investment earnings.

13. The provisions of this Instrument may be amended by a decision of the Fund and with the concurrence of each Contributor with resources in the Account at the time of such decision, provided that the extension of the Account period in accordance with paragraph 12 shall not be considered an amendment to this Instrument.

14. Any questions arising under this Instrument between a Contributor and the Fund shall be settled by mutual agreement between the Contributor and the Fund.

Catastrophe Containment and Relief (CCR) Trust

PROPOSAL TO ENHANCE FUND SUPPORT FOR LOW-INCOME COUNTRIES HIT BY PUBLIC HEALTH DISASTERS—TRANSFORMATION OF THE POST-CATASTROPHE DEBT RELIEF (PCDR) TRUST INTO THE CATASTROPHE CONTAINMENT AND RELIEF (CCR) TRUST AND LIQUIDATION OF THE MDRI-I TRUST

Part I - Transformation of the PCDR Trust

1. The name of the Trust established pursuant to Decision No. 14649-(10/64), adopted June 25, 2010, shall be changed to the Catastrophe Containment and Relief (CCR) Trust. Accordingly, Decision No. 14649-(10/64) and the title of the Attachment to that Decision shall be amended by replacing references to the "Post-Catastrophe Debt Relief Trust" ("PCDR Trust") with "Catastrophe Containment and Relief Trust" ("CCR Trust").

2. The Instrument to Establish the CCR Trust ("CCR Trust Instrument"), annexed to Decision No. 14649-(10/64), shall be amended to read as set forth in Attachment A to this decision.

3. The terms and conditions for the administration of the PCDR Trust Umbrella Account set forth in Attachment A to Decision No. 14650-(10/64) PCDR Umbrella Account, adopted June 25, 2010 shall be amended to read as set forth in Attachment B to this decision.

4. Except as otherwise specifically provided or where the context otherwise requires, references in other Fund decisions, instruments, agreements or documents to the Post-Catastrophe Debt Relief Trust and Post-Catastrophe Debt Relief Trust Instrument shall be understood to be, respectively, references to the "Catastrophe Containment and Relief Trust" ("CCR Trust") and "Catastrophe Containment and Relief Trust Instrument."

5. The review of the PCDR Trust set forth in paragraph 1 of Decision No. 14649-(10/64), adopted June 25, 2010 is no longer required. It is expected that the Fund will review the financing and operations of the CCR Trust every five years or earlier if needed.

Part II - Liquidation of the MDRI-I Trust and Transfer of the Remaining Balances to the CCR Trust

…

Decision No. 15708-(15/12),
February 4, 2015

CATASTROPHE CONTAINMENT AND RELIEF TRUST FUND—ESTABLISHMENT AND RELATED MATTERS

1. Pursuant to Article V, Section 2(b), the Fund adopts the Instrument to Establish the Catastrophe Containment and Relief Trust ("CCR Trust" or "Trust") that is annexed as Attachment I to this decision. It is expected that the Fund shall review the financing and operations of the CCR Trust at least every five years.

2. …

3. In accordance with Article V, Section 12(i), the General Resources Account of the Fund shall be reimbursed annually by the CCR Trust, from resources transferred to the CCR Trust from the SDA, in respect of the expenses of administering SDA resources in the CCR Trust, other than expenses already attributed to other accounts or trusts administered by the Fund, or to the General Resources Account.

4. In accordance with Article XVII, section 3, the Fund prescribes that:

(a) an SDR Department participant or prescribed holder, by agreement with an SDR Department participant or prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or prescribed holder in effecting a transfer to or from (i) the CCR Trust, or (ii) the Account and subaccounts established pursuant to Section III,

paragraph 4(b) of the CCR Trust Instrument; or in effecting a payment due to or by the Fund in connection with financial operations under the CCR Trust or the referred accounts; and

(b) Operations pursuant to these prescriptions shall be recorded in accordance with Rule P-9. (SM/10/97, Sup. 1, 6/23/10) (SM/10/97, Sup. 1, 06/23/10)

Decision No. 14649-(10/64),
June 25, 2010,
as amended by Decision No. 15708-(15/12), February 4, 2015,
16684-(20/32), March 26, 2020, and
16709-(20/41),
April 13, 2020

Attachment A

Instrument to Establish the Catastrophe Containment and Relief Trust

To help fulfill its purposes, the International Monetary Fund (the "Fund"), pursuant to Article V, Section 2(b) of the Fund's Articles of Agreement, has adopted this Instrument to Establish the Catastrophe Containment and Relief Trust (the "CCR Trust" or "Trust"), which shall be administered by the Fund as Trustee (the "Trustee"). The Trust shall be governed by, and administered in accordance with, the following provisions:

Section I. *General Provisions*

Paragraph 1. *Purposes*

The Trust shall assist in fulfilling the purposes of the Fund by providing balance of payments assistance in the form of grants ("Trust grants") to eligible low-income members that qualify for assistance as set forth in Section III of this Instrument. Such members may request balance of payments assistance in accordance with the terms of this Instrument under either:

(a) the Post-Catastrophe Relief Window (PCR window), in the form of grants that shall be used to deliver temporary relief of debt service

payments (interest and principal) on such members' eligible debt ("debt flow relief") and, in appropriate cases, permanent debt relief on such debt ("debt stock relief"), where the member experienced a Qualifying Catastrophic Disaster, subject to the terms of this Instrument; or

(b) the Catastrophe Containment Window (CC window), in the form of grants that shall be used to provide immediate debt relief on eligible debt ("immediate debt relief"), where the member experienced a Qualifying Public Health Disaster subject to the terms of this Instrument.

Paragraph 2. *Trust Accounts and Resources*

(a) For its operations and transactions the Trust shall have a General Account, a PCR Window Account and a CC Window Account, collectively referred to as "the Accounts." Within each Account, the Trustee may establish such sub-accounts as it deems necessary for the administration of the resources of the Trust.

(b) The resources held in the General Account shall consist of:

(i) transfers from the Special Disbursement Account in accordance with Section V, paragraph 2 of the Multilateral Debt Relief Initiative-I Trust established pursuant to Decision No. 13588-(05/99) MDRI, as amended by Decision No. 14649-(10/64);

(ii) transfers from the Special Disbursement Account in accordance with paragraph 8 of Decision No. 15708-(15/12);

(iii) grant contributions made to the Trust for the General Account;

(iv) the proceeds of loans, deposits and other types of investments made by contributors with the Trust to generate income for the General Account; and

(v) net earnings from investment of resources held in the General Account.

(c) The resources held in the PCR Window Account shall consist of:

(i) grant contributions made to the Trust for the purposes of the PCR Window Account;

(ii) the proceeds of loans, deposits and other types of investments made by contributors with the Trust to generate income for the PCR Window Account; and

(iii) net earnings from investment of resources held in that Account.

(d) The resources held in the CC Window Account shall consist of:

(i) grant contributions made to the Trust for the CC Window Account;

(ii) the proceeds of loans, deposits and other types of investments made by contributors with the Trust to generate income for the CC Window Account; and

(iii) net earnings from investment of resources held in that Account.

(e) For the purpose of grant disbursements as set forth in Section III, paragraph 4 of this Instrument, the Trustee may draw upon resources in the General Account for purposes of providing relief under the PCR window and the CC window, provided that it shall draw first (i) under the PCR Window Account for purposes of PCR window grant assistance, and (ii) under the CC Window Account for purposes of CC window grant assistance.

Paragraph 3. *Unit of Account*

The SDR shall be the unit of account for commitments and all other operations and transactions of the Trust, provided that commitments for contributions may also be made in currency.

Paragraph 4. *Media of Payment of Contributions and Exchange of Resources*

(a) Resources provided to the Accounts shall be in any currency.

(b) Payments by the Trust shall be made in U.S. dollars or such other media as may be agreed between the Trustee and the payee.

(c) Contributions to the Trust may also be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Trust for the holding and use of SDRs.

(d) The Trustee may exchange any of the resources of the Trust for other resources.

Section II. *Contributions to the Trust*

The Trustee may accept contributions of resources for the Accounts of the Trust on such terms and conditions as may be agreed between the Trustee and the respective contributors, subject to the provisions of this Instrument. For this purpose, the Managing Director of the Trustee is authorized to accept grants and enter into loan, deposit, or other types of investment agreements with the contributors to the Trust.

Section III. *Trust Grants*

Paragraph 1. *Eligibility for Assistance*

In order to be eligible for relief under the PCR window or the CC window of the Trust, a member shall meet the following requirements:

(a) the member is PRGT-eligible (i.e., is included in the list of members annexed to Decision No. 8240-(86/56) SAF, as amended); and

(b) the member has an annual per capita gross national income, as assessed by the Trustee in accordance with paragraph 1(E) of Decision No. 14521-(10/3), that is below the International Development Association operational cut-off or, for a member qualifying as a "small country" under the definition set forth in paragraph 1(D) of that decision, is less than twice the International Development Association operational cut-off.

Paragraph 2. *Post-Catastrophe Relief Window (PCR Window)*

(a) Qualification for Assistance

The Trustee shall determine whether an eligible member requesting assistance under the PCR Window qualifies under this Instrument

for debt flow relief and, in appropriate cases, for debt stock relief, in accordance with the respective criteria set forth below:

(i) Debt Flow Relief

An eligible member shall qualify for debt flow relief under this window when the Trustee determines that the member is experiencing a balance of payments need that arises from a Qualifying Catastrophic Disaster. For purposes of this Instrument, a Qualifying Catastrophic Disaster shall mean an exceptional natural disaster occurring any time after January 1, 2010 that the Trustee determines, based on available information, including preliminary estimates, has had the following effects on the member: (I) a large portion of the member's population has been directly affected (i.e., deceased, injured, and/or displaced), such portion normally being at least one third of the population; and (II) a large portion of the member's economy has been directly affected, as evidenced by either (a) the destruction of more than a quarter of the member's productive capacity measured by destroyed structures, impact on key economic sectors and public institutions, and other relevant early indicators, or (b) damage in an amount exceeding 100 percent of the member's GDP prior to the Qualifying Catastrophic Disaster.

(ii) Debt Stock Relief

An eligible member that qualifies for debt flow relief under this window shall also qualify for debt stock relief when the Trustee determines, based on available information, that: (I) the member has substantial balance of payments needs that have been created or exacerbated by the Qualifying Catastrophic Disaster and the subsequent economic recovery efforts and are expected to persist beyond the period covered by debt flow relief; and (II) the resources that would be freed up by the debt stock relief would be critical for meeting these needs. For purposes of (II), resources would normally be considered critical for meeting the member's needs only if, based on an updated debt sustainability analysis conducted after the Qualifying Catastrophic Disaster, the member has a high level of debt in relation to GDP or exports prior to the delivery of any debt relief after the Qualifying Catastrophic Disaster, typically resulting in an assessment that the member is in debt distress or has a high risk of debt distress. Decisions on a member's

qualification for debt stock relief will normally be adopted by the Trustee in the period beginning six months after the occurrence of the Qualifying Catastrophic Disaster and ending in all cases no later than twenty-four months after such disaster.

(b) Amount and Delivery of Assistance

The Trustee shall deliver assistance to eligible members that it has determined qualify for debt flow or debt stock relief in accordance with the following terms:

(i) Debt Flow Relief

Upon a determination that a member qualifies for debt flow relief pursuant to paragraph 2(a)(i) of this Section, the Trustee shall disburse to the subaccount established for the benefit of the member pursuant to paragraph 4(b) below, a Trust grant in an amount equivalent to all payments on the member's eligible debt falling due within the period beginning on the date of the debt flow relief decision and ending two years after the occurrence of the Qualifying Catastrophic Disaster. For the purposes of this paragraph, eligible debt shall be defined as all of the member's debt to the Fund (including to the Fund as Trustee) that was outstanding as of the date of the Qualifying Catastrophic Disaster and in respect of which the member had made regular scheduled debt service payments (interest and principal) before the Qualifying Catastrophic Disaster, plus any disbursements by the Fund (including by the Fund as Trustee) to the member made normally within four months following such disaster, but shall exclude any debt to the Fund that is scheduled to be repaid with assistance under other debt relief trusts administered by the Fund or under paragraph 3 of this Section.

(ii) Debt Stock Relief

I. Upon a determination that a member qualifies for debt stock relief pursuant to paragraph 2(a)(ii) of this Section, the Trustee shall commit an amount up to which the Trust will disburse a Trust grant for debt stock relief to the member pursuant to subparagraph 2(b)(ii)(II) below. The amount committed shall be the amount needed to effect the early repayment of the member's eligible debt that is

outstanding as of the second anniversary of the occurrence of the Qualifying Catastrophic Disaster. The amount actually disbursed pursuant to subparagraph 2(b)(ii)(II) below shall be the amount needed to effect the early repayment of the member's eligible debt that is outstanding as of the second anniversary of the occurrence of the Qualifying Catastrophic Disaster or on the date of the Trustee's decision to disburse debt stock relief, whichever is later.

II. The Trustee shall disburse debt stock relief in the amount specified in subparagraph 2(b)(ii)(I) above to the subaccount established for the benefit of the member pursuant to paragraph 4(b) below as of the date the Trustee determines that: (a) a concerted effort exists within the international community to provide similar debt relief to the member, which shall be evidenced by satisfactory assurances regarding the debt relief to be provided by the member's other official sector creditors whose debts together 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 Qualifying Catastrophic Disaster, (b) the member has provided assurances that it will cooperate with the Trustee 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 (c) taking into account the member's implementation capacity after the Qualifying Catastrophic Disaster, the member has established a track record of adequate macroeconomic policies, normally for a period of at least six months immediately preceding the Trustee's decision to disburse debt stock relief.

Paragraph 3. *Catastrophe Containment Window (CC Window)*

(a) Qualification for Assistance

(i) An eligible member shall qualify for immediate debt relief under the CC window when the Trustee determines, that (I) the member is experiencing a balance of payments need arising from a Qualifying Public Health Disaster specified in subparagraph (ii)(I) below, or an exceptional balance of payments need arising from a Qualifying Public Health Disaster specified in subparagraph (ii)(II) below; and (II) the macroeconomic policy framework put in place by the

member to address the balance of payments need created by the public health disaster and the ensuing policy response is appropriate.

(ii) For purposes of this Instrument, a Qualifying Public Health Disaster arises either where:[1]

(I) a life-threatening epidemic has a sustained presence and has spread across several areas of the member's territory, causing significant economic disruption and creating a balance of payments need; and the epidemic has the capacity to spread, or is already spreading, rapidly both within and across countries, producing or threatening, significant economic disruption and loss of life. Based on available information (which may take the form of preliminary estimates) and for the purposes of this subparagraph (I), the magnitude of economic disruption that has occurred and is projected to occur in the future would normally be characterized by at least: (a) a cumulative loss of real GDP of 10 percent; or (b) a cumulative loss of revenue and increase of expenditures equivalent to at least 10 percent of GDP. Such economic disruption will be measured relative to staff estimates made prior to the onset of the public health disaster and would reflect, inter alia, sharp curtailments, for disease containment purposes, on the movement of people and products within the country and related declines in production, exports, tax revenues, and international visitors, and also surges in government outlays on relief and containment efforts; OR

(II) a life-threatening global pandemic is inflicting severe economic disruption across the Fund's membership and is creating balance of payments needs on such a scale as to warrant a concerted international effort to support the poorest and most vulnerable countries through substantial additional grant support and debt service relief. Where the Executive Board determines that a member suffers

[1] Ed. Note: Decision No. 16710-(20/41), adopted April 13, 2010, states: The Fund, as Trustee of the Catastrophe Containment and Relief Trust, determines that, effective April 14, 2020, COVID-19 pandemic is a Qualifying Public Health Disaster under Section III, Paragraph 3(a)(ii)(II) of the Instrument to Establish the Catastrophe Containment and Relief Trust annexed to Decision No. 14649-(10/64), as amended by Decision No. 16684-(20/32), adopted March 26, 2020. (EBS/20/46, Sup. 1, 04/09/20)

a Qualifying Public Health Disaster under this test, it is expected that the Fund would be calling for a broad international response to provide support to the CCRT-eligible countries.

(iii) In making a determination of the occurrence of a Qualifying Public Health Disaster pursuant to subparagraph (ii)(I) above, the Fund may be guided by assessments of the health situation and outlook made by national authorities, the World Health Organization, the World Bank, and other relevant agencies. For the purpose of paragraph 3(a)(i) above, the Fund shall make a determination of the occurrence of a Qualifying Public Health Disaster specified in subparagraph (ii)(II) above, guided by assessments of the World Health Organization.

(b) Request for CC Window Assistance

A member requesting assistance under the CC window shall describe in a letter the nature of the public health disaster and the balance of payments needs arising from it, the measures being taken to contain the disaster, including budgetary reallocations, and the macroeconomic policies it is pursuing or plans to pursue to address its balance of payment difficulties.

(c) Amount and Delivery of Assistance

(i) Upon a determination that a member qualifies for assistance pursuant to paragraph 3(a) of this Section, the Trustee will approve grant assistance for debt service relief 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, with respect to paragraph 3(a)(ii)(I), or from the date of the Board determination that a global pandemic exists, with respect to paragraph 3(a)(ii)(II). Subject to the availability of resources in the Trust, the Trustee will approve additional tranches for further periods, provided that the total amount shall not exceed the cumulative debt service falling due to the Fund within two years from the date of the qualification decision, with respect to paragraph 3(a)(ii)(I), or from the date of the Board determination that a global pandemic exists, with respect to paragraph 3(a)(ii)(II).

(ii) The amount of the grant assistance approved by the Trustee in any of the tranches pursuant to (i) above will be equivalent to the total amount of the member's eligible debt falling due within the period covered under the respective tranche. In approving each tranche, the Trustee shall take into account the availability of resources in the Trust and the likely need of other potentially qualifying members under the Trust.

(iii) The Managing Director will report to the Executive Board periodically on the availability of resources for CC window relief to inform the Trustee's decision on the commitment of Amount and Delivery of Assistance

(iv) Upon approval of a member's request for grant assistance under the CC window, the Trustee shall disburse to a subaccount established for the benefit of the member pursuant to paragraph 4(b) below, a Trust grant in the amount that is necessary to repay the member's eligible debt to the Fund falling due within the period specified in (i) above. For the purposes of this paragraph, eligible debt shall be defined as all of the member's debt to the Fund (including to the Fund as Trustee) that was outstanding as of the date of the determination by the Fund that the member is qualified to receive grant assistance under this window and related charges and interest falling due over the period specified in (i) above, and in respect of which the member had made regular scheduled debt service payments (principal, charges and interest) before such determination. Eligible debt shall exclude any debt to the Fund that is scheduled to be repaid with assistance under other debt relief trusts administered by the Fund or u under paragraph 2 of this Section.

Paragraph 4. *Disbursements*

(a) All disbursements of Trust grants shall be subject to the availability of resources to the Trust.

(b) The proceeds of Trust grants approved under the CCR Trust shall be paid into a subaccount for the benefit of the relevant member that is maintained within a separate account (the "Umbrella

Account") established and administered by the Trustee pursuant to this subparagraph, as follows:

(i) The Trustee shall use the proceeds disbursed as debt flow relief under the PCR window (including any income from investments of such proceeds) to make payments on the member's eligible debt as they fall due within the period specified in paragraph 2(b)(i) above. The Trustee shall use the proceeds disbursed as debt stock relief under the PCR window as set forth in paragraph 2(b)(ii) promptly after such disbursement to effect the early repayment of the member's eligible debt as of the date specified in the last sentence of paragraph 2(b)(ii)(I) above. If the amounts disbursed by the Trustee to the subaccount exceed the amounts needed to effect payments falling due on, and early repayment of, the member's eligible debt pursuant to the terms of this Instrument, then the Trustee shall be authorized to retransfer to the Trust an amount equivalent to such excess. Such retransfers will be made to the specific CCR Trust account from which the resources were drawn.

(ii) The Trustee shall use the proceeds disbursed for CC Window grant assistance under paragraph 3(c) promptly after such disbursement to effect the early repayment of an equivalent amount of the member's eligible debt, with the repayments being attributed to the obligations in the order in which they fall due. However, the proceeds of Trust grants covering charges and interest specified in paragraph 3(c)(iv) above under the CC window shall be paid into the subaccount upon their due date and promptly used to repay the obligation due. If the amounts disbursed by the Trustee to the subaccount exceed the amounts needed to effect early repayment of the member's eligible debt pursuant to the terms of the CC Window, then the Trustee shall be authorized to retransfer to the Trust an amount equivalent to such excess. Such retransfers will be made to the specific CCR Trust account from which the resources were drawn.

(iii) The terms and conditions for the operation of the Umbrella Account shall be determined by the Trustee.

Paragraph 5. *Modifications*

Any modification of the provisions of this Section will affect only Trust grants made after the effective date of the modification.

Section IV. *Administration of the Trust*

Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(i) to make all arrangements, including establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary; and

(ii) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. *Separation of Assets and Accounts, Audits and Reports*

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or to meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or to meet losses arising out of the administration of the other accounts of the Fund.

(c) The Fund shall maintain separate financial records and prepare separate financial statements for the Trust in accordance with International Financial Reporting Standards.

(d) The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors and shall include in the Annual Report the report of the external audit firm on the Trust.

Paragraph 3. *Investment of Resources*

(a) Any balance held by the Trust and not immediately needed in operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member.

Section V. *Period of Operation and Liquidation*

Paragraph 1. *Period of Operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. *Liquidation of the Trust*

If the Trustee decides to wind up the operations of the Trust, the resources in the Accounts shall be used first to discharge all the liabilities of the Trust. Any amount remaining in the Accounts after the discharge of all the liabilities of the Trust shall be transferred to

the General Subsidy Account of the Poverty Reduction and Growth Trust established pursuant to Decision No. 8759-(87/176) ESAF, as amended ("PRGT"), for use in accordance with the provisions of the PRGT Instrument; provided that, at the request of a contributor that has provided resources to the Trust, its pro rata share of any such remaining resources in the Trust, or any portion of such share, shall be distributed to the contributor.

Section VI. *Amendment of the Instrument*

The Fund may amend the provisions of the Instrument, except that any amendment of Section I, paragraph 1, Section IV, Section V, and this Section shall require the consent of all contributors to the Trust.

Attachment B

Catastrophe Containment and Relief Trust—
Terms and Conditions for Administration of Umbrella Account

Pursuant to Section III, paragraph 4 (b) of the Instrument to Establish the Catastrophe Containment and Relief Trust (CCR Trust), the Fund, as Trustee of the CCR Trust, establishes the following terms and conditions for the administration of the Umbrella Account provided for under that provision:

1. The resources of the Umbrella Account shall consist of (i) the proceeds of grants paid into the Umbrella Account for the benefit of a member by the CCR Trust, (ii) contributions by other donors to finance debt relief on a member's eligible debt to the Fund, and (iii) net earnings from the investment of resources held in the Umbrella Account.

2. Within the Umbrella Account, the Trustee shall establish a separate subaccount for the administration of the resources paid into the Umbrella Account for the benefit of each member for which the resources have been paid. The Trustee shall establish a subaccount within the Umbrella Account, at the latest, whenever the Fund as Trustee of the CCR Trust grants final approval of the disbursement of a Trust grant under the CCR Trust.

3. Following the establishment of a subaccount, the Fund, as Trustee, shall be authorized to use the resources of the subaccount (including any net income from the investment of such resources) to make payments for the benefit of the member as specified in Section III, paragraph 4(b) of the Instrument to Establish the CCR Trust.

4. (a) Resources held in a subaccount of the Umbrella Account and not immediately needed for operations shall be invested.

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund; (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member; and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member. Earnings, net of any transactions costs, shall accrue to the subaccount and shall be available for the purposes of the subaccount.

(c) The Managing Director of the Trustee is authorized (i) to make all arrangements, including the establishment of accounts in the name of the Trustee, with such depositories as may be necessary to carry out the operations of the Umbrella Account, and (ii) to take all measures necessary to implement the provisions of this decision.

5. The SDR shall be the unit of account.

(a) Resources received into a subaccount may be in U.S. dollars or such other media as may be determined by the Trustee.

(b) Resources held in a subaccount may be currencies or currencies exchanged for SDRs in accordance with such arrangements as may be made by the Trustee for the holding and use of SDRs.

(c) The Trustee may exchange any of the resources held in a subaccount for other resources.

(d) Payments made from a subaccount shall be made in U.S. dollars or such other media as may be determined by the Trustee.

6. Assets held in the Umbrella Account shall be kept separate from the assets and property of all other accounts of, or administered by, the Trustee. The assets of the Umbrella Account shall not be used to discharge or meet any liabilities, obligations, or losses incurred by the Trustee in the administration of such other accounts. Except as expressly authorized in the CCR Trust Instrument and this decision, the assets and property held in a subaccount of the Umbrella Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Trustee in the administration of any other subaccount of the Umbrella Account.

7. Subject to the provisions of this decision, the Trustee, in administering the Umbrella Account, shall apply, mutatis mutandis, the same rules and procedures as apply to the operations of the General Resources Account of the Fund.

8. No charge shall be levied for the services rendered by the Trustee in the administration, operation, and termination of the Umbrella Account.

(a) The Trustee shall maintain separate financial records and prepare separate financial statements for the Umbrella Account in accordance with International Financial Reporting Standards. The financial statements for the Umbrella Account shall be expressed in SDRs.

(b) The external audit firm selected under Section 20 of the Trustee's By-Laws shall audit the operations and transactions conducted through the Umbrella Account. The audit shall relate to the financial year of the Trustee.

(c) The Trustee shall report on the resources and operations of the Umbrella Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the report of the external audit firm on the Umbrella Account.

9. (a) The Umbrella Account shall remain in effect for as long as is necessary, in the judgment of the Trustee, to conduct and to wind up the business of the Umbrella Account. A subaccount for a particular

member would be wound up when the resources of that subaccount have been exhausted in providing debt relief to the member according to the terms of the CCR Trust Instrument.

(b) Any balance remaining in a subaccount upon termination and after the discharge of all obligations of that subaccount shall be transferred promptly to the specific CCR Trust account from which the resources were drawn; provided that, at the request of a donor that has contributed directly to a subaccount pursuant to paragraph 1(ii) above, its pro rata share of any such resources remaining in the subaccount, shall be distributed to the donor.

The Chair's Summing Up—
Catastrophe Containment and Relief Trust—
Approval of Grant Assistance for Debt Service Relief,
Executive Board Meeting 20/41, April 13, 2020

Executive Directors determined, effective April 14, 2020, that the COVID-19 pandemic is a Qualifying Public Health Disaster under the Catastrophe Containment and Relief Trust (CCRT) that is inflicting severe economic disruption across the Fund's membership. The crisis is creating balance of payments needs on scale that warrant concerted international efforts to support the poorest and most vulnerable countries through substantial additional grant support for debt service relief. Directors also approved the technical modifications to the CCRT Instrument, which would facilitate operational implementation of the provision of assistance for debt relief under the Catastrophe Containment (CC) window.

Directors agreed that the CCRT has sufficient financial resources to deliver a first tranche of grants for debt service relief to all 29 countries with outstanding credit to the Fund that are potentially eligible for CCRT assistance over the next six months. They agreed that 25 of these countries that have requested such assistance meet the specific criteria for qualification for debt service relief, and looked forward to considering the requests for assistance of the remaining four eligible members. Directors would consider committing additional tranches, up to a cap of two years through April 13, 2022, in light of the availability of CCRT resources at the end of each tranche period.

To this end, Directors stressed the urgency of the ongoing fundraising effort to ensure timely delivery of assistance to the eligible countries.

Directors underscored the importance of monitoring the macroeconomic situations of the recipient countries, including their policy responses to pandemic, and looked forward to an update from staff toward the end of the initial six-month period of debt service relief. In this context, a number of Directors highlighted the need for careful analysis of debt sustainability, safeguards, and accountability, and called for staff assessment on the effectiveness of country policies and use of debt service relief resources prior to the commitment of future tranches.

SU/20/59,
April 15, 2020

Resilience and Sustainability Trust

The Chair's Summing Up—
Interim Review of the Resilience and Sustainability Trust
and Review of Adequacy of Resources,
Executive Board Meeting 24/45, May 8, 2024

Executive Directors welcomed the Interim Review of the Resilience and Sustainability Trust (RST) and Review of Adequacy of Resources, which takes stock of the initial experience with RST implementation, proposes fine-tuning the RST design, and assesses the resource adequacy and the financial outlook of the RST. They affirmed their support to the RST to provide long-term catalytic financing, subject to appropriate risk mitigation, to assist countries' reform efforts to reduce risks to prospective balance of payments (BoP) stability. They concurred that reforms under the RST should be grounded in countries' existing climate strategies and should address macro-critical country-specific challenges through policies in areas of the Fund's mandate and expertise. A number of Directors underscored the need for climate related reforms under RSF to focus on adaptation.

Directors positively noted the successful approval of 18 RSF arrangements so far, committing SDR 6.3 billion, and the 30-35 additional requests expected in the near term. They considered that the strong demand for RST financing demonstrated the usefulness of the instrument

to the membership. Observing that these arrangements have primarily focused on addressing climate change challenges, they looked forward to a forthcoming expansion of focus into pandemic preparedness and requested additional details on the Fund's role in this area as compared with the World Bank and World Health Organization. While a number of Directors called for expansion of the list of qualifying longer-term structural challenges eligible for financing under the RST, many Directors considered that such an expansion would not be feasible for quite some time. Directors encouraged staff to more closely link policy advice developed in RSF arrangements into the Fund's surveillance work. Some Directors agreed that potentially tailored solutions could be considered for small developing states that reflect their unique circumstances.

Directors underscored the importance of continued close collaboration—and progress in developing systematic approaches to collaboration—with development partners, including the World Bank and other MDBs, in formulating and evaluating Reform Measures (RMs) in RSF arrangements, developing complementary reform packages and CD provision, and bringing together key actors. This would leverage the limited Fund staff resources and expertise on climate and pandemic preparedness, avoid duplication of work, and maximize the catalytic funding impact of RSF arrangements. Directors also called for close collaboration with other partners to develop a coherent framework for assessing the catalytic effects of RSFs on financing.

Directors generally supported proposals to enhance the operational flexibility and clarity of the RSF. They concurred that the access norm would remain at 75 percent of quota, with higher access based on exceptionally high-quality reform packages. While many Directors concurred that maximum access levels may be appropriate for exceptionally high-quality reform packages, a number of other Directors stressed that deviations from the norm should remain country specific and supported by detailed justification to minimize evenhandedness concerns. Most Directors supported the proposals to bring forward the disbursement associated with (at most) one RM completed ahead of schedule per review. Directors supported the proposal to ensure continuity of the RSF arrangement when there is a need to switch across qualifying concurrent Upper Credit Tranche (UCT)-quality programs and to eliminate the possibility of dual-purpose reforms.

Directors agreed that the Trust's reserves are adequate to support its operational needs in the baseline and under a range of risk scenarios, while the interest rate cap for Group A countries remains appropriate. Directors emphasized the need for reinvigorated near-term fundraising for the Trust to meet the strong demand for RSF arrangements and ensure the RST's ability to sustain its lending activities. They encouraged further progress on a hybrid contribution modality that could pave the way for significant additional financial contributions.

Directors looked forward to the comprehensive review of the RST in FY2026. They called for a systematic and expansive evidence base, including through feedback from RSF-implementing authorities and mission chiefs, to support their deliberations. Areas to cover would include how effectively the RST is achieving its intended objectives, the appropriate size of the RST given trends in donor contributions and staff workload, access rules and limits. The review would also cover the planned reassessment of safeguards including post-RSF monitoring, the potential inclusion of RST financing under the Fund's Exceptional Access Frameworks. Proposals to explore developing a non-disbursing RSF arrangement and to increase flexibility in requiring a concurrent qualifying UCT-quality program could also be considered.

SU/24/71,
May 16, 2024

PROPOSAL TO ESTABLISH A RESILIENCE AND SUSTAINABILITY TRUST—ESTABLISHMENT OF THE RESILIENCE AND SUSTAINABILITY TRUST AND CONSEQUENTIAL AMENDMENTS TO OTHER FUND DECISIONS

Section A – *Resilience and Sustainability Trust Instrument, Effectiveness and Reimbursement*

1. With effect from May 1, 2022, the Fund adopts the Instrument to Establish the Resilience and Sustainability Trust (the Trust) that is annexed to this decision as Attachment A.

2. The lending operations of the Trust shall not start until such time as the Managing Director has notified the Executive Board that, in her view, the Trust is ready to commence such operations.

3. The cost of administering the Trust will be covered from the Trust's Reserve Account through annual payments to the General Resources Account based on reasonable estimates of such costs. These payments will cover (i) a management fee for trust management activities and (ii) a reimbursement to cover all other gross incremental costs of the RST.

Section B – *Consequential Amendments to other Fund Decisions*

The proposed amendments to Board decisions set out in this Section B shall become effective on May 1, 2022, provided that the proposed amendment of Section VII, Paragraph 2(a) of the Poverty Reduction and Growth Trust (PRGT) Instrument proposed under Paragraph 10(b) below shall become effective only after contributors to the subsidy accounts of the PRGT have consented to the proposed amendment. Contributors shall be given a first period of six weeks to provide their response, which shall be followed by a second four-week period for those contributors that did not respond within the first period. If no response is received from a contributor within the second period, that contributor shall be deemed to have consented to the amendment, provided that if, within six months following the expiration of the second period, a contributor communicates that it did not wish to consent to the proposed amendment, then it may request back its remaining share in the relevant subsidy account at the time the request is made.

…[1]

Decision No. 17231-(22/37)
April 13, 2022,
as amended by Decision No. 17469-(23/39), May 18, 2023,
17708-(24/45), May 8, 2024, and
17916-(24/122)
December 19, 2024

[1] Ed. Note: Amendments referred to under Section B of this Decision have been inserted into the respective decisions pertaining to the Policy Support Instrument, the Poverty Reduction and Growth Trust, Procedures for Dealing with Members with Arrears to the General and SDR Department, Stand-By and Extended Arrangements Standard Forms, Lapse of Time Completion of Program Reviews, Post Financing Assessment, and Transparency Policy Decision.

Attachment A

Instrument to Establish the Resilience and Sustainability Trust

To help fulfill its purposes, the International Monetary Fund (the "Fund"), pursuant to Article V, Section 2(b) of the Fund's Articles of Agreement, has adopted this Instrument to Establish the Resilience and Sustainability Trust (the "RST" or the "Trust"), which shall be administered by the Fund as Trustee (the "Trustee"). The Trust shall be governed by, and administered in accordance with, the following provisions:

Section I. *General Provisions*

Paragraph 1. *Purposes*

(a) The Trust shall assist in fulfilling the purposes of the Fund by providing loans ("Trust loans") under the Resilience and Sustainability Facility ("RSF") to eligible members that qualify for assistance under this Instrument in order to enhance their economic resilience and sustainability—by (i) supporting policy reforms that reduce risks associated with longer-term structural challenges facing the member, and (ii) augmenting policy space and financial buffers to mitigate the risks arising from such longer-term structural challenges—thereby contributing to the member's prospective balance of payments stability.

(b) Trust loans may be provided to support eligible members to address longer-term structural challenges (hereinafter "Qualifying Longer-term Structural Challenges") relating to (i) climate change, and (ii) pandemic preparedness. The Trustee may expand the list of Qualifying Longer-term Structural Challenges with the concurrence of contributors representing 70 percent of total commitments under the Loan Account.

Paragraph 2. *Trust Account and Resources*

The operations and transactions of the Trust shall be conducted through a Loan Account, a Deposit Account and a Reserve Account. The resources of the Trust shall be held in these accounts, each of which is maintained for the purposes specified below.

Paragraph 3. *Unit of Account and Denomination*

The SDR shall be the unit of account for the Trust. Accordingly, Trust loans, commitments to and claims resulting from contributions to the Trust shall be denominated in SDR.

Paragraph 4. *Media of Payment of Contributions*

(a) Contributions to the Loan Account, the Deposit Account and the Reserve Account of the Trust shall be provided in SDRs, in accordance with arrangements made by the Trustee for the holding and use of SDRs, or in freely usable currencies.

(b) Payments by the Trust to contributors shall be made in SDRs or such other media as may be agreed between the Trustee and such contributors.

Section II. *Trust Loans*

Paragraph 1. *Eligibility and Conditions for Financing*

(a) Members of the Fund listed in the Annex to Decision No. 17232-(22/37), April 12, 2022, shall be eligible for financing from the Trust ("RST-eligible members").

(b) Financing under RSF Arrangements

(1) An RST-eligible member may request financing under the RSF up to the maximum overall access specified in Paragraph 2(a) of this Section.

(2) Financing under the RSF shall be committed and made available to an RST-eligible member that meets the qualification criteria set out in this Instrument under an arrangement (an "RSF Arrangement") approved by the Trustee to support structural reforms presented by the member that aim to reduce and/or mitigate risks associated with Qualifying Longer-term Structural Challenges.

(3) An RSF Arrangement shall normally be approved concurrently with either the approval of, or the completion of a review under

a Stand-by Arrangement, an Extended Arrangement under the Extended Fund Facility, an arrangement under the Precautionary and Liquidity Line or Flexible Credit Line ("FCL"), a program supported by the Policy Coordination Instrument or the Policy Support Instrument, or an arrangement under the Standby Credit Facility or the Extended Credit Facility (each a "qualifying UCT-quality instrument"). Where an RSF arrangement is accompanied by more than one qualifying UCT-quality instrument, each such instrument constitutes the qualifying UCT-quality instrument.

(4) (i) The duration of an RSF Arrangement would generally be expected to coincide with the duration of a new qualifying UCT-quality instrument, when approval of the two is requested at the same time, or with the remaining duration of an existing qualifying UCT-quality instrument when approval of the RSF arrangement is requested at the time of a review under such instrument, provided that the duration of an RSF arrangement shall be no less than 18 months or, for RSF arrangements approved during the period of 6 months from the date of the notification in paragraph 2 of Decision No. 17231-(22/37), such duration shall be no less than 12 months. RSF arrangements shall not extend beyond the duration of the concurrent qualifying UCT-quality instrument. Except as is specified in (ii) and (iii) below of this subparagraph 1(b)(4), should the concurrent qualifying UCT-quality instrument terminate, expire, or be cancelled, the RSF Arrangement will automatically terminate at the same time.

(ii) An RSF arrangement may continue, and its term may be extended, at the member s request, notwithstanding the termination or the member's cancellation of the concurrent qualifying UCT-quality instrument(s), if the following criteria are met: (a) the Executive Board approves the member's request for new qualifying UCT-quality instrument(s) (the New Concurrent Qualifying UCT-quality Instrument) to become effective immediately upon the termination or cancellation of the existing concurrent qualifying UCT-quality instrument(s); (b) the remaining period of the RSF arrangement, including taking into account any extensions, will not exceed the duration of the New Concurrent Qualifying UCT-quality Instrument and the duration of the RSF arrangement, from the date of its approval,

will remain subject to the minimum duration for RSF arrangements specified in Paragraph 1(b)(4)(i) of this Section; (c) the criteria for approving an RSF arrangement as set out in this instrument, including in particular Paragraph 1(b)(6) below, remain satisfied at the time of approving the New Concurrent Qualifying UCT-quality Instrument; (d) the Reform Measures (as defined in paragraph 1(b)(5) below) under the RSF arrangement remain generally appropriate, or are being modified as necessary, and conditions remain in place for their successful completion. In addition, continuation of the RSF arrangement under this subparagraph (ii) will require: (I) for all qualifying UCT-quality instruments other than FCL arrangements, that the most recent review under the existing concurrent qualifying UCT-quality instrument was completed no more than 10 months prior to the date of the Executive Board approval of the New Concurrent Qualifying UCT-quality Instrument, and that prior to the change in circumstances that led to the member requesting a New Concurrent Qualifying UCT-quality Instrument(s), the member s performance under the program supported by the existing qualifying UCT-quality instrument was satisfactory; (II) for FCL arrangements, that the Executive Board has, within the previous 12 months, either approved the FCL arrangement, or in the second year of the FCL arrangement, completed the review specified in paragraph 5 of Decision No 14283-(09/29) on Flexible Credit Line arrangements. Subject to observance of all requirements and terms under this Instrument, an RSF arrangement may be extended in accordance with this provision.

(5) The member requesting an RSF Arrangement shall present a detailed statement of the structural reforms it intends to implement during the period of the RSF Arrangement ("Reform Measures"). Such Reform Measures should be measures expected to help the member make significant progress toward strengthening its prospective balance of payments stability by reducing macro-critical risks associated with Qualifying Longer-term Structural Challenges.

(6) At the time of approval of an RSF Arrangement, and at each review under the arrangement, the Trustee shall be satisfied that: (i) the Reform Measures meet the standards specified in paragraph

5 above; (ii) the member's debt is sustainable in the medium-term under the applicable debt sustainability framework; and (iii) the member's capacity to repay the Trust is assessed to be adequate.

(7) An RSF Arrangement will specify the total amount of resources committed to the member, the earliest availability date for each disbursement and expected timing of reviews during the period of the RSF Arrangement. No disbursement shall be made available upon the approval of an RSF Arrangement.

(8) Each Reform Measure will be linked to one disbursement and the implementation of Reform Measures shall be monitored through reviews. The phasing under the RSF arrangement will limit the total amount of disbursements made available at a single review to not more than 50 percent of the member's quota, provided that in the event of delays in the implementation of Reform Measures or in the completion of reviews under the accompanying qualifying UCT-quality instrument, the related RSF disbursements may become subject to a later review, and total disbursements approved at the time of such a review may exceed 50 percent of the member's quota.

(9) (i) Reviews under an RSF Arrangement shall take place concurrently with the completion of reviews under the accompanying qualifying UCT-quality instrument(s) and, for an RSF Arrangement that continues or is extended pursuant to Paragraph 1(b)(4)(ii) above, a review can take place concurrently with the approval of a New Concurrent Qualifying UCT-quality Instrument.

(ii) At a review under an RSF Arrangement, the Executive Board of the Trustee will assess implementation of Reform Measures for which the member requests a disbursement and for which the relevant availability date has passed, as well as a Reform Measure linked to a disbursement that is brought forward in accordance with Paragraph 1(b)(9)(iii) below, and reach new understandings, if necessary, for the remainder of the RSF Arrangement, including on new Reform Measures or the rephasing of disbursements where Reform Measures are delayed or modified.

(iii) At a review under an RSF Arrangement, a member may request the Trustee's approval to bring forward the availability date of a single disbursement to the date of completion of such review when

(a) the Reform Measure linked to that disbursement has been completed early (which includes implementation of the Reform Measures with a minor deviation relative to its design as specified in paragraph 10);

(b) the limit of 50 percent of quota on RSF disbursements at a review, specified in Paragraph 1(b)(8) above, would not be exceeded;

(c) more than one Reform Measure under the RSF arrangement remain to be implemented;

(d) the Trustee is satisfied that the quality of the RSF-supported reform package has not diminished; and

(e) that the phasing of disbursements, including in view of any concurrent requests for rephasing for reasons other than an early reform measure completion, would remain appropriate.

(10) Each disbursement under an RSF Arrangement for a member shall take place upon the request of the member and requires:

(i) the completion of a review under the RSF arrangement, following the relevant availability date and, in the case of a disbursement with a future availability date, it shall require the completion of a review and a decision by the Executive Board to bring forward the availability date to permit an earlier disbursement pursuant to Paragraph 1(b)(9)(iii) above. The completion of the review will require an assessment by the Trustee that the specified Reform Measure linked to that disbursement was implemented or a finding that any deviation in implementation of the Reform Measure relative to its design and underlying objective was minor; and

(ii) the completion of the corresponding review under the accompanying qualifying UCT-quality instrument.

(11) Where an RSF Arrangement is approved concurrently with an FCL arrangement, the RSF Arrangement shall establish the schedule of stand-alone reviews and the associated RSF disbursements made available following the completion of such reviews.

(12) A member may cancel an RSF Arrangement at any time by notifying the Trustee of such cancellation. The cancellation shall have no effect on the accompanying qualifying UCT-quality instrument. An RSF Arrangement will terminate automatically once all access under such arrangement has been disbursed.

(13) The Guidelines on Conditionality (Decision No. 12864-(02/102), adopted September 25, 2002) shall not apply to conditionality under RSF arrangements except for certain general principles to the extent relevant for Reform Measures: specifically, national ownership, tailoring of Reforms Measures to member's circumstances, clarity in the specification of Reform Measures and effective coordination with other multilateral institutions.

Paragraph 2. *Amount of Financing*

(a) The overall access to the resources of the Trust for each RST-eligible member shall be capped at the lower of (i) 150 percent of quota and (ii) SDR 1 billion.

(b) The Trustee may establish access norms to guide the determination of access to Trust resources by RST-eligible members. Access to Trust resources under an RSF Arrangement below or above such norms for an individual member may be approved in light of: (i) any direct short- to medium-term balance of payments needs associated with the implementation of the Reform Measures; (ii) the strength and ambition of the Reform Measures; and (iii) the member's capacity to repay the Trust, taking into account the member's debt sustainability, debt carrying capacity and the composition of the member's debt, including obligations owed to the Fund in the General Resource Account (hereinafter "GRA") and the Poverty Reduction and Growth Trust (hereinafter "PRGT").

(c) Subject to the maximum overall access specified in Paragraph 2(a) of this Section and if requested by a member, access under an

RSF Arrangement may be increased at the time of a review under the RSF Arrangement by either providing for additional disbursements linked to additional Reform Measures or by increasing the amount of already phased disbursements in view of commitments to strengthen existing Reform Measures. If requested by a member, access under an RSF Arrangement may also be reduced at the time of any review.

(d) Any commitment of Trust resources shall be subject to the availability of such resources.

(e) The Managing Director of the Trustee (the Managing Director) shall not recommend for approval, and the Trustee shall not approve, a request for an RSF Arrangement or a request for continuation of an RSF arrangement pursuant to Paragraph 1(b)(4)(ii) and (iii) above, whenever the member has an overdue financial obligation to the Fund in the GRA, the Special Disbursement Account, the SDR Department, or the Fund as Trustee of this Trust or of the PRGT, or while the member is failing to meet a repurchase expectation to the Fund pursuant to Decision No. 7842-(84/165) on the Guidelines on Corrective Action, or is failing to meet a repayment expectation pursuant to Section II, paragraph 3(c) of the PRGT or Appendix 1 of such Trust, or a repayment expectation pursuant to the provisions of Appendix I to this Instrument.

(f) If a member has overdue financial obligations arising from a Trust loan, and overdue financial obligations in the GRA or to the Fund as Trustee of the PRGT, or is at risk of incurring such arrears, the member is encouraged to prioritize meeting obligations to the GRA and/or the PRGT over obligations under Trust loans.

Paragraph 3. *Disbursements*

(a) Any commitment shall be subject to the availability of resources of the Trust.

(b) Disbursements under an RSF Arrangement must take place during the period of the arrangement. If a disbursement does not become available as scheduled due to delays in the implementation

of Reform Measures, or delays in the completion of reviews under the accompanying qualifying UCT-quality instrument, the Trustee may rephase disbursements over the remaining period of the RSF Arrangement.

(c) Following the completion of a review under an RSF Arrangement, and subject to (b) above, the disbursement shall be requested no later than 30 calendar days of the completion of the review and shall be made on the earliest value date for which the necessary notifications and payment instructions can be issued by the Trustee. If a disbursement is not completed within 30 calendar days, the member may again request the disbursement within 30 days from the completion of the next review.

(d) In cases of misreporting and noncomplying disbursements of Trust loans, the provisions of Appendix I of this Instrument shall apply.

(e) Disbursements under an RSF Arrangement to a qualifying member shall be suspended in all the cases specified in Paragraph 2(e) of this Section.

Paragraph 4. *Terms of Trust Loans*

(a) Trust loans shall be disbursed in SDRs or in a freely usable currency, as determined by the Trustee.

(b) Trust loans shall be repaid in twenty equal semi-annual installments beginning ten and a half years from the date of each disbursement.

(c) Interest on the outstanding balance of Trust loans, including any overdue repayments of Trust loans, and interest on any overdue interest payments to the Trust shall be charged at a rate equal to the sum of (i) the rate of interest on the SDR, and (ii) the applicable margin pursuant to subparagraphs (e) and (f) below, provided that the interest rate may be capped as set forth in (f) below and the interest rate charge on all overdue obligations will be subject to a minimum of the SDR interest rate. Interest shall accrue daily and

shall be paid in SDR promptly after April 30, July 31, October 31, and January 31 of each year.

(d) The Trustee may levy a service charge, set as a percentage of the amount of the disbursement, to be paid by a member at the time of a disbursement.

(e) For purposes of the margin and service charge, the Trustee shall classify RST-eligible members into groups based on the member's status: (i) Group A for RST-eligible members that are also PRGT eligible (or that have per capita gross national income at or below the income threshold for entry onto the PRGT-eligibility list) and who are not presumed to blend PRGT and GRA resources pursuant to the Decision No. 17028-(21/71)–("Blending Framework"); (ii) Group B for RST-eligible members who are presumed to blend PRGT and GRA resources under the Blending Framework or who have a population below 1.5 million and per capita income below ten times the International Development Association operational cut-off as determined pursuant to paragraph 2(c) of Decision No. 17232-(22-37) and (iii) Group C for all other RST-eligible members. The initial classification of members is set out in Appendix III.

(f) The applicable margin shall be 55 basis points for members in Group A, 75 basis points for members in Group B, and 95 basis points for members in Group C, provided that (i) the interest rate charged on the daily outstanding balance of Trust loans for members in Group A shall not exceed 2.25 percent per annum, and (ii) the interest rate on any overdue repayments of Trust loans and any overdue interest payments for members in Group A shall not exceed 2.25 percent per annum or the rate of interest on the SDR, whichever is higher.

(g) The service charge levied on disbursements of Trust loans shall be zero for members in Group A, 25 basis points for members in Group B, and 50 basis points for members in Group C.

(h) In the event of a subsequent change in the group classification pursuant to subparagraph (e) above of a member with an arrangement in effect at the time of such change, for the purpose of applying the service charge and margin to any loan disbursements under

that arrangement, including under commitments not yet disbursed or under a later augmentation, the member will be treated as remaining in the group it was in at the time of the approval of that arrangement.

(i) The margin and service charge shall be reviewed pursuant to Section XI, either at the periodic reviews of the RST or earlier if warranted by circumstances. In setting the margin and service charge, the Trustee shall take into account the borrowing costs for RST-eligible members, the projected net reserve coverage for Trust loans over the lifecycle of the Trust, and the costs of administrating the Trust.

(j) The Trustee may not reschedule the repayment of Trust loans.

Paragraph 5. *Modifications*

Any modification of the provisions applicable to Trust loans will affect only Trust loan disbursements made after the effective date of the modification, provided that subject to Paragraph 4(c) of this Section, any modification of the interest rates (including the margins) shall apply to interest accruing after the effective date of the modification.

Section III. *Contributions to the Trust*

Paragraph 1. *Authority to Receive Contributions to the Trust*

(a) The Trustee may receive contributions of resources for the Loan Account, the Reserve Account, and the Deposit Account on such terms and conditions as may be agreed between the Trustee and the respective contributor, subject to the provisions of this Instrument.

(b) The Trustee may only accept a contribution to the Loan Account where the contributor also makes corresponding contributions to the Reserve Account and to the Deposit Account, equal to at least two percent and twenty percent, respectively, of its Loan Account contribution amount.

(c) The Trustee may receive stand-alone contributions to the Reserve Account and/or the Deposit Account.

Paragraph 2. *Authority of the Managing Director*

For the purpose of receiving contributions to the Loan Account, the Reserve Account, and the Deposit Account pursuant to paragraph 1 of this Section, the Managing Director of the Trustee is authorized to enter into agreements with contributors and to make the necessary arrangements in accordance with the provisions of this Instrument.

Section IV. *The Loan Account*

Paragraph 1. *Resources*

(a) For purposes of this Instrument, the term "borrowing agreement" shall comprise loan and note purchase agreements, and the term "Trust borrowing" shall comprise loans made to the Trust and notes issued by the Trust.

(b) The resources held in the Loan Account shall consist of: (i) the proceeds of Trust borrowing; and (ii) repayments of principal and payments of interest on Trust loans funded with drawings under borrowing agreements to the Loan Account, subject to Section V, paragraph 1(f) and Section VI, paragraph 1(c) of this Instrument. Loan Account resources may be held temporarily in the short term instruments pending the transfer and use of these resources in operations.

Paragraph 2. *Drawdown Period under Borrowing Agreements*

The period during which the Trustee may draw under borrowing agreements (the "drawdown period") for the purpose of extending Trust loans shall extend through November 30, 2030, provided that, on an exceptional basis, the Managing Director, on behalf of the Trustee, may agree on a shorter drawdown period than November 30, 2030. Drawings pursuant to Paragraph 3(b) of this Section may be made for as long as claims under Trust loans remain outstanding.

Paragraph 3. *Drawings under Borrowing Agreements*

(a) The Trustee may draw under borrowing agreements to fund Trust loans.

(b) The Trustee may draw on borrowing agreements to fund the early repayment of outstanding Trust borrowing under another borrowing agreement with the Loan Account ("encashment"), where a contributor making the early repayment request represents that its balance of payments and reserve position (or the balance of payments and reserve position of a relevant member of the Fund if the contributor is the central bank or other official institution of such member) justify the early repayment, and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. As from the effective date of such early repayment, a contributor whose borrowing agreement has been drawn to fund an encashment call shall have the same rights to repayment as the contributor requesting the encashment had with respect to the encashed claim, including all rights to repayments of principal and payments of interest pursuant to Paragraph 5 of this Section IV.

(c) Drawings under subparagraphs (a) and (b) of this paragraph shall be made with the objective of maintaining over time broad proportionality of drawings relative to commitments under borrowing agreements of contributors.

Paragraph 4. *Temporary Suspension of Drawings under Borrowing Agreements*

(a) A contributor's request for early repayment pursuant to paragraph 3(b) of this Section shall suspend calls under its borrowing agreement.

(b) Calls under a contributor's borrowing agreement shall also be automatically suspended when the currency of the relevant member is no longer included for transfers in the Fund's Financial Transactions Plan.

(c) Following any suspension of calls under subparagraph (a) or (b) above, drawings shall be resumed as soon as the balance of payments and reserve position of the relevant member have improved as evidenced by the inclusion of its currency for transfers in the Fund's Financial Transactions Plan.

Paragraph 5. *Payments of Principal and Interest*

(a) The Trust shall make payments of principal and interest on its borrowing for the Loan Account from the payments into the Loan Account of principal and interest made by borrowers under Trust loans.

(b) The Trustee shall pay interest on outstanding Trust borrowing at the interest rate set forth in the relevant borrowing agreement, provided that the rate of interest may not exceed the SDR interest rate. The Trust shall pay interest on a quarterly basis, normally promptly after April 30, July 31, October 31, and January 31 of each year to the account of the relevant member in the SDR Department or as otherwise agreed between the Trustee and the contributor.

(c) Each drawing under a borrowing agreement shall be repaid in accordance with the repayment schedule for Trust loans as set out in Section II, paragraph 4(b). The Trustee may repay part or all of the outstanding drawing under any borrowing agreement at any time prior to the maturity of such borrowing in the event of early repayment to the corresponding Trust loan.

Paragraph 6. *Transfers from the Loan Account to the Reserve Account and Deposit Account*

Margin income from Trust loans that accumulates in the Loan Account shall be transferred on a quarterly basis promptly after April 30, July 31, October 31, and January 31 of each year to fully replenish any use of Deposit Account principal contributions pursuant to Section VI, Paragraph 1(c) and then to the Reserve Account.

Section V. *Reserve Account*

Paragraph 1. *Resources*

The resources held in the Reserve Account shall consist of:

(a) proceeds of contributions to the Reserve Account pursuant to Section III, Paragraph 1 of this Instrument;

(b) payment of service charges pursuant to Section II, Paragraph 4(d);

(c) transfers of margin income from the Loan Account pursuant to Section IV, Paragraph 6;

(d) net earnings from investment of resources held in the Reserve Account pursuant to Paragraph 3 of this Section;

(e) transfers of net earnings from temporary holdings of Loan Account resources pending the use of these resources in operations pursuant to Section IV, Paragraph 1(b);

(f) payments of overdue principal or interest or interest thereon under Trust loan and repayments of the principal under Trust loans to the extent that resources in the Reserve Account or the Deposit Account have been used to make payments to a contributor due to a difference in timing or amount between scheduled principal repayments to the contributor and principal repayments under Trust loans, provided however that any of these payments and repayments may only be made into the Reserve Account after the Deposit Account's principal contributions are fully replenished pursuant to Section VI, Paragraph 1(c); and

(g) transfers of net investment income attributable to contributors' contributions to the Deposit Account upon the full repayments of these contributions pursuant to Section VI, Paragraph 5(d).

Paragraph 2. *Remuneration and Share in Reserve Account Resources*

(a) Contributions to the Reserve Account shall not be remunerated.

(b) Each Reserve Account contributor shall have a proportional share in the Reserve Account balances. Net investment earnings in the Deposit Account attributed to a contributor's contribution and transferred to the Reserve Account in accordance with Section VI, Paragraph 5(d) shall be included in the share of that contributor in the Reserve Account.

Paragraph 3. *Investment and Use of Resources*

(a) Pending use in accordance with Paragraph 3(b) of this Section, the resources in the Reserve Account shall be invested in

accordance with guidelines adopted by the Trustee, which may be amended from time to time.

(b) The resources held in the Reserve Account shall be used by the Trustee to:

(1) make repayments of principal and payments of interest pursuant to borrowing agreements for the Loan Account, to the extent that the amounts available from receipts of principal repayments and interest payments from borrowers under Trust loans are insufficient to cover the payments to contributors to the Loan Account as they become due and payable;

(2) pay for the costs of administering the Trust; and

(3) make distributions to contributors to the Reserve Account pursuant to Paragraph 4 of this Section.

Paragraph 4. *Distributions*

(a) Contributions to the Reserve Account shall have no fixed maturity, provided that the Managing Director may agree to a fixed maturity for stand-alone contributions to the Reserve Account taking into account the investment strategy of Reserve Account resources.

(b) For any stand-alone contribution to the Reserve Account that matures before the liquidation of the Reserve Account, an amount equal to the lesser of (i) the original contribution amount or (ii) the relative share of that contribution amount in the Reserve Account shall be distributed to the respective contributor by the maturity date of that contribution. The contributor shall receive any remaining amount attributable to its contribution to the Reserve Account upon the liquidation of the Reserve Account pursuant to subparagraph (c) below, or as part of an early distribution pursuant to subparagraph (d) below.

(c) Upon liquidation of the Trust, all resources in the Reserve Account, including accumulated income and net of liabilities authorized to be discharged by the Reserve Account, shall be distributed

to contributors to the Reserve Account in proportion to their shares in the Reserve Account.

(d) Prior to the liquidation of the Trust, and only following the full repayment of all Deposit Account principal contributions in accordance with Section VI, Paragraph 5(b) and (c) of this Instrument, the Trustee may decide to distribute a portion of Reserve Account balances if the Trustee determines that such distribution can be justified in light of the reserve coverage from the remaining Reserve Account balances for the remaining life cycle of the Trust. Any distribution of Reserve Account balances would be made in proportion to the share of each contributor in the Reserve Account.

Section VI. *Deposit Account*

Paragraph 1. *Resources*

Resources held in the Deposit Account shall consist of:

(a) proceeds of contributions to the Deposit Account pursuant to Section III, Paragraph 1 of this Instrument;

(b) net earnings from investment of resources held in the Deposit Account pursuant to Paragraph 4(a) of this Section; and

(c) payments of overdue principal or interest or interest thereon under Trust loans, repayments of the principal under Trust loans to the extent that resources in the Reserve Account or the Deposit Account have been used to make payments to a contributor due to a difference in timing or amount between scheduled principal repayments to the contributor and principal repayments under Trust loans, and any margin income from Trust loans, to replenish any amounts of Deposit Account principal contributions used to make payments due under borrowing agreements for the Loan Account pursuant to Paragraph 4(b)(2) of this Section.

Paragraph 2. *Remuneration and Share in Deposit Account Resources*

(a) Contributions to the Deposit Account shall be remunerated at the SDR interest rate, provided that individual contribution agreements can provide for a rate lower than the SDR interest rate.

(b) The share of a contributor in the Deposit Account shall be based on its principal contributions to this account. Investment earnings and losses shall be attributed to contributors in proportion to their share.

Paragraph 3. *Maturity of Deposit Account Contributions*

The maturity date of contributions to the Deposit Account by contributors that are also contributors to the Loan Account under Section III, Paragraph 1(b) of this Instrument shall be November 30, 2050. The maturity date for stand-alone contributions to the Deposit Account set out in Section III, Paragraph 1(c) shall be as agreed between the Managing Director and the contributor and taking into account the investment strategy for resources in this account.

Paragraph 4. *Investment and Use*

(a) The resources held in the Deposit Account shall be invested in accordance with guidelines adopted by the Trustee which may be amended from time to time.

(b) The Trustee shall use resources in the Deposit Account to:

(1) make payments of interest and repayments of principal to contributors to the Deposit Account; and

(2) make repayments of principal and payment of interest under borrowing agreements for the Loan Account, to the extent that the amounts available from receipts of principal repayments and interest payments from borrowers under Trust loans and resources available under the Reserve Account are insufficient to cover the payments to contributors to the Loan Account as they become due and payable; provided however that all resources attributable to accumulated net investment earnings, if any, in the Deposit Account shall first be used in proportion to each contributors share in these earnings, before resources attributable to contributors' principal contributions to the Deposit Account shall be used for making these payments.

Paragraph 5. *Payments of Interest and Repayments of Principal to Contributors to the Deposit Account*

(a) Interest on the principal amount shall be calculated and accrued daily. The Trust shall pay interest on a quarterly basis promptly after April 30, July 31, October 31, and January 31 of each year to the account of the relevant member in the SDR Department or as otherwise agreed by the Trustee and the contributor.

(b) Contributions to the Deposit Account shall be repaid upon maturity of the respective contributions or the liquidation of the Deposit Account, whichever is earlier.

(c) The Trustee may make early repayments of part or all of Deposit Account principal contributions prior to their maturity or the liquidation of the Deposit Account if the Trustee determines that such distribution can be justified in light of the net reserve coverage based on the resources in the Reserve Account and any remaining resources in the Deposit Account, including accumulated net investment earnings, for the remaining life cycle of the Trust.

(d) Following the full repayment of the contribution of any contributor to the Deposit Account, the accumulated net investment earnings in the Deposit Account attributable to that contributor shall be transferred to the Reserve Account under each contributor's contribution.

(e) A contributor may seek early repayment of all or part of the principal contribution amount if the contributor represents that its balance of payments and reserve position (or the balance of payments and reserve position of the relevant member if the contributor is the central bank or other official institution of such member) justify the early repayment, and the Trustee, having given this representation the overwhelming benefit of any doubt, agrees. The contributor shall reconstitute any repaid amount once its balance of payments and reserve position (or the balance of payments and reserve position of the relevant member of the Fund if the contributor is the central bank or other official institution of such member) improves as evidenced by the inclusion of the member's currency for transfers in the Fund's Financial Transactions Plan.

Section VII. *Transfer of Claims*

Paragraph 1. *Contributors' Right to Transfer Claims*

Any contributor shall have the right to transfer at any time all or part of any claim on the Loan Account or the Deposit Account or its share in the Reserve Account to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Fund's Articles of Agreement ("other fiscal agency"), or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

Paragraph 2. *Condition on the Transfer*

The transferee shall, as a condition of the transfer, notify the Trustee prior to the transfer that it accepts all the obligations of the transferor relating to the transferred claim with respect to renewal of maturities, as applicable, and shall acquire all the rights of the transferor with respect to repayments of principal and payments of interest, as applicable, on the transferred claim or contribution, except that any right to encashment for drawings under borrowing agreements pursuant to Section IV, Paragraph 3 and for Deposit Account claims pursuant to Section VI, Paragraph 5(e) of this Instrument shall be acquired only if the transferee is a member of the Fund or the central bank or other fiscal agency of a member and, at the time of transfer, the balance of payments and reserve position of the relevant member is considered sufficiently strong, as evidenced by the inclusion of its currency for transfers under the Fund's Financial Transactions Plan.

Section VIII. *Administration of the Trust*

Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

(b) Subject to the provisions of this Instrument, the Fund in administering the Trust shall apply the same rules as apply to the operation of the General Resources Account of the Fund.

(c) The Trustee, acting through its Managing Director, is authorized:

(1) to make all arrangements, including the establishment of accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories as the Trustee deems necessary; and

(2) to take all other administrative measures that the Trustee deems necessary to implement the provisions of this Instrument.

Paragraph 2. *Separation of Assets and Accounts, Audits and Reports*

(a) The resources of the Trust shall be kept separate from the property and assets of all other accounts of the Fund, including other trusts and administered accounts, and shall be used only for the purposes of the Trust in accordance with this Instrument; provided however that for investment purposes, resources of the Trust may be pooled with resources of other trusts or accounts administered by the Fund for the benefit of others under arrangements that allow for the attribution of pooled investments to each relevant trust or account.

(b) The property and assets held in the other accounts of the Fund shall not be used to discharge liabilities or meet losses arising out of the administration of the Trust. The resources of the Trust shall not be used to discharge liabilities or meet losses arising out of the administration of other accounts of the Fund or other accounts administered by the Fund.

(c) The Trustee shall maintain separate financial records and prepare separate financial statements for the Trust.

(d) The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the financial transactions and records of the Trust. The audit shall relate to the financial year of the Fund.

(e) The Fund shall report on the resources and operations of the Trust in the Annual Report of the Executive Board to the Board of Governors of the Trustee and shall include in that Annual Report the report of the external audit firm on the Trust.

Section IX. *Period of Operation and Liquidation*

Paragraph 1. *Period of Operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Trust.

Paragraph 2. *Liquidation of the Trust*

(a) Termination and distribution of the Deposit Account shall be in accordance with Section VI, Paragraph 5.

(b) Resources in the Reserve Account shall be used to discharge any liabilities of the Trust and any remainder shall be distributed to contributors to the Reserve Account in accordance with their shares of contributions.

Section X. *Amendment of the Instrument*

Paragraph 1. *Amendments by the Executive Board*

Subject to Paragraph 2 of this Section, the Trustee may amend the provisions of this Instrument.

Paragraph 2. *Amendments with Contributor Consent*

(a) Section I, Paragraph 1; Section II, Paragraphs 4 (b) and 4(j); Section IV, Paragraphs 2 to 5; Section V, Paragraphs 2 to 4; Section VI; Paragraphs 2 to 5; Section VIII, Paragraph 2(a) and (b); Section IX, Paragraph 2; and this Section X may only be amended with the consent of Loan Account contributors to the Trust. Any amendment to Section V, Paragraphs 2 to 4 or Section VI, Paragraphs 2 to 5 will also require the consent of stand-alone contributors to the Reserve

Account; or the consent of stand-alone contributors to the Deposit Account, respectively.

(b) If a Loan Account contributor does not provide the required consent pursuant to paragraph (a) above, further drawings under the borrowing agreement of the contributor will be suspended, except for drawings to fund disbursements for outstanding commitments of Trust loans and to fund any requests pursuant to Section IV, Paragraph 3(b) for early repayment of Trust borrowing outstanding or committed at the time the amendment becomes effective. The contributor may also request the return of a share of its principal contributions to the Deposit Account and Reserve Account based on the ratio of remaining uncommitted resources under its borrowing agreements to total commitments under its borrowing agreements to the Loan Account.

(c) If a stand-alone contributor to the Reserve Account or the Deposit Account does not consent to an amendment that requires its consent, it may request the repayment of its principal contribution, net of any losses or retained investment earnings. The contributor shall receive any remaining amount attributable to its contribution to the Reserve Account or the Deposit Account upon the liquidation of, or as part of an early distribution.

(d) In seeking contributor consent on a proposed amendment of this Instrument, the Trustee shall first establish a deadline for the explicit consent of contributors, followed by a second deadline after which it can deem that a contributor that does not respond to the request for consent within that deadline has consented to the proposed amendment. A contributor that is deemed to have consented will have 6 months from the effectiveness of the amendment to notify its objection to the amendment and request a suspension of drawings under its borrowing agreement to the Loan Account and the return of its share in the Reserve Account and the Deposit Account, respectively, pursuant to subparagraphs (b) or (c) above.

Section XI. *Review*

The Trustee shall review the operation of the Trust, including eligibility for Trust loans, adequacy of resources and reserve coverage,

and the level of margins, service charges and interest rates. The first such review will take place no later than three years from the date on which the Managing Director notifies the Executive Board that the Trust can begin lending operations.

APPENDIX I

Misreporting and Noncomplying Disbursements Under the Resilience and Sustainability Trust

a. A noncomplying disbursement under an RSF Arrangement occurs when (i) the Trustee completes a review under the RSF arrangement and makes a disbursement in accordance with this Instrument on the basis of a finding by the Trustee, supported by information provided by the member, that a Reform Measure has been implemented or that the deviation in the implementation of the Reform Measure was minor, and (ii) that finding later proves to be incorrect.

b. A disbursement under an RSF arrangement will also be noncomplying when, subsequent to the disbursement, the Executive Board finds that a misreporting has occurred at the completion of a concurrent review under an accompanying UCT-quality Instrument (which shall include a New Concurrent UCT-quality Instrument, where applicable), and such misreporting is not assessed as de minimis or waived. (SM/24/73, Sup. 1, 05/03/24). A "concurrent review" for the purpose of this paragraph is a review under the accompanying UCT quality instrument completed at the same time as a review under the RSF arrangement. A misreporting at the concurrent review will taint the disbursement made under the RSF arrangement that was conditioned on the completion of them concurrent review where the misreporting occurred. A misreporting under an RSF arrangement solely because of this paragraph b is subject to the same limitation period that applies to the misreporting under the accompanying UCT-quality instrument.

c. Whenever evidence comes to the attention of the staff of the Trustee indicating that a member may have received a noncomplying

disbursement in accordance with paragraph a above, the Managing Director shall promptly inform the member concerned.

d. If, after consultation with the member, the Managing Director determines that the member did receive a noncomplying disbursement in accordance with paragraph a above, the Managing Director shall promptly notify the member and submit a report to the Executive Board of the Trustee together with recommendations.

e. If the noncomplying disbursement under paragraph a above was made no more than four years prior to the date on which the Managing Director informed the member, as provided for in paragraph c above, the Executive Board may decide either (i) that the member will be called upon to make an early repayment, or (ii) that no early repayment will be required if the Executive Board is satisfied that the objectives of the Reform Measure have been achieved notwithstanding the deviation because the deviation in policy implementation is minor.

f. If the decision of the Executive Board is to call upon the member to make an early repayment as provided for in paragraph e(i) above, the member will be expected to repay an amount equivalent to the noncomplying disbursement, together with any interest accrued thereon, normally within a period of 30 days from the date of the Executive Board decision.

g. If a member fails to meet a repayment expectation under this Appendix within the period established by the Executive Board, (i) the Managing Director shall promptly submit a report to the Executive Board together with a proposal on how to deal with the matter, and (ii) interest shall be charged on the amount subject to the repayment expectation at the rate applicable to overdue amounts under Section II, Paragraph 4 of this Instrument.

h. If a disbursement made under an RSF arrangement is noncomplying solely because of a finding of misreporting under the accompanying UCT-quality instrument, as set forth in paragraph b above, the applicable misreporting procedures shall be those specified under the provisions governing a misreporting under the relevant UCT-quality instrument.

APPENDIX II

Procedures For Addressing Overdue Financial Obligations Under the Resilience and Sustainability Trust

The following procedures aim at preventing the emergence or accumulation of overdue financial obligations to the Resilience and Sustainability Trust (the "Trust"). These procedures will be implemented whenever a member has failed to make a repayment of principal or payment of interest to the Trust ("financial obligation").

1. Whenever a member fails to settle a financial obligation on time, staff will immediately send a communication urging the member to make the payment promptly; this communication will be followed up through the office of the Executive Director concerned. At this stage, the member's access to the Fund's resources, including the Resilience and Sustainability Trust resources, the Poverty Reduction and Growth Trust and HIPC resources, is suspended.

2. When a financial obligation has been outstanding for two weeks, the Managing Director will send a communication to the Governor for that member stressing the seriousness of the failure to meet obligations to the Trust and urging full and prompt settlement.

3. The Managing Director will notify the Executive Board normally one month after a financial obligation has become overdue and will inform the Executive Board of the nature and level of the arrears and the steps being taken to secure payment.

4. When a member's longest overdue financial obligation has been outstanding for six weeks, the Managing Director will inform the member concerned that, unless all overdue obligations are settled, a report concerning the arrears to the Trust will be issued to the Executive Board within two weeks. The Managing Director will in each case recommend to the Executive Board whether a written communication should be sent to a selected set of Fund Governors, or to all Fund Governors. If it were considered that it should be sent to a selected set of Fund Governors, an informal meeting of Executive Directors will be held to consider the thrust of the communication.

Alternatively, if it were considered that the communication should be sent to all Fund Governors, a formal Board meeting will be held to consider a draft text and preferred timing.

5. A report by the Managing Director 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 brief factual statement noting the existence and amount of arrears outstanding for more than three months will be posted on the member's country-specific page on the Fund's external website. This statement will also indicate that the member's access to the Fund's resources, including the Resilience and Sustainability Trust resources, the Poverty Reduction and Growth Trust resources and HIPC resources, has been and will remain suspended for as long as such arrears remain outstanding. A press release will be issued following the Executive Board decision to limit the member's use of the Fund's resources. A similar press release will be issued following a decision to lift such limitation. Periods between subsequent reviews of reports on the member's arrears by the Executive Board will normally not exceed six months. The Managing Director may recommend advancing the Executive Board's consideration of the reports regarding overdue obligations. The Managing Director 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 Managing Director judges that there is no basis for an earlier evaluation of the member's cooperation with the Fund.

6. The Annual Report and the financial statements will identify those members with overdue obligations to the Trust outstanding for more than six months.

Removal from the List of RST-Eligible Members

7. When a member's longest overdue financial obligation has been outstanding for six months, the Executive Board will review the situation of the member and may remove the member from the list of

RST-eligible members. Any reinstatement of the member on the list of RST-eligible members will require a new decision of the Executive Board. The Fund shall issue a press release upon the decision to remove a member from the list of RST-eligible members. A similar press release shall be issued upon reinstatement of the member on the list of RST-eligible members. The information contained in such press releases, where pertinent, shall be included in the Annual Report for the year concerned.

Declaration of Noncooperation with the Trust

8. A declaration of noncooperation with the Trust may be issued by the Executive Board whenever a member's longest overdue financial obligation has been outstanding for twelve months. The decision as to whether to issue such a declaration would be based on an assessment of the member's performance in the settlement of its arrears to the Trust (and to the Fund more generally, if applicable) and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Three related tests would be germane to this decision regarding (i) the member's performance in meeting its financial obligations to the Fund, including to the GRA and PRGT where applicable, taking account of exogenous factors that may have affected the member's performance; (ii) whether the member had made payments to creditors other than the Fund while continuing to be in arrears to the Trust; and (iii) the preparedness of the member to adopt comprehensive adjustment policies. The Executive Board may at any time terminate the declaration of noncooperation in view of the member's progress in the implementation of adjustment policies and its cooperation with the Fund in the discharge of its financial obligations. Upon a declaration of noncooperation, the Fund could also decide to suspend the provision of technical assistance. The Managing Director may also limit technical assistance provided to a member, if in the Managing Director's judgment that assistance was not contributing adequately to the resolution of the problems associated with overdue obligations to the Trust. The Fund shall issue a press release upon the declaration of noncooperation and upon the termination of the declaration. The information contained in such press releases shall be included in the Annual Report(s) for the year(s) concerned.

APPENDIX III

RST Country Groups for Purposes of Margin and Service Fees[1]

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Afghanistan	1	0	500	38,928
Albania	0	0	5,210	2,838
Algeria	0	0	3,550	43,851
Angola	0	0	2,230	32,866
Antigua and Barbuda	0	1	14,250	98
Argentina	0	0	8,930	45,377
Armenia	0	0	4,220	2,963
Azerbaijan	0	0	4,450	10,110
Bahamas, The	0	1	27,780	393
Bangladesh	1	0	2,010	164,689
Barbados	0	1	14,460	287
Belarus	0	0	6,330	9,399
Belize	0	1	3,970	398
Benin	1	0	1,280	12,123
Bhutan	1	1	2,860	772
Bolivia	0	0	3,200	11,673
Bosnia and Herzegovina	0	0	6,090	3,281
Botswana	0	0	6,640	2,352
Brazil	0	0	7,850	212,559
Bulgaria	0	0	9,540	6,927
Burkina Faso	1	0	790	20,903
Burundi	1	0	270	11,891
Cabo Verde	1	1	3,060	556
Cambodia	1	0	1,490	16,719
Cameroon	1	0	1,500	26,546
Central African Rep.	1	0	510	4,830
Chad	1	0	660	16,426
China	0	0	10,610	1,402,112

[1] Ed Note: Table from page 45 of SM/22/63, Supplement 3.

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Colombia	0	0	5,780	50,883
Comoros	1	1	1,450	870
Costa Rica	0	0	11,460	5,094
Cote d'Ivoire	1	0	2,280	26,378
Cyprus	0	1	26,110	1,207
Dem. Rep. of Congo	1	0	550	89,561
Djibouti	1	1	3,320	988
Dominica	I	1	6,870	72
Dominican Republic	0	0	7,260	10,848
Ecuador	0	0	5,530	17,643
Egypt	0	0	3,000	102,334
El Salvador	0	0	3,650	6,486
Equatorial Guinea	0	1	5,810	1,403
Eritrea	1	0	-	3,214
Estonia	0	1	23,250	1,331
Eswatini	0	1	3,580	1,160
Ethiopia	1	0	890	114,964
Fiji	0	1	4,720	896
Gabon	0	0	6,970	2,226
Gambia, The	1	0	750	2,417
Georgia	0	0	4,290	3,714
Ghana	1	0	2,230	31,073
Grenada	1	1	8,740	113
Guatemala	0	0	4,490	16,858
Guinea	1	0	1,020	13,133
Guinea-Bissau	1	0	760	1,968
Guyana	0	1	6,600	787
Haiti	I	0	1,250	11,403
Honduras	1	0	2,200	9,905
India	0	0	1,900	1,380,004
Indonesia	0	0	3,870	273,524

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Iran	0	0	2,870	83,993
Iraq	0	0	4,660	40,223
Jamaica	0	0	4,620	2,961
Jordan	0	0	4,310	10,203
Kazakhstan	0	0	8,680	18,754
Kenya	1	0	1,760	53,771
Kiribati	1	1	3,010	119
Kosovo	0	0	4,440	1,775
Kyrgyz Republic	1	0	1,160	6,592
Lao P.D.R.	1	0	2,480	7,276
Lebanon	0	0	5,510	6,825
Lesotho	1	0	1,100	2,142
Liberia	1	0	530	5,058
Libya	0	0	4,850	6,871
Madagascar	1	0	480	27,691
Malawi	1	0	580	19,130
Malaysia	0	0	10,580	32,366
Maldives	1	1	6,830	541
Mali	1	0	830	20,251
Malta	0	1	25,370	525
Marshall Islands	1	1	5,010	59
Mauritania	1	0	1,640	4,650
Mauritius	0	1	10,230	1,266
Mexico	0	0	8,480	128,933
Micronesia	1	1	4,010	115
Moldova	1	0	4,570	2,618
Mongolia	0	0	3,670	3,278
Montenegro, Rep. of	0	1	7,900	622
Morocco	0	0	2,980	36,911
Mozambique	1	0	460	31,255
Myanmar	1	0	1,260	54,410

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Namibia	0	0	4,520	2,541
Nauru	0	1	16,630	11
Nepal	1	0	1,190	29,137
Nicaragua	1	0	1,850	6,625
Niger	1	0	540	24,207
Nigeria	0	0	2,000	206,140
North Macedonia	0	0	5,720	2,083
Pakistan	0	0	1,280	220,892
Palau	0	1	16,500	18
Panama	0	0	11,880	4,315
Papua New Guinea	1	0	2,660	8,947
Paraguay	0	0	5,140	7,133
Peru	0	0	6,010	32,972
Philippines	0	0	3,430	109,581
Republic of Congo	1	0	1,830	5,518
Russian Federation	0	0	10,690	144,104
Rwanda	1	0	780	12,952
Samoa	1	1	4,070	198
Sao Tome and Principe	1	1	2,070	219
Senegal	1	0	1,430	16,744
Serbia	0	0	7,400	6,908
Seychelles	0	1	12,720	98
Sierra Leone	1	0	490	7,977
Solomon Islands	1	1	2,300	687
Somalia	1	0	310	15,893
South Africa	0	0	5,410	59,309
South Sudan	1	0	-	11,194
Sri Lanka	0	0	3,720	21,919
St. Kitts and Nevis	0	1	17,400	53
St. Lucia	1	1	8,790	184
St. Vincent and the Gren.	1	1	7,340	111

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Sudan	1	0	650	43,849
Suriname	0	1	5,510	587
Syria (2019 GNI)	1	0	1,170	17,501
Tajikistan	1	0	1,060	9,538
Tanzania	1	0	1,080	59,734
Thailand	0	0	7,050	69,800
Timor-Leste	1	1	1,830	1,318
Togo	1	0	920	8,279
Tonga	1	1	5,000	106
Trinidad and Tobago	0	1	15,410	1,399
Tunisia	0	0	3,100	11,819
Turkey	0	0	9,050	84,339
Turkmenistan	0	0	7,220	6,031
Tuvalu	1	1	5,820	12
Uganda	1	0	800	45,741
Ukraine	0	0	3,540	44,135
Uzbekistan	1	0	1,670	34,232
Vanuatu	1	1	2,780	307
Vietnam	0	0	2,660	97,339
Yemen	1	0	940	29,826
Zambia	1	0	1,190	18,384
Zimbabwe	1	0	1,090	14,863

Notes: GNI data based on data current as of October 2021, Andorra, San Marino, and Venezuela excluded due to missing GNI data.

Proposal to Establish a Resilience and Sustainability Trust — List of Eligible Members and Eligibility Criteria

1. The members on the list annexed to this decision as Attachment B are eligible to receive financing under the Resilience and Sustainability Trust ("RST-eligible members") established by Decision 17231-(22/37).

2. The following criteria for entry and graduation shall, respectively, guide Executive Board decisions to add members to, and remove members from, the list of RST-eligible members (the "RST-eligibility list") at reviews of RST eligibility:

a. Criteria for entry: A member will be added to the RST-eligibility list if its annual per capita gross national income ("GNI") based on the latest available qualifying data is (a) less than ten times the International Development Association ("IDA") operational cut-off; or (b) less than twenty-five times the IDA operational cutoff if the member has a population below 1.5 million.

b. Criteria for graduation: A member will be removed from the RST-eligibility list if its GNI (a) has been above (i) ten times the IDA operational cutoff or (ii) twenty-five times the IDA operational cutoff if the member has a population below 1.5 million, for at least the last five years for which qualifying data are available, (b) has not been on a declining trend in the same period (comparing the first and the last relevant annual data) and (c) based on the latest qualifying data, is at least ten percent above (i) ten times the IDA operational cutoff or (ii) twenty-five times the IDA operational cutoff if the member has a population below 1.5 million.

c. For the purposes of the criteria set forth in this paragraph, assessments of per capita GNI will normally be based on World Bank data using the ATLAS methodology, but other data sources may be used in exceptional circumstances, including data estimated by Fund staff in the absence of World Bank ATLAS data. Qualifying data for the purposes of the RST-eligibility criteria shall be data in respect of which the most recent observation relates to a calendar year that is not more than 30 months in the past at the time of the assessment.

3. Notwithstanding paragraph 2, any member that does not have an arrangement under the Resilience and Sustainability Facility (RSF) in effect can elect to opt out of the RST-eligibility list by notifying in writing the Fund of its decision to opt out. The removal of the member from the RST-eligibility list will be effective immediately upon the Fund's receipt of the member's written notification. Such written notification will be issued to the Executive Board for

information. Once a member has opted-out, it would not be considered for inclusion onto the RST-eligibility list until a future review of RST eligibility and provided that the member communicated in writing to the Fund that it would like to be assessed against the criteria for entry set out in paragraph 2 at the next scheduled review of RST-eligibility.

4. Executive Board decisions to remove a member from the RST-eligibly list pursuant to the graduation criteria set forth in paragraph 2(b) of this decision shall become effective five months after their adoption (the "effectiveness date"), provided that such decisions shall not affect any RSF arrangements that are in existence as of the effectiveness date. Any such arrangement may continue until the expiration or other termination of the arrangement, and the arrangement may be extended or access under the arrangement may be augmented where appropriate in accordance with the applicable policies on extension or augmentation.

5. The criteria for entry and graduation set forth in this decision, and the RST-eligibility list, shall be reviewed and updated, respectively, on the basis of the then applicable criteria for entry and graduation three years after the RST becomes operational for lending. Thereafter, it is expected that the criteria for entry and graduation set forth in this decision as well as the RST eligibility list shall be reviewed and updated on the basis of the then applicable criteria in conjunction with the review of eligibility to use the Fund's facilities for concessional financing set forth in Decision No. 14521-(10/3), January 11, 2010, as amended. However, decisions on RST eligibility may be adopted in the interim period between regular reviews:(i) for entry onto the RST-eligibility list by members that meet the entry criteria specified in paragraph 2(a) above, other than members that opted out under paragraph 3 above; and (ii) for re-entry onto the RST eligibility list by members that had previously been removed from such list as a sanction for overdue obligations, so long as such a member at the time of re-entry does not meet the criteria for graduation specified in subparagraph 2(b) above. (SM/22/63, Sup. 3, 04/11/22)

Decision No. 17232-(22/37),
April 13, 2022

Attachment B

RST-Eligible Members[1]

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Afghanistan	1	0	500	38,928
Albania	0	0	5,210	2,838
Algeria	0	0	3,550	43,851
Angola	0	0	2,230	32,866
Antigua and Barbuda	0	1	14,250	98
Argentina	0	0	8,930	45,377
Armenia	0	0	4,220	2,963
Azerbaijan	0	0	4,450	10,110
Bahamas, The	0	1	27,780	393
Bangladesh	1	0	2,010	164,689
Barbados	0	1	14,460	287
Belarus	0	0	6,330	9,399
Belize	0	1	3,970	398
Benin	1	0	1,280	12,123
Bhutan	1	1	2,860	772
Bolivia	0	0	3,200	11,673
Bosnia and Herzegovina	0	0	6,090	3,281
Botswana	0	0	6,640	2,352
Brazil	0	0	7,850	212,559
Bulgaria	0	0	9,540	6,927
Burkina Faso	1	0	790	20,903
Burundi	1	0	270	11,891
Cabo Verde	1	1	3,060	556
Cambodia	1	0	1,490	16,719
Cameroon	1	0	1,500	26,546
Central African Rep.	1	0	510	4,830
Chad	1	0	660	16,426
China	0	0	10,610	1,402,112

[1] Ed. Note: Table from page 46 of SM/22/63, Supplement 3.

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Colombia	0	0	5,780	50,883
Iraq	0	0	4,660	40,223
Jamaica	0	0	4,620	2,961
Jordan	0	0	4,310	10,203
Kazakhstan	0	0	8,680	18,754
Kenya	1	0	1,760	53,771
Kiribati	1	1	3,010	119
Kosovo	0	0	4,440	1,775
Kyrgyz Republic	1	0	1,160	6,592
Lao RD.R.	1	0	2,480	7,276
Lebanon	0	0	5,510	6,825
Lesotho	1	0	1,100	2,142
Liberia	1	0	530	5,058
Libya	0	0	4,850	6,871
Madagascar	1	0	480	27,691
Malawi	1	0	580	19,130
Malaysia	0	0	10,580	32,366
Maldives	1	1	6,830	541
Mali	1	0	830	20,251
Malta	0	1	25,370	525
Marshall Islands	1	1	5,010	59
Mauritania	1	0	1,640	4,650
Mauritius	0	1	10,230	1,266
Mexico	0	0	8,480	128,933
Micronesia	1	1	4,010	115
Moldova	1	0	4,570	2,618
Mongolia	0	0	3,670	3,278
Montenegro, Rep. of	0	1	7,900	622
Morocco	0	0	2,980	36,911
Mozambique	1	0	460	31,255
Myanmar	1	0	1,260	54,410
Namibia	0	0	4,520	2,541
Nauru	0	1	16,630	11

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Nepal	1	0	1,190	29,137
Nicaragua	i	0	1,850	6,625
Niger	1	0	540	24,207
Nigeria	0	0	2,000	206,140
North Macedonia	0	0	5,720	2,083
Pakistan	0	0	1,280	220,892
Palau	0	1	16,500	18
Panama	0	0	11,880	4,315
Papua New Guinea	1	0	2,660	8,947
Paraguay	0	0	5,140	7,133
Peru	0	0	6,010	32,972
Philippines	0	0	3,430	109,581
Republic of Congo	1	0	1,830	5,518
Russian Federation	0	0	10,690	144,104
Rwanda	1	0	780	12,952
Samoa	1	1	4,070	198
Sao Tome and Principe	1	1	2,070	219
Senegal	1	0	1,430	16,744
Serbia	0	0	7,400	6,908
Seychelles	0	1	12,720	98
Sierra Leone	1	0	490	7,977
Solomon Islands	1	1	2,300	687
Somalia	1	0	310	15,893
South Africa	0	0	5,410	59,309
South Sudan	1	0	-	11,194
Sri Lanka	0	0	3,720	21,919
St Kitts and Nevis	0	1	17,400	53
St. Lucia	1	1	8,790	184
St. Vincent and the Gren.	1	1	7,340	111
Sudan	1	0	650	43,849
Suriname	0	1	5,510	587
Syria (2019 GNI)	1	0	1,170	17,501
Tajikistan	1	0	1,060	9,538

Member	PRGT	Small State	2020 GNI per capita (USD)	2020 Population (thousands)
Tanzania	1	0	1,080	59,734
Thailand	0	0	7,050	69,800
Timor-Leste	1	1	1,830	1,318
Togo	1	0	920	8,279
Tonga	1	1	5,000	106
Trinidad and Tobago	0	1	15,410	1,399
Tunisia	0	0	3,100	11,819
Turkey	0	0	9,050	84,339
Turkmenistan	0	0	7,220	6,031
Tuvalu	1	1	5,820	12
Uganda	1	0	800	45,741
Ukraine	0	0	3,540	44,135
Uzbekistan	1	0	1,670	34,232
Vanuatu	1	1	2,780	307
Vietnam	0	0	2,660	97,339
Yemen	1	0	940	29,826
Zambia	1	0	1,190	18,384
Zimbabwe	1	0	1,090	14,863

Notes: GNI data based on data current as of October 2021. Andorra, San Marino, and Venezuela excluded due to missing GNI data.

Article V, Section 3(*a*), (*b*), and (*c*)

Use of Fund Resources

General Decisions

Interpretation of Articles of Agreement

The Executive Directors of the International Monetary Fund interpret the Articles of Agreement to mean that authority to use the resources of the Fund is limited to use in accordance with its purposes to give temporary assistance in financing balance of payments deficits on current account for monetary stabilization operations.

Pursuant to Decision No. 71-2,
September 26, 1946

Use of Fund's Resources for Capital Transfers

After full consideration of all relevant aspects concerning the use of the Fund's resources, the Executive Directors decide by way of clarification that Decision No. 71-2 does not preclude the use of the Fund's resources for capital transfers in accordance with the provisions of the Articles, including Article VI.

Decision No. 1238-(61/43),
July 28, 1961

Use of Fund's Resources: Meaning of "Consistent with the Provisions of This Agreement" in Article V, Section 3

The phrase "consistent with the provisions of this Agreement" in Article V, Section 3, means consistent both with the provisions of the Fund Agreement other than Article I and with the purposes of the Fund contained in Article I.

Decision No. 287-3,
March 17, 1948

USE OF FUND'S RESOURCES: MEANING OF ARTICLE V, SECTION 3(B)(II)

The word "represents" in Article V, Section 3(*a*)(i),[1] means "declares." The member is presumed to have fulfilled the condition mentioned in Article V, Section 3(*a*)(i), if it declares that the currency is presently needed for making payments in that currency which are consistent with the provisions of the Agreement. But the Fund may, for good reasons, challenge the correctness of this declaration, on the grounds that the currency is not "presently needed" or because the currency is not needed for payment "in that currency," or because the payments will not be "consistent with the provisions of this Agreement." If the Fund concludes that a particular declaration is not correct, the Fund may postpone or reject the request, or accept it subject to conditions. The phrase "presently needed" cannot be defined in terms of a formula uniformly applicable to all cases, but where there is good reason to doubt that the currency is "presently needed," the Fund will have to apply the phrase in each case in the light of all the circumstances.

Decision No. 284-4,
March 10, 1948

Conditionality

GUIDELINES ON CONDITIONALITY

A. Principles

1. Basis and purpose of conditionality. Conditions on the use of Fund resources are governed by the Fund's Articles of Agreement and implementing decisions of the Executive Board. Conditionality—that is, program-related conditions—is intended to ensure that Fund resources are provided to members to assist them in resolving their balance of payments problems in a manner that is consistent with the Fund's Articles and that establishes adequate safeguards for the temporary use of the Fund's resources.

[1] Ed. Note: Corresponds to Article V, Section 3(*b*)(ii) of the Articles of Agreement after the Second Amendment.

2. Early warning and prevention. Conditionality is one element in a broad strategy for helping members strengthen their economic and financial policies. Through formal and informal consultations, multilateral surveillance including the World Economic Outlook and discussions of capital market developments, advice to members on the voluntary adoption of appropriate standards and codes, and the provision of technical assistance, the Fund encourages members to adopt sound economic and financial policies as a precaution against the emergence of balance of payments difficulties, or to take corrective measures at an early stage of the development of difficulties.

3. Ownership and capacity to implement programs. National ownership of sound economic and financial policies and an adequate administrative capacity are crucial for successful implementation of Fund-supported programs. In responding to members' requests to use Fund resources and in setting program-related conditions, the Fund will be guided by the principle that the member has primary responsibility for the selection, design, and implementation of its economic and financial policies. The Fund will encourage members to seek to broaden and deepen the base of support for sound policies in order to enhance the likelihood of successful implementation.

4. Circumstances of members. In helping members to devise economic and financial programs, the Fund will pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their balance of payments problems and their administrative capacity to implement reforms. Conditionality and program design will also reflect the member's circumstances and the provisions of the facility under which the Fund's financing is being provided. The causes of balance of payments difficulties and the emphasis to be given to various program goals may differ among members, and the appropriate financing, the specification and sequencing of policy adjustments, and the time required to correct the problem will reflect those and other differences in circumstances. The member's past performance in implementing economic and financial policies will be taken into account as one factor affecting conditionality, with due consideration to changes in circumstances that would indicate a break with past performance.

5. Approval of access to Fund resources. The Fund will ensure consistency in the application of policies relating to the use of its resources with a view to maintaining the uniform treatment of members. A member's request to use Fund resources will be approved only if the Fund is satisfied that the member's program is consistent with the Fund's provisions and policies and that it will be carried out, and in particular that the member is sufficiently committed to implement the program. The Managing Director will be guided by these principles in making recommendations to the Executive Board with respect to the approval of the use of Fund resources by members.

6. Focus on program goals. Fund-supported programs should be directed primarily toward the following macroeconomic goals:

(a) solving the member's balance of payments problem without recourse to measures destructive of national or international prosperity; and

(b) achieving medium-term external viability while fostering sustainable economic growth.

7. Scope of conditions. Program-related conditions governing the provision of Fund resources will be applied parsimoniously and will be consistent with the following principles:

(a) Conditions will be established only on the basis of those variables or 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 member's program or for monitoring the implementation of the program, or (ii) necessary for the implementation of specific provisions of the Articles or policies adopted under them. In general, all variables or measures that meet these criteria will be established as conditions.

(b) Conditions will normally consist of macroeconomic variables and structural measures that are within the Fund's core areas of responsibility. Variables and measures that are outside the Fund's core areas of responsibility may also be established

as conditions but may require more detailed explanation of their critical importance. The Fund's core areas of responsibility in this context comprise: macroeconomic stabilization; monetary, fiscal, and exchange rate policies, including the underlying institutional arrangements and closely related structural measures; and financial system issues related to the functioning of both domestic and international financial markets.

(c) Program-related conditions may contemplate the member meeting particular targets or objectives (outcomes-based conditionality), or taking (or refraining from taking) particular actions (actions-based conditionality). The formulation of individual conditions will be based, in particular, upon the circumstances of the member.

8. Responsibility of the Fund for conditionality. The Fund is fully responsible for the establishment and monitoring of all conditions attached to the use of its resources. There will be no cross-conditionality, under which the use of the Fund's resources would be directly subjected to the rules or decisions of other organizations. When establishing and monitoring conditions based on variables and measures that are not within its core areas of responsibility, the Fund will, to the fullest extent possible, draw on the advice of other multilateral institutions, particularly the World Bank. The application of a lead agency framework, such as between the Fund and the Bank, will be implemented flexibly to take account of the circumstances of members and the overlapping interests of the two institutions with respect to some aspects of members policies. The Fund's policy advice, program design, and conditionality will, insofar as possible, be consistent and integrated with those of other international institutions within a coherent country-led framework. The roles of each institution, including any relevant conditionality, will be stated clearly in Fund-related program documents.

B. Modalities

9. Nature of Fund arrangements. A Fund arrangement is a decision of the Executive Board by which a member is assured that it will be able to make purchases or receive disbursements from

the Fund in accordance with the terms of the decision during a specified period and up to a specified amount. Fund arrangements are not international agreements and therefore language having a contractual connotation will be avoided in arrangements and in program documents. Appropriate consultation clauses will be incorporated in all arrangements.

10. Members program documents. The authorities policy intentions will be described in documents such as a Letter of Intent (LOI), or a Memorandum on Economic and Financial Policies (MEFP) that may be accompanied by a Technical Memorandum of Understanding (TMU). These documents will be prepared by the authorities, with the cooperation and assistance of the Fund staff, and will be submitted to the Managing Director for circulation to the Executive Board. The documents should reflect the authorities policy goals and strategies. In addition to conditions specified in these documents, members requesting the use of Fund resources may in exceptional cases communicate confidential policy understandings to the Fund in a side letter addressed to the Managing Director and disclosed to the Executive Board. In all their program documents, the authorities should clearly distinguish between the conditions on which the Fund's financial support depends and other elements of the program. Detailed policy matrices covering the broader agenda should be avoided in program documents such as LOIs and MEFPs unless they are considered necessary by the authorities to express their policy intentions.

11. Monitoring of performance. The implementation of the member's understandings with the Fund may be monitored, in particular, on the basis of prior actions, performance criteria, program and other reviews, and other variables and measures established as structural benchmarks or indicative targets.

(a) Prior actions. A member may be expected to adopt measures prior to the Fund's approval of an arrangement, completion of a review, or the granting of a waiver with respect to a performance criterion when it is critical for the successful implementation of the program that such actions be taken to underpin the upfront implementation of important measures. In reaching understandings

on prior actions, the Fund will also take into account the strain that excessive reliance upon such actions can place on members implementation capacity. The Managing Director will keep Executive Directors informed in an appropriate manner of the progress of discussions with the member.

(b) Performance criteria. A performance criterion is a variable or measure whose observance or implementation is established as a formal condition for the making of purchases or disbursements under a Fund arrangement. Performance criteria will apply to clearly specified variables or measures that can be objectively monitored by the staff and are so critical for the achievement of the program goals or monitoring implementation that purchases or disbursements under the arrangement should be interrupted in cases of nonobservance. The number and content of performance criteria may vary because of the diversity of circumstances and institutional arrangements of members.

(c) Reviews. Reviews are conducted by the Executive Board.

(i) Program reviews. Program reviews provide a framework for an assessment of whether the program is broadly on track and whether modifications are necessary. A program review will be completed only if the Executive Board is satisfied, based on the member's past performance and policy understandings for the future, that the program remains on track to achieve its objectives. In making this assessment, the Executive Board will take into consideration, in particular, the member's observance of performance criteria, indicative targets, and structural benchmarks, and the need to safeguard Fund resources. The elements of a member's program that will be taken into account for the completion of a review will be specified as fully and transparently as possible in the arrangement. Arrangements will provide for reviews to take place at a frequency appropriate to the member's circumstances. Reviews are expected to be held every six months, but substantial uncertainties concerning major economic trends or policy implementation may warrant more frequent monitoring. In cases of major delays in the completion of a review, the Managing Director will inform Executive Directors in an appropriate manner.

(ii) Financing assurances reviews. Where the Fund is providing financial assistance to a member that has outstanding sovereign external payments arrears to private creditors or that, by virtue of the imposition of exchange controls, has outstanding non-sovereign external payments arrears, the Executive Board will conduct a financing assurances review to determine whether adequate safeguards remain in place for the further use of the Fund's resources in the member's circumstances and whether the member's adjustment efforts are undermined by developments in creditor-debtor relations. More specifically, every purchase or disbursement made available after the approval of the arrangement will, while such arrears remain outstanding, be made subject to the completion of a financing assurances review. Financing assurances reviews may also be established where the member has outstanding arrears to official creditors.

(d) Other variables and measures. In monitoring the implementation of a member s program, the Fund may also examine variables and measures established as indicative targets and structural benchmarks. The same principles governing the scope of conditions set out in paragraph 7 apply to these variables and measures as well as to other program-related conditions.

(i) Indicative targets. Variables may be established as indicative targets for the part of an arrangement for which they cannot be established as performance criteria because of substantial uncertainty about economic trends. As uncertainty is reduced, these targets will normally be established as performance criteria, with appropriate modifications as necessary. Indicative targets may also be established in addition to performance criteria as quantitative indicators to assess the member's progress in meeting the objectives of a program in the context of a program review.

(ii) Structural benchmarks. A measure may be established as a structural benchmark where it cannot be specified in terms that may be objectively monitored or where its non-implementation would not, by itself, warrant an interruption of purchases or disbursements under an arrangement. Structural benchmarks 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.

12. Waivers. The Fund will grant a waiver for nonobservance of a performance criterion only if satisfied that, notwithstanding the nonobservance, the program will be successfully implemented, either because of the minor or temporary nature of the nonobservance or because of corrective actions taken by the authorities. The Fund will grant a waiver of the applicability of a performance criterion only if satisfied that, notwithstanding the unavailability of the information necessary to assess observance, the program will be successfully implemented and there is no clear evidence that the performance criterion will not be met.

13. Floating tranches. Conditions will normally apply to specified dates or continuously. However, when the Fund judges that the member will need to implement a particular structural measure or meet a particular performance target during the program period but not necessarily by a specific date, and when flexibility in timing would promote national ownership, the arrangement may provide for the purchase or disbursement of Fund resources to be made available whenever the measure is implemented or the target observed. These floating tranches are expected to apply primarily to structural performance criteria that are included because of their importance for medium-term external sustainability and growth.

C. Evaluation and Review

14. Program evaluation. The staff will prepare an analysis and assessment of the performance under programs supported by use of the Fund's resources in connection with Article IV consultations and as appropriate in connection with further requests for use of the Fund's resources.

15. Periodic review. The Fund will review the application of this Decision at intervals of five years and at such other times as consideration of it is placed on the agenda of the Executive Board. These reviews will evaluate the consistency of conditionality with these guidelines, the appropriateness and implementation of programs, and the effectiveness of policy instruments.

16. Decision No. 270-(53/95), adopted December 23, 1953, Stand-By Arrangements, as amended, Decision No. 6056-(79/138), adopted March 2, 1979, Guidelines on Conditionality, and Decision No. C-3220-(01/24), adopted March 9, 2001, Concluding Remarks by the Chairman—Conditionality in Fund-Supported Programs, are repealed. (SM/02/276, Rev. 1, 9/23/02)

Decision No. 12864-(02/102)
September 25, 2002,
as amended by Decision No. 13814-(06/98),
November 15, 2006

The Chairman's Summing Up—
2018 Review of Program Design and Conditionality,
Executive Board Meeting 19/35, May 3, 2019

Executive Directors welcomed the first comprehensive stock-taking of the Fund's lending operations since the 2008 global financial crisis. They noted the finding that three-quarters of Fund-supported programs had achieved success or some success, despite the extremely challenging post-crisis environment. Directors agreed that there is room for improvement, drawing lessons for future program design from success and failure and case studies. They broadly agreed with the findings and, with some caveats, supported the key recommendations, some of which would require further discussions in the upcoming reviews of relevant Fund policies.

Growth optimism

Directors shared the assessment that growth assumptions were often too optimistic, driven largely by global forecasting errors and the underestimation of the impact of policy adjustment and overestimation of structural reform payoffs. Directors thus welcomed the proposals to increase the scrutiny of baseline assumptions, deepen the discussion of risk scenarios, and improve contingency planning in program design. While inflation was not a major issue during the period, Directors supported exploring reforms to modernize the review-based monetary policy conditionality framework.

Quality of fiscal adjustment

Most Directors saw room for more granular fiscal conditionality, particularly capital spending floors or revenue targets, to help improve the quality, composition, and growth orientation of fiscal adjustment. At the same time, they stressed the need to retain sufficient flexibility and take due account of member countries' implementation capacity. Where relevant, Directors also supported focusing on the quality of social spending and prioritizing structural conditions on social issues. They favored taking a case-by-case approach and streamlining conditions to maintain parsimony. Directors emphasized the importance of close collaboration with other international financial institutions, as appropriate, and of early engagement with country authorities, which would also help strengthen ownership.

Public debt

Directors welcomed the comprehensive analysis of debt vulnerabilities, which were a key concern during the review period. In cases of high debt vulnerabilities, the review found that, based on a limited sample, programs that included debt operations tended to be more successful than those without such undertakings, but mainly in small and non-systemic cases. While the positive impact of debt restructuring on program outcomes could not be generalized, Directors saw a need to mitigate bias in judgment on debt sustainability and to carefully evaluate, on a case-by-case basis, the costs and benefits of debt operations. Directors also noted various factors at play in programs that experienced a large overshooting of public debt, most of which went off track. They welcomed ongoing efforts to improve debt transparency, strengthen data reporting capacity, and sharpen debt sustainability analysis (DSA) tools. For PRGT-supported programs, enhancing domestic resource mobilization and the quality of investment is also important, which could help strengthen the Fund's catalytic role in mobilizing external concessional financing. Directors looked forward to further discussion of debt-related issues in the context of the reviews of DSA for market access countries and of the Fund's debt limits policy, including plans to update guidance on the treatment of collateralized debt in the program context.

Structural conditionality

Noting the marked increase in the volume of structural conditions, Directors called for further prioritization of reforms critical to specific program objectives to ensure both the parsimony and depth of structural conditionality. They agreed that the selection of conditions should be informed by structural gaps identified in surveillance and technical assistance, and involve collaboration with relevant institutions. A number of Directors called on the Fund to continue building expertise in shared areas of responsibility such as labor, product, and financial market reforms, which are key to competitiveness and private-sector-led growth. Some Directors felt that the Fund should further strengthen cooperation with other international institutions, notably the World Bank, on emerging issues such as governance and anti-corruption.

Given difficulties with implementation of structural conditions, Directors stressed the need for more realistic implementation timetables and estimates of reform payoffs. Most Directors welcomed, or were open to considering, the proposed follow-up paper to explore the case for longer-duration arrangements in the General Resources Account (GRA)for members seeking to address large and persistent structural challenges, along with appropriate measures to safeguard Fund resources. Some Directors expressed concern that longer engagement could increase the risk of reform fatigue and undermine the revolving nature of Fund resources. Directors generally saw merit in greater use of successor Policy Coordination Instruments to support ongoing structural reforms.

Ownership

Reflecting the lessons from case studies, Directors highlighted the benefits of anchoring Fund-supported programs with integrated national reform plans and improving two-way communication to support broad public buy-in. They welcomed plans to strengthen the analysis of institutional and political capacity. Where programs have gone off track, Directors encouraged greater use of staff-monitored programs (SMPs) to ensure monitoring of macroeconomic policies while authorities build support for delayed critical reforms. More broadly, Direc-

tors called on staff to consider ways to de-stigmatize SMPs, promoting their use for building policy track record, which would help facilitate access to Fund resources.

Tailoring and uniformity of treatment (evenhandedness)

Directors welcomed the finding that Fund-supported programs were generally well-tailored to country needs and perceived as being consistent with the principle of uniformity of treatment. However, they saw scope for better tailoring and streamlining program objectives and structural conditions, particularly for fragile and small states, in light of their economic circumstances and capacity constraints. Many Directors also encouraged staff to ensure the application of the 2017 Staff Guidance Note on the Fund's Engagement with Small Developing States, and to integrate critical resilience-building measures into the programs.

Directors noted the concerns among some stakeholders regarding the perceived lack of evenhandedness in program access, both within and between the GRA and PRGT. They acknowledged that differences in access are largely driven by underlying Fund policy frameworks. They were generally open to further discussion on the proposals to increase PRGT access norms and limits, and to promote more blending of GRA and PRGT resources, while maintaining PRGT self-sustainability. They looked forward to further discussion in the context of the forthcoming review of facilities for low-income countries.

Directors welcomed ongoing efforts to improve the Monitoring of Fund Arrangements (MONA) database and looked forward to periodic reports to the Board on program performance. These efforts will enhance transparency, support the monitoring and evaluation of programs on a timely basis, and improve Board oversight including with respect to evenhandedness—an area in which a number of Directors also saw a role for the Independent Evaluation Office. Directors also noted that the observed increase in off-track programs warrants scrutiny, including by the Board. Some Directors called for further consideration of ways to improve the Board's monitoring of delays in program implementation.

Next steps

Directors recognized the multiple tradeoffs involved in program design and the potential benefits of a shift toward more realism, granularity, gradualism, and parsimony. They agreed that the Guidelines on Conditionality remain broadly appropriate, and that most of the recommendations could be implemented through a revised Operational Guidance Note and delivery of related workstreams. Directors considered that successful implementation of the recommendations would require a change in culture, and continued adaptation and learning.

SU/19/62
May 15, 2019

RELATIONSHIP BETWEEN PERFORMANCE CRITERIA AND PHASING OF PURCHASES UNDER FUND ARRANGEMENTS—OPERATIONAL GUIDELINES

1. The number of purchases and corresponding performance criteria in Fund GRA arrangements will depend on the circumstances of the member, provided however that there would be a minimum of two purchases (in addition to the initial purchase) and two sets of corresponding performance criteria during each 12-month period of an arrangement.[1] In considering a member's circumstances, the member's policies, and the likely timing of its balance of payments needs, and the external economic environment will be taken into account. For members facing an actual balance of payments crisis that may involve fast moving developments or an uncertain external economic environment, more frequent monitoring on a quarterly basis could be expected. In all cases, the purchase dates and the test dates for performance criteria would be expected to be distributed as evenly as possible throughout the period of the arrangement. In the case of performance criteria, the date of the first performance test would not normally be earlier than the date on which the arrangement becomes effective, and the date of the last performance

[1] Ed. Note: Paragraph 13 of Decision No. 15017-(11/112), November 21, 2011 states: "Decision No. 7925-(85/38), adopted March 8, 1985, as amended, on the relationship between performance criteria and phasing under GRA arrangements, shall not apply to PLL arrangements."

test would not be earlier than three months from the end of the arrangement in cases where purchases are phased quarterly.

2. Every effort should be made to include performance criteria initially for as much of each 12-month period of a Fund GRA arrangement as possible. However, it may not always be possible to establish in advance one or more performance criteria for each 12-month period of the arrangement because of substantial uncertainties about major economic trends and normal time lags between the completion of program discussions and Executive Board discussion. Performance criteria should normally be included initially which would govern purchases over a period of at least six months of an arrangement. Indicative targets would normally be included at the outset for that part of each 12-month period of an arrangement for which performance criteria are yet to be established.

3. Access under a Fund GRA arrangement may be frontloaded as appropriate, taking into account a member's actual or potential need for resources from the Fund, the likely timing of the member's balance of payments need, the member's policies, the external economic environment, the sequencing of financing from other sources, and the desirability of maintaining a reasonable level of reserves.

4. Every effort should be made to: (i) limit to a minimum the lag between the beginning of a member's program and the date of discussion by the Executive Board of the member's request for a Fund arrangement; and (ii) limit the period between the approval by Fund management of the member's request and the Executive Board discussions of the request to no more than three months. Should the period in (ii) above be exceeded, the staff would confirm that the program as originally proposed remains generally appropriate. In cases where a delay indicates a significant slippage in the implementation of the agreed program, the program would be renegotiated, including the performance criteria and phasing of purchases.

5. Lags between the reporting of data relating to performance criteria should be minimized in order to preserve the reliability of data. All members are expected to limit such reporting lags to two months. Where reporting lags exceed two months, the staff will explain the

reasons for such lags as well as the steps being taken to reduce them. (SM/09/69, Sup. 2, 03/24/09)

Decision No. 7925-(85/38), March 8, 1985,
as amended by Decision Nos. 8887-(88/89), June 6, 1988, and
14281-(09/29), March 24, 2009, and
15017-(11/112), November 21, 2011

The Chairman's Summing Up—
Program Design in Currency Unions,
Executive Board Meeting 18/15, February 21, 2018

Executive Directors welcomed the opportunity to discuss proposals with regard to program design for members of currency unions within the Fund's lending framework. Consistent with the approach taken in the Integrated Surveillance Decision, which recognizes the important role that currency union institutions play in Fund surveillance, Directors supported establishing general guidance on Fund engagement with currency union institutions in circumstances where the policies of these institutions are critical to the success of Fund-supported programs. They noted that this would help ensure that safeguards for program success and the use of Fund resources are applied in a consistent and evenhanded manner.

Directors agreed that the design of Fund-supported programs for the members of currency unions should account for how the nature of the currency union affects the member's balance of payments need, and ensure that there is sufficient adjustment to resolve the member's balance of payments problem within the period of the program. In this regard, they noted that in currency unions with a fixed exchange rate, there may be an inherent interconnection between the external viability of the union and the external stability of the members of the union. They took note of the fact that certain monetary policy operations by currency union central banks may impact their members' balance of payments. Most Directors supported staff's proposal to follow a consistent framework in measuring the balance of payments need of currency union members in the future, while a number of Directors emphasized that the proposed approach should take into account the specific features of the respective currency unions.

Directors emphasized that the Fund has not only the authority, but also the obligation to implement policies on the use of its resources in order to assist members to solve their balance of payments problems and to provide adequate safeguards to Fund resources. Under this obligation, when policies under the purview of union-level institutions have been necessary to a member's program implementation, these have been incorporated into Fund-supported programs in an ad hoc way. Accordingly, a number of Directors saw merit in extending the scope of the Guidelines on Conditionality to encompass actions by union-level institutions, on grounds of consistency and evenhandedness. Most Directors believed that separate guidance should apply to assurances from union-level bodies, when needed, in recognition of the fact that decision-making by union-level institutions generally involves all currency union members, and not only the borrowing member. In the spirit of consensus, Directors endorsed staff's proposal to formalize current practices, with the modalities and operational aspects as outlined below.

Directors underscored that program design should be based, to the extent possible, on policies over which the national authorities of the member have direct or indirect control. They agreed that, insofar as currency union members have delegated important economic and financial policies to union-level institutions, assurances with respect to actions by these institutions would be sought when the member's adjustment policies alone could not meet the program's objectives. The scope of such actions would normally be limited to the specific member country, mindful of the need to mitigate their potential impact on the rest of the currency union. The threshold for the Fund to make the use of its resources conditional on a policy action by a union-level institution is the same as for policies under the member's own control: the measure must be deemed critical to program success. Directors recognized that criticality is a judgment call, although a number of them sought greater clarity on its scope in the context of Fund-supported programs for currency-union members. A few Directors saw value in considering cost efficiency alongside criticality, and assessing whether union-level actions can achieve the program's objectives at a lower cost, within the mandates of union-level institutions.

Directors recognized that, in very exceptional cases, the Fund may need to seek assurances regarding adjustments in union-wide

policy settings that affect other members of the currency union. These exceptional circumstances could occur when policies at the union level, such as unsustainable foreign exchange interventions, have contributed to the balance of payments problem facing the union's members, or when a critical mass of the union's members face a contemporaneous balance of payments problem.

Noting that legal, institutional, and policy frameworks differ across currency unions, Directors stressed that such differences need to be taken into account, on a case-by-case basis, in the design of programs with members of currency unions. In exercising this flexibility, the Fund would be evenhanded in its treatment of members in different currency unions, as well as in relation to the rest of the Fund's membership.

Directors concurred that, consistent with the approach taken in all programs with member countries, the Fund will not seek policy assurances from a union-level institution that would involve it taking actions that are inconsistent with that institution's mandate and legal and institutional frameworks. They acknowledged that, when an institution provides policy assurances, it does so voluntarily and in accordance with its own assessment of what policies are appropriate. Consequently, the provision of such assurances would not intend to intrude, and should not be construed as intruding, on the independent authority of the institution concerned. In the event that an institution is prevented by its mandate or legal and institutional frameworks from providing the assurances being sought, Directors agreed that the Fund will make every effort to work with the borrowing member to adapt the program design in such a way that its objectives can be met with an alternative policy mix.

Directors agreed that assurances over critical policy actions need to be clear, specific, monitorable and—where necessary—time bound. Policy assurances must be appropriate, taking into account the nature of the specific policy action in question. They would be provided in writing, in the form of a letter from the relevant union-level institution to the Managing Director, or a published statement by the union-level institution. In a narrow set of circumstances—those identical to conditions established under existing policies—the assurance

could be provided in a confidential form. Directors noted that confidential side letters could be used only when the conditions of the side letter policy are met. In highly exceptional circumstances, oral understandings could be accepted to complement written assurances, although measures judged critical to a member's program must be provided in writing.

Directors emphasized that the measures for which assurances have been sought must be critical to the success of the member's program. In the event that such a measure is not fully implemented, a decision by the Executive Board to approve the use of Fund resources by the member would be contingent on a finding that the objectives of the member's program can nevertheless be met. Such a finding would be based on staff's assessment that the shortfall in policy implementation is minor or temporary, or that sufficient corrective action has been taken.

Directors highlighted the merits of early engagement with relevant currency union institutions when assurances are likely to be sought from them. The assurances will normally be obtained by the time Fund staff submits the documents for interdepartmental review, and in line with the practice on prior actions, the communication conveying these assurances from the currency union institution should be made available to the Executive Board no later than five working days before the Board meets to discuss the use of Fund resources by the member, but in any event no later than the time of the Board meeting. The written communications will be part of the program documentation, and published following a similar approach to the one that applies to the publication of policy intention documents from the national authorities.

Directors emphasized that the Board should be regularly updated on the status and implementation of previously agreed understandings with currency union institutions, and of any proposed amended or new understanding. Such assessments are expected at the time of each review. When programs with several countries rely on a shared set of policy assurances, these assessments could refer to other recent Board assessments, where relevant, provided that the assurances

are assessed at least semi-annually, and the Board considers proposed new or amended assurances at the earliest relevant juncture.

Directors expected that the staff report for the member's program provides a clear explanation as to why the resolution of the member's balance of payments need cannot be achieved solely with domestic policies and why the union-level assurance is critical for program success. They stressed the need for the Board to express its view on the criticality of these assurances, which would be reflected in both the summing up and the Chairman's statement.

Directors concurred that staff background papers on a union-wide situation could be useful, especially where—such as in the case of a union-wide shock or inadequate union level reserves—adjustment in several currency union members is required, or where the measures under consideration potentially create spillovers or have a union-wide impact. They expected staff to exercise judgment in determining when such a report is necessary, although when several countries in a union have concurrent Fund-supported programs and union-level actions are critical, one union-wide background paper within a six-month period would likely suffice.

This guidance shall take effect immediately, or from the next program review in the case of current arrangements.

SU/18/24
February 26, 2018
Corrected: 3/1/18

The Acting Chair's Summing Up—
Reform of the Policy on Public Debt Limits in IMF-Supported Programs,
Executive Board Meeting 20/103, October 28, 2020

Executive Directors welcomed the opportunity to revisit the Debt Limits Policy (DLP), which guides the use of quantitative limits on public debt in Fund-supported programs. They observed that this review is taking place when many countries are experiencing heightened debt vulnerabilities, aggravated by the COVID-19 shock, and a

changing creditor landscape, with concessional financing becoming scarcer relative to countries' investment needs.

Directors agreed that, since the last DLP review in 2014, the policy has generally worked well, while noting that there is room to improve its effectiveness. They noted that public debt vulnerabilities have been contained within Fund-supported programs but recognized that challenges to the effectiveness of the policy remain. These include: (i) the migration of debt-related risks off balance sheet and general debt transparency issues; (ii) unwarranted impediments to a broader use of debt limits set in present value (PV) terms by countries normally relying on concessional financing that are at moderate risk of debt distress; (iii) some design weaknesses for countries that normally rely on concessional financing but have recently started accessing international financial markets on a significant scale; and (iv) issues with the definition of concessionality. Directors saw a need for reforms that would provide countries with more flexibility to manage public borrowing to finance development needs, with appropriate safeguards to preserve or restore debt sustainability. In this context, they underscored the important role of capacity development (CD) and encouraged continued collaboration with CD partners, including the World Bank.

Directors concurred with the need to enhance debt data disclosure to the Fund to improve program design, including regarding the specification of debt limits. They supported the introduction of an explicit expectation that critical debt data disclosure gaps should be addressed in Fund-supported programs upfront, premised on a risk-based approach. Directors agreed that disclosure to Fund staff would only be expected to lead to conditionality if the vulnerability revealed by such disclosure is deemed critical for achieving the goals of the Fund-supported program or for monitoring its implementation. They also noted that information on creditor composition can help strengthen program design and contribute to the broader goal of improving debt transparency. Directors therefore supported the requirement that program documents include a table with a profile of the holders of the country's public debt, calling for the provision of supporting technical assistance where needed. Many Directors called for the table to include debt service in addition to debt stock, wherever feasible. They also

requested that debt subject to non-disclosure agreements be included in a special line item in the table. In addition, many Directors called for further work on clarity in defining the distribution of "commercial" and "official" creditors in the context of the upcoming review of the arrears policy. Directors agreed that missing elements would be expected to be filled in, at the latest, by the time of the second review of the program. Nonetheless, publication of such data must be consistent with the Fund's legal framework for the treatment of confidential information as well as the Fund's transparency policy. A few Directors considered that additional debt conditionality could be burdensome and underscored that it should be applied in an evenhanded manner and only if it is deemed critical.

Directors agreed that for countries that normally rely on concessional financing but have access to international financial markets on a significant scale, using a tailored approach and better alignment of conditionality with the country's financing mix and program design is needed. They supported the reform proposal that, where such countries are assessed to be at moderate or high risk or in debt distress, a performance criterion on the accumulation of public and publicly-guaranteed external debt, specified in present value (PV) terms, would be the default choice, with the possibility of alternative formulations where warranted to better address critical vulnerabilities. Directors agreed that, to be eligible for such treatment, countries should meet the requirements specified in SM/20/157 (page 29): having had significant access to international financial markets in recent years or access to these markets being a key element of the program, and also having a demonstrated capacity to manage significant levels of market borrowing.

Directors agreed that broadening the use of PV limits should be expanded for countries that normally rely on concessional financing and do not have significant access to international financial markets, and that are assessed at moderate risk of debt distress. In their view, most members can be expected to have adequate capacity to monitor conditionality on aggregate debt levels in a manner that allows use of debt limits specified in PV terms. Directors agreed that where the member's capacity to monitor debt conditionality on aggregate debt levels is not assessed to be adequate, the specification of debt conditionality

as a limit on non-concessional borrowing (NCB) in nominal terms, and a memo item as a limit on concessional borrowing in nominal terms, should be retained. They agreed that capacity would be assessed in consultation with authorities and where relevant, informed by past experience on the quality of the member's debt monitoring. Directors supported higher scrutiny of borrowing plans for countries at moderate risk of debt distress with limited space as an additional safeguard.

Directors concurred that the presumption of a zero NCB limit should be retained for countries that normally rely on concessional financing without significant access to international financial markets and that are assessed to be at high risk of debt distress or in debt distress. They supported the proposals for providing greater clarity on the circumstances under which exceptions to the zero NCB rule would be accommodated. These include proposals on: (i) use of the signal-based approach for determining when a project is integral to the authorities' national development program and for which concessional financing is not available; (ii) debt management operations; and (iii) repeated NCB exceptions. Directors agreed with the requirement, in these circumstances, to include an indicative target on public external borrowing specified in PV terms to safeguard debt sustainability. Many Directors called for caution in granting exceptions, indicating that these should be limited to projects that credibly generate good social and economic return and contribute to reducing overall debt vulnerabilities.

Directors supported the proposed adjustments to the definitions of concessionality, including to help prevent circumvention of debt limits. They concurred that blended financing arrangements that include the provision of a financially significant amount of grants-in-kind be treated as non-concessional. A few Directors urged staff to exclude grants-in-kind where fair value has been assessed from this treatment. Directors agreed that financing involving unrelated collateralized debt—e.g., general budgetary borrowing collateralized with future commodity export revenues—should be treated as non-concessional and many Directors encouraged borrowers and creditors to carefully consider the hidden costs inherent in these financing arrangements. They concurred that this reform would address potential circumvention problems that could in turn lead to a build-up of debt vulnerabilities. Directors generally supported the application of a single definition of

concessionality (35 percent) to all cases, agreeing that a higher concessionality threshold would still be allowed in cases when this is deemed to be an integral part of restoring debt sustainability.

Directors agreed that the reform proposals would provide incentives to improve debt management capacity. They encouraged the continued use of structural conditionality when significant weaknesses in debt management capacity are identified in consultation with authorities, in a manner consistent with the Fund's Guidelines on Conditionality. Directors noted that, in some cases, timely capacity development support (including through technical assistance provided by Fund staff or through other providers, where available), will be needed to improve debt management capacity.

Directors underscored the importance of close alignment between the Fund's DLP and the World Bank's Sustainable Development Finance Policy. They agreed that the DLP should take effect following the issuance of a staff guidance note as specified in the proposed decision, with expected effectiveness in March 2021. Directors noted that a review of the experience in implementing this new policy would be conducted no later than five years after the entrance into effect of the new policy, with an update to the Board on the implementation of this policy no later than two years after the date of effectiveness. In addition, they called for an effective outreach strategy to ensure that the reformed policy is clearly understood by stakeholders. Many Directors encouraged all official creditors to engage with Paris Club and to follow responsible and transparent lending practices.

SU/20/157
November 4, 2020

REFORM OF THE POLICY ON PUBLIC DEBT LIMITS IN FUND-SUPPORTED PROGRAMS

1. The "Guidelines on Public Debt Conditionality in Fund Arrangements", set forth as an attachment to Decision No. 15688-(14/107) of December 5, 2014, shall be replaced by the "Guidelines on Public Debt Conditionality in Fund Arrangements" as set forth in the Attachment to this decision. Any existing reference in Fund policies to the Guidelines on Public Debt Conditionality in Fund

Arrangements shall be read as a reference to the attached Guidelines on Public Debt Conditionality in Fund Arrangements.

2. This decision shall become effective on the last day of the subsequent month following the issuance to the Executive Board of an updated staff guidance note on public debt conditionality in Fund-supported programs. Any performance criterion or indicative target on public debt that is in place when this decision becomes effective shall continue to apply in accordance with its terms unless and until such performance criterion or indicative target is amended consistent with the attached Guidelines on Public Debt Conditionality in Fund Arrangements.

3. It is expected that the Fund will review the implementation of the Guidelines on Public Debt Conditionality in Fund Arrangements no later than five years after the effective date of this decision. (SM/20/157, Sup. 2, 10/21/20)

Decision No. 16919-(20/103),
October 28, 2020

Attachment

Proposed Guidelines on Public Debt Conditionality in Fund Arrangements

1. Public debt conditionality in the form of a performance criterion or an indicative target establishing a limit on public and publicly-guaranteed debt, or some sub-component of this aggregate, will normally be included in Fund arrangements in the General Resources Account (GRA) or under the Poverty Reduction and Growth Trust (PRGT) when a member faces significant debt vulnerabilities that cannot be contained by fiscal conditionality alone.

2. The use of public debt conditionality may also be warranted in situations where the quality and coverage of the fiscal statistics produced by the national system of fiscal accounting and budgeting of the member favor the use of public debt conditionality in place of, or as a complement to, "above-the line" fiscal conditionality (as further elaborated in 7(c) below).

3. Public debt conditionality will be established as a limit on "total" public and publicly guaranteed debt unless country circumstances and program objectives justify the use of more narrowly targeted conditionality:

a) For countries where there is significant segmentation between domestic and external sources of public financing, debt conditionality will normally be established as separate limits on external and domestic public and publicly guaranteed debt.

b) For countries where debt vulnerabilities are specific in nature, rather than linked to aggregate debt levels, public debt conditionality should, to the extent possible, be targeted on the specific areas of vulnerability, with limits covering the relevant sub-categories of debt.

c) The specific design and coverage of public debt conditionality should take into account the quality and timeliness of the financial information produced by the member country's public sector accounting system.

4. The appropriate definition of the public sector for the purposes of specifying public debt conditionality will depend on institutional arrangements in the member country; it will normally include all nonfinancial public enterprises and other public entities, unless explicit exclusions have been made. Explicit exclusions could include specific public enterprises or other official sector entities that are assessed to be in a position to borrow without a guarantee of the government and whose operations pose limited fiscal risk to the government. The specification of what constitutes "public sector" for the purposes of public debt conditionality in a Fund arrangement will be explained clearly in the program documents.

5. For the purposes of specifying public debt conditionality, the concept of "external" debt may be defined on the basis of the residency of the creditor, or the currency of denomination of the debt. The public debt conditionality will specify which of these two criteria is being used for purposes of the definition of external debt.

6. The performance criteria or indicative targets establishing debt limits may be formulated in terms of a) debts contracted or authorized; b) disbursements made; or c) changes in the stock of public

and publicly-guaranteed debt. The specific approach chosen will depend on program objectives, the predictability of loan disbursements, and the quality and timeliness of data availability.

7. In accordance with these guidelines, the following considerations will apply when establishing public debt conditionality in Fund arrangements:

a) These guidelines will be applied with a reasonable degree of flexibility while safeguarding the principle of uniformity of treatment among members. These guidelines should be applied in accordance with the Guidelines on Conditionality.

b) The appropriate level and composition of debt for purposes of public debt conditionality will be based on an evaluation of the member's proposed fiscal program, including the associated borrowing plan, and on the member's debt vulnerabilities, as identified through a debt sustainability analysis.

c) For purposes of these guidelines, the quality and coverage of the fiscal statistics produced by a member's national system of fiscal accounting and budgeting will normally warrant the use of public debt conditionality instead of, or as a complement to, "above-the-line" fiscal conditionality when at least one of the following conditions is met:

> (i) The national system of fiscal accounting and data compilation is such that the quality and timeliness of fiscal financing data is significantly better than the data on "above-the-line" measures (such as the fiscal balance); or
>
> (ii) Important sources of public debt vulnerabilities are not adequately captured in the fiscal accounts (e.g., bank recapitalization, issuances of government guarantees, noncommercial state-owned enterprises, and other agencies outside the budgetary framework, the presence of collateralized debt) and these vulnerabilities pose a threat to the overall fiscal position and addressing them is assessed to be of critical importance for achieving the goals of the member's program or for monitoring the implementation of the program, in accordance with 7(a) above.

d) The performance criterion or indicative target establishing a debt limit would normally be set on the nominal value of debt, except in cases under paragraphs 7(e) and 7(f) below.

e) For members that normally rely on official external financing on concessional terms that do not have access to international financial markets on a significant scale, public debt conditionality will generally be established as follows:

(i) Except as provided in subparagraph (iv) below, for members assessed as facing a high risk of debt distress or in debt distress, public debt conditionality will take the form of (a) a performance criterion specifying a ceiling on the nominal amount of non-concessional external debt accumulation; and (b) a performance criterion or indicative target setting a ceiling in present value (PV) terms on the accumulation of external debt, without distinction between concessional and non-concessional debt. The accumulation of non-concessional debt would be allowed under the conditionality only under limited circumstances to support projects integral to the authorities' national development program or debt management operations that result in an improvement of the overall debt profile.

(ii) Except as provided in subparagraph (iv) below, for members assessed as facing a moderate risk of debt distress, public debt conditionality will take the form of a performance criterion setting a ceiling specified in PV terms on the accumulation of public and publicly guaranteed external debt, without distinctions between concessional and non-concessional debt.

(iii) For members assessed as facing a low risk of debt distress, conditionality on debt accumulation would not be warranted, except where justified on the basis of the criteria specified in 7(c) above.

(iv) In cases where the member's capacity to monitor debt on aggregate levels (including in PV terms) is not adequate, public debt conditionality will consist of a performance criterion,

specified in nominal terms, on the accumulation of non-concessional external debt, supplemented by a memorandum item, specified in nominal terms, on the accumulation of concessional external debt.

f) For members that normally rely on official external financing on concessional terms but also have access to international financial markets on a significant scale, public debt conditionality will generally be established as follows:

(i) For members assessed as being at moderate or high risk of distress, or in debt distress, conditionality will normally take the form of a performance criterion setting a ceiling in PV terms on the accumulation of public external debt, without distinction between concessional and non-concessional debt; except in cases where it is judged that alternative formulations of debt conditionality would be better tailored to address critical vulnerabilities.

(ii) For members assessed as facing a low risk of debt distress, conditionality on debt would not be warranted, except where justified on the basis of the criteria specified in 7(c) above. g) In principle, a performance criterion or an indicative target establishing a debt limit will incorporate by reference the definition of debt set forth in paragraph 8 below. Financial instruments that are not covered under the definition, but have the potential to create substantial external liabilities for governments, will be included in the debt limit where appropriate, in which case they would be explicitly specified in the program documents.

8. (a) The performance criterion or indicative target will include all forms of debt. For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/

or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the PV (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

8. (b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

9. These Guidelines on Public Debt Conditionality in Fund Arrangements shall apply by analogy to programs supported under the Policy Support Instrument Framework Decision No. 13561–(05/85), adopted October 5, 2005, as amended, and under the Policy Coordination Instrument Framework

Decision No. 16230-(17/62),
July 14, 2017

Guidelines on Performance Criteria with Respect to Foreign Borrowing—Change in Implementation of Revised Guidelines

For purposes of implementation of the Guidelines on Performance Criteria with Respect to Foreign Borrowing, as amended (Decision No. 6230-(79/140), the Executive Board endorses the revised method of calculation of the discount rate described in SM/96/86 (4/8/96).[1]

Decision No. 11248-(96/38), April 15, 1996, as amended by Decision No. 15462-(13/97), October 11, 2013

SM/96/86

…

Hence, the staff proposes that under arrangements approved from May 1, 1996 onwards, the average of CIRRs over the last ten years should be used as the discount rate for assessing the concessionality of loans of a maturity of at least 15 years. One effect of this change will be that some loans from multilateral development banks and from some bilateral creditors, including OECF of Japan, will be treated as concessional and excluded from borrowing limits in Fund arrangements. This should alleviate some operational problems that have arisen in the treatment of these loans.

Similar problems of frequent classification changes arise in assessing the concessionality of loans with shorter maturities. For these loans, it is proposed that instead of current CIRRs, the average CIRRs of the preceding six-month period (February 15 to August 14 or August 15 to February 14) be used in assessing the concessionality. This approach would follow more closely that used by the OECD and would reduce the frequency of changes in assessments of concessionality.

[1] Ed. Note: Decision No. 15462-(13/97), October 11, 2013, provides that: "Decision No. 11248-(96/38), adopted April 15, 1996, shall remain applicable to any conditionality on external debt that is in place as of the date of this decision unless and until such conditionality is amended to provide for the use of the Unified Discount Rate. (SM/13/271, 10/07/13)"

To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD would continue to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more). Table 1 shows current CIRRs, six-month average CIRRs, and the ten-year averages of CIRRs at end-1995.[1]

The staff proposes to follow this approach as an interim methodology to ensure that frequent changes in the assessment of concessionality are minimized and that longer term multilateral and bilateral loans are not subject to the borrowing limits in Fund arrangements in a way that was not intended by the Board. This issue would be reviewed in the context of the review of borrowing limits envisaged before the end of the year referred to above.[2] Accordingly, the attached decision is proposed for adoption by the Executive Board on a lapse-of-time basis.

Reduction of Blackout Periods in GRA Arrangements

1. This Decision shall apply to all Fund GRA arrangements that have periodic performance criteria.

2. A member may purchase any amount available under the phasing provisions of an arrangement without having to demonstrate observance of any periodic performance criterion specified for the most recent relevant test date if:

(i) the purchase is requested within 45 days of the most recent test date;

(ii) the member is meeting all other conditions applicable to purchases under the arrangement;

[1] Where a CIRR is not available for a given currency or time period, a rate based on five-year government bond yields in the currency concerned is used as a proxy in Table 1 (Ed. Note: Table 1 is not included in this volume).

[2] It is intended to use the 10-year averages at end-1995 throughout 1996.

(iii) the member has either met or been granted a waiver for nonobservance of each periodic performance criterion for the relevant test date immediately preceding the most recent test date, provided that in cases where a purchase is subject to periodic performance criteria specified for more than one test date, this paragraph (iii) shall not apply to performance criteria specified for the earlier of such test dates where the data is unavailable and the 45-day period referred to in paragraph 2(i) of this Decision for that earlier test date has not elapsed;

(iv) the member has met all data reporting deadlines applicable to each periodic performance criterion for the most recent relevant test date set forth in the Technical Memorandum of Understanding ("TMU");

(v) with respect to any periodic performance criterion for the most recent relevant test date for which data are available, the member has either met or been granted a waiver for nonobservance of that performance criterion; and

(vi) with respect to any performance criterion for the most recent relevant test date for which data are unavailable and the reporting deadline set out in the TMU has not passed, the member represents that such data are unavailable.

3. Any purchase made pursuant to Paragraph 2 above shall, for the purposes of the Guidelines on Corrective Action for Misreporting and Noncomplying Purchases in the General Resources Account set out in Decision No. 7842-(84/165), adopted November 16, 1984, as amended (hereinafter the "Misreporting Guidelines"), be deemed to have been made subject to a condition that any representation made by the member under Paragraph 2(vi) above is accurate.

4. When a purchase is made under Paragraph 2 in circumstances where the Misreporting Guidelines do not apply, and it is subsequently determined that the member did not observe a performance criterion for which a representation was made under paragraph 2 (vi), the Managing Director shall promptly inform Executive Directors in such manner as he deems appropriate.

5. Accordingly, to implement this Decision, the following amendments shall be made to the standard forms of the stand-by and extended arrangements set out, respectively, in Attachments A and B to Decision No. 10464-(93/130), September 13, 1993, as amended:

(a) The first sentence of Paragraph 3 (a) of the standard form of the Stand-By Arrangement shall be modified as follows:

"Subject to paragraph 2 of Decision No. 14407, during any period in which the data at the end of the preceding period indicate that: …"

(b) The first sentence of Paragraph 3 (a) of the standard form of the extended arrangement shall be modified as follows:

"Subject to paragraph 2 of Decision No. 14407, during any period in which the data at the end of the preceding period indicate that: …"

6. This Decision is expected to be reviewed by the Fund on an as needed basis. (SM/13/19, 01/23/13)

Decision No. 14407-(09/105),
October 26, 2009,
as amended by Decision No. 15320-(13/10),
January 30, 2013

The Acting Chair's Summing Up—
Conditionality in Evolving Monetary Policy Regimes,
Executive Board Meeting 14/28, March 26, 2014

Executive Directors welcomed the discussion of monetary policy conditionality in countries with evolving monetary policy regimes. They saw merit in employing a review-based approach to monetary conditionality and broadly endorsed staff's proposal to enhance the existing framework by introducing a monetary policy consultation clause (MPCC) as an option for countries that have the capacity to adjust policy settings in a flexible way to achieve their monetary policy objectives.

Directors noted that many developing countries with scope for independent monetary policy are moving toward more flexible and forward-looking monetary policy frameworks, generally focused around the broad objective of achieving price stability. They observed that a weaker relationship between monetary aggregates and inflation implies a decline in the relevance of monetary aggregates as reliable indicators of the monetary stance in countries with low inflation, changing financial landscapes, and facing exogenous shocks. Moreover, the non-observances of reserve money targets in Fund-supported programs have typically not been correlated with inflation deviations in countries that have already achieved single-digit inflation levels.

Directors discussed the proposed enhancement of the review-based approach to monetary conditionality in Fund-supported programs in the form of the MPCC. Under this approach, the MPCC would be based on a specified central path for a target variable (i.e., monetary aggregate or inflation). This target variable would normally have a single tolerance band. It would be subject to periodic reviews in conjunction with general program reviews, and would include an enhanced monetary policy assessment in the context of a clearly defined monetary policy objective. A formal consultation with the Executive Board would be triggered if the observed outcome of the target variable deviates from the band, and access to Fund resources would be interrupted until the consultation with the Board takes place and the relevant program review is completed. In MPCC regimes selecting inflation as the target variable, a narrower inner band could be an option to serve as an early warning mechanism that would trigger a consultation with staff when the observed outcome of the target variable deviates from the inner band. In the event a consultation with the Executive Board is triggered, the staff report would include a comprehensive assessment of monetary policy explaining clearly the reasons behind the target deviations and proposing prompt remedial actions if deemed necessary.

Directors considered that the MPCC could enhance monetary policy conditionality in programs where countries have a strong track record of policy implementation, a relatively low and stable inflation rate, and adequate technical capacities. In this regard, Directors generally pointed to the importance of de facto central bank autonomy in

monetary operations, macroeconomic and financial stability, and the capacity for quantitative analysis of the inflation process, for successful implementation of the flexible monetary policy framework under the MPCC. Directors underscored the importance of even handed application of the standard and urged staff to consider, on a case-by-case basis, whether it would be appropriate for a member to use the MPCC, noting that some countries may not currently meet all the institutional guideposts or have other characteristics that make the use of the MPCC premature. In the near term, relatively few arrangements are expected to adopt this new conditionality framework, but it is understood that staff will exercise flexibility in assessing individual cases. For some countries, the MPCC could be considered provided the program includes reforms to address capacity constraints and institutional weaknesses. Directors noted that the decision to implement the MPCC would be the outcome of discussions between staff and the authorities. They stressed that program design—including the features of the tolerance band—should take into account countries' characteristics. Some Directors cautioned that use of the MPCC should not imply a commitment to move toward inflation targeting.

Directors emphasized the importance of the proposed consultation clause in safeguarding the use of Fund resources. They were of the view that maintaining the floor on net international reserves as a performance criterion and, where warranted, indicative targets on indicators such as net domestic assets or net credit to government should provide sufficient safeguards for the use of Fund resources.

Directors considered that the traditional framework for monetary policy conditionality would continue to be relevant for many countries, including those with less-developed institutional frameworks and a track record of relatively high inflation. Nonetheless, the Fund should support developing countries that seek to modernize their conduct of monetary policy. Directors welcomed staff's efforts to build institutional capacity and enhance data provision and analysis in these countries.

Directors supported a measured approach by staff to the introduction of the MPCC in countries where conditions for successful implementation are broadly in place. The Operational Guidance Note

on Conditionality will be updated to incorporate the enhancements of the review-based monetary conditionality framework discussed by the Executive Board today. Directors looked forward to taking stock of experience gained from selected countries implementing the new conditionality framework after sufficient experience has been gained.

BUFF/14/29
March 28, 2014

Conditionality Governing the Use of Fund Resources

The Fund decides that, effective May 1, 2009, it shall no longer establish structural performance criteria as a modality for monitoring performance under any type of Fund arrangement. (SM/09/69, Sup. 2, 03/24/09)

Decision No. 14280-(09/29),
March 24, 2009

The Acting Chair's Summing Up—
GRA Lending Toolkit and Conditionality—Reform Proposals,
Executive Board Meeting 09/29, March 24, 2009

The Executive Board has adopted a number of decisions to reform the Fund's GRA lending and conditionality frameworks to ensure that the Fund is well-equipped to fully meet the needs of its membership. While many Directors expressed some reservations on certain elements of these reforms, Directors generally considered the overall package to be a satisfactory compromise that balances the diverse interests of the membership.

Modernizing Conditionality

Most Directors noted that structural performance criteria are perceived as reducing national ownership of Fund-supported programs, while being difficult to define objectively. Accordingly, they agreed that structural performance criteria would be replaced under all Fund arrangements, including those under facilities designed for low-income countries, with a review-based approach to monitoring the implementation of structural reforms in Fund-supported programs. A few of these Directors supported replacing structural benchmarks

and prior actions, as well. For existing arrangements, a few Directors would have preferred a faster transition to review-based conditionality, by automatically discontinuing all structural performance criteria in upcoming program reviews. Some Directors, however, wanted to retain structural performance criteria for macro-critical measures, while a few Directors would have also supported adoption of a review-based approach for quantitative variables.

Flexible Credit Line (FCL)

Directors supported the creation of the FCL to enable very strong-performing members to have high and front-loaded access to Fund resources. The FCL could be used for contingent or actual financing needs stemming from all types of balance of payments problems. Directors broadly agreed with the FCL's key design elements. Directors stressed that the assessment of a member's FCL qualification should be undertaken confidentially and only at the request of the member. In emphasizing the importance of transparency, Directors agreed that the Managing Director should generally not recommend that the Executive Board approve a request to use the FCL unless the member had consented to publication of the associated papers. Some Directors, however, considered that publication should always take place in FCL cases. It was agreed that the Board will revisit this issue in the context of its review of the Fund's transparency policy later this year.

A number of Directors remained concerned that the FCL could induce large precautionary use of Fund resources, crowding out lending for crisis resolution. Directors agreed that the FCL should be reviewed in two years, or earlier if commitments under the FCL reach SDR 100 billion, while a few Directors preferred reviewing the FCL in three years. Some Directors would have preferred an access limit to help safeguard Fund resources and to ensure even-handedness and predictability of Fund lending, but welcomed staff's expectation that access would not normally exceed 1,000 percent of quota. A few Directors reiterated their concern that ex-ante conditionality might not provide adequate safeguards for the use of Fund resources.

Directors called for rigorous and even-handed application of the FCL's qualification framework, as further elaborated in Annex I

of the staff paper, to ensure that only members with very strong macroeconomic fundamentals and policy frameworks, sustained track records of implementing very strong policies, and a commitment to maintaining such policies, would have access to FCL financing. A number of Directors stressed the importance of relying on Executive Board assessments of members' policies in the context of recent Article IV consultations. These Directors expected that a member that qualifies for the FCL would normally have held the most recent Article IV consultation in accordance with the standard cycle for such consultations. A few Directors considered that qualification assessments should also be informed by a recent FSAP or FSAP update.

Enhancing Stand-By Arrangements

Directors supported making high-access precautionary SBAs (HAPAs) available on a more regular basis. In addition, all SBAs, including HAPAs, could be designed flexibly—including with respect to phasing and frontloading of access, and frequency of performance criteria test dates and Board reviews—in recognition of members' varying circumstances. At the same time, a few Directors expected that quarterly phasing would continue to be used in cases of large access to Fund resources. Directors looked forward to a future staff paper addressing the "black-out period" problem under SBAs, which currently blocks members from making purchases during certain periods when data for performance criteria assessments are unavailable.

Access Policies

Directors agreed to double normal GRA access limits to 200 percent of quota annually and 600 percent of quota cumulatively. They also supported the modification of the four substantive exceptional access criteria so as to allow exceptional access for potential and actual BOP needs stemming from both capital and current account crises, and to eliminate rigidities and ambiguities in the criteria. Some Directors felt that aspects of the modifications could weaken this policy, but welcomed the preservation of the procedural aspects of the policy, which they considered to be an essential part of Fund risk management.

Surcharges and Fees

Directors supported the proposed simplification of the current level-based surcharge structure, the introduction of a new time-based surcharge, and the elimination of the time-based repurchase expectations policy. They considered the proposals to strike a balance between simplifying the cost and repayment structures for Fund lending, and mitigating credit risks and encouraging timely repayment of Fund resources.

In discussing the staff's proposal, a few Directors reiterated their preference to align the threshold for the level-based surcharges with the new normal access limits. A few other Directors expressed concern that the alignment of the Extended Fund Facility (EFF) and SBA time-based surcharges would make high access under the EFF unduly costly for low-income members. It was recognized, however, that high access would not normally be expected under the EFF, as the SBA would be a better instrument for such purpose. A few Directors also requested an early review of the burden-sharing mechanism.

Directors concurred that the new upward-sloping commitment fee structure will discourage unnecessarily high precautionary access, helping to contain risks to the Fund's liquidity. While supporting the decision, some Directors also felt that fees were too high, while some other Directors believed that fees should have been higher.

Eliminating Special Facilities

Directors agreed to abolish the Compensatory Financing Facility, the Supplemental Reserve Facility, and the Short-Term Liquidity Facility, which have been seldom or not used. Directors supported retaining the EFF, particularly given its usefulness to low-income countries.

BUFF/09/50,
March 27, 2009

USE OF FUND RESOURCES—SIDE LETTERS

Confidentiality

1. The existence and content of side letters will be treated with the utmost confidentiality by management, Fund staff, and Executive Directors.

Definition of side letters

2. A side letter is a letter or other written communication from a member's authorities to Fund management or staff containing confidential policy understandings complementary to or elaborating upon those in new or currently applicable letters of intent supporting a request for the use of Fund resources.

3. Understandings contained in side letters will not contradict or detract from those contained in the applicable letters of intent.

Use of side letters

4. Members requesting the use of Fund resources are encouraged to include all policy undertakings in letters of intent. Side letters will be used sparingly and only in those circumstances which the authorities consider, and management agrees, require such exceptional communication.

5. The use of side letters to keep certain understandings confidential can be justified only if their publication would directly undermine the authorities' ability to implement the program or render implementation more costly. Accordingly, their use will normally be limited to cases in which the premature release of the information would cause adverse market reaction or undermine the authorities' efforts to prepare the domestic groundwork for a measure.

6. While there is no presumption that particular kinds of measures would be conveyed in a side letter rather than a letter of intent, some matters that could in some cases be considered for inclusion in side letters would be: (i) exchange market intervention rules; (ii) bank closures; (iii) contingent fiscal measures; and (iv) measures affecting key prices.

Communication of side letters to the Executive Board

7. Fund staff will advise members' authorities of this decision pertaining to the communication of side letters to the Executive Board before the authorities send side letters.

8. The Executive Board will consider any side letter in a restricted session soon after the relevant letter of intent is issued to

the Board. At this session, each Executive Director's constituency will be represented by only one person. A numbered copy of the side letter will be made available to each such representative and, at the end of the meeting, each copy will be returned. Staff will be present to answer any questions, including questions about the circumstances that justified the use of the side letter.

9. In principle, the full text of a side letter will be communicated to the Executive Board. However, at the request of the authorities, the Managing Director may delete from the copies to be communicated to the Board information of such specificity that:

(i) it is substantially immaterial to Executive Directors' consideration of the request for the use of Fund resources; and

(ii) disclosure would: (a) seriously hamper the authorities' capacity to conduct economic policy; or (b) confer an unfair market advantage upon persons not authorized to have knowledge of the information.

10. Information that might in specific cases be deleted under paragraph 9 above includes: figures regarding foreign exchange markets (e.g., exchange rate intervention triggers or amounts of intervention), names of specific banks or companies, or specific dates for the introduction of certain policy measures.

Communications about side letters by Executive Directors to members' authorities

11. Executive Directors who decide to communicate information about a side letter to their respective authorities should: (i) limit the recipients to those who have a strict need to know; (ii) inform the recipients of the need to treat the information as highly confidential; and (iii) inform the recipients about the procedures that apply to the communication of side letters to the Executive Board under this decision.

12. Executive Directors that communicate information about a side letter to their respective authorities will inform promptly the Managing Director and the Executive Director for the member that sent the side letter of such communication.

Review

13. This decision will be reviewed by the Executive Board within one year, provided, however, that it will be reviewed promptly before that time if the confidentiality of any side letter has not been observed. (SM/99/236, 9/15/99)

Decision No. 12067-(99/108),
September 22, 1999

Summing Up by the Acting Chair—Review of Side Letters and the Use of Fund Resources,
Executive Board Meeting 02/59, June 12, 2002

Directors welcomed the review of side letters. They agreed that, in general, the policy on side letters has achieved its objective of enhancing accountability to the Board while at the same time the number of side letters had declined. Furthermore, the procedures set out in the side letters policy have maintained the confidentiality required by members' authorities. Directors noted that the policy areas covered by side letters have appropriately focused on highly market-sensitive issues or understandings where premature release of information would undermine the authorities' ability to implement their economic program or increase the costs of implementation. They also noted that resort to oral understandings between the Fund and national authorities has been rare, and should continue to be discouraged as such understandings lack transparency and are difficult to monitor. In the highly exceptional cases in which oral understandings would be used, the Board will be informed in an appropriate manner.

Directors stressed the need for systematic reporting to the Board on the implementation of understandings in side letters. In general, implementation will continue to be summarized in staff reports while maintaining the confidentiality of the original understanding, but information on the implementation of prior actions and performance criteria will, in all cases, be specifically reported to the Board. Some Directors suggested that this information be communicated to the Board in staff reports, which would be issued with a higher level of confidentiality than normal Board documents in cases where the information is

still sensitive. However, most Directors agreed that, to better safeguard confidentiality, reporting to the Board on specific implementation of prior actions and performance criteria should follow the existing side letter procedures. Experience with the agreed reporting procedure will be monitored carefully and reviewed as appropriate.

BUFF/02/80
June 19, 2002

Misreporting and Noncomplying Purchases in the General Resources Account—Guidelines on Corrective Action

In some cases, it has been found that a member has made a purchase in the General Resources Account that it was not entitled to make under the terms of the arrangement or other decisions governing the purchase (a "noncomplying purchase"). The purchase was permitted because, on the basis of the information available to it at the time, the Fund was satisfied that all performance criteria or other conditions applicable to the purchase under the terms of the relevant decision had been observed, but this information later proved to be incorrect. When such a case arises in the future, the member will be called upon to take corrective action regarding a noncomplying purchase, to the extent that it is still outstanding, either by repurchase or by the use of its currency in transactions and operations of the Fund, unless the Fund decides that the circumstances justify the member's continued use of the purchased resources. Steps should also be taken to improve the accuracy and completeness of the information to be reported to the Fund by the member in connection with its use of the Fund's general resources, and to define performance criteria and other applicable conditions in a manner that would facilitate accurate reporting. The Fund adopts the following guidelines, which shall apply to purchases made after the date of this decision:

1. Whenever evidence comes to the attention of the staff indicating that a performance criterion or other condition applicable to an outstanding purchase made in the General Resources Account may not have been observed, the Managing Director shall promptly inform the member concerned.

2. If, after consultation with the member, the Managing Director finds that, in fact, the performance criterion or other condition was not observed, the Managing Director shall promptly notify the member of this finding. At the same time, the Managing Director shall submit a report to the Executive Board together with recommendations.

3. In any case where the noncomplying purchase was made no more than four years prior to the date on which the Managing Director informed the member, as provided for in paragraph 1, the Executive Board may decide either (a) that the member shall be expected to repurchase from the Fund the outstanding amount of its currency resulting from the noncomplying purchase normally within a period of 30 days from the date of the Executive Board decision, or (b) that the nonobservance will be waived pursuant to paragraph 5.

4. Instead of repurchasing from the Fund the outstanding amount of its currency resulting from the noncomplying purchase as provided for in paragraph 3(a), the member may request the Fund to use an equivalent amount of its holdings of the member's currency in the Fund's transactions and operations, but if such use cannot be made within 20 days from the date of the Executive Board decision the member shall be expected to make a repurchase in accordance with paragraph 3(a).

5. A waiver under paragraph 3(b) will normally be granted only if the deviation from the relevant performance criterion or other condition was minor or temporary, or if, subsequent to the purchase, the member had adopted additional policy measures appropriate to achieve the objectives supported by the relevant decision.

6. If a repurchase pursuant to the expectation under paragraph 3(a) has not been effected, the Managing Director shall submit promptly a report to the Executive Board accompanied by a proposal on how to deal with this matter, in which the Managing Director may recommend that the Fund initiate action under Article V, Section 5 of the Articles.

7. Provision shall be made in Fund arrangements for the suspension of further purchases under an arrangement whenever a member fails to meet a repurchase expectation pursuant to these guidelines.

8. Nothing in these guidelines shall limit the power of the Fund to take, in cases of noncomplying purchases, other action that could be taken pursuant to the Fund's Articles and Rules.

9. For the purposes of this decision:

(i) whenever the Managing Director considers there is evidence indicating that a member may have made a noncomplying purchase, but the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the communication referred to in paragraph 1 may be made by a representative of the relevant Area Department;

(ii) if the Managing Director determines that a member has made a noncomplying purchase and considers that the nonobservance of the relevant performance criterion or other specified condition was de minimis in nature, as defined in paragraph 1 of Decision No. 13849, the notification referred to in paragraph 2 may be made by a representative of the relevant Area Department, and the report of the Managing Director contemplated in paragraph 2 shall, wherever possible, be included in a staff report on the relevant member that deals with issues other than the noncomplying purchase and shall include a recommendation that the related nonobservance be considered to be de minimis in nature, and that a waiver for nonobservance be granted. In those rare cases when such a staff report cannot be issued to the Board promptly after the Managing Director concludes that a noncomplying purchase has been made, the Managing Director shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report on the noncomplying purchase will be prepared for consideration by the Executive Board, normally on a lapse-of-time basis; and

(iii) whenever the Executive Board finds that a noncomplying purchase has been made but that the nonobservance of the relevant

performance criterion or other specified condition was de minimis in nature as defined in paragraph 1 of Decision No. 13849, a waiver for nonobservance shall be granted by the Executive Board.

Decision No. 7842-(84/165),
November 16, 1984,
as amended by Decision Nos. 12249-(00/77), July 27, 2000, and
13849-(06/108),
December 20, 2006

MAKING THE MISREPORTING POLICIES LESS ONEROUS IN DE MINIMIS CASES

1. In order to address cases of misreporting that are considered to be de minimis in nature, the following amendments are hereby made to the decisions referred to below. To be considered de minimis, a deviation from a performance criterion, assessment criterion or other specified condition would be 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.

…[1]

Decision No. 13849-(06/108),
December 20, 2006

ESTABLISHMENT OF GENERAL POLICY TO CONDITION DECISIONS IN THE GENERAL RESOURCES ACCOUNT ON ACCURACY OF INFORMATION REGARDING IMPLEMENTATION OF PRIOR ACTIONS

Any decision on the use of resources in the General Resources Account (including decisions approving an arrangement or an outright purchase, completing a review, or granting a waiver either of applicability or for the nonobservance of a performance criterion) will be made conditional upon the accuracy of information provided by the

[1] Paragraphs 2-7 of this decision contain amendments that have been inserted into the respective amended decisions (i.e., Decision Nos. 7842-(84/165), 11832-(98/119) ESAF, 13561-(05/85), 11436-(97/10), 13564-(05/85), and 13183-(04/10).

member regarding implementation of prior actions specified in the decision.[1] (EBS/00/121, 6/29/00)

Decision No. 12250-(00/77),
July 27, 2000

ESTABLISHMENT OF GENERAL POLICY TO CONDITION WAIVER DECISIONS IN THE GENERAL RESOURCES ACCOUNT ON ACCURACY OF INFORMATION REGARDING PERFORMANCE CRITERIA

Any decision granting a waiver for the nonobservance of a performance criterion under an arrangement will be made conditional upon the accuracy of data or other information provided by the member to assess observance of the performance criterion in question.

Any decision waiving the applicability of a performance criterion under an arrangement will be made conditional upon (i) the accuracy of the member's representation that the information necessary to assess observance of the relevant performance criterion is unavailable, and (ii) the accuracy of data provided by the member to assess observance of the same performance criterion for a preceding period (if applicable for that period). (EBS/00/121, 6/29/00)

Decision No. 12251-(00/77),
July 27, 2000

OVERDUE FINANCIAL OBLIGATIONS—AMENDED DECISIONS

1. References in Fund decisions to Decision No. 7842-(84/165) on the guidelines on corrective action in cases of misreporting and noncomplying purchases in the General Resources Account shall be understood to be references to Decision No. 12249-(00/77), July 27, 2000.

[1] Ed. Note: See also the *Concluding Remarks by the Acting Chairman-Strengthening the Application of the Guidelines on Misreporting*, EBM/00/77, July 27, 2000, where Directors also supported establishing as normal practice that all prior actions must be carried out at least five working days before the Board discussion to which they relate.

2. Decision No. 7931-(85/41), March 13, 1985, and Decision No. 7999-(85/90), June 5, 1985 are hereby abrogated. (EBS/01/122, 7/23/01)

Decision No. 12548-(01/84),
August 22, 2001

ESTABLISHMENT OF GENERAL POLICY TO CONDITION DECISIONS UNDER THE EXTENDED CREDIT FACILITY, STANDBY CREDIT FACILITY AND EXOGENOUS SHOCKS FACILITY ON ACCURACY OF INFORMATION REGARDING IMPLEMENTATION OF PRIOR ACTIONS

Any decision on the use of resources under the Extended Credit Facility, Standby Credit Facility and Exogenous Shocks Facility (including decisions approving an arrangement, completing a review, or granting a waiver either of applicability or for the nonobservance of a performance criterion) will be made conditional upon the accuracy of information provided by the member regarding implementation of prior actions specified in the decision.

Decision No. 12253-(00/77), July 27, 2000,
as amended by Decision No. 14354-(09/79),
July 23, 2009, effective January 7, 2010

Failure to Meet a Repurchase Expectation
and Use of Fund's General Resources,
Executive Board Meeting 85/26, February 20, 1985

…

The Executive Board agreed … that, if a member were failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action with respect to a noncomplying purchase, the Fund would not negotiate or approve either a stand-by or extended arrangement for the member or the use of the Fund's general resources outside an arrangement, as in the case of an overdue financial obligation to the Fund.

Summing Up by the Acting Chairman on Strengthening Safeguards on the Use of Fund Resources and Misreporting of Information to the Fund—Policies, Procedures, and Remedies—Preliminary Considerations, Executive Board Meeting 00/32, March 23, 2000

Reliable information is essential to every aspect of the Fund's work—surveillance, financing, and technical assistance—and is particularly important in ensuring that the Fund's resources are used for their intended purposes. As has been the practice over many years, the Fund must depend primarily on trust in members' readiness to provide the information needed and to use the Fund's resources for the purposes envisaged.[1]

While known incidents of misreporting and misuse of the Fund's resources have been rare, many Directors noted recent instances involving allegations of misuse of Fund resources and cases of misreporting, and emphasized the importance of preserving the integrity of the Fund's reputation as a careful and prudent provider of financial assistance to members. Directors agreed that these events further underscore the need to strengthen the Fund's existing safeguards on the use of its resources.

The September 1999 Interim Committee emphasized the importance of strengthening governance at the national and international levels, and in this context called on the Fund to perform an authoritative review of its procedures and controls in order to identify ways to strengthen safeguards on the use of its funds and to report on this review at its next meeting.

In considering strengthened safeguards for the use of Fund resources, Directors noted the importance of the safeguards already in place, in particular program design, conditionality and monitoring, the

[1] Ed. Note: Sections on misreporting have been deleted from this summing up in light of subsequent amending decisions on misreporting (Decision Nos. 12252-(00/77), July 27, 2000 and 12249-(00/77), July 27, 2000).

availability of technical assistance, the transparency and governance initiatives, including the establishment and monitoring of codes and standards, and the recent use of special audits and the SDR-account mechanism in selected cases. They stressed that these areas of Fund operations should continue to play a central role in promoting public sector integrity and accountability, thereby contributing to the safeguarding of Fund resources. Directors also noted that policies on noncomplying purchases are ex post in nature, in that they rely on the disincentives of actions taken by the Fund after the fact of misreporting has been established, and they welcomed this opportunity to review relevant aspects of the Fund's legal framework governing misreporting of information to the Fund.

Directors also welcomed the opportunity to consider an approach to assessing the adequacy of member countries' framework of safeguards that could help, ex ante, to prevent the possible misuse of Fund resources and misreporting of information. In considering the staff's proposals, Directors expressed their gratitude to the panel of six eminent outside experts, drawn from the private and public sectors, who had independently assessed these proposals. In light of these proposals, the Board has decided on a number of steps to strengthen key aspects of the Fund's framework for dealing with these issues.

Ex Ante Safeguards

Directors generally concurred that the proposed two-stage approach to safeguards assessments could provide an appropriate mechanism to strengthen existing safeguards by assessing a central bank's compliance with a series of desirable practices, rules and regulations regarding internal control procedures, financial reporting, and audit mechanisms. Safeguards assessments of central banks have the objective of providing reasonable assurance to the Fund that the central bank's control, accounting, reporting, and auditing systems in place to manage resources, including Fund disbursements, are adequate to ensure the integrity of operations. However, Directors remarked that safeguards assessments would not prevent misuse of resources by a willful override of controls or manipulation of data. They noted the view of the panel of experts that safeguards assessments will greatly enhance the ability of central banks to improve their controls, efficiency,

and effectiveness, as well as their view that the assessment framework addresses the protection of member shareholders' resources without threatening the cooperative nature of the Fund.

Directors generally endorsed the framework for the conduct of safeguards assessments and, in particular, the focus on member countries' central banks. They agreed that the safeguards framework would include an assessment of the accountability and transparency of foreign reserves management operations assumed by agencies outside the central bank, which is sometimes the case when the fiscal agent for the Fund is not the central bank. Some Directors, however, emphasized the importance of strengthening controls and financial reporting in the government sector, and took note, in this regard, especially of the need to strengthen the quality and reliability of fiscal data and of other information related to performance criteria used in Fund-supported programs. They noted management's intention to strengthen the approach to handling data in the Fund, to which I will refer later.

Directors endorsed the proposal that an important principle of the strengthened safeguards framework become a standard requirement for Fund financial support, namely, that central banks of member countries making use of Fund resources publish annual financial statements independently audited by auditors external to the central banks in accordance with internationally accepted audit standards. In noting their agreement with the staff proposal on external audits based on international quality standards, several Directors under-scored the importance of sound risk and reserve management practices, including transactions on an arm's length basis with related parties. They also endorsed the general principle of basing benchmarks on the Fund's Code of Good Practices on Transparency in Monetary and Financial Policies.

A number of Directors noted that, although they agree in principle with the staff's proposals, country-specific circumstances would need to be taken into account in the conduct of safeguards assessments. In this context, Directors stressed the importance of technical assistance in the implementation of recommendations arising from the safeguards assessments.

In the first stage of the assessment process, the authorities of a member seeking a new Fund arrangement would be expected to furnish the Fund with the documents listed in the attachment to this summing up as early as possible, and grant permission for Fund staff to hold discussions with their independent auditors. The staff would review this information to arrive at a preliminary judgment about the adequacy of the central bank's internal control systems, reporting, and internal and external audit mechanisms.

Directors supported the view that if, based on this information, the staff reaches the conclusion that the central bank's control, reporting, and auditing mechanisms appeared adequate for safeguarding Fund resources, no further steps would be undertaken. In other cases, and as a second stage, an on-site review would be undertaken by a multidisciplinary team prior to presentation of the arrangement for Board approval, or in any case no later than the first review.

On the modalities of this second stage, Directors considered that multidisciplinary teams were needed, including experts from central banks and private accounting firms. They generally concurred that the teams should be led by the staff to ensure consistency of the approach and to help achieve a continuous improvement of the assessment methodology. Directors emphasized the importance of confidentiality and the need for close monitoring and guidance of outside experts. They also recognized the confidential nature of safeguards assessment reports and, in this regard, generally agreed that the results of safeguards assessments be made available to the Executive Board in a summary form. At the same time, if requested by Board members, information referred to in the summary reports would be made more fully available by management to the Executive Board in an appropriate format and forum.

Directors considered that the introduction of safeguards assessments requires a differentiation between new and current users of Fund resources. For Fund arrangements approved after June 30, 2000, two requirements would be applied: (i) member countries' central banks would be subject to the two-stage assessment approach described above, with the expectation that in many cases the first stage would suffice, and (ii) as part of the safeguards, central banks would

publish annual financial statements independently audited by auditors external to the central banks in accordance with internationally accepted audit standards.

For Fund arrangements in effect before June 30, 2000, Directors endorsed the view that, as a transitional arrangement to minimize resource costs, the two-stage assessment approach would not be applied. However, an important part of the safeguards framework would apply—the audit arrangements in place at central banks would be assessed to determine whether the central banks publish annual financial statements independently audited by auditors external to the central banks in accordance with internationally accepted audit standards. Members with possible disbursements subject to program reviews after September 30, 2000 would be required to furnish the Fund with the documents listed in points (1) to (3) of the attachment three months before the first program review after September 30, 2000. The staff would review this information to assess the adequacy of the external audit arrangements and report its findings to management. Where improvements were deemed necessary, these and the authorities' response would be reported to the Board in the documentation for the first program review after September 30, 2000.

The resource implications of safeguards assessments would be kept under review and Directors noted management's intention to return to the Board should the resource requirements exceed those available under the Fund's current fiscal year 2001 budget proposals.

Most Directors expressed the view that safeguards assessments should be carried out on an experimental basis and that a review of the Fund's experience with this approach should be undertaken with the involvement of the outside panel of experts within 12–18 months.

…

List of Information/Documents to Obtain from Member Country Central Banks

1. Copies of audited (or unaudited if no audit is performed) financial statements for the past three years, together with related audit reports.

2. Copies of all management letters issued by the external auditors in connection with their audit of the financial statements for the past three years.

3. Copies of all audit reports (including agreed-upon procedures engagements) issued by the external auditors during the past three years.

4. A description of the central bank's management structure, including the organizational reporting structure.

5. A description of the organizational structure and reporting lines of the internal audit department, including details of the senior management staff in the department and a summary of staff resources (experience and qualifications).

6. A summary of high-level internal controls in place for the banking, accounting, and foreign exchange departments of the central bank.

7. Listing of all reports issued by the internal audit department in the past three years and a summary description of findings. Potentially, copies of reports dealing with operational and financial controls during the same period.

8. Details of the full legal names of any subsidiaries of the central bank, and a description of their business and the nature of their relationship with the central bank. A listing of all correspondent banks.

9. A listing of all accounts held by government agencies with the central bank.

10. Copies of current legislation governing the central bank.

The Acting Chair's Summing Up—Safeguards Assessments—Review of Experience and Next Steps, Executive Board Meeting 02/26, March 14, 2002

Directors considered the safeguards policy, which was adopted on an experimental basis in March 2000 as an ex ante mechanism to

strengthen the IMF's framework of measures to safeguard the use of Fund resources and minimize the possibility for misreporting, to be an unqualified success. The policy has been widely accepted by central banks, and has helped improve their operations and accounting procedures while enhancing the Fund's reputation and credibility as a prudent lender. Directors, therefore, supported the staff proposal that the policy be adopted as a permanent feature of Fund operations. They expressed their gratitude to the panel of experts for their contribution in shaping the safeguards policy.

Despite improvements in central banks' safeguards over the past few years, Directors noted that the safeguards assessments completed to date have revealed significant vulnerabilities in the controls employed by a number of central banks of borrowing member countries, which could lead to possible misreporting to the Fund or misuse of central bank resources, including Fund disbursements. In particular, safeguards assessments have revealed that (i) a substantial number of central banks' financial statements are not subject to an independent and external audit conducted in accordance with internationally accepted standards; (ii) several central banks have poor controls over foreign reserves and data reporting to the IMF; and (iii) a number of central banks have adopted an unclear financial reporting framework and inadequate accounting standards.

Directors noted that these findings indicated that significant, but avoidable, risks to Fund resources may exist in the cases concerned. Accordingly, some of the findings have warranted corrective measures under program conditionality, ranging from prior actions to policy commitments in letters of intent. Directors stressed, however, that Fund conditionality in these cases should be limited to areas highly relevant to safeguarding the use of Fund resources. They welcomed the fact that central banks have generally embraced the staff recommendations and that many have already taken steps to implement them. Directors advised the staff to tailor the assessments and remedial measures to the specific circumstances of individual countries.

Directors agreed that the coverage of safeguards assessments should extend to countries that augment an existing Fund arrangement

or that have a Rights Accumulation Program, and a number favored its extension to countries with stand-alone CFFs and to countries with outstanding obligations to the Fund that do not currently have a Fund-supported program. Some Directors also favored its extension to countries with staff-monitored (SMPs), but others felt otherwise since these cases do not involve the use of Fund resources. Most Directors agreed that countries under an SMP should be encouraged to undergo safeguards assessments on a voluntary basis, as in many cases these programs are followed by formal arrangements with the Fund. While recognizing that the safeguards assessments constitute part of the Fund's broader efforts to improve transparency in member countries, Directors stressed that safeguards assessments should not be converted to an institution-building exercise, but should remain narrowly focused on safeguarding use of Fund resources. Most Directors agreed that safeguards assessments should not be applied to fiscal issues and other public agencies, since that would require a new mandate for the staff. Many Directors also urged the staff to raise safeguards issues in the context of Article IV consultations with countries that were not subject to a safeguards assessment, but have current outstanding obligations to the Fund, while recognizing that countries would have to voluntarily agree to discuss these issues.

Moving forward, Directors supported the shift of focus of the safeguards policy, during the next three or four years, from initial assessments to the monitoring of past commitments. They welcomed the improvements to external communications during the safeguards process proposed by the staff, and the closer coordination of corrective actions with past and ongoing technical assistance. Directors also underscored the need to strengthen internal communications among Fund staff to ensure consistency in the application of the safeguards policy.

Directors stressed that a key consideration moving forward is the modalities for monitoring the implementation of the remedies proposed by safeguards assessments. They noted that commitments made by the authorities to implement safeguards recommendations would be monitored in conjunction with overall program conditionality and that the main focus of future safeguards work would, therefore, be on the efficacy of implementation. To facilitate the monitoring of recommendations, Directors agreed that central banks should provide annually

to Fund staff their annual audited financial statements and related audit reports, including management letters and special audit reports, for as long as Fund credit remains outstanding. They also agreed that the periodicity of monitoring would be influenced by the timing for implementing past recommendations and that, in some cases, on-site monitoring would be necessary.

Directors agreed that the modalities for future safeguards assessments would be broadly similar to existing procedures, except for improvements resulting from the lessons learned during the experimental period to narrow the focus and improve the effectiveness of the assessment. Therefore, all member countries receiving a new arrangement from the IMF after June 30, 2000, would be subject to a full safeguards assessment. However, the nature and extent of a safeguards assessment for new arrangements where a previous assessment had already been conducted would be based on known risk factors, including the findings and date of the previous assessment, the results of the safeguards monitoring process, and possible new developments at the central bank. Also, the distinction between Stage One (off-site) and Stage Two (on-site) assessment reports would no longer apply—a single, confidential safeguards assessment report would be prepared for all new arrangements.

Directors noted the importance of deadlines for the completion of safeguards assessments and indicated that, in principle, the assessment should be completed prior to the Executive Board's approval of a new arrangement. They recognized, however, that various factors may delay the completion of a safeguards assessment and agreed to retain the deadline for completion of the assessment by no later than the first program review under the arrangement. Where the deadline is not met, either due to external factors or as a result of deliberate recommendation by the staff, Directors noted that a staff report recommending completion of a review under the arrangement would contain, in the appraisal, an explicit statement to this effect and the reasons for proposing completion of the review despite the delay in the safeguards assessment. Several Directors suggested that the current policy be augmented so that key weaknesses are addressed as soon as possible and prior to the second review under any program, although the administrative capacity of the country must be taken into account. In view of

the importance of safeguards assessments to the integrity of the Fund and the benefits to members, and to minimize delays, many Directors supported the allocation of more staff resources to this task, although a number of them preferred that this be done through redeployment. Some Directors also encouraged the continued use of technical experts from central banks.

Directors concurred that safeguards assessment reports should remain confidential documents and requested that the Executive Board be kept informed on safeguards issues by (i) a summary of findings and recommendations identified by safeguards assessments in staff reports; and (ii) periodic summary reports to the Executive Board on safeguards assessments findings in general. However, a few Directors believed that countries that wish to publish their reports should be allowed to do so. Directors supported publication of the staff report after deletion of references to individual countries. They agreed that a review of the safeguards policy should take place in three years, if not earlier,[1] and suggested the involvement of external experts in the review process.

BUFF/02/43,
March 20, 2002, revised April 1, 2002

The Acting Chair's Summing Up— Safeguards Assessments— Review of Experience; The Safeguards Policy— Independent Panel's Advisory Report, Executive Board Meeting 10/76, July 23, 2010

Executive Directors welcomed the opportunity to conduct this review, which marks the 10th anniversary of the Fund's safeguards assessment policy. They noted that the policy, which was introduced in March 2000 and adopted as a permanent feature of Fund operations in March 2002, continues to be widely welcomed and yield positive results in an ever-changing central banking environment. Directors expressed their appreciation to the panel of experts for providing an

[1] Ed. Note: Pursuant to Decision No. 13814-(06/98), November 15, 2006, future reviews will be conducted on an "as needed" basis. The expectation going forward is that "as needed" would generally mean a lag of at least five years between any such reviews.

independent appraisal of the safeguards process and noted the panel's conclusions and recommendations.

Directors reiterated the continued effectiveness of the safeguards policy in helping mitigate the risks of misreporting and misuse of Fund resources, and maintaining the Fund's reputation as a prudent lender. They observed the positive impact of the policy on central bank operations, evidenced by a continuing trend towards enhanced transparency and improved control systems by central banks assessed. Directors also noted that the policy has played an important role in the detection and resolution of cases involving misreporting and governance abuse, but stressed that safeguards assessments alone cannot be a panacea for governance abuse and control overrides.

Directors agreed that the existing framework for assessing and monitoring central banks' operations remains broadly appropriate, and that the process of improving the safeguards policy needs to be continuous and sufficiently flexible to reflect evolving circumstances. Directors welcomed the panel's recommendations to update the existing framework through a sharper focus on governance and risk management in the ELRIC framework that is used in conducting safeguards assessments and enhance collaboration with stakeholders, and broadly endorsed staff's proposals in these areas. Directors also welcomed staff's suggestions to increase information sharing and encouraged central banks to make further efforts to increase their self- assessments, where feasible.

Directors affirmed that existing policy requirements for the publication of financial statements that have been independently audited by high-quality firms in accordance with international standards and the deadline of the first program review for completion of a safeguards assessment remain broadly appropriate and should continue to be applied consistently. Directors welcomed the conclusion of the panel that the risk-based safeguards monitoring framework, introduced following the previous review, has been effective. Noting the importance of continued cooperation by central banks and their external auditors for maintaining the effectiveness of the monitoring framework, Directors agreed that instances of non-receipt of monitoring information be explicitly flagged in staff reports.

Directors noted that the current framework is focused solely on central banks and that replicating safeguards assessments across the whole of government for budget financing cases remains challenging. Against the backdrop of an increasing number of such cases recently, Directors welcomed the steps taken to ensure that an appropriate framework between the central bank and the state treasury is in place for timely servicing the member's financial obligations to the Fund, and endorsed their application as a standard procedure under the existing safeguards framework. Many Directors encouraged staff to highlight fiscal safeguards risks in the staff reports involving budget financing, drawing on a variety of available diagnostic sources such as ROSC and PEFA reports. A number of Directors cautioned that this may not go far enough and encouraged exploration of a possible, more ambitious approach to conduct targeted safeguards assessments at the level of state treasuries, which would require a parallel assessment mandate and product.

Directors considered the confidentiality of safeguards assessment reports and options for dissemination of safeguards findings. They observed that the existing confidentiality of safeguards reports had served the due diligence aspects of the policy well, and should be retained. Directors broadly agreed that there is scope for wider dissemination of safeguards findings and welcomed the staff's proposals to adapt the existing reporting format in safeguards and staff reports and to expand the annual activity reports to the Board. Directors also agreed that confidential briefings could be provided to donors, if requested, and with the consent of the central bank, and encouraged central banks to make their own efforts in disseminating safeguards findings.

BUFF/10/115,
July 29, 2010

The Acting Chair's Summing Up—Safeguards Assessments—Review of Experience,
Executive Board Meeting 15/96, October 23, 2015

Executive Directors welcomed the opportunity to review the experience with the safeguards assessment policy since its last review

in 2010. They noted that the policy, which became a permanent feature of Fund operations in March 2002, remains an integral part of the Fund's overall risk management framework. Directors expressed their gratitude to the panel of experts for their independent perspective on the safeguards assessment policy and noted the panel's recommendations for further refinements to the process.

Directors reiterated the importance of the safeguards assessment policy in helping to mitigate the risks of misreporting and misuse of Fund resources, and to maintain the Fund's reputation as a prudent lender. They welcomed the findings that the policy has been applied appropriately and effectively met these objectives. Directors also observed that the safeguards process has helped central banks improve their control, audit, and reporting practices.

Directors considered that the existing framework for the assessment and monitoring of central banks' governance and control mechanisms is broadly appropriate and flexible. They welcomed the proposed enhancements to keep pace with the evolving nature of safeguards risks, particularly the sharper focus on governance as an overarching principle of the safeguards framework. Directors also recognized the increasing importance of integrated risk management frameworks in strengthening institutions, and supported broadening coverage in this area, tailored to each central bank's capacity.

Directors welcomed staff efforts to refine modalities for addressing safeguards risks in Fund arrangements involving budget financing. They agreed that fiscal safeguards reviews should be part of the safeguards assessment policy, and endorsed the proposals on the operational modalities for conducting such reviews. Given the scope and resource challenges, Directors supported the risk-based approach for fiscal safeguards reviews of state treasuries to be conducted for all arrangements where a member requests exceptional access to Fund resources, and at the time of program approval the member expects that at least 25 percent of the funds will be directed to financing the state budget. This approach would also apply when a member requests exceptional access during an arrangement, unless a fiscal safeguards review was completed within the previous 18 months. A few Directors felt that fiscal safeguards risks would be best addressed through

targeted technical assistance, while a few others noted that countries accessing PRGT resources could also benefit from fiscal safeguards reviews.

Directors supported the risk-based streamlining proposals to achieve efficiency gains while preserving the fundamental objectives of the policy. They agreed to discontinue conducting update safeguards assessments for (i) augmentations of existing arrangements; (ii) successor arrangements where a safeguards assessment was completed no more than 18 months prior to the approval of the successor arrangement; or (iii) central banks with a strong track record, if the previous assessment was completed within the past four years and no substantial issues were identified in the prior assessment or subsequent monitoring. Directors also considered it appropriate to modify the monitoring framework to follow post-program monitoring practices. Once a member's credit outstanding falls below the post-program monitoring threshold, the safeguards monitoring procedures will be limited to a review of annual external audit results, unless a country continues to be subject to post-program monitoring.

Directors concurred on the need to retain the confidentiality of safeguards reports. Noting that the Executive Board is informed about safeguards matters mainly through country staff reports, Directors endorsed the panel's recommendation for greater consistency in presenting a summary of safeguards issues in these reports. They agreed that a summary paragraph should be consistently placed in the main body of the report and should include 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. Where broader engagement is deemed necessary to advance on amendments to central bank legislation, Directors encouraged staff to consult with key domestic players, in close collaboration with the central bank.

BUFF/15/94
October 28, 2015

The Acting Chair's Summing Up—
Safeguards Assessments—2022 Review of Experience,
Executive Board Meeting 22/99, December 7, 2022

Executive Directors welcomed the opportunity to review the experience with the safeguards assessments policy since the last review in 2015. They noted that the policy remains an important and integral part of the Fund's overall risk management framework. Directors expressed their appreciation to the external panel of experts for their independent appraisal of the safeguards assessments policy and their conclusions and recommendations to enhance the safeguards framework.

Directors recognized the importance of the safeguards assessments policy to help mitigate the risks of misreporting and misuse of Fund resources. They welcomed the findings that the policy continues to play an important role to meet these objectives and to maintain the Fund's reputation as a prudent lender. Directors noted positively that in cases where central banks have been subject to more than one assessment, there has broadly been an improvement in the governance and control frameworks, notwithstanding challenges.

Directors agreed that the existing framework for the assessment and monitoring of central banks' governance and control mechanisms remains broadly appropriate. They welcomed the proposals for further enhancements to keep pace with evolving developments, including establishment of a separate pillar on governance in the safeguards assessments framework to facilitate broader coverage and discussion of the board oversight role and the division of responsibilities among key decision-making bodies to preserve accountability. Directors also recognized the continuing importance of integrated risk management in strengthening central banks' control frameworks and supported the broader coverage of financial risks in risk management functions, taking into account the technical capacity of each central bank.

Directors noted the developments in issuance of central bank digital currencies in some member countries and broadly supported safeguards coverage of these activities in a systematic and consistent

approach. This would help ensure that appropriate oversight and technical and operational aspects are in place to manage the specific risks arising from these activities. Directors also welcomed staff's plans to expand its outreach to central banks through regional governance events and by disseminating operational guidelines to central banks to help build awareness of the safeguards process and leading practices and international standards. Directors emphasized the importance of monitoring and capacity development in improving implementation of safeguards recommendations.

Directors noted staff's experience with the fiscal safeguards reviews (FSRs) conducted to date and welcomed the proposals to strengthen the modalities for the reviews, including in-person or hybrid engagement, review processes with management approvals, and a formal mechanism for staff to follow up on recommendations. Directors also welcomed the proposal to require FSRs for High Combined Credit Exposure (HCCE) cases with at least 25 percent of resources directed to budget financing. Given the scope and resource challenges, Directors broadly agreed that the existing threshold for FSRs remains appropriate and covered a significant proportion of Fund resources disbursed for budget financing during the review period. A number of Directors, however, felt that there is value to increasing the number of FSRs, and encouraged staff to explore alternative thresholds at the next review of the safeguards policy.

Directors generally agreed that the safeguards assessments policy would apply to new requests for Resilience and Sustainability Facility (RSF) arrangements by members that seek access to the Resilience and Sustainability Trust (RST) resources through a concurrent program supported by the Policy Coordination Instrument (PCI) or the Policy Support Instrument (PSI). It was noted that the safeguards framework is sufficiently flexible and would continue to take into account country-specific circumstances, including for small states that seek access to the RST and have limited capacity.

Many Directors were willing or open to support the staff's proposal to introduce an exceptional event clause in the safeguards policy in the event of a future global crisis that leads to similar unprecedented demands for Fund financing (as during the pandemic, which resulted

in a large pipeline of safeguards assessments), noting that in such an event, management approval, followed by a staff paper to the Board for a decision to activate the clause for a pre-defined period would be required. Many other Directors, however, expressed reservations or disagreed with the proposal and cautioned that delaying safeguards assessments is not to be undertaken lightly, given that timely assessments are crucial to identifying vulnerabilities, and that defining criteria for such a clause ex ante is difficult. Some Directors argued for a risk-based approach to the exceptional event clause, allowing the extended flexibility only for lower-risk cases. A few Directors also suggested that utilizing any such flexibility should be based on an assessment of the workload, and not on global economic developments. In the end, Directors underscored that allocating appropriate resources for safeguards assessments is crucial.

Directors urged staff to carefully monitor the resource needs for the work on safeguards assessments. They noted that structural resource requirements would need to be considered in the context of the budget discussions.

SU/22/167,
December 15, 2022

Risk Acceptance Statements

1. The Executive Board reviewed the specific risk acceptance statements embedded in existing Fund's policies and processes as set forth in SM/16/7, Rev. 3, 2/17/16 and considered them appropriate, in view of existing safeguards and given the Fund's mandate.

2. The Executive Board endorsed the following overarching statement of the Fund's risk acceptance:

"*The promotion of the stability of the international monetary system is the unifying theme that defines the scope and content of the diverse functions conferred upon the International Monetary Fund (hereafter referred to as "the Fund") by the Articles of Agreement and guides its risk acceptance and tolerance levels. The Fund recognizes that there is an element of risk in any decision or activity it undertakes and seeks to ensure that strong safeguards*

are in place. Thus, the Fund strives to operate with the least level of risk but acknowledges that, in the conduct of its core functions—surveillance, lending, and capacity development—it may need to undertake activities that require a certain degree of risk acceptance, given their bearing on the Fund's ability to fulfill its mandate. In particular, as the central institution for the international monetary system, the Fund monitors and limits accepted risks in its lending activities to ensure they remain within the boundaries of its legal and policy framework. Qualification requirements, program conditionality, and other program modalities provide important safeguards. Moreover, risks are further mitigated by the general recognition of the Fund's preferred creditor status, the established remedial measures on overdue financial obligations to the Fund, and, ultimately, the Fund's precautionary balances and burden sharing mechanism. Operationally risks are managed through defined processes and internal controls that emphasize the importance of integrity, maintaining high quality and diverse staff, and public accountability. Across its functions, the Fund recognizes the need to prudently adhere to the Fund's medium-term strategic budget. In taking any decision, the Fund also weighs carefully the risks to its credibility and reputation with a view to furthering the effective pursuit of its mandate."

3. The Executive Board approves the publication of the statement set forth in paragraph 2 of this decision.

Decision No. 15948-(16/15),
February 17, 2016

Credit Tranche Policies and Facilities

STAND-BY ARRANGEMENTS

1. A representation of need by a member for a purchase requested under a stand-by arrangement will not be challenged by the Fund.

2. The normal period for a stand-by arrangement will range from 12 to 18 months. If a longer period is requested by a member and is considered necessary by the Fund to enable the member

to implement its adjustment program successfully, the stand-by arrangement may extend beyond this range, up to a maximum of three years.

3. Phasing and performance clauses will be omitted in stand-by arrangements within the first credit tranche. They will be included in all other stand-by arrangements but will apply only to purchases outside the first credit tranche. For an arrangement within the first credit tranche, a member may be required to describe the general policies it plans to pursue, including its intention to avoid introducing or intensifying exchange and trade restrictions.

Decision No. 12865-(02/102),
September 25, 2002,
as amended by Decision No. 14283-(09/29),
March 24, 2009

GENERAL POLICIES ON USE OF THE FUND'S RESOURCES:
TRANCHE POLICIES

…

The Fund's attitude to requests for transactions within the "first credit tranche"… is a liberal one, provided that the member itself is making reasonable efforts to solve its problems. Requests for transactions beyond these limits require substantial justification.

Annual Report of the Executive Directors,
1963, page 16[1]

Summing Up by the Acting Chair—
Lessons from the Real-Time Assessments of
Structural Conditionality,
Executive Board Meeting 02/36, April 3, 2002

Executive Directors welcomed the opportunity to take stock of the ongoing review of conditionality by reviewing recent experience with the interim guidelines that have been in effect since September

[1] Ed. Note: See also Annual Reports 1953, 1955, 1959, 1961, and 1962.

2000. They generally agreed that this experience is broadly positive, while pointing to some areas where implementation could be further strengthened. The central objectives of the review—streamlining and focusing conditionality on measures that are critical for achieving the program objectives, and fostering national ownership of Fund-supported programs for the purpose of enhancing the success and effectiveness of programs—continue to serve as useful benchmarks for assessing progress and for gleaning lessons from the application of conditionality in a variety of cases.

Directors reaffirmed that the purpose of streamlining conditionality is to enhance the success and effectiveness of programs by concentrating on those conditions that are critical to achieving the program's macroeconomic objectives. Directors welcomed the increased focus of conditionality on the core areas of fiscal, financial, and exchange rate policies, and stressed in particular the importance of retaining structural conditions in the fiscal domain, especially on improving expenditure management and enhancing revenue performance. Financial sector conditions, centered on strengthened supervision, were also seen as important, with real-time assessments highlighting the need to ensure that such measures are internally consistent and aimed at an overall strengthening of the financial system.

Directors agreed that some structural conditionality will likely remain necessary outside the Fund's core areas, when justified by the magnitude of its impact on the fiscal and external balances. In this context, they noted that measures in a variety of areas, such as privatization, governance, and public enterprise and civil service reform, had been covered by Fund conditionality, based on their critical impact on restoring the soundness of a country's public finances. Against this background, a number of Directors saw scope for further streamlining, especially in non-core areas, but a member of other Directors considered it to be preferable to err on the side of caution to ensure that all important measures are adequately covered. In discussing how best to balance the need for inclusion of critical conditionality in non-core areas with the goal of parsimony, Directors stressed that the reasons for including structural conditionality beyond the Fund's core areas should be clearly explained and clearly justified in every case in relation to the

goals of the program, while noting that these goals may vary from one case to the next.

In this context, Directors agreed that, in PRGF arrangements, structural measures oriented primarily toward achieving growth and poverty reduction objectives can be considered macro-critical. The need for more work in defining and promoting sources of growth in PRGF countries, including the scope for stronger emphasis on financial sector development, was highlighted in this regard. Some Directors considered that growth-enhancing policies may also be macro-critical to restoring medium-term balance-of-payments viability and debt sustainability in the context of stand-by and extended arrangements. Directors agreed that in countries suffering sudden and massive outflows of private capital, a critical mass of frontloaded reform may be required to restore market confidence. They stressed that conditionality should nevertheless be focused on reforms that tackle the root of the crisis, and a number of Directors cautioned against overloading the program with numerous conditions that could undermine implementation capacity.

Directors noted that the need to take account of differences in country-specific circumstances has been the most important reason for variation in the scope and coverage of conditionality among countries in applying the interim guidelines thus far. These circumstances have typically included a possible need to establish a track record of strong policy implementation or achieve a critical mass of front-loaded reforms, or the need to take into account limitations in administrative capacity. Most Directors considered that experience thus far pointed to a broadly satisfactory use of the modalities of conditionality. It was noted, however, that, in the context of the overall review of conditionality guidelines, it would be useful to clarify the appropriate use of prior actions in light of today's discussion and the understandings reached by Directors on this issue at their meeting on January 28. While recognizing that variation in the extent of conditionality is the consequence of the wide and unique circumstances of member countries, Directors noted, however, that the inclusion or exclusion of conditions was not always clearly linked to these circumstances. A number of Directors suggested that further progress in narrowing variation among country

experiences to ensure greater uniformity of treatment would be desirable, although the difficulty of developing more specific guidelines toward that end was recognized. Some Directors emphasized that a numerical approach to gauge how conditionality is being applied is less important than an approach that stresses the application of the right conditionality in individual cases.

The determination of whether any specific action is critical to the success of a particular program is inherently a matter of judgment. Directors emphasized that staff reports should, in any event, provide enough information to facilitate such judgments. In most cases, the magnitude of the fiscal impact is likely to be a key factor, suggesting that the weaker and less direct a measure's impact is on the fiscal accounts, the stronger will be the need to justify its inclusion in the program's conditionality. Directors also suggested various ways to further improve the flow of information on program conditionality in staff reports and at Executive Board meetings, and to guide judgments on the appropriateness of including or excluding certain measures.

While welcoming progress, Directors stressed that further strengthening and clarification of the collaboration with the World Bank will be key to effective streamlining of conditionality. They looked forward to undertaking a more detailed review of that process this summer, and also agreed that it would be useful to address this issue in the Joint Board Committee on Bank/Fund Collaboration. Directors underscored that Fund-supported programs should be consistent with an overall country-led framework, which would often require support from the World Bank and other agencies in addition to the Fund. The nature and extent of collaboration would necessarily be more extensive in PRGF countries, but, in all cases, the appropriate coverage of conditionality could be assessed only by taking proper account of the role of each agency that is involved.

A number of Directors expressed concern that the Fund's initiative in streamlining and focusing conditionality might not result in an overall reduction in conditionality when all international financial institutions were considered, and they asked for further careful assessment and monitoring of this aspect. At the same time, a number of

Directors were concerned that areas no longer covered by Fund conditionality might not be adequately covered by other agencies, particularly the World Bank. To ensure that such concerns can be adequately addressed, Directors stressed the need for careful documentation in staff reports on the division of labor between the Fund and the Bank, the structure and timing of Bank conditionality, the progress achieved, and the implications for the fiscal situation and the program in general.

Directors agreed that it would be useful to consolidate the progress that has been made in this review, and, in that context, to next consider the development of new guidelines on conditionality. Building on the Interim Guidance Note of September 2000 and the experience gained since then, these guidelines would provide a framework that will enable the Fund to apply conditionality parsimoniously and consistently, based on national ownership, with the objective of enhancing the effectiveness of Fund-supported programs. Directors also looked forward to periodic reviews of the evolving experience with Fund conditionality to ensure the consistent implementation of the guidelines over time, as well as their contribution to greater program effectiveness.

BUFF/02/59
April 9, 2001

EXTENDED FUND FACILITY

I.

(i) The Executive Directors have been considering the establishment of an extended facility for members that would enable the Fund to give medium-term assistance in the special circumstances of balance of payments difficulty that are indicated in this decision. The facility, in its formulation and administration, is likely to be beneficial for developing countries in particular.

(ii) The Executive Directors have noted the studies prepared by the staff, including SM/74/58 ("Extended Fund Facility," March 8, 1974), and especially paragraphs 12 to 16 of that memorandum, in

which certain situations to which an extended facility could apply, are described as follows:

(a) an economy suffering serious payments imbalance relating to structural maladjustments in production and trade and where prices and cost distortions have been widespread;

(b) an economy characterized by slow growth and an inherently weak balance of payments position which prevents pursuit of an active development policy.

(iii) The Executive Directors have noted the support for an extended facility by the Committee of the Board of Governors on the Reform of the International Monetary System and Related Issues.

(iv) Taking into account the considerations set forth above, and in particular the exceptional problems faced by some members, the Executive Directors have decided to establish a facility in accordance with the terms set forth in Section II of this decision for the purpose of giving such members medium-term assistance, consistently with Article I(v) and the other purposes of the Fund, under extended arrangements.

II.

1. The Fund will be prepared to give special assistance to members to meet balance of payments deficits for longer periods and in amounts larger in relation to quotas than has been the practice under existing tranche policies. Such assistance will be given in the form of extended arrangements in support of comprehensive programs that include policies of the scope and character required to correct structural imbalances in production, trade, and prices when it is expected that the needed improvement in the member's balance of payments can be achieved without policies inconsistent with the purposes of the Fund only over an extended period. The Fund will pay particular attention to the policy measures that the member intends to implement in order to mobilize resources and improve the utilization of them and to reduce reliance on external restrictions, the time required for these measures to have the intended effect on the balance of

payments, and such other factors as the Fund considers relevant to the member's circumstances.

2. A member that contemplates making a request for an extended arrangement should consult the Managing Director before making a request under this decision. A request by a member for an extended arrangement in order to deal with a problem of the kind referred to in this decision will be met, subject to paragraphs 3 and 4 below, if the Fund is satisfied that

(a) the solution of the member's balance of payments problem will require a longer period than the period for which the resources of the Fund are available under existing tranche policies, and

(b) the member has presented:

(i) a program, setting forth the objectives and policies for the whole period of the extended arrangement, and adequate for the solution of the member's problem; and

(ii) a detailed statement of the policies and measures for the first 12 months constituting an initiation of the program referred to in (i) considered substantial in the member's circumstances, with the understanding that, for each subsequent 12-month period, the member will present to the Fund a detailed statement of the progress made, and the policies and measures as in (ii) that will be followed, to further the realization of the objectives of the program referred to in (i) with such modifications in the member's policies as might reasonably be considered necessary to assist it to achieve its objectives in changing circumstances.

3. Extended arrangements under this decision will be for periods not exceeding four years. It would be expected that extended arrangements would be approved for periods not exceeding three years, although arrangements for up to four years may also be approved, where appropriate, and if the member so requests. Where appropriate, and at the request of the member, the period of an existing extended arrangement of less than four years may be lengthened up to the maximum duration of four years. Each arrangement will prescribe the total amount, and the annual installments within the total, available in accordance

with the original or any modified terms of the arrangement. Purchases in respect of each installment will be phased over the period in which it is available and will be subject to suitable performance clauses related to the implementation of those policies that are necessary for achieving the objectives of the program that the member has adopted as the basis for an extended arrangement.

4. In order to carry out the purposes of this decision, the Fund will be prepared to grant any waiver of the conditions of Article V, Section 3(b)(iii) when necessary to permit purchases under this decision or to permit purchases under other policies that would raise the Fund's holdings of a member's currency above the limits referred to in that provision because of purchases outstanding under this decision.

5. A member that has obtained an extended arrangement under this decision will make repurchases corresponding to purchases under the extended arrangement to the extent that such purchases are still outstanding, as soon as its balance of payments problems have been overcome and, in any event, within an outside range of four to ten years after each purchase. Not later than four years after the first purchase under the extended arrangement the member will propose to the Fund a schedule of repurchases for all purchases outstanding under the extended arrangement. Normally, schedules under this paragraph will provide for repurchases in respect of each purchase of 12 equal six-monthly installments.

6. When purchases are made under extended arrangements granted pursuant to this decision, the Fund will so indicate in an appropriate manner.

7. The Fund will levy charges on holdings of a member's currency resulting from purchases outstanding under this decision in accordance with the decisions of the Fund.

8. Except as otherwise provided in this or in any subsequent related decisions, extended arrangements shall be subject to the Fund's decisions and policies on stand-by arrangements.

9. The Fund will review this decision as needed in the light of experience, including in the context of periodic reviews of other GRA facilities and instruments.

Decision No. 4377-(74/114), September 13, 1974, as amended by Decision Nos. 6339-(79/179), December 3, 1979, 6830-(81/65), April 22, 1981, effective May 1, 1981, 8885-(88/89), June 6, 1988, 10182-(92/132), November 3, 1992, 10186-(92/132), November 3, 1992, 12343-(00/117), November 28, 2000, 14287-(09/29), March 24, 2009, effective April 1, 2009, and 15113-(12-24), March 14, 2012

Stand-By and Extended Arrangements—Standard Forms

The Executive Board approves the standard forms of stand-by and extended arrangements contained in Attachments A and B to SM/93/207 (9/3/93), and the standard clauses contained in Attachment C to SM/93/207, to be added to those arrangements in cases of requests for (i) a decision on external contingency financing under the compensatory and contingency financing facility in association with an arrangement, or (ii) set-asides in support of operations involving debt reduction.

Decision No. 10464-(93/130), September 13, 1993, as amended by Decision Nos. 14287-(09/29), March 24, 2009, effective April 1, 2009, 14407-(09/105), October 26, 2009, 15113-(12/24), March 14, 2012, and 17231-(22/37), April 13, 2022

Attachment A

Form of Stand-By Arrangement

Attached hereto is a letter [, with annexed memorandum,] dated _____ from (Minister of Finance and/or Governor of Central Bank) requesting a stand-by arrangement and setting forth:

(a) the objectives and policies that the authorities of (member) intend to pursue for the period of this stand-by arrangement;

(b) the policies and measures that the authorities of (member) intend to pursue the [first year] of this stand-by arrangement; and

(c) understandings of (member) with the Fund regarding [a] review[s] that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of (member) will pursue for the remaining period of this stand-by arrangement.

To support these objectives and policies the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. [For a period of _____ years from _____] [For the period from _____ to _____] (member) will have the right to make purchases from the Fund in an amount equivalent to SDR _____ million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. (a) Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR _____ million, provided that purchases shall not exceed the equivalent of SDR _____ million until _____, and the equivalent of SDR _____ million until _____.

(b) The right of (member) to make purchases during the remaining period of this stand-by arrangement shall be subject to such phasing as shall be determined.

(c) None of the limits in (a) or (b) above shall apply to a purchase under this stand-by arrangement that would not increase the

Fund's holdings of (member's) currency subject to repurchase beyond 25 percent of quota.

3. (Member) will not make purchases under this stand-by arrangement that would increase the Fund's holdings of (member's) currency subject to repurchase beyond 25 percent of quota:

(a) Subject to paragraph 2 of Decision No. 14407, during any period in which the data at the end of the preceding period indicate that:[1]

(i) [the limit on net international reserves of [Central Bank] described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on the net domestic borrowing of the public sector described in paragraph ___ of the attached [letter] [memorandum]], or

(iii) [the limit on the net domestic assets of the Central Bank described in paragraph ___ of the attached [letter] [memorandum]], or

(iv) [these provisions would incorporate other [quantitative or structural] performance criteria monitored at the end of the preceding period]

[specified in [Tables 1, 2, 3, and 4] [paragraphs ……], respectively, of the [letter] [memorandum] is not observed; or

(b) [if at any time during the period of the arrangement] [while]

(i) [the limit on the contracting and guaranteeing of external public debt with original maturity of ___ described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on external payments arrears described in paragraph ___ of the attached [letter] [memorandum]], or

(iii) [these provisions would incorporate other [quantitative or structural] performance criteria continuously monitored]

[1] Ed. Note: The performance criteria enumerated here are examples only.

[specified in [Tables 5, 6, and 7] [paragraphs ___], respectively, of the [letter] [memorandum] is not observed, or

(c) after _____ and _____, until the respective review[s] contemplated in paragraph ___ of the attached [letter] [memorandum] is [are] completed, or

(d) if at any time during the period of the stand-by arrangement, (member)

(i) imposes or intensifies restrictions on the making of payments and transfers for current international transactions, or

(ii) introduces or modifies multiple currency practices;[1] or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes or intensifies import restrictions for balance of payments reasons.

When (member) is prevented from purchasing under this stand-by arrangement because of this paragraph 3, purchases will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

4. (Member) will not make purchases under this stand-by arrangement during any period in which (Member): (i) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation in respect of a noncomplying purchase pursuant to Decision No. 7842- (84/165) on the Guidelines on Corrective Action; (ii) is failing to meet a repayment obligation to the PRG Trust established by Decision No. 8759-(87/176) PRGT, as amended, or a repayment expectation to that Trust pursuant to the provisions of Appendix I to the PRG Trust Instrument; or (iii) is failing to meet a repayment obligation to the Resilience and Sustainability Trust (RST) established by Decision No.

[1] Ed. Note: As per Decision No. 8648-(87/104), July 17, 1987, the phrase "multiple currency practices" in decisions of the Fund relating to the use of the Fund's resources does not, except as otherwise provided, include multiple currency practices applying solely to capital transactions.

17231-(22/37), or a repayment expectation to that Trust pursuant to the provisions of Appendix II to the RST Instrument.

5. (Member's) right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of (member). When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this stand-by arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, unless, at the request of (member), the Fund agrees to provide SDRs at the time of the purchase.

7. (Member) shall pay a charge for this stand-by arrangement in accordance with the decisions of the Fund.

8. (a) (Member) shall repurchase the amount of its currency that results from a purchase under this stand-by arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as (member's) balance of payments and reserve position improves.

(b) Any reductions in (member's) currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

9. During the period of the stand-by arrangement member) shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to (member) or of representatives of (member) to the Fund. (Member) shall provide the Fund, through reports at intervals or dates requested by the

Fund, with such information as the Fund requests in connection with the progress of (member) in achieving the objectives and policies set forth in the attached letter [and annexed memorandum].

10. In accordance with paragraph ____ of the attached letter, (member) will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director requests consultation because any of the criteria in paragraph 3 above have not been observed or because the Managing Director considers that consultation on the program is desirable. In addition, after the period of the arrangement and while (member) has outstanding purchases in the upper credit tranches, the government will consult with the Fund from time to time, at the initiative of the government or at the request of the Managing Director, concerning (member's) balance of payments policies.

Attachment B

Form of Extended Arrangement

Attached hereto is a letter [, with annexed memorandum,] dated _____ from (Minister of Finance and/or Governor of Central Bank) requesting an extended arrangement and setting forth:

(a) the objectives and policies that the authorities of (member) intend to pursue for the period of this extended arrangement;

(b) the policies and measures that the authorities of (member) intend to pursue during the first year of this extended arrangement; and

(c) understandings of (member) with the Fund regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of (member) will pursue for the subsequent years of this extended arrangement.

To support these objectives and policies the International Monetary Fund grants this extended arrangement in accordance with the following provisions:

1. For a period of [up to four years] from _____ (member) will have the right to make purchases from the Fund in an amount

equivalent to SDR _____ million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. (a) Purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR_____ million until _____, the equivalent of SDR_____ million until _____, the equivalent of SDR_____ million until _____, and the equivalent of SDR_____ million until _____.

(b) Until (end of second year) purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR _____ million.

(c) Until (end of third year) purchases under this extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR _____ million.

(d) the right of (member) to make purchases during the subsequent years shall be subject to such phasing as shall be determined.

3. (Member) will not make purchases under this extended arrangement:

(a) Subject to paragraph 2 of Decision No. 14407, during any period in which the data at the end of the preceding period indicate that:[1]

(i) [the limit on net international reserves of [Central Bank] described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on net domestic borrowing of the public sector described in paragraph ___ of the attached [letter] [memorandum]], or

[1] The performance criteria enumerated here are examples only.

(iii) [the limit on the net domestic assets of the Central Bank described in paragraph ___ of the attached [letter] [memorandum]], or

(iv) [these provisions would incorporate other [quantitative or structural] performance criteria monitored at the end of the preceding period] [specified in [Tables 1, 2, 3 and 4] [paragraphs ____], respectively, of the [letter] [memorandum] is not observed; or

(b) [if at any time during the period of the arrangement] [while]

(i) [the limit on the contracting or guaranteeing of external public debt with original maturity of ____ described in paragraph ___ of the attached [letter] [memorandum]], or

(ii) [the limit on external payments arrears described in paragraph ___ of the attached [letter] [memorandum]], or

(iii) [these provisions would incorporate other [quantitative or structural] performance criteria continuously monitored]

[specified in [Tables 5, 6 and 7] [paragraphs ___], respectively, of the [letter] [memorandum]], is not observed, or

(c) after ____ and ____, until the review[s] contemplated in paragraph ___ of the attached [letter] [memorandum] is [are] completed, or

(d) if at any time during the period of the extended arrangement, (member)

(i) imposes or intensifies restrictions on the making of payments and transfers for current international transactions, or

(ii) introduces or modifies multiple currency practices;[1] or

[1] Ed. Note: As per Decision No. 8648-(87/104), July 17, 1987, the phrase "multiple currency practices" in decisions of the Fund relating to the use of the Fund's

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII; or

(iv) imposes or intensifies import restrictions for balance of payments reasons.

When (member) is prevented from purchasing under this extended arrangement because of this paragraph 3, purchases will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

4. (Member) will not make purchases under this extended arrangement during any period in which (Member): (i) has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation in respect of a noncomplying purchase pursuant to Decision No. 7842- (84/165) on the Guidelines on Corrective Action; (ii) is failing to meet a repayment obligation to the PRG Trust established by Decision No. 8759-(87/176) PRGT, as amended, or a repayment expectation to that Trust pursuant to the provisions of Appendix I to the PRG Trust Instrument; or (iii) is failing to meet a repayment obligation to the Resilience and Sustainability Trust (RST) established by Decision No. 17231-(22/37), or a repayment expectation to that Trust pursuant to the provisions of Appendix II to the RST Instrument.

5. (Member's) right to engage in the transactions covered by this extended arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of (member). When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and (member) and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this extended arrangement shall be made in the currencies of other members selected in accordance with the policies

resources does not, except as otherwise provided, include multiple currency practices applying solely to capital transactions.

and procedures of the Fund, unless, at the request of (member), the Fund agrees to provide SDRs at the time of the purchase.

7. (Member) shall pay a charge for this extended arrangement in accordance with the decisions of the Fund.

8. (a) (Member) shall repurchase the amount of its currency that results from a purchase under this extended arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as (member's) balance of payments and reserve position improves.

(b) Any reductions in (member's) currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

9. During the period of the extended arrangement (member) shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to (member) or of representatives of (member) to the Fund. (Member) shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of (member) in achieving the objectives and policies set forth in the attached letter [and annexed memorandum].

10. In accordance with paragraph ___ of the attached letter, (member) will consult with the Fund on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director requests consultation because any of the criteria in paragraph 3 above have not been observed or because the Managing Director considers that consultation on the program is desirable. In addition, after the period of the arrangement and while (member) has outstanding purchases under this arrangement, the government will consult with the Fund from time to time, at the initiative of the government or at the request of the Managing Director, concerning (member's) balance of payments policies.

COMPLETION OF REVIEWS UNDER STAND-BY AND EXTENDED ARRANGEMENTS

The Fund shall not complete a review under a stand-by or extended arrangement unless and until all other conditions for the availability of an associated purchase have been met or waived. (EBS/00/172, 8/18/00)

Decision No. 12278-(00/86),
August 25, 2000

ESTABLISHMENT OF THE SHORT-TERM LIQUIDITY LINE

1. Subject to the provisions set forth herein, the Fund is prepared to provide financial assistance under a Short-Term Liquidity Line (SLL) in accordance with the terms of this Decision to a member that faces short-term balance of payments difficulties that: (i) are only of a potential nature, reflected in pressure on the capital account and the member's reserves; (ii) are resulting from volatility in international capital markets; and (iii) are reasonably expected to be limited in scale and to require, at most, fine-tuning of monetary and exchange rate policies.

2. An SLL arrangement shall be approved upon a member's informal expression of its potential interest in an SLL arrangement, subject to paragraph 6(a)(iv)(B) below, or upon a member's request, and where the Fund assesses that the member:

(a) has very strong economic fundamentals and institutional policy frameworks,

(b) is implementing—and has a sustained track record of implementing—very strong policies, and

(c) remains committed to maintaining such policies in the future, all of which give confidence that the member will respond appropriately to the special balance of payments difficulties that it could encounter. In addition to a very positive assessment of the member's policies by the Executive Board in the context of the most recent Article IV consultations, the relevant criteria for the purposes of assessing qualification for an SLL arrangement shall

include: (i) a sustainable external position; (ii) a capital account position dominated by private flows; (iii) a track record of steady sovereign access to international capital markets at favorable terms; (iv) a reserve position that is relatively comfortable; (v) sound public finances, including a sustainable public debt position; (vi) low and stable inflation, in the context of a sound monetary and exchange rate policy framework; (vii) a sound financial system and the absence of solvency problems that may threaten systemic stability; (viii) effective financial sector supervision; and (ix) data transparency and integrity.

3. In light of the qualification criteria set out in paragraph 2 of this Decision, SLL arrangements shall not be subject to) performance criteria or other forms of ex-post program monitoring, including reviews.

4. SLL arrangements) may be approved in an amount of up to 200 percent of the member's quota, with this limit being cumulative for total credit outstanding under the SLL. There shall be no phasing under SLL arrangements. A member may make one or more purchases up to the amount of approved access under an SLL arrangement at any time during the period of such arrangement, subject to the provisions of this Decision, and provided that any outstanding amounts purchased by the member under the current or any previous SLL arrangement shall commensurately reduce the amount that can be purchased by the member during the course of an SLL arrangement. To the extent that a member makes a repurchase of amounts previously purchased under any SLL arrangement, the amount that can be subsequently purchased by the member under an SLL arrangement in effect shall be increased in an amount equal to such amounts repurchased, provided that at no time shall a member be entitled to purchase more than the approved access amount of its current SLL arrangement. The Fund shall not challenge a representation of need by a member for a purchase requested under an SLL arrangement.

5. (a) An SLL arrangement shall be approved for a period of 12 months.

(b) An SLL arrangement shall expire only upon the earlier of: (i) the expiration of the approved period of the arrangement; or (ii) the cancellation of the SLL arrangement by the member. Upon expiration of an SLL arrangement, the Fund may approve an additional SLL arrangement for the member in accordance with the terms of this Decision.

6. (a) The following procedures and arrangements for consultations with the Executive Board will apply following a member's informal expression of po-tential interest in an SLL arrangement:

(i) Staff will conduct a confidential preliminary assessment of the qualification criteria set forth in paragraph 2.

(ii) When the Managing Director is prepared to recommend that a member be provided with the opportunity to avail itself of an SLL arrangement, or recommend the approval of an SLL arrangement for a member that requested such approval in a written communication, the relevant documents, including a staff report that assesses the member's qualification for financial assistance under the terms of this Decision and, where applicable, the text of the written communication, will be circulated to the Board.

(iii) The minimum periods applicable to the circulation of staff re-ports to the Executive Board shall apply to requests under this Decision, provided that the Executive Board will generally be prepared to consider a request within 48 to 72 hours after the circulation of the documentation in exceptional circumstances.

(iv) In cases not involving a member's written communication requesting an SLL arrangement, the following procedures shall apply: (A) If the Executive Board assesses that the member qualifies for support under an SLL arrangement and approves an SLL arrangement for the member, such approval, which shall be communicated to the member within one business day, will be conditional on the receipt of a satisfactory written communication from the member confirming to the Fund that the member

wishes to avail itself of the SLL arrangement. Such written communication shall be submitted no later than two weeks after the Board has conditionally approved an SLL arrangement for the member. Such written communication shall also outline that the member will maintain very strong policies during the course of the arrangement as well as its commitment, whenever relevant, to take adequate corrective measures to deal with shocks that may arise, and its consent to publication of the associated staff report. (B) The SLL arrangement for the member shall become effective on the date on which the Fund confirms receipt of a written communication from the member that satisfies the requirements outlined in this paragraph. A copy of the written communication shall be circulated for information to the Executive Board.

(v) Where a member requests approval of an SLL arrangement in a written communication, the text of the communication shall include the outline, commitment and consents specified in paragraph 6(a)(iv)(A) above.

(b) A member submitting to the Fund a satisfactory written communication that it wishes to avail itself of an SLL arrangement or that it requests approval of such arrangement, would not be subject to the Fund's policy on safeguards assessments for Fund arrangements. However, at the time of its written communication, such member will provide authorization 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 its 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. The member will be expected to act in a cooperative manner during such discussions with the staff. For as long as Fund credit is outstanding under this Decision, the member will also provide staff with copies of annual audited financial statements and management letters, together with an authorization to discuss audit findings with the external auditor.

7. 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).

8. A member shall be obliged to repurchase any amounts purchased under an SLL arrangement no later than 12 months after the date of the purchase of such amounts.

9. The Emergency Financing Mechanism (EFM) procedures set forth in BUFF/95/102, 9/21/1995 shall not apply to requests for SLL arrangements.

10. In order to carry out the purposes of this Decision, the Fund will be pre-pared 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 out-standing under this Decision.

11. The Fund will review this Decision within two years from the date of adoption of this Decision as part of a review of the Flexible Credit Line and Precautionary and Liquidity Line.[1]

12. The SLL shall terminate seven years after the date of adoption of this Decision, provided that by end-2025 the Executive Board would be expected to decide whether to extend the SLL beyond the seven-year period.

Decision A of Decision No. 16747-(20/43),
April 15, 2020,
as amended by Decision No. 17557, October 2, 2023, and 17560,
October 2, 2023

[1] Ed. Note: Decision No. 17557, October 2, 2023, states: "The next review of the decision on SLL arrangements will take place by end-December 2025 or whenever the aggregated outstanding credit and commitments under the FCL, PLL and SLL reach SDR 150 billion, whichever is earlier. (SM/23/211, 09/20/23)"

FLEXIBLE CREDIT LINE (FCL) ARRANGEMENTS

1. The Fund decides that resources in the credit tranches may be made available under a Flexible Credit Line (FCL) arrangement, in accordance with the terms and conditions specified in this Decision.

2. An FCL arrangement shall be approved upon request in cases where the Fund assesses that the member (a) has very strong economic fundamentals and institutional policy frameworks, (b) is implementing—and has a sustained track record of implementing—very strong policies, and (c) remains committed to maintaining such policies in the future, all of which give confidence that the member will respond appropriately to the balance of payments difficulties that it is encountering or could encounter. In addition to a very positive assessment of the member's policies by the Executive Board in the context of the most recent Article IV consultations, the relevant criteria for the purposes of assessing qualification for an FCL arrangement shall include: (i) a sustainable external position; (ii) a capital account position dominated by private flows; (iii) a track record of steady sovereign access to international capital markets at favorable terms; (iv) a reserve position that is relatively comfortable when the FCL is requested on a precautionary basis; (v) sound public finances, including a sustainable public debt position; (vi) low and stable inflation, in the context of a sound monetary and exchange rate policy framework; (vii) [a] sound financial system and the absence of solvency problems that may threaten systemic stability, or, for arrangements approved before May 21, 2014, the absence of bank solvency problems that pose an immediate threat of a systemic banking crisis; (viii) effective financial sector supervision; and (ix) data transparency and integrity.

3. In light of the qualification criteria set out in paragraph 2 of this Decision, and except for the review requirement specified in paragraph 5 of this Decision, FCL arrangements shall not be subject to performance criteria or other forms of ex-post program monitoring.

4. There shall be no phasing under FCL arrangements and, accordingly, the entire amount of approved access will be available to the member upon approval of an FCL arrangement. A member may

make one or more purchases up to the amount of approved access at any time during the period of the FCL arrangement, subject to the provisions of this Decision. The Fund shall not challenge a representation of need by a member for a purchase requested under an FCL arrangement.

5. (a) The Fund may approve a member's request for an FCL arrangement of either one year or two years duration. For FCL arrangements with a two-year duration, no purchase shall be made after one year has elapsed from the date of the approval of the FCL arrangement until an Executive Board review of the member's policies has been completed. Such a review will assess the member's continued adherence to the qualification criteria specified in paragraph 2 of this Decision, and would be scheduled with the objective of completion by the Executive Board immediately prior to the lapse of the one-year period referred to above.

(b) An FCL arrangement will expire upon the earlier of: (i) the expiration of the approved term of the arrangement; (ii) the purchase by a member of the entire amount of approved access under the FCL arrangement; or (iii) the cancellation of the FCL arrangement by the member. Upon expiration of an FCL arrangement, the Fund may approve additional FCL arrangements for the member in accordance with the terms of this Decision.

6. (a) The following procedures and arrangements for consultations with the Executive Board will apply following a member's expression of interest in an FCL arrangement:

(i) Staff will conduct a confidential preliminary assessment of the qualification criteria set forth in paragraph 2.

(ii) 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.

(iii) 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, including (I) the documentation on the request has been issued to the Executive Board for its consideration no later than three months from the date of expiration of a prior FCL arrangement under paragraph 5(b)(i) or paragraph 5(b)(iii); and (II) an assessment of the impact of the arrangement on Fund liquidity in cases where it is contemplated that access would exceed 600 percent of quota or SDR 10 billion, whichever is lower.

(iv) When the Managing Director is prepared to recommend approval of an FCL arrangement, the relevant documents, including (I) a written communication from the member requesting an FCL arrangement and outlining its policy goals and strategies for at least the duration of the arrangement as well as its commitment, whenever relevant, to take adequate corrective measures to deal with shocks that have arisen or that may arise, and (II) a staff report that assesses the member's qualification for financial assistance under the terms of this Decision, will be circulated to the Board. An assessment of the impact of the proposed FCL arrangement on the Fund's finances and liquidity position will be included in the staff report.

(v) The minimum periods applicable to the circulation of staff reports to the Executive Board shall apply to requests under this Decision, provided that the Executive Board will generally be prepared to consider a request within 48 to 72 hours after the circulation of the documentation in exceptional circumstances, such as an urgent actual balance of payments need.

(b) A member requesting an FCL arrangement would not be subject to the Fund's policy on safeguards assessments for Fund arrangements. However, at the time of making a formal written request for an FCL arrangement, such a member requesting an FCL arrangement will provide authorization 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 its 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. The member will be expected to act in a cooperative manner during such discussions with the staff. For as long as Fund credit is outstanding under this Decision, the member will also provide staff with copies of annual audited financial statements and management letters, together with an authorization to discuss audit findings with the external auditor.

7. The Emergency Financing Mechanism (EFM) procedures set forth in BUFF/95/102, 9/21/1995 shall not apply to requests for FCL arrangements.

8. 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.

9. Paragraph 1 of Decision No. 12865-(02/102), adopted September 25, 2002, shall be deleted, and Paragraph 2, 3 and 4 of the Decision shall be renumbered as Paragraph 1, 2 and 3, respectively.

10. [Deleted][1]

Decision No. 14283-(09/29),
March 24, 2009.
as amended by Decision Nos. 14714-(10/83), August 30, 2010,
15593-(14/46), May 21, 2014,
16286-(17/98), December 6, 2017,
17776-(24/68), June 28, 2024, and
17885-(24/119),
December 17, 2024

[1] Ed. Note: Paragraph 10 was deleted by Decision No. 14714-(10/83), August 20, 2010.

THE FUND'S FINANCING ROLE—REFORM PROPOSALS ON LIQUIDITY AND EMERGENCY ASSISTANCE—PRECAUTIONARY AND LIQUIDITY LINE (PLL) ARRANGEMENTS

1. The Fund decides that resources in the credit tranches may be made available under a Precautionary and Liquidity Line (PLL) arrangement, in accordance with the terms and conditions specified in this Decision.

2. (a) A PLL arrangement shall be approved upon request in cases where the Fund assesses that the member (i) has sound economic fundamentals and institutional policy frameworks, (ii) is implementing—and has a track record of implementing—sound policies, and (iii) remains committed to maintaining such policies in the future, all of which give confidence that the member will take the policy measures needed to reduce any remaining vulnerabilities and will respond appropriately to the balance of payments difficulties that it is encountering or might encounter.

(b)(i) In addition to requiring a generally positive assessment of the member's policies by the Executive Board in the context of the most recent Article IV consultations (which shall be supplemented by a generally positive assessment by staff in an Article IV Consultation report where a review pursuant to paragraph 3(b) occurs concurrently with an Article IV consultation), a member's qualification for a PLL arrangement shall be assessed in the following areas (with the member being expected to perform strongly in most of these areas and not to substantially underperform in any of them): (i) external position and market access, (ii) fiscal policy, (iii) monetary policy, (iv) financial sector soundness and supervision, and (v) data adequacy.

(b)(ii) With respect to arrangements to be approved after May 21, 2014, in assessing these five qualification areas specified in paragraph 2(b)(i), the Fund will in particular take into account the following nine criteria: (1) a sustainable external position; (2) a capital account position dominated by private flows; (3) a track record of steady sovereign access to international capital markets at favorable terms; (4) a reserve position that is relatively comfortable when the PLL is requested

on a precautionary basis; (5) sound public finances, including a sustainable public debt position; (6) low and stable inflation, in the context of a sound monetary and exchange rate policy framework; (7) sound financial system and the absence of solvency problems that may threaten systemic stability; (8) effective financial sector supervision; and (9) data transparency and integrity. These nine criteria are specifically linked to the five qualification areas specified in paragraph 2(b)(i) as follows: (i) external position and market access, linked to qualification criteria (1)-(4); (ii) fiscal policy, linked to qualification criterion (5); (iii) monetary policy, linked to qualification criterion (6); (iv) financial sector soundness and supervision, linked to qualification criteria (7)-(8); and (v) data adequacy, linked to qualification criterion (9).

(c) Notwithstanding paragraph 2(b) above, the Fund shall not approve a PLL arrangement for a member facing any of the following circumstances: (i) sustained inability to access international capital markets, (ii) the need to undertake a large macroeconomic or structural policy adjustment (unless such adjustment has credibly been launched before approval), (iii) a public debt position that is not sustainable in the medium term with a high probability, or (iv) widespread bank insolvencies.

3. (a) The Fund may approve a member's request for a PLL arrangement (i) with a duration of one to two years, or (ii) with a duration of six months in circumstances where the member has an actual or potential short-term balance of payments need such that it can generally be expected to make credible progress in addressing its vulnerabilities during the six-month period of the arrangement.

(b) PLL arrangements with a duration of one to two years shall have conditionality that includes indicative targets, as well as the standard performance criteria related to trade and exchange restrictions, bilateral payments arrangements, multiple currency practices and non-accumulation of external debt payments arrears as specified in paragraphs 3(d) and 3(b)(ii), respectively, of Attachment A of Decision No. 10464-(93/130), adopted September 13, 1993 as amended. The conditionality under these PLL arrangements may also include other performance criteria, prior actions

and structural benchmarks where warranted under the Guidelines on Conditionality set forth in Decision No. 12864-(02/102), adopted September 25, 2002, as amended. PLL arrangements with a duration of one to two years shall provide for six-monthly reviews by the Executive Board to assess whether the member's PLL-supported program remains on track to achieve its objectives based on relevant factors such as the member's observance of performance criteria, indicative targets and structural benchmarks, as applicable; its continued adherence to the PLL qualification standard set forth in paragraphs 2(a) and 2(b) of this Decision; and its policy understandings for the future. Such reviews would be scheduled with the objective of completion by the Executive Board immediately prior to the lapse of each six-month period referred to above.

(c) The conditionality under PLL arrangements with a six-month duration shall include the standard performance criteria specified in paragraph 3(b) above and may also include prior actions where warranted under the Guidelines on Conditionality, but shall not include reviews or other forms of ex post conditionality.

4. (a) Subject to paragraphs 4(b) and 4(c) of this Decision, access to Fund resources under the PLL instrument shall be subject to a cumulative cap of 600 percent of quota, net of scheduled repurchases, which shall apply to all PLL arrangements regardless of duration.

(b) In addition to the PLL instrument access cap specified in paragraph 4(a) above, access under PLL arrangements with a duration of one to two years shall be subject to an annual access limit of 300 percent of quota (net of scheduled repurchases) applicable at the time of approval of such arrangements, and shall be subject to the following additional considerations:

(i) For one-year PLL arrangements approved for members not having an actual balance of payment need at the time of approval of the arrangement, the entire amount of approved access shall be available upon approval of the arrangement and shall remain available throughout the arrangement period, subject to completion of a six-monthly review as specified in paragraph 3(b) of this

Decision. For PLL arrangements with a duration of one to two years approved for members not having an actual balance of payment need at the time of approval of the arrangement, purchases shall be phased, with an initial amount not in excess of 300 percent of quota being available upon approval of the arrangement and the remaining amount being made available at the beginning of the second year of arrangement, subject to completion of the relevant six-monthly reviews specified in paragraph 3(b) of this Decision.

(ii) For PLL arrangements with a duration of one to two years approved for members that are facing an actual balance of payments need at the time of approval of the arrangement, purchases shall be phased, with an initial amount being available upon approval of the arrangement and the remaining amounts being made available at semi-annual intervals, subject to completion of the relevant six-monthly reviews specified in paragraph 3(b) of this Decision.

(c) In addition to the PLL instrument access cap specified in paragraph 4(a) above, the following access limits and additional considerations shall apply to six-month PLL arrangements:

(i) A per arrangement limit of 150 percent of quota, net of scheduled repurchases, shall normally apply to six-month PLL arrangements, with the entire amount of approved access being available to the member upon approval of the arrangement and remaining available throughout the arrangement period.

(ii) A per arrangement limit of 300 percent of quota, net of scheduled repurchases, shall apply to six-month PLL arrangements in exceptional circumstances where a member is experiencing or has the potential to experience short-term balance of payments needs that exceed the 150 percent of quota limit specified in paragraph 4(c)(i) above due to the impact of exogenous shocks, including heightened regional or global stress conditions.

Accordingly, the Fund may in these circumstances, and on a case-by-case basis, approve a new six-month PLL arrangement or augment access under an existing six-month PLL arrangement up to this higher limit, with the entire amount of approved access being available to the member upon approval of the arrangement or, in the case of augmentations, upon completion of an ad hoc review under paragraph 4(d) below, and remaining available throughout the arrangement period.

(iii) Total access to Fund resources under all six-month PLL arrangements shall in no event exceed a cumulative six-month PLL arrangement access limit of 300 percent of quota, net of scheduled repurchases.

(d) Subject to the PLL instrument access cap specified in paragraph 4(a) above and, for six-month PLL arrangements, subject to the limits specified in paragraph 4(c) above, the Fund will stand ready to consider a member's request to make additional amounts available under any PLL arrangement. The Fund will also stand ready to rephase access under PLL arrangements with a duration of one to two years. Such augmentation or rephasing of access shall be considered in the context of a scheduled or ad hoc review in which the Fund assesses the member's actual or potential need for Fund resources and the extent to which the PLL-supported program remains on track to achieve its objectives based on the factors specified for six-monthly reviews in paragraph 3(b) of this Decision.

5. (a) A PLL arrangement will expire upon the earlier of: (i) the expiration of the approved term of the arrangement, (ii) the purchase by a member of the entire amount of approved access under the PLL arrangement, or (iii) the cancellation of the PLL arrangement by the member.

(b) Upon the expiration of a PLL arrangement, the Fund may on a case-by-case basis approve additional PLL arrangements with a duration of one to two years for the member in accordance with the terms of this Decision, including the provisions on qualification and use of prior actions where warranted.

(c) Following the expiration of a six-month PLL arrangement, the Fund may on a case-by-case basis approve additional six-month PLL arrangements for the member in accordance with the terms of this Decision, including the provisions on qualification and use of prior actions where warranted, if either (i) at least two years have elapsed since the approval of the most recent six-month PLL arrangement, or (ii) the member's balance of payments need is longer than originally anticipated due to the impact of exogenous shocks, including heightened regional or global stress conditions, provided that not more than one additional six-month PLL arrangement may be approved under the circumstances specified in this clause (ii).

6. The following procedures and arrangements for consultations with the Executive Board will apply following a member's expression of interest in any PLL arrangement:

(a) Staff will conduct a confidential preliminary assessment of the qualification criteria set forth in paragraph 2 of this Decision.

(b) 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, provided that such consultation will not be required for a successor PLL arrangement with a duration of one to two years for a member not having an actual balance of payments need at the time of the request for such arrangement, where: (1) the documentation on the request has been issued to the Executive Board for its consideration no later than three months from the date of expiration of a prior PLL arrangement under paragraph 5(a)(i) or paragraph 5 (a)(iii); (2) no purchases were made under such prior PLL arrangement; (3) all reviews pursuant to paragraph 3(b) under such prior PLL arrangement were completed; (4) management has decided that the member's economic circumstances (including economic fundamentals and institutional policy frameworks) and external risks have not changed significantly since the last completed review under such prior PLL arrangement; and (5) the amount of requested access under the successor PLL arrangement is not greater than the approved access under such prior PLL arrangement. For the purpose of the consultation at the informal meeting set forth in this paragraph, Executive Directors will be provided with a

concise note setting out the basis on which approval could be recommended under this Decision, including a preliminary assessment of the member's qualification for the PLL, an initial discussion of the key policy areas where policy actions might be sought and an assessment of the member's actual or potential need for Fund resources and repayment capacity. (SM/23/211, 09/20/23)

7. A member may make one or more purchases up to the amount available under a PLL arrangement, subject to the provisions of this Decision. The Fund shall not challenge a representation of need by a member for a purchase requested under a PLL arrangement.

8. Phasing and performance clauses shall be omitted in any PLL arrangement in the first credit tranche. They will be included in other PLL arrangements where specified under the terms of this Decision, but will apply only to purchases outside the first credit tranche.

9. In requesting a PLL arrangement, the member shall submit a concise written communication outlining its policy goals and strategies for at least the duration of the arrangement as well as measures aimed at addressing its remaining vulnerabilities, together with a quantified macroeconomic framework. Where PLL arrangements with a duration of one to two years are requested, such a framework shall be underpinned by a streamlined set of indicative targets, and where warranted, structural benchmarks and performance criteria. For six-month PLL arrangements, the member shall commit to undergo a safeguards assessment, provide staff with access to its central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with Fund staff. The timing and modalities for the safeguards assessment for members with a six-month PLL arrangement would be determined on a case-by-case basis, but normally the safeguards assessment would need to be completed before Executive Board approval for the member of any subsequent arrangement to which the Fund's safeguards assessments policy applies.

10. 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.

11. All arrangements under Decision No. 14715-(10/83), adopted August 30, 2010 on Precautionary Credit Line Arrangements, that are in force on the effective date of this Decision shall be renamed Arrangements under the Precautionary and Liquidity Line, and shall be subject to the terms of this Decision.

12. The term "PCL" in Decision No. 14064-(08/18), adopted February 22, 2008, as amended, on access policy and limits in the credit tranches, is revised to read "PLL"; and the terms "Precautionary Credit Line" and "PCL" in Decision No. 14745-(10/96), adopted September 28, 2010 on Article IV consultation cycles, are revised to read "Precautionary and Liquidity Line" and "PLL," respectively.

13. Decision No. 7925-(85/38), adopted March 8, 1985, as amended, on the relationship between performance criteria and phasing under GRA arrangements, shall not apply to PLL arrangements.

14. Decision No. 14715-(10/83), adopted August 30, 2010 on Precautionary Credit Line Arrangements is hereby repealed. (SM/11/284, Sup. 3, 11/22/11)

Decision No. 15017-(11/112),
November 21, 2011,
as amended by Decision Nos. 15594-(14/46), May 21, 2014,
15942-(16/14), February 17, 2016,
17558-(23/76), October 2, 2023, and
17776-(2468)
June 28, 2024

The Chair's Summing Up—Review of the Flexible Credit Line, the Short-Term Liquidity Line, and the Precautionary and Liquidity Line, and Proposals for Reform, Executive Board Meeting 23/76, October 2, 2023

Executive Directors welcomed the review of the Flexible Credit Line (FCL), Short-term Liquidity Line (SLL), and Precautionary

and Liquidity Line (PLL), and the proposals for toolkit reform targeted at ensuring that these instruments remain adequate and fit for purpose. They agreed that crisis prevention is far less costly than crisis resolution, and noted that the review is an important part of the Fund's work to facilitate crisis prevention and strengthen members' access to the global financial safety net. Directors broadly supported the reform proposals as outlined in the staff paper.

Qualification Framework

Directors emphasized the importance of preserving the strong signaling power of FCL, SLL and PLL arrangements by ensuring a clear and transparent qualification framework with assessments that are guided by applicable criteria, core indicators, and thresholds, and are applied in an evenhanded manner. To this end, they welcomed that staff reports for approval of arrangements or for completion of reviews will transparently flag, if applicable, any changes in the member's circumstances relevant to qualification—including in values for core indicators—since the most recent assessment in a staff report.

Directors supported the proposal to explicitly integrate the assessment of members' performance in AML/CFT into the effective financial sector supervision criterion, while avoiding cross-conditionality. They welcomed the clarification that, while FATF grey listing will not automatically disqualify a member, a FATF grey-listed country would be unlikely to qualify for the FCL or SLL if staff assesses that deficiencies underpinning the listing indicate that the effective financial sector supervision criterion is not met.

Directors supported relying on the 2018 Governance Framework to identify governance and corruption vulnerabilities as part of the appraisal of the ability to effectively respond to shocks in the context of the assessment of a country's institutional strength. They underscored that the implementation of the proposal should remain consistent with the focus and coverage of governance and corruption issues in Article IV consultations and that, in rare instances where the Article IV consultation has not covered pertinent governance vulnerabilities identified by the 2018 Governance Framework, staff would discuss them with the authorities as part of staff's consideration of qualification.

Directors supported the proposed recalibration of debt sustainability assessments for precautionary PLL arrangements that (i) are subject to the Exceptional Access Policy, or (ii) where shocks that may trigger a drawing are not adequately captured by the medium-term Market Access Country Sovereign Risk and Debt Sustainability Framework modules. However, a few Directors noted the potential risks of this reform and called for careful monitoring and implementation of further safeguards, if necessary. Directors agreed to amend the third setting under which debt sustainability assessments in the context of precautionary arrangements need to be informed by the drawing scenario, in addition to the baseline, to "when there are doubts about the realism of the DSA baseline," so as not to reference internal staff processes.

Adequacy of the FCL, SLL and PLL Toolkit

Directors supported the proposed FCL and SLL reform package consisting of (i) lifting the requirement to articulate exit strategies for precautionary FCL arrangements when access under the FCL arrangement, in addition to any outstanding credit under prior FCL arrangements, does not exceed 200 percent of quota, (ii) increasing SLL access limit to 200 percent of quota, and (iii) explicitly allowing for concurrent use of the FCL and SLL. Subject to qualification under each instrument, and assessment of potential balance-of-payments need, these reforms could allow for combined FCL and SLL access of up to 400 percent of quota without the requirement to articulate exit strategies. While broadly supportive of the proposal, a few Directors would have preferred a lower level of combined access, and some emphasized that 400 percent of quota should be seen as neither an entitlement nor a "default" access value. A few Directors were also not convinced about lifting the articulation of exit strategies for FCLs with access up to 200 percent of quota, noting the need for countries to eventually develop adequate self-insurance. Directors agreed that exit should remain state-dependent and a few Directors called for further details when describing exit strategies in staff reports for FCL arrangements with access above 200 percent of quota. Directors agreed that the PLL continues to have an important role in the lending toolkit and agreed with the proposed increases in access limits. They agreed that both PLL and SLL access limits would be reviewed as part of the next comprehensive review of access limits or if the "review clause" is

triggered. In this context, a few Directors underlined that the review of access limits should reflect the outcomes of the 16th General Review of Quotas. Directors also supported staff's proposal to outline procedures for synchronized take-up of the SLL by multiple countries.

Political Assurances and Safeguard Policies

Directors welcomed the proposals to strengthen safeguards around the use of FCL, SLL and PLL arrangements. They noted the applicability of political assurances to these arrangements, and agreed to introduce Board briefings after significant economic policy changes. Directors also supported the proposal of a follow-up briefing on drawdowns of precautionary FCL/PLL arrangements.

Board/Administrative Procedures and Other Financial Aspects

Directors appreciated the proposals, as described in paragraphs 70–74 of the staff paper, to reduce the number of Board meetings, streamline administrative procedures, and the discussion of qualification in certain Board documents, while stressing that ensuring appropriate Board oversight would continue to be required in all cases. They also concurred with not requiring a full-fledged adverse scenario in standalone SLL staff reports, and that the capacity-to-repay analysis could be streamlined, focusing on short-term liquidity risks.

Directors welcomed the introduction of the SLL into the "review clause" under which a new review of the toolkit would be triggered whenever aggregate outstanding credit and commitments under the FCL and PLL, and SLL instruments reach SDR 150 billion. On a related point, a few Directors called for an interim review before the next regular review of the three instruments. Directors took note of staff analysis of the financial aspects of Fund commitment of financing under precautionary arrangements, including on commitment fees and the scoring of the Forward Commitment Capacity, and agreed to maintain current policies.

Outreach

Directors welcomed the staff's planned outreach to raise awareness of the Fund's precautionary toolkit and communicate the

benefits of the available precautionary instruments, including the precautionary Stand-By-Arrangements

SU/23/141
October 4, 2023

The Acting Chair's Summing Up—
Adequacy of the Global Financial Safety Net—
Review of the Flexible Credit Line and
Precautionary and Liquidity Line, and Proposals for Toolkit
Reform—Revised Proposals,
Executive Board Meeting 17/98, December 6, 2017

Directors welcomed the opportunity to further discuss the review of the Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL), and proposals for Fund toolkit reform, as part of the Fund's work to strengthen the global financial safety net (GFSN). They also highlighted other recent achievements in this work stream, particularly the establishment of the non-financing Policy Coordination Instrument (PCI) and the operational principles and framework for future Fund engagement with regional financing arrangements (RFAs).

Many Directors regretted that there was insufficient support to establish the Short-Term Liquidity Swap (SLS) at this juncture, particularly given heightened global uncertainty and ongoing geopolitical risks. They noted that this type of liquidity facility could be an important addition to the Fund's lending toolkit and that several proposed features of the SLS could serve as a blueprint for further consideration of such a facility in the future. Some Directors recalled their reservations regarding the SLS proposal. Many Directors encouraged further consideration of the coherence of the lending toolkit and coverage of the GFSN going forward.

Directors agreed to complete the scheduled review of the FCL and PLL. A few Directors expressed preference to eliminate the PLL on the basis of its low usage, perceived tiering vis-à-vis the FCL, and overlap with precautionary Stand-By Arrangements (SBAs). Other Directors reiterated concerns that eliminating the PLL could open up a

new gap in the toolkit. On balance, most Directors supported the retention of the PLL.

With the PLL remaining part of the toolkit, Directors supported the proposal to extend to the PLL the use of the same core indicators and thresholds already adopted as part of the FCL qualification framework, as set out in Box 1 of the Board paper. They noted that these indicators and thresholds will help guide assessments on PLL qualification by staff and the Board without changing the PLL qualification standards. Directors stressed that judgment should continue to be applied in FCL and PLL qualification assessments. Directors welcomed the plan to revise the FCL and PLL guidance notes to reflect the new indicators, as well as to improve the implementation of the external economic stress index and the assessment of the impact of reserve drawdown on access levels.

Directors discussed the merits of strengthening incentives for a timely exit from arrangements in the credit tranches that provide members with very high access to Fund resources over a prolonged period. They broadly concurred that the FCL has provided effective precautionary support against external tail risks, and that successor arrangements and access levels have been consistent with the assessment of external risks and potential balance of payments needs. Some Directors also noted the staff's finding that there was no evidence of unjustified prolonged use of the FCL. Directors agreed that exit from precautionary Fund support should be state-contingent. Nonetheless, most Directors considered that the proposal of introducing a time-based commitment fee (TBCF) could strengthen price-based incentives to exit from prolonged use of high-access arrangements on a precautionary basis. A number of Directors, however, were not in favor of introducing a TBCF on the basis that it would run counter to the principle that exit from precautionary Fund support should be state-dependent. A few also expressed concerns that a TBCF could make requesting Fund arrangements for precautionary purposes less attractive to potential users. On balance, the proposal to establish a TBCF was not adopted.

Directors agreed that staff reports for successor FCL and PLL arrangements should continue to provide details on an exit strategy,

including a statement on the expectation that access will normally decline when the right conditions (as set forth in BUFF/10/125) are in place, underpinned by a sound and transparent analysis of the risks facing the member country and the authorities' efforts to increase the country's resilience, in order to guide market expectations while ensuring that exit continues to be state-contingent.

In accordance with the Board decision on streamlining policy reviews, the experience with the use of the FCL and the PLL will be reviewed in five years or more, or on an as-needed basis, while many Directors expressed a preference for the timing of the next review to be less open-ended and take place within five years.

BUFF/17/93
December 15, 2017

The Chairman's Summing Up—Review of the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument, Executive Board Meeting 14/15, February 14, 2014

Executive Directors welcomed today's discussion of the review of the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL), and the Rapid Financing Instrument (RFI). They considered that the FCL and the PLL have both provided valuable insurance to members against external shocks and helped boost market confidence during a period of heightened risks. They broadly agreed that the FCL, PLL, and RFI should remain in the Fund's lending toolkit, which is an important component of the strengthened global financial safety net. At the same time, they saw scope for further refinements, and welcomed efforts to enhance their effectiveness, transparency, and attractiveness while also preserving the revolving nature of the Fund's limited resources.

Directors noted that the relatively modest use of the FCL and the PLL reflected a continued preference for self-insurance, including through reserve accumulation, by many members and remaining perceptions of stigma associated with Fund financing in general. They generally agreed that effective communication,

through outreach to a broader group of stakeholders, would help improve the public perception of the Fund. As regards other options to address the perceived stigma problem, there was interest in further work on modalities for Fund engagement with other providers of international liquidity support, although some scepticism remained. Additional work in these areas, if pursued, would need to examine carefully the benefits and the practicality of each approach.

Directors generally concurred that FCL qualification decisions in individual cases to date have been broadly satisfactory, but recognized the inherent challenge in identifying the minimum standard needed to meet the PLL qualification requirements in practice. For the purpose of comparability across arrangements, most Directors saw merit in aligning the areas for qualification assessments between the FCL and the PLL, while maintaining the different qualification standards for each of these instruments as under the current policies. In doing so, however, they stressed the need to preserve the high standards of the FCL, and for this reason many preferred to enhance the richness and granularity of PLL qualification assessments along the lines of FCL qualification criteria. A number of Directors were not convinced that unifying the qualification areas would help improve the predictability and transparency of assessments between the two instruments. A few also noted that the intrinsic difficulty in differentiating between PLL and high-access precautionary Stand-By Arrangements warrants further consideration.

Most Directors were open to the idea of developing selected indicators of institutional strength to complement existing quantitative indicators of qualification, while also emphasizing that judgment should continue to play a central role in all qualification assessments. However, others saw difficulties in establishing an index and cautioned against ranking countries based on a quantitative index in areas where the Fund has little expertise. Directors reaffirmed the importance of concluding Article IV consultations prior to FCL and PLL arrangements' approvals or reviews so as to incorporate the Board's most recent assessment of a member's economic performance in the relevant qualification assessments.

Regarding conditionality in PLL arrangements, many Directors saw scope for greater use of targeted ex post conditionality to address remaining vulnerabilities of PLL users, in accordance with the Guidelines on Conditionality. A few Directors expressed a concern that increased use of ex post conditionality could undermine the signaling effect of the PLL and further weaken its attractiveness.

Directors reiterated that FCL and PLL support provides a temporary supplement to reserves during periods of heightened external risks, and that countries making use of these resources are expected to exit in a timely manner. Many Directors, concerned about undue repeated use of the FCL, saw merit in further work on stronger incentives to encourage timely exit, such as time-based commitment fees, with a few suggesting also a time limit on the use of the FCL or the PLL. Many other Directors saw no compelling evidence of problems with exit, noting that countries should be allowed access to FCL and PLL resources as long as they meet the qualification criteria and that decisions to exit should depend on the state of the external environment facing the member. Directors concurred that one way to address concerns about exit stigma is by clearly articulating exit strategies in staff reports, laying out the authorities' specific measures to strengthen resilience together with a communication plan.

Directors underscored that assessing external risks remains an important aspect in access and exit discussions. In this regard, most Directors considered that an indicator of external stress, along the lines proposed by staff, would be a useful innovation to strengthen the discussion of a country's external risks in staff reports for requests for, or reviews under, FCL and PLL arrangements, which would help inform decisions. A few Directors were not in favor of a mechanistic approach to assessing risks, stressing that the focus should continue to be on qualitative and forward-looking factors. Some Directors stressed the need to build up strong buffers, including a prudent accumulation of reserves where needed, as part of the exit process. Directors looked forward to additional work in these areas, as well as further elaboration in the staff guidance note on the use of reserves in adverse scenarios. In this context, some Directors called for caution when applying the reserve adequacy metric in access discussions.

With regard to the RFI, most Directors supported keeping the current access limits unchanged. A number of Directors could consider raising the limits to make the instrument more useful to Fund members experiencing large shocks.

Directors generally agreed that the current approach of full scoring of precautionary arrangements in the forward commitment capacity remains appropriate, providing important assurance that committed resources will be available to the membership in all circumstances. A few others were open to considering some flexibility in their treatment, given the low probability of drawing under these arrangements.

In light of today's discussion, staff will return to the Board in coming months with further analysis and proposals to enhance transparency and predictability in qualification assessments and access and exit discussions, including the unification of the criteria for assessing FCL and PLL qualification, as well as indicators of institutional strength and external stress. Directors will take stock in three years' time, or sooner if necessary, of experience with the use of the FCL, PLL, and RFI, and assess the need for a comprehensive review of each of these instruments, including a review of commitment fees, at that time.

BUFF/14/17
February 20, 2014

Statement by the Staff Representative on the Review of the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument—Specific Proposals, Executive Board Meeting, June 11, 2014

This statement provides additional explanatory information on the redlined Annex I presented in SM/14/113, Supplement 2.

1. **ARA metric**. The addition of the ARA metric in paragraph 5, 4th bullet was aimed simply at reflecting its increasing operational use as one of several tools for measuring reserve adequacy in FCL- and PLL-related staff reports. Indeed, all recent staff reports for current FCL and PLL users show or discuss the ARA metric as one of the tools to measure reserve adequacy. The recent Board paper on

the Review of the FCL, PLL, and RFI (SM/14/36, 1/28/14) and the 2011 Review of the FCL and PLL (SM/11/288, 11/1/11) referred to this metric specifically as one possible measure to determine reserve adequacy for access discussions. Thus, the language in the redlined Annex I ("Assessments of reserve levels would take into account a number of metrics (imports, short-term debt, monetary base, ARA metric) as relevant given the member's exchange rate regime") aimed only at including a reference to this metric as another tool for measuring reserve adequacy without giving it any different role from other measures of reserve adequacy also listed in the Annex.

2. **Indicators of institutional strength**. Under existing FCL and PLL policies, the Fund has to assess a member's institutional strength to determine whether it meets the relevant FCL or PLL qualification standards. For this purpose, to inform its judgment, the Fund has already been using a range of indicators that are associated with the relevant qualification criteria as set forth in the Annex to SM/09/69 (the 2009 Annex I) and in the FCL and PLL Operational Guidance Notes (SM/12/114 and SM/12/115). As the staff report (SM/14/113) noted, the proposed new indicators aim to complement the existing indicators of institutional strength. The report categorizes these new indicators by policy area related to corresponding qualification criteria (paragraph 17, footnote 8). This is consistent with the grouping of indicators under the FCL qualification criteria in the 2009 Annex I. In line with this, staff considered it appropriate to show the new indicators that inform judgment on institutional strength with respect to fiscal and monetary policy cyclicality in the same paragraphs where the existing indicators relating to these two policy areas are contained. The other proposed indicators to inform judgment on institutional strength that cannot be directly tied to specific policy areas were presented separately under paragraph 6 in the redlined Annex I. As discussed in the staff report, all these indicators are meant to complement those already used to help inform the qualification assessment process, and are not a substitute for the judgment of the Board and the staff.

BUFF/14/49,
June 5, 2014

The Acting Chair's Summing Up—
Review of the Flexible Credit Line,
the Precautionary and Liquidity Line, and
the Rapid Financing Instrument—Specific Proposals,
Executive Board Meeting 14/46, May 21, 2014

Executive Directors welcomed the discussion of specific proposals to enhance the Flexible Credit Line (FCL) and the Precautionary and Liquidity Line (PLL), completing the review of these instruments, as well as that of the Rapid Financing Instrument (RFI), which began in February. They considered the proposals aimed at improving the transparency and predictability of qualification assessments and further informing access and exit discussions, which are central to the use of the FCL and PLL instruments.

Directors generally supported the proposal for aligning the qualification criteria for the FCL and the PLL through the adoption of the nine specific FCL criteria to assess PLL qualification. At the same time, they supported retaining the requirement of strong performance in most of the five broad qualification areas for the PLL. A number of Directors saw the benefits of precise, detailed assessments against each of the nine criteria in enhancing the richness and transparency of assessments, as well as comparability across arrangements. A few Directors noted that improving transparency requires a change in implementing the qualification framework rather than modifying the qualification criteria themselves.

Most Directors supported strengthening the bank solvency qualification criterion so that it is based on the soundness of the overall financial system and the absence of solvency problems that may threaten systemic stability. A few Directors pointed to the practical difficulties in conducting a comprehensive assessment of the financial system in a short timeframe.

Most Directors concurred with the use of additional indicators of institutional strength outlined in the paper to complement the existing quantitative indicators already used in qualification assessments for FCL and PLL arrangements. At the same time, they underlined that these indicators, when considered, would not constitute a new criterion

or be used mechanistically, but could help inform the judgment made by Fund staff when assessing institutional policy frameworks for qualification for these instruments. These Directors urged staff to exercise caution and judgment in using these indicators, given the subjectivity of third-party data and the need to take account of country-specific circumstances and policy regimes. A number of Directors remained unconvinced of the usefulness of the proposed indicators, which, in their view, have conceptual and methodological shortcomings, including limited empirical evidence supporting the choice of proxies and use of data that are outside the Fund's core areas of expertise, while a few also noted their limited applicability given members' specific conditions. A few Directors expressed particular concern about the appropriateness of relying on the indicators developed by the International Country Risk Guide, and could not support using them in FCL or PLL qualification assessments.

Most Directors endorsed the proposal to use an external stress index in future FCL and PLL staff reports to inform the discussion of the external environment facing a member. They concurred that, while this index would provide a richer backdrop for the Board to discuss access and exit prospects, final decisions should continue to reflect broader considerations. Most Directors agreed that country teams should have the responsibility of constructing this index, following consultations with country authorities. They underscored, however, that the choice of index should be justified in a thorough manner, with many also noting the desirability of striking the right balance between flexibility that allows for country-specific considerations and standardization that ensures evenhandedness and consistency over time. Some Directors saw scope for further improving the methodological robustness of the index, including by incorporating more forward-looking elements to capture potential risks.

Directors looked forward to continuing the discussion on access limits, as well as revisiting issues related to exit strategies at the next opportunity. In this context, a number of Directors would have preferred a more thorough discussion of exit issues in the current review and continued to call for stronger incentives to discourage prolonged large precautionary arrangements, including commitment fees. In line with the general view held at the February Board discussion,

a few Directors underscored that all staff reports for members using the FCL or the PLL should include a clear exit strategy and a well-articulated communication plan. A few Directors reiterated their interest in considering greater use of ex post conditionality as a way to address remaining vulnerabilities in PLL users. Many Directors reiterated their call for raising RFI access limits, which will be considered carefully in the follow-up discussion on policies regarding access limits and surcharges.

In adopting decisions amending the FCL and the PLL instruments, Directors broadly supported the proposal for the alignment of the qualification criteria for the FCL and the PLL and the amendment of the bank solvency criterion to become effective for new arrangements immediately. Most Directors also generally supported implementing the proposals on the use of indicators of institutional strength and the index of external stress from September 1, 2014, allowing staff time for adequate preparations and discussions with relevant country authorities. At the request of a few Directors, staff would re-circulate Annex I in a form that identifies the modifications to the existing annex that are needed in light of the decisions adopted by the Executive Board today, and the Board would have an opportunity to discuss these modifications in a subsequent meeting on June 11. As agreed at the meeting in February, Directors will review the experience with the use of the three instruments within three years, although a number of Directors expressed a preference for the next review to be conducted earlier than three years.

BUFF/14/50
June 12, 2014

The Acting Chair's Summing Up—Review of the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument—Specific Proposals—Annex, Executive Board Meeting 14/53, June 11, 2014

Executive Directors discussed Annex I of the May 2014 Board paper on the Review of the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument—Specific

Proposals (SM/14/113 and Supplement 2). Most Directors broadly supported the presentation of the FCL and PLL Qualification Assessment Framework, as elaborated in Annex I.

Most Directors supported the presentation of indicators of institutional strength in Annex I, stressing that staff should exercise judgment when using these indicators and in consultation with authorities. A number of Directors remained unconvinced of the proposal to use additional indicators, which in their view have methodological shortcomings. Reflecting these and other concerns, and following further discussion, Directors agreed not to endorse the International Country Risk Guide indicators. Given the concern by some Directors about the placement of the indicators on fiscal and monetary policy cyclicality under the relevant qualification criteria, Directors could go along with moving these indicators to paragraph six of the Annex where the new institutional strength indicators are described.

Most Directors supported the inclusion of the metric for assessing the adequacy of reserves (ARA metric) in Annex I, acknowledging its increasing use in past documents along with other measures of reserve adequacy. A few Directors had reservations, on grounds that this addition was not explicitly discussed in the main text of the May 2014 Board paper. These Directors cautioned that the ARA metric should not substitute for an in-depth country-specific analysis of reserve adequacy.

BUFF/14/56
June 18, 2014

The Chair's Summing Up—
Fund's Pandemic Response—Lending Options to Support Members During the Next Stage of the Crisis,
Executive Board Meeting 20/95, September 25, 2020

Executive Directors welcomed the opportunity to discuss the Fund's lending options to support members during the next stage of the Covid-19 pandemic crisis. They recognized the unprecedented magnitude of the crisis and the challenges it poses to Fund lending. They agreed that, following the swift temporary enhancement of emergency

financing and its wide deployment early in the pandemic, the focus during the stabilization and recovery stages should shift to upper credit tranche-quality programs, tailored to the unique nature of the pandemic and associated uncertainty. While recognizing that higher risk tolerance is inevitable to help address members' balance of payments needs, Directors emphasized the importance of mitigating these risks with additional safeguards.

Directors broadly endorsed a number of considerations and approaches to deliver the necessary flexibility in Fund-supported programs in light of the exceptional uncertainty, while also ensuring evenhandedness in the use of Fund resources by the membership. They noted that such programs are likely to comprise two broad phases: macroeconomic stabilization in the initial phase, focused on supporting domestic demand and key structural reforms; followed by a more comprehensive adjustment to resolve balance of payments difficulties. Directors noted that uncertainty related to the longer-term effects of the pandemic may warrant a gradual broadening of the policy agenda and conditionality under the program, with an appropriate prioritization and sequencing of reforms, while remaining consistent with the guidelines on conditionality. They generally saw merit in greater use of indicative targets and f ewer quantitative performance criteria in the initial stages, and a shift to their broader use as uncertainty abates. However, a few Directors cautioned that such a review-centric approach should not lead to a weakening of conditionality. Directors also supported greater use of contingency planning.

Directors underscored the importance of ensuring the catalytic role of Fund financing and safeguarding Fund resources. They called for close scrutiny of public debt sustainability and broadly supported the focus on debt operations where needed. They also called for securing strong commitment by the member to cooperate with the Fund to find a solution to its balance of payments difficulties, and to broaden the policy and reform agenda as more clarity emerges on the extent of needed adjustments and reforms. Directors also stressed the need to ensure the transparent use of Fund resources.

Directors expressed a variety of views on the role of structural reforms in the design and implementation of Fund-supported

programs. They agreed that structural reforms critical to program success should be included from the early stages of the program. Many Directors favored a gradual broadening of structural conditionality given uncertainties and institutional capacity considerations. Other Directors stressed the importance of early structural reforms, including where the pandemic had exposed new weaknesses and amplified pre-existing ones. Many Directors highlighted the need to include governance and anti-corruption reforms early on, where these are critical to the success of the program.

In considering options for carrying out Fund lending during the pandemic crisis, Directors underlined the importance of preserving the coherence of the existing lending toolkit. To that end, they noted that the exceptional flexibility in program design and the additional safeguards necessary to mitigate the related risks should be limited to the duration of the pandemic. They also emphasized the need to choose the instrument appropriate for each country's circumstance. Directors generally viewed that, while emergency financing would remain available for qualifying members, the next phase of the crisis will call f or the use of tailored Fund-supported programs with upper credit tranche conditionality.

Directors expressed a range of views on the options involving Fund arrangements, acknowledging their potential advantages and drawbacks. Many Directors favored, or were open to, the establishment of a temporary Pandemic Support Facility (PSF), on grounds of its design tailored to the pandemic-related balance of payments needs, its ability to ringfence the existing lending toolkit, and its scope to mitigate stigma associated with Fund lending. However, many other Directors questioned the potential demand for a new facility, preferring to avoid even a temporary proliferation of lending instruments, and noted that the existing lending toolkit offers sufficient flexibility to incorporate desirable features and safeguards in current exceptional circumstances. Most Directors were also open to further consideration of creating a temporary pandemic window under the Extended Fund Facility (EFF), with adequate safeguards and a clearly-defined sunset clause. They recognized that such a window would serve members with clear structural adjustment needs, requiring well-prioritized and appropriately sequenced structural reforms to address balance of payments

problems over both the short and medium term. Some Directors would not rule out the need for a second round of emergency financing.

On balance, Directors remained open to further engagement, with a view to building sufficient support for possible reforms to the lending toolkit and assessing the potential demand f or the temporary facility. Recognizing that time is critical during the synchronized global downturn, Directors generally considered it practical to rely for now on the flexibility under the existing lending toolkit and policies, while work continues on exploring the feasibility of establishing a temporary pandemic window under the EFF or a new PSF that could attract broad support. Directors looked forward to discussing possible options with similar flexibility and safeguards under the PRGT as part of the ongoing review of concessional lending and funding needs.

SU/20/146
September 30, 2020

The Chair's Summing Up—IMF COVID-19 Response—
A New Short-Term Liquidity Line to
Enhance the Adequacy of the Global Financial Safety Net,
Executive Board Meeting 20/43, April 15, 2020

Executive Directors considered and approved the establishment of the Short-term Liquidity Line (SLL), as part of the Fund's COVID-19 response. They noted that the SLL would fill a gap in the Fund's toolkit and complement other layers of the global financial safety net. Directors agreed that the SLL can provide important liquidity support to members with very strong policy frameworks and fundamentals facing potential short-term moderate balance of payments (BOP) difficulties, as specified in the proposed decision. They noted that this could help prevent liquidity pressures developing into solvency crises and avoid spillovers to the broader membership. Despite some differences in views and preferences, Directors were willing to support the proposal in a spirit of compromise.

Directors broadly supported the core design features of the SLL, built on the work done in 2017. They considered that the revolving

access of up to 145 percent of quota should provide cover against most repeated moderate shocks that the SLL is designed to address, and that the availability of successor arrangements, subject to continued qualification and the presence of the special BOP need, would ensure that the SLL is a reliable backstop. Directors also noted that having the same high qualification bar as the Flexible Credit Line (FCL) would facilitate transition from the FCL to the relatively lower access of the SLL, allowing more efficient allocation of Fund resources. A few Directors would have preferred a lower qualification bar and/or higher access.

Directors generally supported the innovative features of the SLL designed to minimize perceived stigma associated with Fund financing, including the Board's approval of an arrangement, conditional on the member availing itself of the arrangement. They recognized the possibility of a Central Bank sole signatory, provided that certain requirements are met, consistent with the Fund's standards for the signatory of letters of intent or written communications. A few Directors noted that signatures from both the Ministry of Finance and the Central Bank would increase the credibility of the policy commitment. Directors emphasized the need for careful communication in cases where a member ceases to qualify for an SLL arrangement.

Directors took note of staff's assessment that SLL usage is likely to have a limited impact on the Fund's liquidity position. At the same time, some Directors pointed to second-round effects should countries draw on the SLL and no longer participate in the Financial Transactions Plan and/or the New Arrangements to Borrow (NAB). A few Directors also noted the possibility that the SLL could tie up Fund resources for an extended period. Directors recognized that the potential demand for the SLL combined with other Covid-19 related demand for Fund resources could quickly reduce Fund liquidity to levels that would warrant an activation of the NAB. Given these considerations amid the uncertain global outlook,

Directors called for closely monitoring the Fund's liquidity position. Directors supported the creation of the SLL for a period of 7 years, with an expectation that, by end-2025, the Executive Board will decide whether to extend the facility beyond the 7-year period. They agreed that this compromise approach would balance concerns about

the innovative nature of the SLL and the potential impact on Fund resources. Directors looked forward to reviewing the initial experience with the SLL, as part of the next review of the Fund's FCL and Precautionary and Liquidity Line in 2022.

SU/20/63,
April 17, 2020

ESTABLISHMENT OF THE SHORT-TERM LIQUIDITY LINE

1. Subject to the provisions set forth herein, the Fund is prepared to provide financial assistance under a Short-Term Liquidity Line (SLL) in accordance with the terms of this Decision to a member that faces short-term balance of payments difficulties that: (i) are only of a potential nature, reflected in pressure on the capital account and the member's reserves; (ii) are resulting from volatility in international capital markets; and (iii) are reasonably expected to be limited in scale and to require, at most, fine-tuning of monetary and exchange rate policies.

2. Subject to paragraph 6(iv) below, an SLL arrangement shall be approved upon a member's informal expression of its potential interest in an SLL arrangement and where the Fund assesses that the member:

(a) has very strong economic fundamentals and institutional policy frameworks,

(b) is implementing—and has a sustained track record of implementing—very strong policies, and

(c) remains committed to maintaining such policies in the future, all of which give confidence that the member will respond appropriately to the special balance of payments difficulties that it could encounter. In addition to a very positive assessment of the member's policies by the Executive Board in the context of the most recent Article IV consultations, the relevant criteria for the purposes of assessing qualification for an SLL arrangement shall include: (i) a sustainable external position; (ii) a capital account position dominated by private flows; (iii) a track record of steady

sovereign access to international capital markets at favorable terms; (iv) a reserve position that is relatively comfortable; (v) sound public finances, including a sustainable public debt position; (vi) low and stable inflation, in the context of a sound monetary and exchange rate policy framework; (vii) a sound financial system and the absence of solvency problems that may threaten systemic stability; (viii) effective financial sector supervision; and (ix) data transparency and integrity.

3. In light of the qualification criteria set out in paragraph 2 of this Decision, SLL arrangements shall not be subject to) performance criteria or other forms of ex-post program monitoring, including reviews.

4. SLL arrangements) may be approved in an amount of up to 145 percent of the member's quota, with this limit being cumulative for total credit outstanding under the SLL. There shall be no phasing under SLL arrangements. A member may make one or more purchases up to the amount of approved access under an SLL arrangement at any time during the period of such arrangement, subject to the provisions of this Decision, and provided that any outstanding amounts purchased by the member under the current or any previous SLL arrangement shall commensurately reduce the amount that can be purchased by the member during the course of an SLL arrangement. To the extent that a member makes a repurchase of amounts previously purchased under any SLL arrangement, the amount that can be subsequently purchased by the member under an SLL arrangement in effect shall be increased in an amount equal to such amounts repurchased, provided that at no time shall a member be entitled to purchase more than the approved access amount of its current SLL arrangement. The Fund shall not challenge a representation of need by a member for a purchase requested under an SLL arrangement.

5. (a) An SLL arrangement shall be approved for a period of 12 months.

(b) An SLL arrangement shall expire only upon the earlier of: (i) the expiration of the approved period of the arrangement;

or (ii) the cancellation of the SLL arrangement by the member. Upon expiration of an SLL arrangement, the Fund may approve an additional SLL arrangement for the member in accordance with the terms of this Decision.

6. (a) The following procedures and arrangements for consultations with the Executive Board will apply following a member's informal expression of potential interest in an SLL arrangement:

(i) Staff will conduct a confidential preliminary assessment of the qualification criteria set forth in paragraph 2.

(ii) When the Managing Director is prepared to recommend that a member be provided with the opportunity to avail itself of an SLL arrangement, the relevant documents, including a staff report that assesses the member's qualification for financial assistance under the terms of this Decision, will be circulated to the Board.

(iii) The minimum periods applicable to the circulation of staff reports to the Executive Board shall apply to requests under this Decision, provided that the Executive Board will generally be prepared to consider a request within 48 to 72 hours after the circulation of the documentation in exceptional circumstances.

(iv) If the Executive Board assesses that the member qualifies for support under an SLL arrangement and approves an SLL arrangement for the member, such approval, which shall be communicated to the member within one business day, will be conditional on the receipt of a satisfactory written communication from the member confirming to the Fund that the member wishes to avail itself of the SLL arrangement. Such written communication shall be submitted no later than two weeks after the Board has conditionally approved an SLL arrangement for the member. Such written

communication shall also outline that the member will maintain very strong policies during the course of the arrangement as well as its commitment, whenever relevant, to take adequate corrective measures to deal with shocks that may arise, and its consent to publication of the associated staff report.

(v) The SLL arrangement for the member shall become effective on the date on which the Fund confirms receipt of a written communication from the member that satisfies the requirements outlined in 6(a)(iv). A copy of the written communication shall be circulated for information to the Executive Board.

(b) A member submitting to the Fund a satisfactory written communication that it wishes to avail itself of an SLL arrangement would not be subject to the Fund's policy on safeguards assessments for Fund arrangements. However, at the time of its written communication, such member will provide authorization 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 its 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. The member will be expected to act in a cooperative manner during such discussions with the staff. For as long as Fund credit is outstanding under this Decision, the member will also provide staff with copies of annual audited financial statements and management letters, together with an authorization to discuss audit findings with the external auditor.

7. 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).

8. A member shall be obliged to repurchase any amounts purchased under an SLL arrangement no later than 12 months after the date of the purchase of such amounts.

9. The Emergency Financing Mechanism (EFM) procedures set forth in BUFF/95/102, 9/21/1995 shall not apply to requests for SLL arrangements.

10. 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.

11. The Fund will review this Decision within two years from the date of adoption of this Decision as part of a review of the Flexible Credit Line and Precautionary and Liquidity Line. 12. The SLL shall terminate seven years after the date of adoption of this Decision, provided that by end-2025 the Executive Board would be expected to decide whether to extend the SLL beyond the seven-year period.

Decision A of Decision No. 16747-(20/43),
April 15, 2020

OMNIBUS PAPER ON EASING WORK PRESSURES

Decision A. Lapse of Time Procedures for Completion of Program Reviews

The Fund decides to approve the lapse of time procedures for completion of program reviews set forth in the Attachment to this Decision. The presumption set forth in paragraph 2 of the Attachment will come into effect for program reviews for which a Policy Consultation Meeting is held after the date of this Decision. The provisions of Decision No. 14003-(07/107), December 6, 2007, shall continue to apply to cases where a Policy Consultation Meeting was undertaken prior to the date of this Decision but where the relevant review has yet to be completed. Decision No. 14003-(07/107) shall lapse upon the earlier of the completion of the last review to which Decision No. 14003-(07/107) applies or January 31, 2010.

Attachment to Decision A

Lapse of Time Completion of Program Reviews

1. The completion of a program review under a Fund arrangement on a lapse of time basis may be proposed by the Managing Director with the approval of the Executive Director for the member concerned, or by the Executive Director for the member concerned, in accordance with the procedures set forth herein.

2. **Eligibility**: Completion of a program review on a lapse of time basis will be presumed where all of the following conditions apply: (i) the relevant arrangement does not involve exceptional access; (ii) the most recent program review under the relevant arrangement was not concluded on a lapse of time basis; (iii) the relevant review is to be completed under an ECF or an SCF arrangement and does not take place immediately after the completion of an ad-hoc review under an ECF or SCF arrangement pursuant to Section II, paragraph 2(h) of the PRGT Instrument; (iv) the review to be completed does not raise general policy issues requiring Board discussion; (v) all prior actions for the review have been met; (vi) the review does not introduce major changes in the objectives or design of the program, including but not limited to, major changes in conditionality for future reviews, the combination of future reviews envisaged under the arrangement, the rephasing of disbursements, or an augmentation of access other than an augmentation of access not exceeding 25 percent[1] of a member quota approved pursuant to Section II, paragraph 2(h) of the PRGT Instrument; and (vii) performance under the member's program does not raise concerns as to whether the review should be completed, in particular as a result of deviations, other than minor deviations, from the quantitative performance criteria and structural benchmarks. Where these conditions are not met, a program review would not be eligible for com-pletion on a lapse of time basis. A review under a Resilience and

[1] Ed Note: Decision No. 15481-(13/103), November 11, 2013, provides: "Upon completion of the conditions specified in paragraph 3 of the Board of Governors Resolution No. 66-2, the percentage of quota referred to in subparagraph (vi) of paragraph 2 of the Attachment to Decision A set forth in DEC/A/13207, as amended, with regard to the limit of access in augmentations considered for approval on a lapse-of-time basis shall be changed from 25 percent to 12.5 percent."

Sustainability Facility arrangement would be eligible for completion on a lapse of time basis where (i) the review under the accompanying arrangement or instrument supporting the member's upper credit tranche-quality program meets the criteria for completion on a lapse of time basis set out above; and (ii) staff has determined that all reform measures to be assessed under the review have been implemented.

3. **Procedures for Proposing Lapse of Time**:

(a) By the Managing Director: The Managing Director's proposal for completion of a program review on a lapse of time basis will be made at the time of circulation of the staff paper for the review to the Executive Board. The cover memorandum for the circulated staff paper will: (i) include a deadline for Executive Directors to object to a proposal by the Managing Director for lapse of time completion that is consistent with paragraph 4 below; (ii) specify the date upon which the decision will become effective if no objection to the proposal for lapse of time completion is received; (iii) specify a reserved date, consistent with minimum circulation periods for program reviews, for discussion if an Executive Director objects to the proposal for lapse of time consideration; and (iv) explain the reasons why lapse of time completion is warranted. Should the Managing Director judge that a member meets the lapse of time criteria, but the Executive Director for the member concerned does not approve, the cover memorandum circulating the staff paper would include a notation to this effect.

(b) By the Executive Director for the Member Concerned: The Executive Director for the member concerned may propose the completion of a program review on a lapse of time basis no more than two business days after the issuance of the staff paper for the program review to the Executive Board, and preferably, as soon as possible after the circulation of the staff paper. A notification from the Executive Director for the member concerned proposing lapse of time completion of a program review will be issued to the Executive Board and shall: (i) include a deadline for Executive Directors to object to the proposal for lapse of time completion that is consistent with paragraph 4 below; (ii) specify the date upon which the decision will become effective if no objection to the proposal for lapse of time completion is received; (iii) specify a reserved date, consistent with minimum circulation periods

for program reviews, for discussion if an Executive Director objects to the proposal for lapse of time consideration; and (iv) set out the reasons presented by the Executive Director for the member concerned as to why lapse of time completion is warranted

4. **Objections**: An Executive Director may object to a proposal for lapse of time completion of a program review no later than five business days after the issuance of the staff paper for the program review to the Executive Board, and need not state the reason for such objection. Whenever an Executive Director objects to completion of a program review on a lapse of time basis, the staff paper for the program review shall be discussed by the Executive Board on the date that has been reserved for discussion, consistent with the minimum circulation guidelines for staff papers for program reviews.

5. **Effective Date of Review**: If no objection is received to a proposal for a lapse of time completion of a program review during the period in which such objections may be made, the proposed decision(s) associated with the program review will be approved with effect on the date of effectiveness stated in the cover note described in paragraph 3 above. (SM/09/213, Sup. 3, 08/31/09)

Decision B. Ex-Post Evaluations

The Fund decides, with effect from the date of this decision, to approve the proposal to allow multi-country ex-post evaluations, as set forth in paragraph 6 of SM/09/213, August 5, 2009.

Paragraph 6 of SM/09/213

"6. **It is proposed that ex post evaluations be conducted on a multi-country basis where feasible (e.g., after a global shock), thus also facilitating cross-country comparison**. These assessments would involve cross-country analyses of whether justifications presented at the outset of the programs were consistent with Fund policies and review performance under the programs.[1] Consistent with the current guidelines, the cross-country analyses would also assess the appropriateness of the policy response—including the

[1] See SM/02/246, 7/30/02.

mix of financing and adjustment—based on the outturn. In line with BUFF/02/159, these assessments would be completed—approved by management for circulation to the Board—within a year of the end of the arrangements."

Decision C. Ex-Post Assessments

[Repealed].[1]

Decision D. Procedural Deadlines for Completing Article IV Consultations

The last sentence of paragraph 17 of Decision No. 13919-(07/51), June 15, 2007 shall be amended to read as follows:

"It is expected that no later than sixty-five days after the termination of discussions between the member and the staff, the Executive Board will reach conclusions and thereby complete the consultation under Article IV, except in the case of consultations with members eligible for financing under the Poverty Reduction and Growth Facility identified in Decision No. 8240- (86/56), SAF, adopted March 26, 1986, as amended, where it is expected that the Executive Board will reach conclusions no later than three months from the termination of discussions between the member and the staff."

Decision E. Procedural Deadlines for Completing Policy Reviews

The Fund decides, with effect from the date of this decision, to approve the proposal to convert mandatory deadlines for the completion of policy reviews into expectations, as set forth in paragraph 16 of SM/09/213, August 5, 2009. Accordingly, reviews of Fund policies shall henceforth be expected to be completed by the deadlines specified in relevant Executive Board decisions. These decisions are hereby amended accordingly.

[1] Ed Note: Decision No. 15763-(15/39), adopted April 23, 2015, states: "The Fund decides to repeal the policy on Ex Post Assessments (EPA) set forth in BUFF/03/51 of April 8, 2003; BUFF/06/59 of May 17, 2006; and Decision C of DEC/A/13207 of August 28, 2009. The repeal of the policy on EPA is effective immediately effective except in cases where an EPA report has been already prepared by staff and submitted to management. In such cases the provisions of the EPA will continue to apply through December 31, 2015. (SM/15/81, Sup. 2, 04/28/15)."

Paragraph 16 of SM/09/213

"16. **Deadlines for policy papers**. It is proposed to extend the proposal to policy papers, eliminating the need for formal decisions in the event papers are not discussed by the original deadline. While formal decisions on the timing of policy reviews give the Board some confidence that a certain timeframe will be respected, they do entail a nonnegligible administrative cost. Often, the delay is minor or results from a request from the Board. In practice, the Board has never refused to grant such extensions. Further, the monthly meetings on the calendar now give more control to the Board over the work program, such that casting deadlines as expectations rather than obligations would seem to have few, if any, downsides."

Decision F: Review of Experience

It is expected that the experience with the Decisions set forth in SM/09/213, Sup. 3 will be reviewed by no later than August 27, 2011. (SM/09/213, Sup. 3, 8/31/09)

Decision A-13207 (08/28/09),
August 28, 2009,
as amended by Decision Nos. 14766-(10/115),
November 29, 2010,
15355-(13/32), April 8, 2013,
15481-(13/103), November 11, 2013, and
15763-(15/39), April 23, 2015 and
17231-(22/37),
April 13, 2022

The Chairman's Summing Up—
Selected Streamlining Proposals Under
the FY16-18 Medium-Term Budget—Implementation Issues,
Executive Board Meeting 15/39, April 23, 2015

In approving the FY16 budget, Executive Directors welcomed the opportunity to discuss a set of cross-cutting streamlining proposals to support the FY16-18 medium-term budget strategy. They recognized that maintaining an unchanged budget envelope in real terms requires difficult trade-offs, a particularly challenging process in an

evolving and uncertain environment. Directors noted that a flat budget should not undermine the Fund's capacity to deliver core activities and fulfill its mandate. They appreciated staff's ongoing efforts to achieve efficiencies and reallocate resources to higher priority activities. While Directors supported many of the proposals, they expressed a wide range of views on other proposals.

Directors generally saw merit in the streamlining proposals regarding the use of Fund resources. There was broad support for a more systematic application of the presumption of semi-annual reviews for Fund arrangements and instruments, while stressing the need to preserve quarterly reviews in countries that are particularly vulnerable or where program risks are acute. A few Directors, however, preferred applying a presumption of quarterly reviews to ensure that emerging risks are not missed. Most Directors agreed with aligning post-program monitoring (PPM) more closely with financial risks to the Fund by raising the thresholds for PPM engagement, as proposed. However, a significant minority of Directors cautioned that such a change could weaken countries' incentives to press ahead with essential reforms and undermine the exercise of the Board's fiduciary responsibility. In light of today's discussion, management has withdrawn the proposal dealing with post-program monitoring and will reflect further on this issue.

Directors broadly supported the more systematic use of lapse-of-time (LOT) procedures, where possible, for completing standard program reviews and reviews where program deviations are minor. However, there was insufficient support for the proposal to allow for the possibility of concluding program reviews of exceptional access cases on an LOT basis, and management has withdrawn this proposal. Most Directors agreed to discontinue ex post assessments, as lessons will continue to be drawn from past programs in a more cost-effective way through post-program peer-reviewed assessments to help design successor programs.

Directors broadly welcomed the more strategic approach to policy reviews, where the standard periodicity would be lengthened to five years, with a few exceptions as proposed. Directors generally supported flexibility in conducting policy reviews on an as-needed basis, with assessments on the timing of specific reviews taken in the Executive Board Work Program discussions. They also generally agreed to

merge related reviews to ensure a holistic and consistent approach in reviewing major Fund policies. Directors concurred with the proposal to lengthen the periodicity of certain reports and operational reviews and to streamline them where possible. In this regard, they noted the review of the debt sustainability framework for low-income countries expected to be completed in 2016.

Directors broadly endorsed other streamlining initiatives, including in multilateral surveillance, capacity development, and administrative and other internal processes, that management intends to implement.

Directors expressed a wide variety of views on the proposals to streamline Article IV consultations and make greater use of the 24-month consultation cycle for stable, non-systemic countries, while underlining that the proposals should not weaken bilateral surveillance activities. Noting the merit of the risk-based approach, many Directors supported or could go along with the proposals, including the modifications streamlining the formal requirements for Article IV staff reports as set forth in Annex I of the streamlining paper. Many other Directors, however, expressed serious reservations or some concerns with specific aspects of the proposals. In particular, these Directors stressed that streamlining should not unduly target countries where the Fund is the only source of high-quality analysis, given the public good nature of Fund surveillance. Other concerns included the risk of missing emerging vulnerabilities and creating an unintended stigma when moving countries back to the regular 12-month cycle, with some Directors calling for further discussion and reflection on these issues.

BUFF/15/38
April 30, 2015

The Chair's Summing Up—
Enhancing the Emergency Financing Toolkit—
Responding to the COVID-19 Pandemic,
Executive Board Meeting 20/36, April 6, 2020

Executive Directors welcomed the timely discussion on enhancing the Fund's emergency financing toolkit, emphasizing the

importance of a rapid and decisive Fund response to COVID-19 to help members meet their urgent financing needs. To that end, Directors agreed on a temporary increase in access limits under the regular window of the Rapid Financing Instrument (RFI) and the exogenous shocks window of the Rapid Credit Facility (RCF), with annual access limits rising from 50 to 100 percent of quota and cumulative limits rising from 100 to 150 percent of quota, net of scheduled repayments or repurchases, respectively.

Directors agreed that the new access limits would apply for a tempo-rary six-month period, with a review of the limits as proposed. To facilitate urgent financing requests, most Directors supported the proposal to temporarily suspend the procedures for high access RCF requests under the PRGT. Directors emphasized that this emergency financing provided by the Fund should be truly additional, both for access to the PRGT and GRA. In this regard, many Directors looked forward to exploring ways in which a temporary relaxation in normal access limits could accommodate the surge in emergency lending. Directors also highlighted the important catalytic role of Fund emergency financing in spurring additional resources from other partners.

Directors stressed the importance of carefully monitoring implementation, including by putting in place appropriate safeguards of accountability, transparency, and control to ensure the appropriate use of emergency financing, where governance and corruption vulnerabilities are macro-critical. Careful consideration will also need to be given to debt sustainability issues.

Directors concurred that the impact of higher RFI access limits on the General Resources Account would be manageable, subject to heightened Covid-19 uncertainties. However, they recognized that the higher access limits under the RCF would exacerbate growing pressures on PRGT loan resources, and stressed the need for expedited and ambitious fundraising efforts.

Provided that sufficient resources were raised quickly, Directors looked forward to considering an increase in the overall PRGT annual normal access limit. This would provide additional space for PRGT financing later in the year, including blended with potential

arrangements in the GRA. In this regard, Directors asked for close assessments of the self-sustainability of the PRGT. They looked forward to considering additional suggestions to strengthen the Fund's efforts in the upcoming review of the Fund's concessional financing.

SU/20/47,
April 9, 2020

THE FUND'S FINANCING ROLE—REFORM PROPOSALS ON LIQUIDITY AND EMERGENCY ASSISTANCE—RAPID FINANCING INSTRUMENT (RFI)

1. The Fund decides that resources in the credit tranches may be made available under the Rapid Financing Instrument (RFI), in accordance with the terms and conditions specified in this Decision.

2. The Fund will approve a member's request for resources under the RFI only where it is satisfied that:

(a) the member is experiencing an urgent balance of payments need that, if not addressed, would result in an immediate and severe economic disruption;

(b) the member either (i) has a balance of payments need that is expected to be resolved within one year with no major policy adjustments being necessary, or (ii) is unable to design or implement an upper credit tranche-quality economic program given the urgent nature of the balance of payments need or due to its limited policy implementation capacity; and

(c) the member will cooperate with the Fund in an effort to find, where appropriate, solutions for its balance of payments difficulties. Where warranted, the Managing Director may request that the member implement upfront measures before recommending that the Fund approve a purchase under this Decision.

3. If a member has made a purchase under this Decision within the preceding three years, any additional purchases under this Decision may be approved only if the Fund is satisfied that (a) the member's urgent balance of payments need was caused primarily by an exogenous shock; or (b) the member has established a track record

of adequate macroeconomic policies over a period of at least six months immediately prior to the request.

4. A member requesting assistance under this Decision shall describe in a letter the general policies it plans to pursue to address its balance of payments difficulties, including its intention not to introduce or intensify exchange and trade restrictions and other measures or policies that would compound these difficulties. The member shall also commit to undergoing a safeguards assessment, provide staff with access to its central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with Fund staff. The timing and modalities for the safeguards assessment for a member that has received assistance under the RFI would be determined on a case-by-case basis, but normally the safeguards assessment would need to be completed before Executive Board approval for the member of any subsequent arrangement to which the Fund's safeguards assessment policy applies.

5. Assistance under this Decision shall be made available to members in the form of outright purchases. Access by members to resources under this Decision shall be subject to (a) an annual limit of 50 percent of quota, and (b) a cumulative limit of 100 percent of quota, net of scheduled repurchases, provided that:

(A) for the period from April 6, 2020 to December 31, 2021, the above annual access limit shall be 100 percent of quota and for the period from April 6, 2020, to June 30, 2024, the above cumulative access limit shall be 150 percent of quota, net of scheduled repurchases, and

(B) the annual access limit shall be 80 percent of quota and the cumulative access limit shall be 133.33 percent of quota, net of scheduled repurchases, where (i) the member requests assistance under the RFI to address an urgent balance of payments need resulting from a natural disaster that occasions damage assessed to be equivalent to or to exceed 20 percent of the member's gross domestic product (GDP), and (ii) the member's existing and prospective policies are sufficiently strong to address the natural disaster shock. For the period from June 21, 2021 to December 31, 2021, the above

annual access limit shall be 130 percent of quota and for the period from June 21, 2021, to June 30, 2024, the above cumulative access limit shall be 183.33 percent of quota, net of scheduled repurchases.

(C) for a period from September 30, 2022 to March 31, 2024, the Fund may approve financing of up to 50 percent of quota to help a member address an urgent balance of payments need associated with acute food insecurity, increased costs of cereal and fertilizer imports, or cereal export shortfalls. Access under this subparagraph (C) shall be fully additional to the annual access limits established under this paragraph 5. Subject to subparagraph (B) above, a member's access to financing under this subparagraph (C) shall increase the cumulative access limit under the RFI to 175 percent of quota until June 30, 2024; and to 125 percent of quota between July 1, 2024 and December 31, 2026. Before approving financing under this subparagraph (C), the Fund shall be satisfied that the member has an urgent balance of payments need associated with one of the following:

(1) 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. In assessing the qualification of members under this subparagraph (C)(1), the Executive Board would take into account whether the member faces acute food insecurity as defined by the Food and Agriculture Organization (FAO) and World Food Programme (WFP) or a major food crisis per the United Nations Global Report on Food Crisis (UNGRFC), in both cases, based on the most recent publicly available data; or

(2) increased prices of cereal or fertilizer imports that negatively im-pact the member's external current account where such negative im-pact amounts to at least 0.3 percent of GDP over a 12-month period, as specified in more detail in SM/22/229; or (3) shortfall in cereal exports, where the projected negative shock to cereal exports, bench-marked against the previous year, exceeds 0.8 percent of projected GDP for the compensable year.[1]

[1] Ed. Note: Decision No. 17326-(22/83), September 30, 2022 provides: "It is expected that the Fund will review the application of paragraph 5(C) of this Decision by end-June 2013."

6. The Executive Board approval of a purchase under the RFI after March 22, 2021 shall automatically expire after 60 days following the date of such approval (the "automatic expiration date") if the Fund has not received the member's authenticated instructions to request the approved purchase. The Executive Board, at the member's request made prior to the automatic expiration date, may decide to delay such expiration date for an additional period not exceeding 60 days from the automatic expiration date. For those purchases under the RFI approved before March 22, 2021 that remain undrawn, Executive Board approvals for such purchases shall automatically expire 60 days after March 22, 2021.

7. 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. SM/11/284, Sup. 3, 11/22/11)

Decision No. 15015-(11/112),
November 21, 2011,
as amended by Decision Nos. 15595-(14/46),
May 21, 2014,
15820 (15/66), July 1, 2015,
15821 (15/66), July 1, 2015,
16183-(17/35), May 5, 2017,
16517-(19/42), May 24, 2019,
16681-(20/96), (20/96), September 28, 2020,
16985-(21/29), March 22, 2021,
17068-(21/64), June 21, 2021,
17182-(21/121), December 20, 2021,
17326-(22/83), September 30, 2022,
17508-(23/52), June 27, 2023, and
17509-(23/52),
June 27, 2023

The Chair's Summing Up—
Proposal for a New Food Shock Window
Under the Rapid Financing Instrument and Rapid
Credit Facility; Proposal for a Staff Monitored Program
with Executive Board Involvement, Executive Board
Meeting 22/83, September 30, 2022

Executive Directors welcomed the opportunity to discuss staff's proposals (i) to create a new temporary window under the Fund's emergency financing instruments to address the urgent balance of payments (BOP) needs related to food shock that was exacerbated by Russia's war in Ukraine, and (ii) to amend the policy on Staff Monitored Programs (SMP) to introduce an SMP with Board involvement (PMB) that will allow the Executive Board to opine under narrowly tailored circumstances on a member's program approved by management. They broadly endorsed both proposals.

Directors shared the staff's assessment that the ongoing global food shock has caused hardship and amplified the acute food insecurity in many countries. While noting that the first-best option to address BOP pressures would generally involve an Upper Credit Tranche (UCT) quality program, they agreed that this may not be feasible in some cases or not necessary in others.

Against this background, Directors welcomed the proposal to establish a new temporary food shock window (FSW) under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) to provide additional, low access emergency financing to qualifying members experiencing urgent BOP needs related to the global food shock. Access under this window will be consistent with the member's actual BOP need, capped at 50 percent of a member's quota, and available during a 12-month period. This access will be fully additional to the current annual access limits under the RFI and RCF and will increase the cumulative access limit under the regular window of the RFI and the exogenous shocks window of the RCF to 175 percent of quota. Directors also looked forward to strengthening coordination with specialized international organizations to address food insecurity.

Directors broadly supported the proposed qualification criteria that circumscribe access to the FSW to countries experiencing an urgent BOP need associated with acute food insecurity, increased costs of cereal and fertilizer imports, or cereal exports shortfalls. At the same time, a few Directors considered that other spillovers from the war would have warranted extending the qualification criteria for the new window. Directors looked forward to continued staff work to ensure that the Fund's lending toolkit responds to members' needs under current challenging circumstances.

Directors noted that as is the case for all Fund lending, including emergency financing, access under the FSW will be subject to debt sustainability and adequate capacity to repay requirements. Given concern Use of Fund Resources 65 that some countries may not be able to access the FSW, Directors encouraged staff to work with countries in need to help address the challenges they are facing in meeting those requirements. Member countries accessing the FSW would also be expected to commit to measures ensuring transparency and accountability in the spending of emergency resources, tailored to the specific circumstances of each country.

Directors noted that the FSW will raise PRGT lending in the short term—including through additional voluntary SDR channeling—and will also require further subsidy resources. They emphasized the urgent need for timely bilateral pledges of loan and subsidy resources under the ongoing first stage of the PRGT fundraising. Directors looked forward to the Annual Review of the Adequacy of PRGT Resources scheduled for Spring 2023 as an opportunity to consider contingency measures as needed, and possible steps to accelerate or expand fundraising, to accommodate the additional lending.

Directors underscored that members would be encouraged to transition to UCT-quality programs as soon as appropriate and feasible to support structural reforms to address underlying vulnerabilities and larger financing needs. In this context, they noted that concurrent use of the FSW with an SMP or, in certain cases, with a PMB, could be considered to build or re-build a track record towards a Fund arrangement that supports a UCT-quality program.

Directors also supported the proposal to amend the SMP policy to allow for limited Executive Board involvement to opine on whether the policies under the PMB are robust to meet the program's objectives and to monitor its implementation. Directors agreed that the use of the PMB would be only available to those members who (1) seek to build or rebuild a track record for a Fund arrangement that supports a UCT quality program, and (2) would benefit from limited Executive Board involvement because of either (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief in support of the member's policy program, or (ii) significant outstanding Fund credit under emergency financing instruments at the time new emergency financing is received. While a PMB would be strongly encouraged for these members, as a form of technical assistance it would maintain a voluntary nature. As with the FSW, Directors underscored that members would be encouraged to transition to UCT quality programs as soon as appropriate and feasible. Directors emphasized that clear communication is critical to convey the nature of the PMB and the limited role of the Executive Board's involvement. The PMB is approved by management and monitored by staff. The Board's involvement will be limited to, in a summing up, (1) at the time of management approval, opining on the robustness of the member's policy program to meet the stated objectives of the PMB and achieve the purpose of building or rebuilding a track record toward a UCT-quality program, and (2) in the context of reviews, indicating whether it agrees with staff that the member is on track to achieve these objectives. Directors underscored that this does not amount to Executive Board endorsement of the program, which is done only if the program meets the UCT-quality standard. Directors welcomed the proposal to review the impact of the FSW by end-June 2023, in parallel with the Board consideration of the exit strategy for temporary modifications to the Fund's access limits in response to the COVID-19 Pandemic. They also agreed with staff on a review of the PMB policy no later than end-September 2023.

SU/22/139,
October 5, 2022

The Acting Chair's Summing Up—Review of the Policy on Staff-Monitored Program with Executive Board Involvement, Executive Board Meeting 24/14, February 7, 2024

Executive Directors broadly supported staff's proposal to maintain the Staff-Monitored Program with Executive Board Involvement (PMB) in the Fund's toolkit. They agreed that the PMB can complement the Fund's toolkit in well-circumscribed circumstances, while noting that the limited number of cases thus far prevented drawing firm conclusions. They agreed that the Staff-Monitored Program (SMP) should continue to be the Fund's primary instrument to build or rebuild a track record of policy implementation toward a Fund arrangement that supports an Upper Credit Tranche (UCT)-quality program.

Directors acknowledged the potential benefits of limited Executive Board involvement through the PMB, including enhancing donor coordination, catalyzing additional financial support including in low-income, fragile, and conflict-affected countries, creating an additional safeguard in cases of elevated emergency financing exposure, reflecting the Board's views on policies at an earlier stage, and thereby facilitating the transition to UCT-quality programs. They positively noted the experiences of Ukraine and Malawi in this regard.

However, given the limited set of countries that have used the PMB, Directors emphasized that it is too soon to accurately gauge the pros and cons of PMBs, and that further experience would be needed to draw more definitive conclusions on the usefulness of the PMB vis-à-vis alternative instruments. A few Directors were skeptical about the merits of the PMB relative to the regular SMP.

Directors stressed that access to the PMB should continue to be limited to the two use criteria to prevent encroachment on the use of SMPs. Where the PMB-use criteria are met, the PMB should continue to be encouraged, but the ultimate choice between a PMB or a regular SMP should remain voluntary and continue to rest with the requesting member.

Directors reiterated the importance of mitigating potential challenges associated with the implementation of PMB policy,

particularly, potentially blurring the lines between Board endorsed programs and SMPs. Directors underscored the importance of mitigating these risks by maintaining effective communication regarding the nature and purpose of the PMB, and encouraged the next review to include an assessment of risks and challenges that may emerge with more experience with the PMB. To avoid diluting the strength of the signaling effect of the Board endorsement of UCT-quality programs, it would be critical to communicate clearly that responsibility for PMBs rests with staff and management, and the Board has limited involvement and does not endorse a PMB.

Directors agreed to have the review in three years once more experience is gained, while a number of Directors were open to an earlier review if warranted.

SU/24/22
February 9, 2024

The Chair's Summing Up—Review of the Cumulative Access Limits Under the Rapid Financing Instrument and the Rapid Credit Facility; Review of Experience with the Food Shock Window Under the Rapid Financing Instrument and the Rapid Credit Facility, Executive Board Meeting 23/52, June 27, 2023

Executive Directors welcomed the opportunity to review (i) the temporarily higher cumulative access limits under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) and (ii) the experience with the Food Shock Window (FSW) under the RFI and the RCF. They broadly supported a limited extension of the temporarily higher cumulative access limits under the RFI and RCF, and a six-month extension—until end March 2024—of the FSW.

Directors welcomed the strong transition from pandemic-related emergency financing under the RCF and the RFI to upper credit tranche (UCT) quality programs since 2021. They considered that the past two years have demonstrated that the qualification requirements for RCF and RFI financing ensure that these instruments are only used when a UCT-quality program is either not feasible or

not necessary. At the same time, Directors considered that the continued challenging global economic environment, which has left many countries with depleted macroeconomic buffers, calls for maintaining some borrowing space under the Fund's emergency financing instruments.

Directors noted that many countries that used the RFI and/or the RCF during the pandemic would be left with little or no borrowing space under these emergency financing instruments if their cumulative access limits were to return to pre-pandemic levels at the end of June 2023. Against this backdrop, most Directors supported an extension of the temporarily higher cumulative access limits for the RFI (150 percent of quota for the regular window and 183.33 percent of quota for the Large Natural Disaster (LND) window) until the end of June 2024; with a few of these Directors noting that they would have preferred an even longer extension, while another view raised concerns about the extension's potential impact on countries' transition to UCT-quality programs. Directors also supported extending the temporarily higher cumulative access limits for the RCF (150 percent of quota for the exogeneous shock window and 183.33 percent of quota for the LND window) until the date of the Board completion of the comprehensive review of the Poverty Reduction and Growth Trust (PRGT) facilities planned for 2024/25. Directors noted that these temporary extensions in cumulative access limits for the RFI and RCF will enable the Fund to continue to provide support to members that experience urgent Balance of Payment needs where a UCT-quality program is not feasible or not necessary.

Directors welcomed the opportunity to discuss the Fund's response to the global food shock and the experience with the FSW that was established in September 2022 for a period of 12 months. They agreed that the food shock is still ongoing, and that the Fund should continue its effort to support countries, working with partners. While noting that the Fund should endeavor to deliver financial support through UCT-quality program in most cases, they broadly agreed that it would be prudent to extend the availability of the FSW as a contingency tool to support members strongly affected by the ongoing food shock in situations where a UCT-quality program is not feasible or not necessary. Directors concurred that extending the availability of

the window would also allow a longer period for observing demand developments and provide confidence that the window could then lapse without limiting the Fund's ability to support its members.

Against this backdrop, Directors supported extending the availability of the FSW under the RFI and the RCF for an additional 6 months—until March 31, 2024. Most Directors preferred the FSW to automatically expire at that time unless demand developments warrant another Board discussion before such date. A number of Directors requested, however, that the Executive Board decide on the FSW's expiration rather than letting it elapse automatically. A few other Directors would have preferred extending the FSW for a longer period, whereas another view favored a shorter extension.

Directors also agreed to extend the application of an additional 25 percent of quota to cumulative access limits until end-2026 for countries that have accessed the FSW through the RFI, and until the completion of the comprehensive review of PRGT facilities planned for 2024/25 for those countries that have received FSW support under the RCF. A number of Directors emphasized that RCF-eligible countries should not be placed at a disadvantage as an outcome of the different timelines and the PRGT facilities review. Many Directors reiterated their support for the combination of a FSW with a Staff Monitored Program or a Program Monitoring with Board Involvement, which can help countries building a track record of policy implementation. A number of Directors also highlighted that appropriate governance safeguards for FSW financing, tailored to country circumstances, remain essential to ensure transparency and accountability in the spending of these emergency resources. Directors called for effectively communicating the Fund's role and policies to address the global food shock, and in particular the role of the FSW.

Many Directors noted the limited uptake of the FSW relative to their initial expectation and expressed concerns on potential even-handedness issues. Some Directors also considered that the design of the FSW may not have sufficiently reflected the full range of circumstances of all eligible countries. In this context, a few Directors called for an ex-post evaluation of the FSW experience after the expiration of the window.

Directors noted staff's assessment that the further temporary extension of the higher cumulative access limits for emergency financing instruments and the extension of the FSW would have a limited impact on the General Resources Account and PRGT resources. Some Directors considered that concluding the 16th General Review of Quotas with a quota increase would help ensure members' access to adequate Fund financing.

SU/23/102,
June 29, 2023

The Chair's Summing Up Changes to the Fund's Financing Assurances Policy in the Context of Fund Upper Credit Tranche Financing Under Exceptionally High Uncertainty, Executive Board Meeting 23/19, March 15, 2023

Executive Directors welcomed the opportunity to consider reforms to the Fund's Financing Assurances Policy that would enable the approval of upper credit tranche Fund arrangements (UCT arrangements) in cases of exceptionally high uncertainty. Directors stressed that emergency financing through the Rapid Financing Instrument and/or Rapid Credit Facility would generally be the appropriate modality for the Fund to support members with urgent balance of payments (BOP) needs in the context of exceptionally high uncertainty. However, stronger Fund engagement in a UCT context with a member facing exceptionally high uncertainty might be deemed appropriate and consistent with Fund policies in certain cases.

Directors agreed that a case of "exceptionally high uncertainty" is characterized by all of the factors set out in paragraph 13 of the paper. Directors stressed that the assessment of whether a case is one of "exceptionally high uncertainty" must be made in a manner that ensures uniformity of treatment and evenhandedness across the membership.

Directors recognized that it is extremely difficult to design a UCT-quality arrangement in cases of exceptionally high uncertainty. They supported the approach detailed in the paper of setting out two

fully elaborated scenarios in such cases, covering both a baseline and a downside scenario, noting the need to demonstrate that a Fund-supported program could work in both scenarios, and that these scenarios would need to be sufficiently separated to generate confidence that the program could succeed and solve the member's BOP problem and restore the member to medium-term external viability, notwithstanding the exceptionally high uncertainty about the ongoing shock.

Directors stressed that a member would need to have the capacity and commitment to implement a UCT arrangement in such circumstances and to provide the necessary data for the Fund to be able to monitor the program, and that a Staff Monitored Program or Program Monitoring with Board involvement might first be necessary to establish a track record on this. Directors stressed that proceeding with a Fund-supported program in cases of exceptionally high uncertainty would require careful judgment about whether such a program would be feasible and credible given its likely risk characteristics, and be consistent with legal and policy requirements for Fund lending. These requirements include providing adequate confidence about the ability of the program to solve the member's BOP problem and restore the member to medium-term external viability, while providing adequate safeguards for the repayment of the Fund's financing. The Board would need to make this judgement, based on a recommendation from Management and staff, at the time of approval of the arrangement as well as at subsequent reviews. Directors expected that, to the extent the exceptionally high uncertainty dissipates, the program design would revert to the standard Fund approach to lending built just around the baseline. In the event that the circumstances of exceptionally high uncertainty were to deteriorate and questions arose about whether the level of confidence had become too low to clearly and credibly establish a program design to resolve the member's BOP problem and/or restore debt sustainability, then Directors would need to determine whether further financing under the arrangement would become infeasible.

To support the Fund's ability to approve UCT arrangements in cases of exceptionally high uncertainty, Directors endorsed the use of a procedural safeguard set out in paragraph 18 of the paper for an initial engagement with Executive Directors. Some Directors called for

a broader engagement than set out in the paper, with a few Directors calling for a formal Board meeting.

Directors also supported two policy modifications, applying only to cases of exceptionally high uncertainty, to allow UCT arrangements. First, Directors supported the modified approach in cases of exceptionally high uncertainty set out in paragraph 25 of the paper for official bilateral creditors to deliver credible upfront assurances covering their commitments to help restore debt sustainability where contributions from official bilateral creditors are needed to restore debt sustainability. Directors also endorsed the proposal set out in paragraph 26 of the paper, for situations of exceptionally high uncertainty, to extend the existing use of a capacity-to-repay assurance from official bilateral creditors/donors to ensure adequate safeguards for the repayment of the Fund's financing from an emergency financing context to a UCT program context.

Directors welcomed the paper's discussion of risks and noted that the proposed policy changes involve considerable enterprise risks to the Fund while also noting the mitigants to address these risks identified in the paper. However, they generally agreed that when considering these risks—including reputational and spillover risks—the benefit of having the option of supporting members facing exceptionally high uncertainty outweighs the additional risk of the proposed policy change.

SU/23/41,
March 17, 2023

Attachments

SM/23/56, 3/2/2023

Paragraph 13

13. **Exceptionally high uncertainty is a different situation.** It is characterized by a combination of several factors:

• It originates in an exogenous shock; that is, an ongoing shock to a members' economic capacity that originates in factors beyond the authorities' control.

• It originates in an exogenous shock; that is, an ongoing shock to a members' economic capacity that originates in factors beyond the authorities' control.

• The impact of the shock on the economy depends on events fundamentally outside of the control of the authorities' economic policies, at least in the near-term.

• Thus, it involves severe and continuing balance of payment impacts, making the scale of the BoP challenge difficult to assess with the usual degree of confidence associated with UCT lending (although there could still be a credible basis for assessing that UCT requirements are met as discussed below). An example is a shock in the form of a large-scale war.

• No one scenario that characterizes the evolution of the ongoing shock can be seen as sufficiently "central", and indeed the situation involves significant adverse tail risks where the shock and/or its impacts could continue beyond the usual Fund program timeframe.

• The ability of official bilateral creditors to ensure debt sustainability through upfront debt write-downs is impaired due to the lack of a sufficiently "central" scenario and given the presence of large downside risks, and broader sources of financing must be catalyzed to help resolve the BoP problem.

Paragraph 18

18. **In view of the risks of engaging in UCT lending under exceptionally high uncertainty, as defined above, a procedural safeguard is proposed.** Engaging in such circumstances would involve a material increase in risks to the Fund (as discussed further below in Section VI). For a member facing such uncertainty initial Board engagement would be expected in the context of convening creditor and donor support or emergency financing. The Board would need to consider the issue of whether exceptionally high uncertainty, as defined above, exists, and whether the Fund would be prepared to accept higher risks, and pursue a UCT arrangement, if the member had requested it at that point. The international community may wish to have a more structured framework

in place to catalyze broader support for such a member, for example due to concern about global risks from spillovers from that members' situation.[1] To the extent the issues were not covered in initial engagements, or a request for UCT financing from the member had been subsequently received, a dedicated Board meeting could be called to consider these issues.

Paragraph 25

25. **The first targeted policy change would allow, in situations involving exceptionally high uncertainty, official bilateral creditors to deliver credible assurances upfront, but with a second-stage contingent element**. Thus, they would provide:

(i) An upfront "credible and specific" assurance covering what is needed in the baseline scenario to restore debt sustainability. This could be cast as a flow then stock treatment (per HIPC), although the scale of the second stage debt relief commitment would need to be clear to help condition expectations of the other creditors expected to restructure in the interim (e.g., the private sector, which would not be eligible for such an approach under Fund policies).

(ii) An upfront assurance to provide the necessary financial support to restore debt sustainability in a second stage once the exceptionally high uncertainty abates within program (or based on a best estimate at the last program review, whichever comes first). The program's downside scenario would provide an upfront estimate of the possible scale of the needed financial support, in the event outcomes are more adverse. In line with standard program practice, scenarios would be updated at each program review and financing commitments updated if necessary, providing full transparency to creditors and donors and control over their commitment.

Together, these would also help establish the ability of the program to resolve the BoP problem by restoring debt sustainability. The

[1] For instance, the member in question could be deeply integrated into financial markets or have concentrated enough positions in global production or value chains such that not providing large financing to assist it would have significant global risks.

assurances would be given by a recognized creditor forum, and/or directly (in line with the Fund's standards for such assurances).[1]

Paragraph 26

26. The second policy change would extend the existing use of a capacity-to-repay assurance from official creditors/donors for safeguards purposes in an emergency financing context to a UCT context. The use of such an assurance would be required in situations of exceptionally high uncertainty, since this would be critical for the assessment that the UCT program provides adequate safeguards for the Fund's lending (given tail risk scenarios where the member may not be able to generate the resources to repay any creditor). The assurance:

• Should be extended by a significant group of creditors/donors. Considering the long potential timeframe during which an assurance could be outstanding, having a significant group of creditors/donors would help ensure that adverse changes in individual members' external position would not undermine the credibility of the assurance, and give confidence that it could be amended as needed during program reviews, if necessary. A group also ensures that a sufficient shareholding in the Fund is represented (and the group would thus bear a meaningful collective cost of not standing behind the assurance). Individual members of the group should be participants in the Fund's FTP and have a collective history of contributions to multilateral debt relief initiatives commensurate with the scale of their collective assurance. The joint nature of the assurance would leave space for the group to manage different domestic processes. Normally, a suitable statement from the Executive Directors representing the relevant official bilateral creditors/donors, on behalf of their country authorities would suffice to provide the assurance. The statement would need to be in the public domain.

• It would confirm the creditors'/donors' recognition of the Fund's de facto preferred creditor status (PCS) and complement the Fund's

[1] Note that in some circumstances restoring sustainability might go beyond debt relief to a need for financing on highly concessional terms. The mix of relief and new financing is within the discretion of the creditors/donors, provided it adds up to provide the required financing. For new highly con-cessional financing, the requirements for standard financing assurances would apply.

risk management framework with the aim to prevent any overdue financial obligations to the Fund from the borrowing member and to thus establish "ex ante" adequate lending safeguards. Management, staff and the Board would need to assess at program outset and each review that scenarios which would give rise to any overdue financial obligations are very unlikely, and adequate safeguards for Fund lending are in place as required under the Articles. This type of assurance would cease to be effective upon approval of a new arrangement for the member (unless specifically renewed, for example, because of a continuation of the exceptionally high uncertainty).

The Acting Chair's Summing Up—
2018-19 Review of Facilities for Low-Income Countries—Reform Proposals; Review of the Financing of the Fund's Concessional Assistance and
Debt Relief to Low-Income Countries,
Executive Board Meeting 19/42, May 24, 2019

Executive Directors welcomed the opportunity to discuss reforms proposed in the Review of Facilities for Low-Income Countries (LICs) (the Facilities Review) and to review the financing of the Fund's concessional facilities and debt relief to LICs (the Financing Review). They were encouraged that the Fund has remained actively engaged in supporting LICs during the challenging period since the 2013 review of facilities for LICs. Directors emphasized that the Fund has a key role in supporting LICs, through policy advice, financing, capacity development, and catalyzing donor support. Directors supported the proposals to increase access to concessional financing and enhance the flexibility and tailoring of the Fund's toolkit to country-specific needs, subject to maintaining the self-sustainability of the PRGT. To this end, Directors endorsed the package of proposals in the Facilities Review and Financing Review.

Directors broadly supported a generalized increase of one third in access limits and norms to ensure that the Fund can provide adequate financial support to LICs as needed, while maintaining PRGT self-sustainability. To strengthen safeguards for PRGT resources alongside the generalized access increase, Directors supported, first, the

introduction of an additional trigger for applying high access (HA) procedures, and second, a strengthening of informational and timing requirements for informal HA and exceptional access (EA) Board engagement to enhance the assessment of debt sustainability and capacity to repay (paragraphs 24-26 of the Facilities Review) as well as the modifications to the access threshold trigger for a new DSA. Furthermore, most Directors supported the clarification of the market access criterion for EA under the PRGT.

Most Directors supported removing the exclusion from presumed blending for higher-income LICs at high risk of debt distress, provided they have substantial access to international financial markets on both a past and prospective basis (paragraph 31 of the Facilities Review), including the application of staff judgment in assessing prospective market access when considering blending for such members. While the severity of debt vulnerabilities is an important factor in assessing whether blended financing is appropriate, Directors generally agreed that scarce subsidy resources should be targeted to the poorest and most vulnerable LICs, noting the still favorable terms of blended financing from the GRA and the PRGT. Directors reaffirmed that, where a member accesses Fund resources in the GRA in a blend with PRGT resources, the member would be expected to meet applicable policies governing financing under the respective GRA instrument, including the expectation that the member's policies are implemented in a manner that would lead to a strengthening of the member's balance of payments before repurchases begin.

Directors supported the proposals to make LIC facilities more responsive to the needs of fragile and conflict-affected states (FCS). Therefore, in addition to the generalized one-third increase in access limits, they supported a doubling of the annual RCF access limit under the regular window, together with the safeguards of introducing an annual RCF access norm at 25 percent of quota and also limiting the maximum size of a single disbursement to 25 percent of quota under the regular window. Directors further endorsed the call for greater flexibility in the design of ECF-supported programs for countries that need to focus attention on near-term objectives, while meeting upper credit tranche standards and maintaining consistency with the provisions of the ECF.

To increase the scope for providing Fund support to members that experience urgent balance of payments needs from large natural disasters, Directors supported a further one-third increase in the cumulative access limits under the RCF for disbursements associated with such disasters, in addition to the generalized access increase. Directors agreed to increase annual and cumulative access limits under the Rapid Financing Instrument (RFI) by one-third and to increase the cumulative limit by a further one-third for disbursements associated with large natural disasters, which would expand the scope for providing emergency financial support to countries that are not eligible for concessional financing while preserving broad harmonization of access limits across the RFI and RCF.

Most Directors endorsed the proposal to extend the maximum initial duration of ECF arrangements from four to five years, which could be appropriate in cases where longer-term structural reform efforts are critical to the success of the program and a well sequenced reform plan with strong ownership is in place but noted that shorter back-to-back arrangements could often achieve broadly similar goals. They generally supported the removal of sub-limits on access for SCF arrangements that are approved on a precautionary basis and the extension of the maximum duration of SCF arrangements from two to three years. Directors also supported the proposal on automatic termination of new SCF arrangements of more than 24 months if no program review under the arrangement has been completed over a period of eighteen months.

Directors supported renaming the Economic Development Document as the Poverty Reduction and Growth Strategy (PRGS). They expressed broad support for strengthening program links to poverty reduction, including by requiring a PRGS whenever an SCF arrangement or PSI has an initial duration exceeding two years. They supported greater flexibility in the timing of PRGS requirements, including extensions for countries that need to focus limited institutional capacity on near-term measures to enhance economic and political stability. Directors welcomed the thorough review of the financing framework to provide concessional financial support to LICs. They concurred with the assessment that the financing capacity of the PRGT

has remained intact and that the proposed package of reforms of the LIC facilities can be accommodated within the self-sustained PRGT, with risks evenly balanced over the medium term.

Directors stressed that the evolution of the PRGT's lending capacity will need to be monitored carefully, and policies reviewed periodically, to ensure that PRGT self-sustainability is preserved. A number of Directors considered that, going forward, a review of the overall envelope of PRGT resources might be warranted. Directors acknowledged that debt relief initiatives face significant funding challenges. They asked staff to explore options to address the under-funding of the Catastrophe Containment and Relief Trust. They also noted the need to mobilize new resources to finance debt relief for countries with remaining protracted arrears to the Fund once they are ready to clear arrears and participate in the HIPC Initiative.

Directors agreed the next review of the Fund's facilities for LICs will take place on the standard five-year cycle, while access norms and limits could be reviewed earlier if warranted. Many Directors underscored that future reviews should consider all aspects of the PRGT's architecture.

SU/19/71
May 29, 2019

The Chairman's Summing Up—Review of Facilities for Low-Income Countries, Executive Board Meeting 12/85, September 6, 2012

Executive Directors welcomed the opportunity to review the Fund's facilities for low-income countries (LICs). They considered that the 2009 reforms have been broadly successful in closing gaps and creating a streamlined architecture of facilities better tailored to the needs of LICs. Directors welcomed the staff's findings that the Fund was able to respond effectively to LICs' needs during the global financial crisis, and that Fund-supported programs have played a positive role over the longer term in helping countries raise economic growth, reduce poverty, and build macroeconomic buffers and institutional capacity.

Concessional financing framework

Directors noted that the central challenge ahead will be to preserve the Fund's ability to provide financial support to LICs in the face of a sharp prospective drop in the Fund's concessional lending capacity after 2014. With demand projected to exceed by a considerable margin the Fund's existing financing capacity even under a low-case scenario, identifying substantial additional resources for the PRGT becomes a priority to secure the PRGT's longer-term sustainability.

Most Directors supported, or were open to, using resources linked to the remaining windfall profits from gold sales as part of a strategy to make the PRGT sustainable, possibly supplemented by contingent measures, including suspension of the reimbursement to the GRA for the PRGT's administrative costs and/or bilateral fund-raising. Many Directors supported, or were open to, establishing a regular fundraising mechanism. A number of Directors saw the two main options—use of the remaining gold windfall profits and regular fundraising—as complementary, while a few encouraged exploring additional options. Some Directors proposed that consideration be given to eliminating PRGT reimbursement to the GRA for administrative costs. A few others considered that, in the current circumstances of elevated credit risks facing the Fund, the remaining windfall profits should be counted toward the Fund's precautionary balances.

Tailoring access and financing terms

Directors underscored that it is important to make the most effective use of the Fund's scarce concessional resources. Noting that current access levels appear broadly appropriate on average, most Directors saw merit in keeping access unchanged in SDR terms when the 14th General Review of Quotas becomes effective, which implies a corresponding decrease in access in percent of quota. A number of other Directors were not in favor of reducing access norms and limits as quotas are doubled, or could support only a less than commensurate reduction, while strengthening efforts to address the long-term resource gap. A few of these Directors expressed concern about a perceived lack of evenhandedness in the proposal and a potential negative effect on the Fund's credibility that could arise in the context of the 14th General Review of Quotas. Directors recognized that access will need to be raised in the future as financing needs

increase, based on a careful assessment of projected financing needs and available resources. Some Directors underlined the importance of applying robust and evenhanded PRGT graduation criteria and looked forward to the upcoming review of PRGT eligibility.

Directors saw scope for aligning financing more closely with countries' balance of payments needs. In this context, there was broad support for further work on a cost-neutral approach for allowing contingent tranches that can be activated when unforeseen urgent balance of payments needs arise during an on-track ECF or SCF arrangement. While the financing terms of PRGT loans appear on average to strike the right balance between concessionality and lending capacity, most Directors saw merit in greater differentiation of financing terms, particularly through greater use of blending. While many could consider interest rate surcharges, a few Directors held the view that interest rate differentiation should not go against the principle of uniformity of treatment.

Contingent financing

Directors generally saw merit in exploring refinements to increase the flexibility of existing instruments to provide contingent financing and policy support to LICs, rather than creating a new instrument. These could include relaxing timing restrictions on access under the SCF; giving ECF users the option to forego disbursements when the member's balance of payments position improves; and making the design of the PSI more flexible while preserving its signaling function. Directors noted that any modifications should be designed in a manner that limits the need for additional resources and avoids adding undue complexity. A few Directors favored exploring a new precautionary instrument for LICs.

Design of PRGT arrangements

Directors also generally saw room for improvements to certain design aspects of the facilities—including the proposed refinements aimed at refocusing PRS linkages on substance rather than process, in consultation with the World Bank. Most Directors would support, or were open to, the proposals to provide options for ECF arrangements with longer initial durations and increased flexibility in the phasing of disbursements. Most also supported considering the proposal to allow

defunct arrangements to lapse in order to free up scarce resources. Some others held the view that the treatment of defunct arrangements should be aligned across GRA and PRGT facilities.

Directors looked forward to the second stage of the review, which will draw on their views expressed today, and allow them to take decisions on specific refinements. The Board will return in the near future to the issue of the use of resources linked to the remaining windfall profits from gold sales as part of a strategy to ensure PRGT sustainability.

BUFF/12/104
September 10, 2012

Trade-Related Balance of Payments Adjustment—Fund Support

Trade Integration Mechanism

1. The Fund is prepared to provide financial assistance to members that are experiencing balance of payment difficulties as a result of trade liberalization measures undertaken by other countries. Such assistance shall be made available: (i) in the upper credit tranches under a Stand-By Arrangement, (ii) under the Extended Fund Facility, or (iii) under arrangements under the Poverty Reduction and Growth Trust, and shall be subject to the general access limits established from time to time under such policies. Liberalization measures undertaken by other members would normally be limited to measures introduced either (i) under a WTO agreement or (ii) on a nondiscriminatory basis.

2. Financing under this decision may be provided to address the existing or anticipated balance of payments difficulties identified in paragraph 1 either at the time of the approval of an arrangement or completion of a program review under such an arrangement, upon the Fund's determination that the member is implementing economic adjustment policies that are designed to address the identified balance of payments problems.

3. When making a request for financing under paragraph 2 above, the member may also request that the Fund indicate its willingness

to consider providing additional financing if the balance of payments difficulties identified in paragraph 1 above that may arise during the course of the arrangement are larger than anticipated at the time of the approval of the original request under paragraph 2 above. This additional financing, which shall not exceed 10 percent of quota, may be requested by the member and be provided at any time during the period of the arrangement upon a determination by the Fund, in the context of a special review under the arrangement, that: (i) the member's adjustment program is broadly on track and (ii) the additional financing is justified by unanticipated balance of payments difficulties of the type identified in paragraph 1.

4. Nothing in this decision shall be understood as preventing a member from requesting Fund financial assistance outside this decision to address the balance of payments problems identified in paragraph 1.

5. This decision shall be reviewed no later than December 31, 2007.[1]

Decision No. 13229-(04/33), April 2, 2004,
as amended by Decision Nos. 13814-(06/98),
November 15, 2006, and 14354-(09/79),
July 23, 2009, effective January 7, 2010

Arrears to Creditors and Debt Strategy

The Chair's Summing Up—
Policy Reform Proposals to Promote the Fund's Capacity to
Support Countries Undertaking Debt Restructurings,
Executive Board Meeting 24/37, April 9, 2024

Directors welcomed the opportunity to consider reforms to promote the Fund's capacity to support countries undertaking debt restructurings. Directors agreed that, notwithstanding substantial progress in recent cases, the Fund's ability to assist members in resolving their balance

[1] Ed. Note: Pursuant to Decision No. 13814-(06/98), November 15, 2006, future reviews will be conducted on an "as needed" basis. The expectation going forward is that "as needed" would generally mean a lag of at least five years between any such reviews.

of payments problems may still be constrained. Directors, therefore, appreciated the opportunity to consider certain policy reforms to better reflect the current context. Directors agreed that the proposals endorsed today are accurately reflected in the Executive Board understandings in Supplement 3 of SM/24/65 to be issued shortly.

Strands 1, 2 and 3 Under the LIOA

Directors agreed that the Lending Into Official Arrears (LIOA) policy remains broadly appropriate and that the current guidance on application of the first, second, and third strands of the policy should be retained. Most Directors agreed that Strand 1—creditor coordination through a representative standing forum such as the Paris Club or the Common Framework involving the Paris Club—should remain the central focus of the LIOA policy and should be used whenever it is or becomes available. A few Directors stressed the urgency of recognizing the G20 Common Framework more generally as a representative standing forum. Directors also reiterated that, consistent with its current policy, the Fund would normally not apply Strand 3 (i.e., the three criteria) to a creditor or a group of creditors with an adequately representative share of total financing contributions, in particular assessing whether the Fund support would have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.

Strand 4 Under the LIOA

At the same time, Directors agreed on the need to clarify how to apply additional safeguards for Fund lending when the three existing strands cannot provide a pathway forward. In this regard, Directors supported the addition of a fourth strand under which the Fund shall seek additional safeguards where an adequately representative agreement has not been reached through a representative standing forum, consent is not forthcoming within 4weeks of being requested, and the three criteria under Strand 3 cannot be satisfied with respect to an official bilateral creditor. The approach would distinguish the Fund-supported programs with normal access from those with exceptional access under the GRA or the PRGT or high combined access under the GRA and PRGT.

In the first case, Directors agreed that the "standard safeguards approach" would apply (except as noted below). This would require a combination of program design elements—including the phasing of access under the arrangement (with an initial purchase or disbursement capped at low access), program conditionality to support the restructuring process where warranted under the Guidelines on Conditionality, and a debtor commitment to good faith efforts to establish safeguards for Fund lending.

In the second case, Directors agreed that the "enhanced safeguards approach" would apply, which requires the debtor commitment and conditionality requirements under the standard safeguards approach, and in addition a direct commitment to the Fund by a sufficient set of creditors about their restructuring intentions. Where such a commitment is provided, arrears would be considered eliminated (for purposes of the application of the LIOA policy) for both participating and non-participating creditors. Directors agreed with the definition of a "sufficient set" of creditors and the description of the type of commitment as set out in paragraph 22 of the paper. A "sufficient set" of creditors requires the participation of any standing creditor forum as well as any creditors with significant influence over the debtor. For this purpose, a creditor is considered to have significant influence over the debtor when it has the ability to extract repayment on more favorable terms, inconsistent with program parameters.

Directors agreed that the standard safeguards approach will normally be sufficient for normal access cases that fall under Strand 4, but complex cases, involving the prospect of prolonged negotiations or creditor coordination issues, would necessitate a shift to the enhanced safeguards approach. Thus, the Strand 4 approach would shift to enhanced safeguards based on an explicit signal that a creditor or creditor group to which the three criteria in Strand 3 cannot be satisfied either: (1) is unwilling to restructure their claims in line with program parameters; or (2) views additional support by the Fund to the debtor's effort to coordinate with creditors to be essential. Directors emphasized that it would be important for a Staff Report to transparently and factually explain which creditor(s) requested it, and the reason for a shift under normal access to the enhanced safeguards approach and to limit stigma associated

with any request for this shift. A few Directors asked for granular information if available about which members in any creditor group made the request.

Directors also agreed that to further support debtor and creditor efforts towards comparability of treatment, the Fund would subject any arrears arising out of exercise of a contractual comparability of treatment clause to the Fund's non-toleration of arrears policy, as set out in paragraph 21 of the paper.

Financing Assurances Reviews

Directors also supported strengthening financing assurances reviews under the LIOA and LIA policies while external arrears remain unresolved, and introducing financing assurances reviews both in cases where arrears are deemed away under Strands 1 and 4 under the LIOA policy and in preemptive restructuring cases needed to restore debt sustainability involving official bilateral creditors until the needed restructuring is complete. Financing assurances reviews would continue to provide the Fund with the opportunity to assess continued compliance with the applicable arrears and financing assurances policies, whether the member's adjustment efforts are undermined by developments in debtor and creditor relations, and whether, in light of progress, the debt situation does not undermine the restoration of the member's medium-term external viability and its capacity to repay the Fund. Directors agreed that in these cases, requests for new Fund financing should lay out the expected steps and schedule for the restructuring process in an indicative way. Subsequent reviews should detail progress against that schedule taking into account all developments to determine whether the restructuring remains on track to ensure that overall program objectives are met. Directors called for transparency in any staff assessment on the consistency of debt restructuring plans with program parameters. They further supported the proposal that financing assurances reviews should more explicitly assess whether the Fund still has appropriate safeguards to proceed with the financing in light of progress with the restructuring, or needs to introduce additional safeguards. They stressed that such additional safeguards should be introduced in a manner well-tailored to the situation and reason for any delay with most Directors agreeing that a clear signal about a creditor's unwillingness to restructure would motivate a shift to enhanced safeguards.

Directors agreed that in line with the proposal to use financing assurances reviews to more effectively monitor progress in debt restructurings, going forward, the application of Strand 1 to ongoing and future debt restructuring cases after the effective date of these policy changes would also require the completion of a financing assurances review until such arrears are resolved.

Credible Official Creditor Process

For restructuring cases where financing assurances need to be obtained from official bilateral creditors—namely, pre-emptive cases and Strand 1 and 4 of the LIOA policy—Directors agreed that such assurances could be obtained through the Fund's assessment that a "credible official creditor process" is underway. Directors stressed the need for clear guidance on the criteria that the assessment could be built on. In this context they noted that each creditor would need to establish a robust track record in delivering timely and successful debt restructurings on which the Fund could base its understanding of the process, key decision makers involved, and the expected timeframe for the completion of the debt restructuring, such that an assessment could be made that the key stage had been reached that would provide the Fund with the necessary assurances. They also noted that in the absence of sufficient information or a robust track record to make such an assessment, required financing assurances could continue to be satisfied by specific and credible assurances on debt relief/financing. Directors stressed that it would be important that assessments of COCP be made in a transparent, evenhanded, and fair manner with enough granularity and robust evidence to allow the Board to make this delicate judgment. They agreed that the process of establishing a track record for each of the non-PC creditors' processes could in principle move broadly at the same speed, since any restructuring case typically involves multiple non-PC creditors.

Directors endorsed the proposal that, in pre-emptive cases, financing assurances would only be sought from a "sufficient set" of creditors, as set out in paragraph 22 of the paper. Directors agreed that the policy for preemptive restructuring cases for private creditors remains unchanged.

Exceptional Circumstances Under the LIOA

Directors supported the proposed clarification and guidance on the "exceptional circumstances" clause in the LIOA policy. First, Directors

agreed that the "exceptional circumstances" clause in the LIOA policy should focus on natural disasters and a subset of other exogenous shocks, such as large or global shocks. Second, in assessing whether Fund support would be expected to advance normalization of relations with official bilateral creditors and the resolution of the arrears, the Fund's assessment would be based on the debtor's commitment to make good faith efforts toward resolving the arrears and to conduct itself in a way to promote and encourage creditor coordination. Third, Directors expected that the "exceptional circumstances" clause would generally not be satisfied for cases with long-standing arrears. Finally, Directors agreed that no change to the qualification criteria for emergency financing instruments is required. However, they clarified that, where a staff-level agreement has already been reached for an upper-credit-tranche (UCT) program for a member undergoing a debt restructuring but an emergency situation arises that requires the UCT program to be redesigned, redesigning the UCT program may be infeasible in the emergency timeframe. Directors stressed that even in emergency situations, the best course of action in a restructuring remains to work towards a UCT program, and the provision of emergency financing should not undermine any broader effort underway to secure such a program.

Approval in Principle

Directors recognized the continued utility of the Approval in Principle (AIP) as an optional procedural device to bridge engagement gaps when agreement on policies has been reached with the member but financing assurances to restore debt sustainability have not been received. They agreed that a few clarifications to the AIP are warranted in such cases. A decision to approve an arrangement in principle shall specify the date by which the approval would lapse, which would normally be no later than 4 months after approval. A new AIP shall only be permitted once and would normally be subject to a limit of an additional 4 months. The Fund would only approve a new AIP if the financing assurances restoring debt sustainability are likely to be delivered and that the member's economic program is being implemented as agreed and remains on track. Once the financing assurances have been obtained, a second decision of the Executive Board is required to make the arrangement effective, which is normally adopted on a Lapse of Time basis. Directors stressed that, in all

cases, staff should aim to bring a UCT program forward for Executive Board consideration as fast as possible.

Directors agreed that the above policy changes will enter into effect immediately and will apply to all future purchases and disbursements, including under existing arrangements, where the relevant policies apply. They emphasized the need for careful implementation to ensure their effective, transparent and evenhanded application, with a few Directors stressing in particular the need to minimize the risk of increasing the burden on debtor countries.

Directors called for effective communication of the policy changes to all stakeholders, including through the planned Guidance, as well as for adequate support through capacity development and close cooperation with other workstreams, including the Common Framework and the Global Sovereign Debt Roundtable. Directors agreed to maintain the review of the LIOA policy, including the present reforms, on an as-needed basis.

SU/24/53
April 15, 2024

The Acting Chairman's Summing Up—
Reviews of the Fund's Sovereign Arrears Policies and Perimeter,
Executive Board Meeting 22/41, May 4, 2022

Directors welcomed the comprehensive review of the Fund's policy on lending into arrears to private creditors (LIA policy), the Fund's policy on lending into sovereign arrears to official bilateral creditors (LIOA policy), and the Fund's non-toleration of sovereign arrears policy to official bilateral and multilateral creditors.

Directors agreed that, overall, the Fund's arrears policies have worked well in enabling the Fund to proceed with providing financing in cases of arrears. At the same time, they noted that practice in sovereign debt restructuring and the creditor landscape have evolved over the last 20 years and certain updates are in order. Directors agreed that the proposals endorsed today are accurately reflected in the Executive Board understandings in Supplement 2 of SM/22/47 to be issued shortly.[1]

Directors agreed that the LIA policy remains broadly appropriate and agreed with staff's proposed updates to the principles guiding the Fund's assessment of good faith.

- **First**, Directors agreed that debtors would be expected to share "relevant" information, generally aligned with what the member would be required to share under the Debt Limits Policy. They noted that this expectation would replace the earlier two-track approach on confidential and non-confidential information. Directors emphasized, however, that decisions on an adequate macroeconomic framework and the design of the financing plan or the adjustment program that could form the basis for the Fund's lending into arrears will remain in the sole purview of the Fund.

- **Second**, Directors considered that any terms offered to the creditors by the member should be consistent with the parameters of the Fund-supported program.

- **Third**, Directors expected that the debtor should provide clarity on the perimeter of claims that would be subject to the private-sector debt restructuring at the outset of the debt restructuring process.

- **Fourth**, Directors decided to eliminate the expectation that debtors would engage with creditor committees under a "formal negotiating framework" and only "where warranted by the complexity of the case." That said, Directors continued to expect that the debtor would engage with a representative creditor committee or committees.

- **Fifth**, Directors reiterated their support for the use of flexibility in applying the LIA policy in emergency financing cases, in line with the flexibility provided under the LIOA policy.

Directors agreed that the current practice in preemptive restructuring cases remains appropriate and should be codified such that in those cases, the Fund may provide financing only if it has adequate

assurances that such a restructuring will be successful. Such 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. Directors welcomed the recommendation to add an expectation of enhanced transparency and information sharing in preemptive debt restructurings. A number of Directors cautioned against an overly prescriptive codification of the current practice.

With respect to claims held by official bilateral creditors, Directors broadly agreed that the Fund's nontoleration of arrears policy in cases where no official sector involvement is required (non-OSI cases) and the LIOA policy in cases where official sector involvement is required (OSI cases) continues to be appropriate and no amendments are needed. A number of Directors recalled the recent, novel application of the LIOA policy as a source of financing in the context of special circumstances, and emphasized that this approach could not be presumed to ensure debt sustainability outside these circumstances. Regarding the Fund's financing assurances policy, a number of Directors saw merit in conducting a review of the policy noting that it provides a critical safeguard for Fund lending. On the role of the Common Framework (CF), while a few Directors expressed a desire to recognize the CF as a representative standing forum now, most Directors agreed that more experience is needed and welcomed staff's plan to closely monitor the CF's evolution and revert to the Board on whether it emerges as a new representative standing forum.

Directors also concurred that new Fund-supported programs should continue to incorporate the assumption that old OSI-related claims would be restructured in line with the terms stipulated in the original Fund-supported program. Directors agreed that application of the non-toleration of arrears policy with respect to multilaterals has worked well, but the policy needs to be updated to clarify how the policy applies to new international financial institutions (IFIs) and to ensure that the special treatment multilateral creditors receive under the Fund's arrears policy is not diluted. IFIs are defined as international financial institutions with at least two sovereign members (and no non-sovereign member). While many Directors expressed a preference for

staff's original proposal on this issue, which would reduce scope for judgement in this area and provide for more clarity, a number of Directors could not support staff's original proposal. In the end, most Directors went along with the alternative approach set out in the Supplement in light of staff's expectation that implementation of the approach described in the Supplement would not fundamentally differ from that in the original proposal. Therefore, Directors endorsed the following:

- **First**, Fund financing in the face of arrears to the World Bank Group should continue to require an Agreed Plan between the debtor and the World Bank to clear the arrears over a defined period. Fund financing in the face of arrears to any other IFI should continue to require that a Credible Plan be in place in non-OSI cases.

- **Second**, in OSI cases:

• Where the member is in arrears to an IFI, the Fund should judge whether a Credible Plan to resolve such arrears is required as a condition for lending. Factors informing the Fund's judgment in this regard will include: (i) global, rather than regional, membership of the institution; (ii) whether the institution is a regional financing arrangement or a reserve currency union central bank that forms part of the global financial safety net; (iii) the Paris Club's treatment of the institution, (iv) participation of the institution in the Heavily Indebted Poor Countries (HIPC) Initiative, and (v) whether the institution is being excluded from the scope of debt restructuring by official bilateral creditors through a creditor committee based on a representative standing forum recognized under the LIOA policy in the case at hand.

• When arrears are owed to an IFI that is not captured under the above bullet, Directors agreed that the LIOA policy should be expanded to apply to these cases mutatis mutandis. In these cases, the Fund policy will also provide for the flexibility in extraordinary circumstances for emergency financing cases consistent with the LIOA policy.

Directors broadly agreed with staff's restatements of how a Direct Bilateral Claim is defined for purposes of the application of the

Fund's arrears, financing assurances, and debt sustainability policies, with some Directors emphasizing that the Fund's definition should aim to align with the classifications of the World Bank and Paris Club. They also endorsed two amendments with respect to identifying official claims. First, to the extent that the IFI purchases securities in the secondary market as part of the global financial safety net, such claims can be treated as claims subject to the Fund's arrears policies as applicable to IFIs. However, the Fund would rely on the IFI's own representation in this regard. Second, any Direct Bilateral Claims or claims held by IFIs that are contractually part of a pooled voting mechanism with private creditors shall be subject to the LIA policy. Directors asked that staff reports include greater transparency on how staff assessed the perimeter of claims, including when the Fund's classifications differ from that of the Paris Club's. A few Directors called on the Fund to treat central bank swaps with utmost caution, considering its unique characteristics.

The above amendments and restatements will enter into effect immediately and will apply to all future purchases and disbursements (including under existing arrangements), with respect to existing and future arrears.

Directors agreed that the Fund's arrears policies should be reviewed on an as needed basis.

SU/22/65,
May 11, 2022

Consolidated Executive Board Understanding with Respect to Arrears and Financing Assurances in Debt Restructuring Cases, Executive Board Meeting, April 16, 2024

Lending Into Arrears (LIA) Policy

1. Directors concurred that the Fund's policy on lending into arrears to private creditors continues to provide a useful tool enabling the Fund to support a member's adjustment efforts before the member has reached agreement with its private creditors on a debt restructuring. Specifically, Directors agreed that Fund lending into sovereign arrears

to private creditors should continue to be on a case-by-case basis 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.

2. Directors also agreed that Fund lending into non-sovereign arrears stemming from the imposition of exchange controls should continue to be on a case-by-case basis 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, the member is making a good faith effort to facilitate a collaborative agreement between private debtors and their creditors, and a good prospect exists for the removal of exchange controls.

3. With respect to lending into sovereign arrears to private creditors, Directors agreed that greater clarity about the good faith dialogue between a debtor and its creditors during the restructuring process and enhanced debt transparency could help provide better guidance about the application of the Fund's LIA policy and, more generally, promote a better framework for the engagement of debtors and creditors in the restructuring of sovereign debt. Greater clarity concerning the framework for possible debt restructuring would strengthen the capacity of investors to assess recovery values under alternative scenarios, thereby facilitating the pricing of risk and improving the functioning of the capital markets. At the same time, however, Directors stressed the need for continued flexibility in applying the "good faith" criterion to accommodate

the characteristics of each specific case to avoid putting debtors at a disadvantage in the negotiations with creditors; and to avoid prolonged negotiations that could hamper the ability of the Fund to provide timely assistance. Indeed, any clarification of the "good faith" criterion should serve primarily to support the difficult judgments that will continue to have to be made in each case, and should be made operational in a manner that does not impair market discipline.

4. Directors considered that the following principles would strike an appropriate balance between clarity and flexibility in guiding the dialogue between debtors and their private external creditors.

First, when a member has reached a judgment that a restructuring of its debt is necessary, it should engage in an early dialogue with its creditors, which should continue until the restructuring is complete.

Second, the member should share relevant information with all creditors on a timely basis, which would generally be aligned with what the member would be required to share under the Debt Limits Policy and normally include:

- an explanation of the economic problems and financial circumstances that justify a debt restructuring;
- a briefing on the broad outlines of a viable economic program to address the underlying problems and its implications on the broad financial parameters shaping the envelope of resources available for restructured claims; and
- the provision of a comprehensive picture of the outstanding debt stock and its terms, and the proposed treatment of all claims on the sovereign, including those of official bilateral creditors; the perimeter of claims subject to the envisaged debt restructuring; and the elaboration of the basis on which the debt restructuring would restore medium term debt sustainability, bearing in mind that not all categories of claims may need to be restructured.

Third, the member should provide creditors with an early opportunity to give input on the design of restructuring strategies and the design of individual instruments.

Fourth, any terms offered to the creditors by the member should be consistent with the parameters of the Fund-supported program.

5. Although, as a general premise, the form of the dialogue would continue to be left to the debtor and its creditors, under this approach a member in arrears would be expected to initiate a dialogue with its creditors consistent with the principles discussed above. In cases in which creditors have been able to form a representative committee on a timely basis, there would be an expectation that the member would enter into good faith negotiations with this committee, though the unique characteristics of each case would also be considered.

6. Directors stressed that, in going forward with the suggested approach, it would be crucial to strike the appropriate balance between the need to promote effective communication between a debtor and its creditors, and the need to retain flexibility to address the diversity of individual member circumstances.

7. Directors emphasized that in assessing whether the member is making good faith efforts to negotiate, judgments would continue to be required in a number of important areas. These include a consideration of the extent to which creditor committees are sufficiently representative, and whether a reasonable period has elapsed to allow for the formation of representative committees. In the absence of such creditor committees, the member would be expected to engage creditors through a less structured dialogue.

8. Directors viewed the considerations laid out in the staff paper as useful inputs for helping to make such judgments, which would need to be made flexibly. They also noted that to the extent that negotiations become stalled because creditors are requesting terms that are inconsistent with the adjustment and financing parameters that have been established under a Fund-supported program, the Fund should retain the flexibility to continue to support members notwithstanding the lack of progress in negotiations with creditors.

9. Directors recognized that there may be circumstances where, following a default, the debtor enters into good faith discussions with creditors prior to the approval of a Fund arrangement. In these circumstances, creditors are likely to express views as to the appropriate dimensions of the program's adjustment and financing parameters. While such input would be welcome, Directors emphasized that decisions on an adequate macroeconomic framework and the design of the financing plan or the adjustment program that could form the basis for the Fund's lending into arrears will remain in the sole purview of the Fund.

10. Directors recognized that there may be 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. When a judgment has been made that such exceptional circumstances exist, the Fund may provide financing under the Rapid Credit Facility (RCF) or the Rapid Financing Instrument (RFI) despite arrears owed to private 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.

11. All purchases and disbursements made while a member has outstanding arrears to private creditors will continue to be subject to financing assurances reviews, which will provide an opportunity for the Fund to monitor relations between a debtor and its creditors, and for the Board to be kept informed about developments in this area at an early stage.

12. The policy outlined above supersedes all previous policies regarding lending into arrears to private creditors.

Codifying Existing Practice into a Policy in Preemptive Restructuring Cases

13. Directors agreed that the current practice in preemptive restructuring cases remains appropriate. To the extent that the Fund determines

that a contribution from external private creditors in the form of a debt restructuring will be needed to restore debt sustainability, the restructuring should ideally be undertaken before the approval of the Fund arrangement. However, there may be circumstances under which more flexibility is warranted, so that the conclusion of the debt operation is contemplated at a later date, normally, by the first review under the arrangement. In such cases, the Fund may provide financing only if it has adequate assurances that such a restructuring will be successful. Such 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. This judgment will depend on member-specific circumstances, but relevant considerations to inform such judgment may include the engagement of legal and financial advisors by the member, the launching of consultations with creditors, and the design of the debt restructuring strategy, including the terms of the new instruments and use of inducements for creditor participation. Directors welcomed the recommendation to add an expectation that the member would be expected to share relevant information as defined under the LIA policy with all private creditors on a timely basis.

Lending Into Arrears to Official Bilateral Creditors (LIOA) Policy

Directors broadly agreed that the Fund's non-toleration of arrears policy in non-(Official Sector Involvement) OSI cases and the policy on lending into sovereign arrears to official bilateral creditors in OSI cases, covering a three-strand approach, continues to be appropriate, but with adjustments to introduce a fourth strand in the LIOA policy as detailed below. Most Directors agreed that more experience is needed with the Common Framework (CF) and welcomed staff's plan to closely monitor the CF's evolution and revert to the Board on whether it emerges as a new representative standing forum.

14. The LIOA policy is as follows:

Strand 1. If an agreement is reached through the Paris Club or the Common Framework involving the Paris Club that is adequately

representative, the Fund would rely on its current practices—i.e., arrears would be considered eliminated (for purposes of the application of this policy) for both participating and non-participating creditors when financing assurances are received from the Paris Club or the Common Framework involving the Paris Club in anticipation of an Agreed Minute. Should another representative standing forum emerge, the Fund would be open to engaging with such a forum. Directors agreed that Strand 1 should remain the central focus of this policy and should be used whenever it is or becomes available

Strand 2. An official bilateral creditor may choose to consent to Fund financing notwithstanding arrears owed to it. In such cases, the Board would not need to make a judgment as to whether the three criteria in Strand 3 below are satisfied. The Fund would nevertheless continue to encourage the parties to come to an agreement to resolve arrears, since the regularization of arrears is an objective of any Fund-supported program and important for the functioning of the international financial system at large.

Strand 3. In circumstances where an adequately representative agreement has not been reached through the Paris Club, and creditor consent has not been received, the Fund would consider lending into arrears owed to an official bilateral creditor only in circumscribed circumstances where all the following criteria are satisfied:

- Prompt financial support from the Fund is considered essential, and the member is pursuing appropriate policies;
- The debtor is making good faith efforts to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program—i.e., that the absence of an agreement is due to the unwillingness of the creditor to provide such a contribution; and
- The decision to provide financing despite the arrears would not have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.

In applying the above criteria, the Fund will need to exercise judgment based on case-specific circumstances. In exercising this judgment, the Board will be guided by the following considerations:

First, an agreement will be considered "adequately representative" when it provides a majority of the total financing contributions required from official bilateral creditors over the program period. "Contribution" here comprises, and is limited to, debt relief and new financing (e.g., loans, bond financing, guarantees, and grants).

Second, in assessing whether a debtor is acting in good faith, the Fund will consider, inter alia, whether the debtor has approached the creditor to which it owes arrears either bilaterally or through a relevant grouping of official bilateral creditors, recognizing that the latter may take several forms, including ad hoc creditor committees; has offered to engage in substantive dialogue with the creditor and has sought a collaborative process with the creditor to reach agreement; has provided the creditor relevant information on a timely basis consistent with the Fund's policy on confidentiality of information; and has offered the creditor terms that are consistent with the parameters of the Fund-supported program. If the debtor requested terms from an official bilateral creditor that would result in financing contributions that exceeded the requirements of the program it would generally not indicate good faith. Finally, an assessment of the second criterion would also take into consideration the extent to which a creditor is being asked to make a contribution that is disproportionate relative to other official bilateral creditors.

Third, in assessing whether the Fund's decision to lend into arrears owed to an official bilateral creditor would have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases, the Fund will consider the signal that such a decision would send to official bilateral creditors as a group, given the specific circumstances of the case. In particular, this criterion would normally not be satisfied where the creditor or group of creditors that has not reached agreement with the debtor accounts for an adequately representative share, i.e., a majority, of total financing contributions required from official bilateral creditors over the program period, as defined above. Separately, an assessment of whether the third criterion is satisfied would take into consideration the creditor's track record of providing contributions in past debt restructurings under Fund-supported programs, even if the creditor does not account for an adequately representative share of total financing contributions.

Strand 4. The Fund shall seek additional safeguards under this policy for Fund lending where an adequately representative agreement has not been reached through the Paris Club or the Common Framework involving the Paris Club, consent is not forthcoming within 4 weeks of being requested, and the three criteria under Strand 3 cannot be satisfied with respect to an official bilateral creditor. The approach would distinguish the Fund-supported programs with normal access from those with exceptional access under the GRA or the PRGT or high combined access under the GRA and PRGT.

- *In the first case*, the standard safeguards approach would apply (except as noted below). This would require a combination of program design elements including the phasing of access under the arrangement (with an initial purchase or disbursement capped at low access), program conditionality to support the restructuring process where warranted under the Guidelines on Conditionality, and a debtor commitment to good faith efforts to establish additional safeguards for Fund lending.

- *In the second case*, the enhanced safeguards approach would apply, which requires the debtor commitment and conditionality under the standard safeguards approach, and in addition a direct commitment to the Fund by a sufficient set of creditors about their restructuring intentions. Where such a commitment is provided, arrears would be considered eliminated (for purposes of the application of this policy) for both participating and nonparticipating creditors. A sufficient set of creditors requires the participation of any representative standing creditor forum as well as any creditors with significant influence over the debtor. For this purpose, a creditor is considered to have significant influence over the debtor when it has the ability to extract repayment on more favorable terms, inconsistent with program parameters.

The standard safeguards approach will normally be sufficient for normal access cases that fall into Strand 4, but complex cases, involving the prospect of prolonged negotiations or creditor coordination issues, would necessitate a shift to the enhanced safeguards approach would

be warranted. Thus, the Strand 4 approach would shift to enhanced safeguards based on an explicit signal that a creditor or creditor group to which the three criteria in Strand 3 cannot be satisfied either (1) is unwilling to restructure its or their claims in line with program parameters; or (2) views additional support by the Fund to the debtor's effort to coordinate with creditors to be essential. Directors emphasized that it would be important for a Staff Report to transparently and factually explain which creditor(s) requested it, and the reason for a shift under normal access to the enhanced safeguards approach and to limit stigma associated with any request for this shift.

Emergency situations: There may be emergency situations caused by natural disasters and a subset of other exogenous shocks, such as large or global shocks, 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. When a judgment has been made that such exceptional circumstances exist, the Fund may provide financing under the Rapid Credit Facility (RCF) or the Rapid Financing Instrument (RFI) despite arrears owed to official bilateral creditors and without assessing whether the three criteria above have been satisfied or obtaining the creditor's consent. 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 creditors and the resolution of arrears, so that the approval of any subsequent Fund arrangement for the member would again be subject to all three criteria set out above. This assessment would be based on the debtor's commitment to make good faith efforts toward resolving the arrears and to conduct itself in a way to promote and encourage creditor coordination. Directors expected that this "exceptional circumstances" clause would generally not be satisfied for cases with long-standing arrears.

Directors concurred that new Fund-supported programs should continue to incorporate the assumption that old OSI-related claims would be restructured in line with the terms stipulated in the original Fund-supported program. Should new arrears arise due to the exercise of a comparability of treatment clause, such arrears shall be classified as non-OSI, and thus be subject to the Fund's non toleration of arrears policy, regardless of whether an additional debt treatment is required.

International Financial Institutions

15. Directors agreed that application of the non-toleration of arrears policy with respect to multilaterals has worked well, but the policy needs to be updated to clarify how the policy applies to new International Financial Institutions (IFIs) and to ensure that the special treatment multilateral creditors receive under the Fund's arrears policy is not diluted. IFIs are defined as international financial institutions with at least two sovereign members (and no non-sovereign member). While many Directors expressed a preference for staff's original proposal on this issue (in Review of the Fund's Sovereign Arrears Policies and Perimeter, SM/22/47), which would reduce scope for judgement in this area and provide for more clarity, a number of Directors could not support staff's original proposal. In the end, most Directors went along with the alternative approach set out in Supplement 1 in light of staff's expectation that implementation of the approach described in Supplement 1 would not fundamentally differ from that in the original proposal. Therefore, Directors endorsed the following:

First, Fund financing in the face of arrears to the World Bank Group should continue to require an Agreed Plan between the debtor and the World Bank to clear the arrears over a defined period. Fund financing in the face of arrears to any other IFI should continue to require that a Credible Plan be in place in cases where a contribution from the official sector is not required in order to restore debt sustainability (nonOSI cases). In this context, a Credible Plan is a plan that is credible to the Fund, and the creditor's concurrence is not required.

Second, in cases where a contribution from the official sector is required in order to restore debt sustainability (OSI cases):

- Where the member is in arrears to an IFI, the Fund should judge whether a Credible Plan to resolve such arrears is required as a condition for lending. Factors informing the Fund's judgment in this regard will include: (i) global, rather than regional, membership of the institution; (ii) whether the institution is a regional financing arrangement or a reserve

currency union central bank that forms part of the global financial safety net; (iii) the Paris Club's treatment of the institution, (iv) participation of the institution in the Heavily Indebted Poor Countries (HIPC) Initiative, and (v) whether the institution is being excluded from the scope of debt restructuring by official bilateral creditors through a creditor committee based on a representative standing forum recognized under the LIOA policy in the case at hand.

- When arrears are owed to an IFI that does not fall under the previous bullet above, Directors agreed that the LIOA policy should be expanded to apply to these cases mutatis mutandis. In Use of Fund Resources 79 these cases, the Fund policy will also provide for the flexibility in extraordinary circumstances for emergency financing cases consistent with the LIOA policy.

In the latter cases, the Fund would consider lending into arrears owed to an IFI creditor only in circumscribed circumstances where all the following criteria are satisfied:

- Prompt financial support from the Fund is considered essential, and the member is pursuing appropriate policies;

- The debtor is making good faith efforts to reach agreement with the IFI creditor on a contribution consistent with the parameters of the Fund-supported program—i.e., that the absence of an agreement is due to the unwillingness of the creditor to provide such a contribution; and

- The decision to provide financing despite the arrears would not have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.

16. In assessing whether a debtor is acting in good faith, the Fund will consider, inter alia, whether the debtor has approached the IFI creditor to which it owes arrears bilaterally; has offered to engage in substantive dialogue with the IFI creditor and has sought a collaborative process with the creditor to reach agreement; has provided the creditor relevant

information on a timely basis consistent with the Fund's policy on confidentiality of information; and has offered the creditor terms that are consistent with the parameters of the Fund-supported program. If the debtor requested terms from an IFI creditor that would result in financing contributions that exceeded the requirements of the program it would generally not indicate good faith.

17. In assessing whether the Fund's decision to lend into arrears owed to an IFI creditor would have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases, the Fund will consider the signal that such a decision would send to IFI creditors, or to official creditors more generally, as a group, given the specific circumstances of the case.

18. An IFI creditor may choose to consent to Fund financing notwithstanding arrears owed to it. Such consent could be conveyed to the Fund either through an Executive Director designated by the IFI or an authorized executive of the IFI to the Managing Director. In such cases, the Executive Board would not need to make a judgment as to whether the three criteria above are satisfied. The Fund would nevertheless continue to encourage the parties to come to an agreement during the program, since the regularization of arrears is an objective of any Fund-supported program and important for the functioning of the international financial system at large.

19. So long as arrears to IFI creditors remain outstanding, purchases or disbursements will be subject to a financing assurances review where the Executive Board will verify that all three criteria are satisfied and the policy continues to be met for the further use of the Fund's resources in the member's circumstances.

Financing Assurances Reviews

20. Directors also supported strengthening financing assurances reviews under the LIOA and LIA policies, while external arrears remain unresolved, and introducing financing assurances reviews both in cases where arrears are deemed away under Strands 1 and 4 under the LIOA policy and in preemptive restructuring cases needed to restore debt sustainability involving official bilateral creditors until the needed

restructuring is complete. Financing assurances reviews would continue to provide the Fund with the opportunity to assess continued compliance with the applicable arrears and financing assurances policies, whether the members adjustment efforts are undermined by developments in debtor and creditor relations, and whether, in light of progress, the debt situation does not undermine the restoration of the members medium-term external viability and its capacity to repay the Fund.

21. Directors agreed that in these cases, requests for new Fund financing should lay out the expected steps and schedule for the restructuring process in an indicative way. Subsequent reviews should detail progress against that schedule taking into account all developments to determine whether the restructuring remains on track to ensure that overall program objectives are met. Directors called for transparency in the staffs assessment on the consistency of debt restructuring plans with program parameters. Directors further support the proposal that financing assurances reviews should more explicitly assess whether the Fund still has appropriate safeguards to proceed with the financing in light of progress with the restructuring or needs to introduce additional safeguards. They stressed that such additional safeguards should be introduced in a manner well tailored to the situation and reason for any delay, and that a clear signal about a creditors unwillingness to restructure would motivate a shift to enhanced safeguards.

Form of Financing Assurances

22. For restructuring cases where financing assurances need to be obtained from official bilateral creditors namely, preemptive cases and Strand 1 and 4 of the LIOA policy Directors agreed that such assurances could be obtained through the Funds assessment that a credible official creditor process (COCP) is underway. Directors stressed the need for clear guidance on the criteria that the assessment could be built on. In this context they noted that each creditor would need to establish a robust track record in delivering timely and successful debt restructurings on which the Fund could base its understanding of the process, key decisionmakers involved, and the expected timeframe for the completion of the debt restructuring, such that an assessment could be made that the key stage had been reached that would provide

the Fund with the necessary assurances. They also noted that, in the absence of sufficient information or a robust track record to make such an assessment, required financing assurances could continue to be satisfied by specific and credible assurances on debt relief/financing. Directors stressed that it would be important that assessments of COCP be made in a transparent, evenhanded, and fair manner with enough granularity and robust evidence to allow the Board to make this delicate judgment. Directors agreed that the process of establishing a track record for each of the non-PC creditors processes could in principle move broadly at the same speed, since any restructuring case typically involves multiple non-PC creditors.

Directors endorsed the proposal that, in pre-emptive cases, financing assurances would only be sought from a sufficient set of creditors, as defined under the enhanced safeguards approach under Strand 4 of the LIOA policy. Directors agreed that the policy for pre-emptive restructuring cases for private creditors remains unchanged.

Perimeter

23. For the purpose of determining the application of the Fund's arrears, financing assurances and debt sustainability policies, Directors broadly agreed with the approach proposed by staff.

24. Specifically, Direct Bilateral Claims will continue to be defined as those claims that are (a) held by a government, or an agency acting on behalf of a government; and (b) originate from an underlying transaction where the creditor government, or an agency acting on behalf of the government, provided or guaranteed financing to the debtor member.

25. In operationalizing this definition, Directors supported using the creditor member's budgetary process to determine which entities form part of the creditor government. For entities that fall outside the government, a case-by-case analysis, taking into account the totality of the circumstances, would continue to be required to determine whether the entity is "acting on behalf of the government." Directors recognized that secondary market purchases of claims by official

bilateral creditors would not qualify as Direct Bilateral Claims, as they would not directly extend financing to the debtor member.

26. Directors endorsed two amendments to the classification of official claims: First, to the extent that the IFI purchases securities in the secondary market as part of the global financial safety net, such claims can be treated as claims subject to the Fund's arrears policies as applicable to IFIs; however, the Fund would rely on the IFI's own representation in this regard. Second, any Direct Bilateral Claims or claims held by IFIs that are contractually part of a pooled voting mechanism with private creditors shall be subject to the LIA policy.

Approval in Principle

27. Directors recognized the continued utility of the Approval in Principle (AIP) as an optional procedural device to bridge engagement gaps when agreement on policies has been reached with the member but financing assurances to restore debt sustainability have not been received. They agreed that a few clarifications to the AIP are warranted in such cases. A decision to approve an arrangement in principle shall specify the date by which the approval would lapse, which would normally be no later than four months after approval. A new AIP shall only be permitted once and would normally be subject to a limit of an additional four months. The Fund would only approve a new AIP if the financing assurances restoring debt sustainability are likely to be delivered, and if the member's economic program is being implemented as agreed and remains on track. Once the financing assurances have been obtained, a second decision of the Executive Board is required to make the arrangement effective, which is normally adopted on a Lapse of Time basis. Directors stressed that, in all cases, staff should aim to bring a UCT-quality program forward for Executive Board consideration as fast as possible.

Effectiveness

28. The above amendments and new policies will enter into effect immediately and will apply to all future purchases and disbursements (including under existing arrangements) where relevant policies apply.

Reviews of the Arrears Policies

29. Directors agreed that the Fund's arrears policies should be reviewed on an as needed basis.

SM/22/47, Supplement 2, Annex I,
May 13, 2022,
as amended by SM/24/65, Supplement 3, Annex II,
April 16, 2024

Summing Up by the Chairman—
Fund Involvement in the Debt Strategy,
Executive Board Meeting 89/61, May 23, 1989

…

In discussing financing assurances, Executive Directors reaffirmed the basic objectives of the Fund's policy--ensuring that the program is fully financed; that the financing is consistent with a return to viability and with the ability of the member to repay the Fund; that there is fair burden sharing; and that the program, if appropriately implemented and supported, would contribute to the maintenance or reestablishment of orderly relations between the member and its creditors.

Nevertheless, Directors agreed that there is a need for cautious adaptation of the Fund's policy in light of the changed financial environment and the possibility that in some cases significant time may be needed for banks and the member to agree on an appropriate financing package. In such circumstances, the Fund would on a case-by-case basis approve an arrangement outright before the conclusion of such negotiations, provided that prompt Fund support is judged essential for program implementation, that negotiations between the member and its bank creditors have begun, and that it can be expected that a financing package consistent with external viability will be agreed within a reasonable period of time. Management would continue to consult with Executive Directors at an early stage in such cases. Progress in the negotiations with bank creditors would be closely monitored, and any unforeseen development brought to the Board's attention. When circumstances

warrant, the practice of seeking a critical mass, as well as the possibility of approving an arrangement in principle, would remain valid.

Directors stressed that in promoting orderly financial relations, every effort must be made to avoid arrears, which could not be condoned or anticipated by the Fund in the design of programs. Nevertheless, an accumulation of arrears to banks may have to be tolerated where negotiations continue and the country's financing situation does not allow them to be avoided. Directors emphasized that appropriate safeguards would need to be incorporated into the monitoring procedures of the Fund arrangement. The Fund's policy of nontoleration of arrears to official creditors remains unchanged. The debtor member would be expected to continue to treat creditors on a nondiscriminatory basis. Directors agreed that while negotiations with bank creditors were continuing, the situation would need to be monitored closely. Performance criteria would be quarterly. A review of progress in the negotiations would be scheduled at an appropriate time and, normally, before the second disbursement.

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BUFF 89/89
May 23. 1989

The Chairman's Summing Up—
Reforming the Fund's Policy on Non-toleration of
Arrears to Official Creditors,
Executive Board Meeting 15/113, December 8, 2015

Executive Directors welcomed today's discussion of proposed reforms to the Fund's policy on non-toleration of arrears to official bilateral creditors, one of the issues under the sovereign debt restructuring work program that was endorsed by the Executive Board in May 2013. They reiterated that the other three work streams—reforming the Fund's lending framework, strengthening the contractual approach to address collective action problems, and reviewing the Fund's lending-into-arrears policy—also remain critical to facilitate timely and orderly sovereign debt restructurings where these are necessary, thereby minimizing the associated costs for debtors, creditors, and the international financial system.

Directors noted that the changing landscape for official finance warrants a review of the Fund's policy on non-toleration of arrears to ensure that, where a restructuring is deemed necessary, collective action among official bilateral creditors is encouraged and the provision of Fund support is not held up by the unwillingness of hold-out creditors to join an effort that is supported by an adequately representative group of creditors. Directors recognized that prompt provision of support maximizes the value of creditors' claims (or minimizes their losses) and maintains the debtor's capacity to service its debt. They underscored that the reform proposal does not alter the current practices whereby the terms of debt treatment offered to official bilateral creditors have typically been more favorable than those received by private creditors. They also stressed that the proposal does not imply any increase in the frequency with which official bilateral creditors may be called upon to restructure their claims in future cases.

Directors highlighted that the financing that official bilateral creditors provide during crises is often critical for the success of Fund-supported programs. They emphasized, therefore, the importance of minimizing instances of arrears to official bilateral creditors. They concurred that any decision to provide financing despite the arrears should be based on a determination that it would not have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases. Directors underlined the need to strike an appropriate balance between the Fund's ability to provide timely support while maintaining important safeguards for official bilateral creditors.

In light of the above considerations, nearly all Directors endorsed the following revision to the policy on non-toleration of arrears to official bilateral creditors:

> If an agreement is reached through the Paris Club that is adequately representative, the Fund would rely on its current practices—i.e., arrears would be considered eliminated (for purposes of the application of this policy) for both participating and non-participating creditors when financing assurances are received from the Paris Club in anticipation of an Agreed Minute. Should another representative standing forum emerge, the Fund would be open to engaging with such a forum.

In circumstances where an adequately representative agreement has not been reached through the Paris Club, the Fund would consider lending into arrears owed to an official bilateral creditor only in circumscribed circumstances where all the following criteria are satisfied:

- Prompt financial support from the Fund is considered essential, and the member is pursuing appropriate policies;
- The debtor is making good faith efforts to reach agreement with the creditor on a contribution consistent with the parameters of the Fund-supported program—i.e., that the absence of an agreement is due to the unwillingness of the creditor to provide such a contribution; and
- The decision to provide financing despite the arrears would not have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.

In applying the above criteria, the Fund will need to exercise judgment based on case-specific circumstances. In exercising this judgment, the Board will be guided by the following considerations:

First, an agreement will be considered "adequately representative" when it provides a majority of the total financing contributions required from official bilateral creditors over the program period. "Contribution" here comprises, and is limited to, debt relief and new financing (e.g. loans, bond financing, guarantees, and grants).

Second, in assessing whether a debtor is acting in good faith, the Fund will consider, inter alia, whether the debtor has approached the creditor to which it owes arrears either bilaterally or through a relevant grouping of official bilateral creditors, recognizing that the latter may take several forms, including ad hoc creditor committees; has offered to engage in substantive dialogue with the creditor and has sought a collaborative process with the creditor to reach agreement; has provided the creditor relevant information on a timely basis consistent with the Fund's policy on confidentiality of information; and has offered the creditor terms that are consistent with the parameters of the Fund-supported program. If

the debtor requested terms from an official bilateral creditor that would result in financing contributions that exceeded the requirements of the program it would generally not indicate good faith. Finally, an assessment of the second criterion would also take into consideration the extent to which a creditor is being asked to make a contribution that is disproportionate relative to other official bilateral creditors.

Third, in assessing whether the Fund's decision to lend into arrears owed to an official bilateral creditor would have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases, the Fund will consider the signal that such a decision would send to official bilateral creditors as a group, given the specific circumstances of the case. In particular, this criterion would normally not be satisfied where the creditor or group of creditors that has not reached agreement with the debtor accounts for an adequately representative share, i.e., a majority, of total financing contributions required from official bilateral creditors over the program period, as defined above. Separately, an assessment of whether the third criterion is satisfied would take into consideration the creditor's track record of providing contributions in past debt restructurings under Fund-supported programs, even if the creditor does not account for an adequately representative share of total financing contributions.

An official bilateral creditor may choose to consent to Fund financing notwithstanding arrears owed to it. In such cases, the Board would not need to make a judgment as to whether the three criteria above are satisfied. The Fund would nevertheless continue to encourage the parties to come to an agreement during the program, since the regularization of arrears is an objective of any Fund-supported program and important for the functioning of the international financial system at large.

There may be 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. When a judgment has been made that such exceptional circumstances

exist, the Fund may provide financing under the Rapid Credit Facility (RCF) or the Rapid Financing Instrument (RFI) despite arrears owed to official bilateral creditors and without assessing whether the three criteria above have been satisfied or obtaining the creditor's consent. 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 creditors and the resolution of arrears, so that the approval of any subsequent Fund arrangement for the member would again be subject to all three criteria set out above.

This policy will enter into effect immediately and will apply to all future purchases or disbursements (including under existing arrangements), with respect to existing and future arrears. Further, so long as unresolved arrears owed to official bilateral creditors are outstanding, every purchase or disbursement made available after the approval of the arrangement will be subject to a financing assurances review by the Board and verification that all three criteria are satisfied to determine whether this policy continues to be met for the further use of the Fund's resources in the member's circumstances.

In supporting the reform proposal, many Directors expressed the view that it would be important to preserve comparability of treatment across official creditors. Some Directors also stressed that Fund financing in emergency cases under the RCF or the RFI without an assessment of whether the three criteria have been satisfied is expected to be rare and limited to a small sub-set of cases.

Notwithstanding their general support of the proposal, a few Directors expressed some reservations about the term "normally" used in the third criterion above, noting the risk that it may be applied in a manner that is not consistent with the principle of uniformity of treatment. In this regard, Directors agreed that any evaluation of this criterion in these abnormal circumstances should be in line with the Fund's mandate and based exclusively on a determination as to whether the Fund's decision to provide financing despite the arrears would have an undue negative effect on the Fund's ability to mobilize official financing packages in future cases.

A few Directors raised concerns that the reform may not provide adequate protection to official bilateral creditors vis-à-vis private

creditors. Directors were generally satisfied, however, that the policy preserves important differential safeguards for official bilateral creditors, including the requirement that the third criterion be satisfied.

Directors agreed that, given the importance of this policy change, and depending on the complexity and number of cases that arise, the policy may need to be reviewed within a relatively short period, namely, two to three years.

BUFF/15/107,
December 9, 2015

Summing Up by the Acting Chairman—Fund Policy on Arrears to Private Creditors—Further Considerations, Executive Board Meeting 99/64, June 14, 1999

Directors welcomed the opportunity to reexamine the criteria set out earlier for Fund lending into arrears to private creditors stemming from sovereign defaults and from the imposition of exchange controls that lead to an interruption in debt-service payments by nonsovereign borrowers.

Directors emphasized that the modification of the financing assurances and arrears policies to permit lending into arrears is an adaptation of existing policies to changing circumstances, and is intended to reinforce the Fund's ability to promote effective balance of payments adjustment while providing adequate safeguards for the use of the Fund's resources.

Directors concurred that the criteria set out earlier for the case of sovereign arrears may be too restrictive and could lead to instances in which creditors particularly bondholders could exercise a de facto veto over Fund lending. They also considered that the criteria set out earlier for the case of nonsovereign arrears are too restrictive, as they may not take adequate account of the possibility that, even when both creditors and debtors are willing to participate in collaborative negotiations, the process of debt renegotiation may be protracted. Directors noted that in the case of nonsovereign arrears to private creditors, it would be important to ensure that appropriate steps are taken to protect creditors' interests. One suggestion to staff in this regard was

to consider the establishment of an escrow account into which debt-service payments in local currency to nonresident creditors would be made. Against the background of variations in institutional arrangements and members' capacity, however, Directors considered that it would be difficult to specify as a criterion for lending into nonsovereign arrears the implementation of specific mechanisms to protect creditors' interests; instead, this judgment would need to be made on a case-by-case basis.

Directors agreed that Fund lending into sovereign arrears to private creditors (including bondholders and commercial banks) should be on a case-by-case basis 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.

Directors agreed that Fund lending into nonsovereign arrears stemming from the imposition of exchange controls should be on a case-by-case basis 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, is making a good faith effort to facilitate a collaborative agreement between private debtors and their creditors, and a good prospect exists for the removal of exchange controls.

In both cases, all purchases by the member would be subject, as provided at present, to financing reviews to bring developments at an early stage to the attention of the Executive Board, and to provide an opportunity for the Board to consider whether adequate safeguards remain in place for further use of the Fund's resources in the member's circumstances. Specifically, such reviews would provide a basis to assess whether the member's adjustment efforts

are considered to be undermined by developments in creditor-debtor relations.

Directors noted that the policy outlined above supersedes all previous policies regarding lending into arrears to private creditors.

Finally, Directors noted that it would be important to monitor experience with lending into arrears and to keep the policy outlined above under review, so as to ensure that it achieves its objectives.

BUFF/99/71,
June 18, 1999

The Acting Chair's Summing Up—Fund Policy on Lending into Arrears to Private Creditors—Further Consideration of the Good Faith Criterion, Executive Board Meeting 02/92, September 4, 2002

Directors agreed that the Fund's policy on lending into sovereign arrears to private creditors continues to provide a useful tool enabling the Fund to support a member's adjustment efforts before it has reached agreement with its private creditors on a debt restructuring. The pillars of this policy are first, that the timely support of the member's adjustment program is considered essential to help limit the scale of economic dislocation and preserve the economic value of investors' claims; and second, that the debtor engages its creditors in an early and constructive dialogue to help secure a reasonably timely and orderly agreement that would help the country regain external viability.

Directors welcomed the opportunity to review the application of the criterion requiring a member to make good faith efforts to reach a collaborative agreement with its creditors, in light of the experience with bond restructurings since the introduction of the "good faith" criterion in 1999. They observed that this experience, although limited, suggests that notwithstanding the ability of debtors to reach restructuring agreements with their creditors, the restructuring processes have in some cases been protracted, reflecting the complexity of each individual case, as well as different perspectives and concerns among debtors and creditors.

Against this backdrop, Directors agreed that greater clarity about the good faith dialogue between a debtor and its creditors during the restructuring process could help provide better guidance about the application of the lending into arrears policy and, more generally, promote a better framework for the engagement of debtors and creditors in the restructuring of sovereign debt. Greater clarity concerning the framework for possible debt restructuring would strengthen the capacity of investors to assess recovery values under alternative scenarios, thereby facilitating the pricing of risk and improving the functioning of the capital markets. At the same time, however, Directors stressed the need for continued flexibility in applying the "good faith" criterion to accommodate the characteristics of each specific case; to avoid putting debtors at a disadvantage in the negotiations with creditors; and to avoid prolonged negotiations that could hamper the ability of the Fund to provide timely assistance. Indeed, any clarification of the "good faith" criterion should serve primarily to support the difficult judgments that will continue to have to be made in each case, and should be made operational in a manner that does not impair market discipline.

Directors considered that the following principles would strike an appropriate balance between clarity and flexibility in guiding the dialogue between debtors and their private external creditors.

- First, when a member has reached a judgment that a restructuring of its debt is necessary, it should engage in an early dialogue with its creditors, which should continue until the restructuring is complete.
- Second, the member should share relevant, non-confidential information with all creditors on a timely basis, which would normally include:
    - an explanation of the economic problems and financial circumstances that justify a debt restructuring;
    - a briefing on the broad outlines of a viable economic program to address the underlying problems and its implications on the broad financial parameters shaping the envelope of resources available for restructured claims; and

- the provision of a comprehensive picture of the proposed treatment of all claims on the sovereign, including those of official bilateral creditors, and the elaboration of the basis on which the debt restructuring would restore medium-term sustainability, bearing in mind that not all categories of claims may need to be restructured.
- Third, the member should provide creditors with an early opportunity to give input on the design of restructuring strategies and the design of individual instruments.

In discussing the various approaches that would best clarify the content of a member's good faith efforts in the context of the lending into arrears policy, Directors emphasized that the modalities guiding the debtor's dialogue with its creditors will need to be tailored to the specific features of each individual case. Most Directors considered that the third approach suggested in the staff paper for refining the good faith criterion provides an appropriate basis for the implementation of the Fund's policy, while retaining sufficient flexibility to address the diversity of individual situations. Although, as a general premise, the form of the dialogue would be left to the debtor and its creditors, under this approach a member in arrears would be expected to initiate a dialogue with its creditors prior to agreeing on a Fund-supported program consistent with the principles discussed above. In cases in which an organized negotiating framework is warranted by the complexity of the case and by the fact that creditors have been able to form a representative committee on a timely basis, there would be an expectation that the member would enter into good faith negotiations with this committee, though the unique characteristics of each case would also be considered. This formal negotiating framework would include, inter alia, the sharing of confidential information needed to enable creditors to make informed decisions on the terms of a restructuring (subject to adequate safeguards), and the agreement to a standstill on litigation during the restructuring process by creditors represented in the committee. By the same token, in less complex cases, where creditors have not organized a representative committee within a reasonable period, or where for other reasons a formal negotiation framework would not be effective, the member would be

expected to engage creditors through a less structured dialogue. Directors stressed that, in going forward with the suggested approach, it would be crucial to strike the appropriate balance between the need to promote effective communication between a debtor and its creditors, and the need to retain flexibility to address the diversity of individual country circumstances.

Directors discussed a variety of factors that would need to be considered in making the proposed framework operational. They emphasized that in assessing whether the member is making good faith efforts to negotiate, judgments would continue to be required in a number of important areas. These include a consideration of the complexity of the restructuring case, the extent to which a creditor committee is sufficiently representative, and whether a reasonable period has elapsed to allow for the formation of a representative committee. Directors viewed the considerations laid out in the staff paper as useful inputs for helping to make such judgments, which would need to be made flexibly. They also noted that to the extent that negotiations become stalled because creditors are requesting terms that are inconsistent with the adjustment and financing parameters that have been established under a Fund-supported program, the Fund should retain the flexibility to continue to support members notwithstanding the lack of progress in negotiations with creditors. In this connection, it was stressed that decisions on an adequate macroeconomic framework that could form the basis for the Fund's lending into arrears will remain in the sole purview of the Fund.

Directors recognized that there may be circumstances where, following a default, the debtor enters into good faith discussions with creditors prior to the approval of a Fund arrangement. In these circumstances, creditors are likely to express views as to the appropriate dimensions of the program's adjustment and financing parameters. While such input would be welcome, Directors emphasized that it would be inappropriate for private creditors to be given a veto over the design of the financing plan or the design of the adjustment program.

All purchases made while a member has outstanding arrears to private creditors will continue to be subject to financing reviews, which will provide an opportunity for the Fund to monitor relations between a debtor and its creditors, and for the Board to be kept informed

about developments in this area at an early stage. Going forward, a number of Directors also underscored the importance of strengthening debtor-creditor dialogue in good times, as this will provide a good base for advancing the required negotiation framework in times of stress.

BUFF/02/142,
September 9, 2001

FUND'S POLICY ON LENDING INTO ARREARS

…

5. The Fund decides that the deadline for the next review of the Fund's policy on lending into arrears prescribed by Decision No. 13814-(06/98), adopted November 15, 2006, shall be extended to end-December 2008. (SM/07/394, 12/21/07)[1]

Decision No. 14036-(08/01),
December 27, 2007

Summing Up by the Chairman—Management of the Debt Situation, Executive Board Meeting 91/48, April 3, 1991

…

Turning to the modalities of Fund support for debt operations, Directors saw no need for substantial modifications to the guidelines which, implemented in close collaboration with the World Bank, continue to provide the required versatility. They noted, however, the need to strengthen existing safeguards to ensure that linkages to Fund arrangements in commercial bank agreements do not adversely affect the interests of member countries or the Fund. In this regard, they observed that " condition precedent" clauses, linking bank disbursements to purchases from the Fund, should be discouraged where feasible and accepted only when necessary to obtain satisfactory bank financing agreements in concerted financing cases. In addition, they stressed that "mandatory prepayment" clauses in future bank

[1] Decision No. 14235-(09/1), December 31, 2008, provided that reviews of the Fund's policy of lending into arrears shall have no deadline; they are to be completed "as needed" as defined in the Streamlining Decision.

agreements should be structured so as clearly to avoid linking bank prepayments to early repurchases made pursuant to expectations or obligations established by the Fund. Directors emphasized that these safeguards should be taken into account by member countries as early as possible in their negotiations with bank creditors. In that connection, a number of Directors observed that debtors and creditors should be aware of what the Fund can accept and, in the same vein, that members should inform the staff at an early stage, and well ahead of agreement with bank creditors, about envisaged linkages to Fund arrangements in bank packages.

BUFF/91/65
April 5, 1991

The Acting Chairman's Summing Up on the Role of the Fund in the Settlement of Disputes Between Members Relating to External Financial Obligations, Executive Board Meeting 84/99, June 22, 1984

…

There was a strong consensus on three general matters relating to the use of the Fund's good offices. First, in the light of the Fund's primary responsibilities concerning the international monetary system and of its specific authority under the Articles to provide financial and technical services, management and staff should stand ready to use their good offices in helping members engaged in a particular dispute over an external financing obligation. Second, such good offices should, however, be limited in scope and frequency, although in that connection there were differences in emphasis among Directors. Some felt that the Fund should be more active, others that the Fund must be quite cautious. In short, the use of good offices should be consistent with available resources and should be substantially technical. Third, all Directors attached great importance to the Fund's remaining neutral in issues of debt dispute. It should be clearly understood that the Fund's good offices were meant to bring the parties to a dispute together. Fourth, there was agreement that the

Fund should act in such cases only if both parties wished to have the Fund provide its good offices.

BUFF/84/107
August 13, 1984

Access Policy

2024 Comprehensive Review of General Resources Account Access Limits Adjustments to Limits on Overall Access to the Fund's General Resources, and of PLL, FCL, SLL, and RFI Access Limits, and of Other Quota-Based Thresholds Upon Satisfaction of General Conditions for Effectiveness of Quota Increases Under the 16th General Review of Quotas

1. The annual limit of 200 percent of quota and the cumulative limit of 600 percent of quota specified in Paragraph 2 of Decision No. 14064-(08/18), as amended, shall be reduced to 135 percent of quota and 405 percent of quota, respectively.

2. The limits specified in the decision on Precautionary and Liquidity Line (PLL) Arrangements, Decision No. 15017-(11/112), adopted November 21, 2011, as amended (PLL Decision) shall be reduced as follows:

(i) The cumulative cap of 600 percent of quota specified in Paragraph 4(a) of the PLL Decision and in paragraph 4 of Decision No. 14064-(08/18), as amended, shall be reduced to 405 percent of quota.

(ii) The annual access limit at approval of 300 percent of quota specified in Paragraph 4(b) of the PLL Decision shall be reduced to 202.5 percent of quota.

(iii) The per arrangement limit of 150 percent of quota applicable to six-month PLL arrangements specified in paragraphs 4(c)(i) and 4 (c)(ii) of the PLL Decision shall be reduced to 101.25 percent of quota and the per arrangement limit of 300

percent of quota applicable to six-month PLL arrangements in exceptional circumstances specified in paragraph 4(c)(ii) of the PLL Decision shall be reduced to 202.5 percent of quota.

(iv) The cumulative access cap of 300 percent of quota for 6-month PLL arrangements specified in paragraph 4(c)(iii) of the PLL Decision shall be reduced to 202.5 percent of quota.

3. The reference to 600 percent of quota in Paragraph 6(a)(iii) of Decision No. 14283-(09/29) adopted March 24, 2009, as amended (FCL Decision) shall be changed to 405 percent of quota.

4. The reference to 200 percent of the member's quota in Paragraph 4 of the decision on Short-Term Liquidity Line (SLL) Arrangements, Decision No. 16747-(20/43), adopted April 15, 2020 (SLL Decision), shall be changed to 135 percent of quota.

5. The limits specified in Decision No. 15015-(11/112), adopted November 21, 2011, as amended (the RFI Decision), shall be reduced as follows:

(i) The annual limit of 50 percent of quota and the cumulative limit of 100 percent of quota specified in Paragraph 5 shall be reduced to 35 and 70 percent of quota, respectively.

(ii) The annual limit of 80 percent of quota and the cumulative limit of 133.3 percent of quota specified in Paragraph 5(B) of the RFI Decision, with regard to the Large Natural Disaster window, shall be reduced to 55 and 90 percent of quota, respectively.

(iii) The cumulative access limit of 125 percent of quota specified in Paragraph 5(C) of the RFI Decision, for members that made purchases under the Food Shock window, shall be reduced to 87.5 percent of quota.

6. The threshold of 200 percent of quota specified in Paragraph 1(a) of Decision No. 13454-(05/26), adopted March 14, 2005, as amended (the Post Financing Assessment Decision) shall be reduced to 135 percent of quota.

7. The threshold of 150 percent of quota specified in Paragraph 1(c) of Decision No. 14747-(10/96), adopted September 28, 2010, as amended (the decision on Article IV Consultation Cycles), shall be reduced to 100 percent of quota.

8. The access threshold of 200 percent of quota above which FCL users are required to articulate exit strategies as specified in SU/23/141 of October 4, 2023, shall be reduced to 135 percent of quota.

9. A reduction in access limits in accordance with paragraph 1 above shall not cause a member to be subject to the exceptional access policy specified in Decision No. 14064-(08/18), as amended, if that member was not subject to the exceptional access policy before the access limits were reduced. Notwithstanding this, the exceptional access policy shall apply if, following the reduction in access limits, the Executive Board approves access to the Fund's General Resources Account (i) under a new arrangement, (ii) through an augmentation of access under an arrangement that was in place prior to such Executive Board determination, or (iii) through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits in place at that time.

10. A reduction in the thresholds for High Combined GRA and PRGT Credit Exposures resulting from a reduction in access limits in accordance with paragraph 1 above shall not cause members to be subject to the policy safeguards for high combined GRA and PRGT exposures set forth in Decision No. 16873-(20/91), as amended, if they were not, as of that time, subject to such policy safeguards. Notwithstanding this, the policy safeguards for high combined GRA and PRGT exposures shall apply if, following the reduction in thresholds, the Executive Board approves access to financing under the GRA and/or the PRGT

(i) under a new arrangement,

(ii) through an augmentation of access under an arrangement that was in place prior to the Executive Board determination on the observance of the above-mentioned conditions, or

(iii) through an outright purchase under the RFI or RCF, in an amount that would cause the member to exceed the High Combined GRA and PRGT Credit thresholds in place at that time.

11. Paragraphs 1 to 10 of this Decision will become effective when the Executive Board determines that the general conditions for the effectiveness of quota increases under the Sixteenth General Review of Quotas specified in paragraph 3 of the Board of Governors Resolution No. 79-1 (December 15, 2023) have been met (hereinafter the Executive Board Determination) provided that (a) The respective lower access limits for Precautionary and Liquidity Line Arrangements and Short-Term Liquidity Line Arrangements specified in paragraphs 2 and 4 of this Decision and (b) the lower access thresholds under Flexible Credit Line Arrangements specified in paragraphs 3 and 8 of this Decision will apply to (i) new arrangements and augmentations of access under existing arrangements that are approved after the above-mentioned Executive Board Determination and provided further that the lower access limits under the Rapid Financing Instrument will apply to new purchases approved after such Executive Board Determination. (SM/24/293, Sup. 3, 12/16/24)

Decision No. 17887-(24/119),
December 17, 2024

2024 Comprehensive Review of General Resources Account Access Limits—Adjustment of Resilience and Sustainability Trust Quota-Based Limits, Caps, and Norms Upon Satisfaction of General Conditions for Effectiveness of Quota Increases Under the 16th General Review of Quotas

1. The percentage of quota specified in Section II, paragraphs 1(b)(8) and 1(b)(9)(iii), of the Instrument to Establish the Resilience and Sustainability Trust (attached to Decision No. 17231-(22/37), adopted April 13, 2022, as amended), with regard to limit on the phasing of disbursements made available at a single review under a Resilience and Sustainability Facility arrangement, shall be changed from 50 percent to 35 percent of quota.

2. The percentage of quota specified in Section II, paragraph 2(a) of the Instrument to Establish the Resilience and Sustainability Trust and referenced in SU/22/56 of April 13, 2022, with regard to the cap on overall access to the resources of the Resilience and Sustainability Trust shall be changed from 150 percent to 100 percent of quota.

3. The percentage of quota referred to SU/22/56 and SU/24/71, with regard to the access norm for RSF arrangements, shall be changed from 75 percent to 50 percent of quota.

4. Paragraphs 1 to 3 of this decision will become effective when the Executive Board determines that the general conditions for the effectiveness of quota increases under the Sixteenth General Review of Quotas specified in paragraph 3 of the Board of Governors Resolution No. 79-1 (December 15, 2023) have been met and will apply to (i) new RSF arrangements and (ii) new augmentations of access under existing RSF arrangements, that are approved following the above-mentioned Executive Board determination. (SM/24/293, Sup. 3, 12/16/24)

Decision No. 17888-(24/119),
December 17, 2024

The Acting Chair's Summing Up—
Extension of Temporary Increase in Normal Access Limits
Under the General Resources Account,
Executive Board Meeting 24/22 March 4, 2024

Executive Directors supported the staff proposal to extend until end-2024 the temporary increase in the annual and cumulative limits on overall access to Fund resources in the General Resources Account (GRA). The annual access limit in the GRA will continue to be set at 200 percent of a member's quota and the cumulative access limit at 600 percent of quota. Directors noted that since the GRA access limits were increased in March 2023, the economic recovery has continued and inflation has receded in some countries, but the global outlook remains weak and uncertain, with risks especially elevated for vulnerable emerging market economies.

Directors stressed that access limits are key elements of the Fund's risk management framework, providing an important safeguard to Fund resources. Increased access limits should not automatically imply higher access for a member. Access would continue to be determined by rigorous assessments informed by standard access policy criteria, including the size of the balance of payments need, the strength of program policies, the country's record of using Fund resources, debt sustainability, and capacity to repay the Fund, as well as the catalytic role of Fund financing. Directors also emphasized the importance of enhanced scrutiny and additional safeguards for exceptional access cases.

Most Directors considered that maintaining the higher limits through end-2024 would help avoid large swings in SDR nominal values of access limits in the context of their erosion against key metrics, pending the comprehensive review of access limits in the second half of the year. Directors noted that the impact of the proposed extension of higher access limits on the Fund's liquidity and on the demand for Fund resources is expected to be limited, although subject to uncertainty. In this context, they recommended close monitoring of liquidity and credit developments and the impact on the Fund's precautionary balances. Directors concurred with the proposed transitional rules for exceptional access and for the High Combined GRA and PRGT (Poverty Reduction and Growth Trust) credit exposure policy safeguards (PS-HCC) in case access limits, and hence the PS-HCC thresholds, were to revert to lower levels after 2024.

Directors looked forward to the comprehensive review of access limits planned for late-2024, which will consider the GRA access limits and other access-related policies in the context of the 16th General Review of Quotas. The comprehensive review will evaluate developments with respect to access limits vis-à-vis relevant macroeconomic aggregates. In this context, a few Directors cautioned that the Fund's risk tolerance should not be tightening when some members face significant challenges. A few other Directors did not share the view that the Fund's risk tolerance has implicitly or de facto tightened, but has instead loosened, and emphasized that normal access limits should be set in a manner that appropriately safeguards Fund resources. Directors emphasized that the review should be holistic and take into account a broad range

of considerations. They stressed that today's decision should not prejudge the outcome of the review.

SU/24/33,
March 7, 2024

The Chair's Summing Up—
2024 Comprehensive Review of GRA Access Limits,
Executive Board Meeting 24/119, December 17, 2024

Executive Directors welcomed the Comprehensive Review of General Resources Account (GRA) Access Limits. They emphasized that access limits are a key element of the Fund's risk management framework, providing members with confidence about the possible scale of financing that the Fund is prepared to provide in support of their adjustment efforts, while safeguarding Fund resources and preserving their revolving character. Access in individual financing requests is determined by rigorous assessments informed by standard access criteria, including balance of payments need, the strength of the member's program, capacity to repay the Fund, and outstanding credit to the Fund. In that context, Directors took note that overall GRA access limits are not ceilings but thresholds for enhanced scrutiny and safeguards.

Directors broadly supported the proposal to set the limits on overall GRA annual and cumulative access at 200 and 600 percent of current quotas, respectively, and keep other access limits and quota-base thresholds largely unchanged. The decision preserves the current temporary access limits that are set to expire at end-2024. Most Directors concurred that the proposed overall access limits strike an appropriate balance between offsetting a significant portion of the erosion vis-à-vis macroeconomic aggregates since the last comprehensive review in 2016 and maintaining risk mitigation safeguards. However, while willing to go along with the broad consensus, a number of Directors expressed their preference for higher overall GRA access limits to fully compensate for the erosion.

Directors broadly supported the proposal to automatically adjust the overall GRA access limits, the GRA instrument-specific limits, other

quota-based thresholds, and the quota-based Resilience and Sustainability Trust limits when the general conditions for the effectiveness of the 16th General Review of Quota (GRQ) increase are met. They concurred that the limits and thresholds will be divided by 1.5, with some limits and thresholds being additionally rounded up for simplicity and ease of communication. This approach broadly aligns with those adopted in the recent Review of Charges and the Surcharge Policy as well as the Review of PRGT Facilities and Financing. However, many Directors raised concerns about the risk of a prolonged delay in meeting the conditions for the effectiveness of the 16th GRQ, which could exacerbate the erosion of access limits in real terms. Should such a delay materialize, a number of Directors recommended taking appropriate corrective action.

Directors agreed that the next Comprehensive Review of GRA Access Limits should take place on the standard five-year review cycle, with flexibility to conduct reviews earlier if circumstances warrant.

SU/24/191
December 20, 2024

The Chair's Summing Up
Temporary Modifications to the Fund's Annual and Cumulative Access Limits,
Executive Board Meeting 23/16, March 6, 2023

Executive Directors welcomed the proposal to raise, on a temporary basis for 12 months, the annual and cumulative limits on overall access to Fund resources in the General Resources Account (GRA). Directors noted the challenging economic environment and uncertain prospects faced by emerging markets and developing economies and recognized that in this context Fund members are likely to have an increased need to access Fund resources to support their pressing financing needs and adjustment efforts.

Against this background, Directors supported a temporary increase in the annual access limit in the GRA from 145 percent of a member's quota to 200 percent of quota and an increase in the cumulative access limit from 435 percent of quota to 600 percent of quota for

the next 12 months. They agreed that an extension of the temporary increase could be appropriate, if circumstances warrant, which should be considered before the expiration of the 12-month period. Many Directors called for staff to engage early with the Executive Board on this issue. Directors noted that the impact of the proposed increases in the access limits on the Fund's liquidity and on the demand for Fund resources even under extreme scenarios is expected to be limited, though subject to uncertainty.

Directors agreed with the proposed limited grandfathering following the expiration of the period of temporarily higher access limits. They noted and supported the automatic adjustment of thresholds for the combined access to GRA and PRGT resources under the policy on safeguards for high combined GRA and PRGT exposure with any changes to the overall GRA access limits, and also supported the proposed limited grandfathering in the application of this policy.

Directors emphasized the importance of the alignment of PRGT access limits with those of the GRA that was achieved in 2021. While access limits under the PRGT would be part of the expected comprehensive review of concessional facilities in 2024/25, Directors also agreed that, once substantial progress with PRGT fundraising toward the SDR 2.3 billion first stage target for subsidy resources agreed in 2021 has been made—with total pledges of SDR 2 billion or more—access limits under the PRGT would be reviewed at an ad hoc interim review. In this context, it was recognized that efforts to fill the resource gap should be expedited, and most Directors called on members in a strong economic position to accelerate their support for PRGT fundraising efforts. Many Directors also called for an early examination of the possible use of the Fund's internal resources.

Directors underscored that access limits are key elements of the Fund's risk management framework, providing an important safeguard to Fund resources, preserving their revolving nature, and supporting the catalytic role of Fund financing. They stressed the importance of diligent application of standard (non-exceptional access) policy criteria for determining access to Fund resources on a case-by-case basis. They also emphasized the importance of enhanced scrutiny

and additional safeguards for exceptional access cases. Although the increased access limits heighten risks to the Fund, Directors considered that these risks are expected to be manageable. They agreed that an interim review of the adequacy of the precautionary balances could also serve as risk mitigation.

Directors agreed that a comprehensive review of access limits, tentatively planned for 2024, will assess the GRA access limits in the context of the outcome of the 16th General Review of Quotas.

SU/23/35,
March 9, 2023

TEMPORARY MODIFICATIONS TO THE FUND'S ANNUAL AND CUMULATIVE ACCESS LIMITS

1. Paragraph 2 of Decision No. 14046-(08/18), as amended, shall be further amended to read as follows:

"2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 145 percent of quota; and (ii) a cumulative limit of 435 percent of quota, net of scheduled repurchases. For the period from March 6, 2023 to March 5, 2024, the annual limit will be 200 percent of quota and the cumulative limit will be 600 percent of quota, net of scheduled repurchases. These limits will not apply in cases where a member requests a Flexible Credit Line arrangement or where a member requests a Short-Term Liquidity Line arrangement, although outstanding holdings of a member's currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities."

2. The roll back of the temporary increase in access limits set forth under this decision shall not cause members to be subject to the exceptional access policy after March 5, 2024 if they were not subject to the said policy as of that date, unless following December 31, 2024 the Executive Board approves access to the Fund's general resources account under a new arrangement, or through an augmentation of access under an arrangement that was in place on December 31, 2024,

or through an outright purchase under the RFI, in an amount that would cause the member to exceed the overall annual or cumulative access limits in place at that time.

3. The roll back of the temporary increase in the thresholds for High Combined GRA and PRGT Credit Exposures resulting from the roll back of the temporary increase in access limits set forth under this decision shall not cause members to be subject to the policy safeguards for high combined GRA and PRGT exposures set forth under Decision No. 16873-(20/91) after December 31, 2024 if they were not subject to the said policy as of that date, unless following December 31, 2024 the Executive Board approves access to the Fund's general resources account and/or to the Poverty Reduction and Growth Trust under a new arrangement, or through an augmentation of access under an arrangement that was in place on December 31, 2024, or through an outright purchase under the RFI or RCF, in an amount that would cause the member to exceed the High Combined GRA and PRGT Credit thresholds in place at that time. (SM/23/44, 02/17/23)

Decision No. 17421-(23/16),
March 6, 2023,
as amended by Decision No. 17675-(24/22),
March 4, 2024

The Acting Chair's Summing Up
Temporary Extensions and Modifications of Access Limits in the Fund's Lending Facilities,
Executive Board Meeting 21/29, March 22, 2021

Executive Directors broadly agreed with the proposals to extend the temporary increases in access limits under the Fund's emergency financing instruments and the General Resources Account (GRA), which were approved in 2020 and have boosted the Fund's financial support in order to help member countries hit by the COVID-19 pandemic. Directors supported extending the higher access limits for the regular window of the Rapid Financing Instrument (RFI) and the exogenous shocks window of the Rapid Credit Facility (RCF), with annual and

cumulative access limits remaining at 100 percent of quota and 150 percent of quota respectively, through end-December 2021. They also agreed to extend through end-December 2021 the current suspension of the two-disbursement limit on disbursements under the RCF within a 12-month period. Directors further approved the proposals for the automatic lapsing of approved RCF disbursements and RFI purchases.

Directors underscored their expectation that countries increasingly seek financial assistance under Fund arrangements that meet upper credit tranche quality standards rather than through emergency financing instruments, but noted that the latter remains available when a member has an urgent balance of payments need and a Fund arrangement is either not feasible or not necessary. Noting that some countries would not have access to these instruments for an extended period after the temporary higher access limits expire, Directors welcomed the proposal to review access limits under emergency financing instruments after the 2021 Annual Meetings.

Directors broadly supported extending the temporary increase in the annual access limit on GRA resources through end-December 2021, which would provide flexibility to respond to still-elevated uncertainties related to the pandemic. A view was expressed that the annual access limit under GRA resources should revert to the level in place before the temporary increase, so that countries in need of high access be subject to the safeguards provided by the exceptional access policy. Directors called on staff to use Board Briefings on Country Matters to keep the Board informed of cases where elevated annual access is under consideration ahead of formal discussions with country authorities.

Directors looked forward to a broader discussion of the Fund's lending facilities for low-income countries (LICs) and how these can be financed as part of the forthcoming Review of Concessional Financing and Policies. They also underscored that a medium-term solution to access limits under the PRGT should be adopted within this holistic review. In the interim, noting the need to sustain the Fund's support in the uncertain environment created by the pandemic, especially for LICs, which have been severely affected and have relatively limited policy space to respond, Directors agreed to raise temporarily the

existing limits on access to PRGT resources without preempting the conclusions of the broader review.

Directors supported increasing the PRGT overall Normal Annual Access Limit and Normal Cumulative Access Limit to 245 and 435 percent of quota respectively, and the Exceptional Annual Access Limit and Exceptional Cumulative Access Limit under all PRGT facilities to 278.33 percent of quota and 535 percent of quota respectively, through end-June 2021. Directors reiterated the need to keep the Board informed of cases where elevated annual access is under consideration ahead of formal discussions with country authorities.

Directors underscored that access limits should not be seen as targets and constitute key elements of the Fund's risk management framework, providing safeguards to Fund resources and preserving their revolving nature and catalytic role. Directors agreed that existing safeguards are essential to manage risks and, in light of elevated debt vulnerabilities in many LICs, they supported staff's proposals for additional safeguards related to analysis of debt vulnerabilities and Fund credit exposure, including debt-related discussions in program documents and setting clear program objectives to reduce vulnerabilities. Directors agreed that the procedures applicable to high-access financing under the PRGT remain an important safeguard and endorsed the proposal to temporarily modify the threshold levels at which they apply.

SU/21/38
March 24, 2021

The Acting Chair's Summing Up
Review of Temporary Modification to the Fund's Access Limits in Response to the COVID-19 Pandemic,
Executive Board Meeting 21/121, December 20, 2021

Executive Directors noted that the temporarily-high access limits ensured that the Fund was able to swiftly provide adequate support to its members during the pandemic. They stressed that access

limits are a key element of the Fund's risk management framework, providing safeguards to Fund resources and preserving the revolving nature and catalytic role of Fund financing. Returning annual access limits to lower levels while extending the cumulative access limits for emergency financing balances the need to preserve member countries' borrowing space with safeguarding Fund resources.

Directors agreed with the proposal to extend the temporarily-higher cumulative access limits under the Fund's emergency financing instruments for 18 months, while allowing all other temporarily-increased access limits to expire and return on January 1, 2022 to pre-pandemic levels, except for the PRGT normal annual access limit, which will become 145 percent of quota as approved in July 2021. They also noted that the PRGT normal cumulative access limit was increased on a non-transitory basis to 435 percent of quota in July 2021. A few Directors thought that the extension of the cumulative limits under the emergency financing instruments could have been shorter.

Directors agreed that the respective cumulative access limits for the regular window of the Rapid Financing Instrument (RFI) and the exogenous shocks window of the Rapid Credit Facility (RCF) will remain at 150 percent of quota through end-June 2023. They also agreed that cumulative access limits for the RFI's and RCF's Large Natural Disaster (LND) windows will remain at 183.33 percent of quota through end-June 2023. Directors noted that the further temporary extension of the higher cumulative access limits for emergency financing instruments would have a limited impact on GRA and PRGT resources. Directors also agreed to reinstate from January 1, 2022 the temporarily-suspended two-disbursement limit under the RCF within a 12-month period. They took note that no member requested RCF disbursements in excess of such limit despite its relaxation during the pandemic period.

Directors noted that the extensions of the temporarily-higher cumulative access limits would leave adequate borrowing room to support urgent balance of payments needs under the emergency financing instruments for most Fund members when upper credit tranche (UCT)-quality programs are either not feasible or not necessary. Some Directors urged careful monitoring to ensure that affected countries

are not unduly constrained by the return to lower annual access limits. Many Directors emphasized the need for a rigorous and transparent application of the qualification requirements for emergency financing, including a convincing justification in case a UCT-quality program is assessed to be not feasible, and some highlighted the importance of strong governance and robust safeguards for the use of emergency financing. Directors underscored that members should be encouraged to transition to tailored, UCT-quality programs when appropriate and feasible to support structural reforms to address underlying vulnerabilities and larger financing needs. In this context, Directors welcomed the fact that members have been increasingly seeking financial assistance under Fund arrangements that meet UCT-quality standards rather than through emergency financing instruments.

Directors generally welcomed the staff proposal to prepare an exit strategy by end June 2023 and asked for early Board engagement. Some Directors emphasized that the 18-month extension should be the last, and a few called on staff to prepare an exit strategy much earlier than proposed. A few other Directors recommended having greater flexibility.

SU/21/176
December 22, 2021

The Chair's Summing Up—Temporary Modification to the Fund's Annual Access Limits, Executive Board Meeting 20/75, July 13, 2020

Executive Directors welcomed the opportunity to consider proposals to raise the limits on annual access to Fund resources on a temporary basis. They noted that the COVID-19 pandemic had triggered a uniquely severe synchronized shock across the global economy and an ensuing surge in requests for financial support under the Fund's emergency financing instruments. While access limits under these instruments had already been increased temporarily on April 6 as part of the Fund's COVID-19 response, Directors recognized that many countries, in seeking to contain the impact of the pandemic and to lay the basis for economic recovery, would likely need additional financial support from the Fund in the coming year.

Against this background, Directors supported increases in the annual access limits in the General Resources Account (GRA) from 145 to 245 percent of quota, and under the Poverty Reduction and Growth Trust (PRGT) from 100 to 150 percent of quota, on a temporary basis through April 6, 2021. They also supported a temporary increase in the exceptional annual access limit under the PRGT by 50 percent of quota to 183.33 percent of quota for the same period. While a few Directors would have preferred more moderate increases, many other Directors would have supported a larger increase in the normal annual access limit under the PRGT, in line with the increase in the limit to access to GRA resources. Directors highlighted the need to secure sufficient subsidy resources to ensure the self-sustainability of the PRGT and looked forward to discussing possible funding options in the upcoming review of concessional financing. Directors also looked forward to the planned discussion of a policy on enhanced safeguards for high-level access to combined GRA and PRGT resources. They took note of the clarifications as to how annual access should be calculated in applying the relevant annual access limits.

Directors agreed to suspend, on a temporary basis, the limit on the number of disbursements under the Rapid Credit Facility (RCF) within a 12-month period through April 6, 2021. They acknowledged that, with the temporary doubling of the limit on annual access to resources under the exogenous shocks window of the RCF, the current limit on the number of disbursements unduly constrains the flexibility with which the RCF could be used to support member countries.

Given prevailing uncertainties, Directors agreed to review the decisions adopted today before the end of 2020, taking account of the initial experience with the use of the higher access limits and of the global economic outlook at that juncture.

Directors acknowledged that possible modifications to the cumulative limits on overall access to the GRA and the PRGT would be considered in a broader discussion of the Fund's risk tolerance in the coming months. Many Directors expressed disappointment that the case for increasing these limits was not proposed for consideration in the current context, while many other Directors opposed or urged caution in considering a change that could weaken important safeguards

and pose substantial risks to the Fund. Directors also recognized that these cumulative access limits do not set a ceiling on the amount of financing that a member can obtain from the Fund but rather serve as a trigger for additional scrutiny under the exceptional access framework, with the exception of hard access caps in the PRGT. Directors looked forward to an early discussion of the Fund's precautionary balances.

Directors underscored that access limits are key elements of the Fund's risk management framework, providing an important safeguard to Fund resources and preserving their revolving nature and catalytic role. They noted that, notwithstanding higher access limits to cover the pandemic period, judgment continues to be needed in determining the amount of access in individual arrangements, including in assessing the member's balance of payments need, repayment capacity, and strength of adjustment efforts. Directors stressed the importance of enhanced scrutiny and additional safeguards for exceptional access cases. Although the increased access limits heighten risks to the Fund, many Directors pointed to potential risks from the failure of the Fund to provide adequate financial support to its members.

SU/20/128
July 16, 2020

ACCESS POLICY AND LIMITS IN THE CREDIT TRANCHES AND UNDER THE EXTENDED FUND FACILITY AND ON OVERALL ACCESS TO THE FUND'S GENERAL RESOURCES, AND EXCEPTIONAL ACCESS POLICY—REVIEW AND MODIFICATION

1. The Fund has reviewed the guidelines and the limits for access by members to the Fund's general resources set forth in Decision No. 14064-(08/18), adopted February 22, 2008, as amended, and decides as follows.

2. The overall access by members to the Fund's general resources shall be subject to (i) an annual limit of 200 percent of quota and (ii) a cumulative limit of 600 percent of quota, net of scheduled repurchases. These limits will not apply in cases where a member requests a Flexible Credit Line arrangement or where a member requests a Short-Term Liquidity Line arrangement, although

outstanding holdings of a member's currency arising under such arrangements will be taken into account when applying these limits in cases involving requests for access under other Fund facilities.

3. Subject to paragraph 4 below, the Fund may approve access in excess of the limits set forth in this Decision in exceptional circumstances, provided the following four substantive criteria are met:

(a) The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or the capital account, resulting in a need for Fund financing that cannot be met within the normal limits.

(b) A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. Where the member's debt is assessed to be unsustainable ex ante, exceptional access will only be made available where the financing being provided from sources other than the Fund restores debt sustainability with a high probability. Where the member's debt is considered sustainable but not with a high probability, exceptional access would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources. For purposes of this criterion, financing provided from sources other than the Fund may include, inter alia, financing obtained through any intended debt restructuring. This criterion applies only to public (domestic and external) debt. However, the analysis of such public debt sustainability will incorporate any relevant contingent liabilities, including those potentially arising from private external indebtedness.

(c) The member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.

(d) 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.

4. When exceptional access is approved under a PLL arrangement pursuant to paragraph 3, such access, combined with the member's access to the Fund's resources under other PLL arrangements, shall in no event exceed a cumulative limit of 600 percent of quota, net of scheduled repurchases.

5. Unless otherwise specified in a general decision of the Executive Board, 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.

6. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews.

Decision No. 14064-(08/18),
February 22, 2008,
as amended by Decision Nos. 14184-(08/93), October 29, 2008,
14284-(09/29), March 24, 2009,
BUFF/10/56, May 9, 2010,
14716-(10/83), August 30, 2010,
15017-11/112), November 21, 2011,
15931-(16/4), January 20, 2016,15941-(16/14),
February 17, 2016,
Decision B of 16747-(20/43), April 14, 2020,
16845-(20/75), July 13, 2020,
17421-(23/16), March 6, 2023,
17675, March 4, 2024, and
17884-(24/119),
December 17, 2024

EBS/83/233

II. Considerations Governing Amount of Access

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The considerations that need to be taken into account in determining the amount of access in individual arrangements and current

practice on access have been discussed in recent staff papers, in particular in EBS/83/132 (6/27/83), and may be briefly recapitulated here. The first important consideration is the member's actual or potential need for resources from the Fund, taking into account other sources of financing and the desirability of maintaining a reasonable level of reserves; in no circumstances can access be greater than this need. The second important consideration stems from the need to preserve the revolving character of the resources that the Fund provides, i.e., the ability of the member to service its indebtedness to the Fund. In determining the case for Fund support and the amount involved, the timing and extent of the expected improvement in the member's balance of payments are relevant factors. It follows that adjustment policies in support of which the Fund's resources are to be used must be designed and implemented in such a manner as to lead to a strengthening of the balance of payments by the time the repurchases begin to fall due and of a sufficient extent to allow the member to make the repurchases without strain. Finally, the amount of the member's outstanding use of Fund credit and its record in using Fund resources in the past must enter into the judgment on the appropriate scale of further use of the Fund.

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The Acting Chair's Summing Up—
Review of Enhanced Access Limits
Under the Rapid Credit Facility and Rapid Financing Instrument,
Executive Board Meeting 20/96, September 28, 2020

Executive Directors welcomed the review of enhanced access limits under the Fund's emergency financing instruments. They supported the proposal for a six-month extension of higher access limits under the regular window of the RFI and the exogenous shocks window of the RCF, with annual and cumulative access limits remaining at 100 percent of quota and 150 percent of quota, respectively, through April 6, 2021. There was broad agreement that the extension was justified to provide the Fund with flexibility to support urgent balance of payments needs, in the context of persistent pandemic-related economic disruptions. Directors also supported the proposal to extend the temporary suspension of the procedures for high access RCF requests through April 6, 2021.

Many Directors emphasized the importance of implementing appropriate governance safeguards to mitigate the misuse of emergency financing, and welcomed staff's guidance encouraging commitments related to audits and procurement.

Most Directors underscored that it will be important for countries to increasingly seek financial assistance under Upper Credit Tranche Fund arrangements rather than emergency financing, in line with discussions of the Lending Strategy and as the immediate economic impact of the pandemic abates.

Directors concurred that the temporary increase in access limits under emergency financing will be assessed as part of the wider review of the temporary changes in annual access limits in the GRA and PRGT introduced since the onset of pandemic, which is expected to be considered by the Executive Board by end-December 2020. Some Directors also called for a review of cumulative access limits.

SU/20/147
October 1, 2020

Summing Up by the Acting Chair—Review of Exceptional Access Policy, Executive Board Meeting 04/36, April 14, 2004

Directors welcomed the opportunity to take stock of the experience with the new framework for exceptional access to Fund resources. This framework was put in place about one year ago, and has informed the Board's decisions to provide exceptional access for Argentina and Brazil. Today's discussion has covered issues relating to the application of the four substantive criteria for exceptional access. In addition, the Board has reviewed the new procedures for early Executive Board involvement in the run-up to formal Board discussions on exceptional access requests and the additional information and documentation that are now required. Directors also discussed the staff's analysis of the strategies and circumstances that lead to a reduction in high levels of outstanding Fund credit in the countries that have recently benefited from exceptional access. The Board will further discuss issues related to exceptional access in a precautionary setting, including as part of an

exit strategy, in the context of the upcoming discussion on precautionary arrangements scheduled for July 2004.

Directors noted that the exceptional access framework has helped to improve the clarity and predictability of the Fund's response to capital account crises for both members and markets. They underlined that the strengthened decision making procedures agreed to in February 2003 should continue to apply to all requests for exceptional access. Most Directors felt that the exceptional access criteria remain appropriate and, given the limited experience with the framework, considered that it would be premature to change the exceptional access criteria at this point in time. Stressing that cases of exceptional access should be kept few in number in order to safeguard Fund resources, these Directors were in favor of maintaining the requirement that every request for exceptional access be justified in light of the four substantive criteria. Some Directors highlighted the need to define exceptional access based on a more economically relevant set of metrics rather than in terms of a member's quota, with a few noting that a size and distribution of quotas that reflect more accurately the relative position of member countries in the world economy might have resulted in fewer exceptional access cases.

Directors noted that the exceptional access criteria were designed for members facing capital account crises. They acknowledged that in rare circumstances a need for exceptional access could arise in situations other than a capital account crisis, and that in those cases a member could not be expected to meet all four criteria. Directors took note of the flexibility to grant access under the exceptional circumstances clause.

Most Directors were not in favor of the staff proposal set out in paragraph 13 of the staff report for dealing with exceptional access arising in situations where the member has a pre-existing high exposure to the Fund and does not face a capital account crisis. They believed that the proposed principles could be seen as a weakening of the policy on exceptional access that could lead to an inappropriate increase in the number of exceptional access cases, with risks to the Fund's financial position. A number of other Directors, however, thought that the current criteria have not provided sufficient guidance

in recent requests for exceptional access, and are unlikely to do so for future requests.

Most Directors expressed preliminary views on the merits of exceptional access in the context of a precautionary arrangement. While many of these Directors were willing to consider the possibility of exceptional access in precautionary arrangements, a few of them felt that precautionary exceptional access would be warranted only in a situation where a member has pre-existing exceptional access exposure, as part of an exit strategy to phase out the use of Fund resources. A number of other Directors, however, did not support use of the concept of "potential need" for exceptional access. They expressed concerns about the provision of Fund financing as "insurance" against potential problems, as this could create problems of moral hazard, diminish the role of conditionality, and lead to market expectation of augmentation of exceptional access.

Most Directors noted the importance of incentives for members to repay the Fund as their balance of payments improves, and reiterated the strong presumption that exceptional access should be provided on SRF terms. A number of these Directors stressed that, as a principle, exceptional access should always be subject to SRF-type charges. However, many Directors noted that the maximum maturity of the SRF obligations may sometimes be too short relative to the duration of the balance of payments need, including, in some cases, where the member has high preexisting use of Fund resources and where portfolio shifts may be longer-lasting. Further, the restrictive circumstance test for the SRF would, unless amended, preclude use of that facility outside of capital account crises and in precautionary settings. Directors agreed to continue discussion of the applicability of the SRF to precautionary settings in July 2004. The Board will have the opportunity to review issues related to charges and maturity of the SRF and other facilities at a date to be determined.

In connection with exit strategies, and based on the experience in earlier cases where the Fund was repaid, Directors observed that a member's capacity to make repurchases and reduce its large Fund exposure will depend on improvements to both the current account and the capital account of the balance of payments. In this context,

Directors recognized that some of the features of the current exceptional access cases, particularly the high debt levels, will require the relevant members to sustain high primary fiscal surpluses into the medium term. Given that the balance of payments difficulties of the countries currently with exceptional access appear to be of a medium-term nature, Directors could not rule out the possibility of continued Fund financing for some of these countries for a period of time.

Directors agreed that the procedures for early Board involvement and for the provision of additional information have worked well in supporting an effective decision making process. Early informal Board meetings on Argentina and Brazil were helpful in providing the Board with information on the progress of negotiations and alerting staff to Directors' concerns on key aspects of the program. Directors also welcomed the additional information provided in the context of requests for exceptional access—in particular, the documents evaluating exceptional access based on the four substantive criteria, and the rigorous assessment of the financial risks to the Fund arising from the proposed access, its effect on liquidity, and the member's capacity to repay the Fund. They considered that the framework would be strengthened by the inclusion, in documents presenting future requests for exceptional access, of more in-depth scenario analyses of the financial impact on the Fund and explicit recognition of costs to borrowers and creditors of members incurring arrears to the Fund. In this context, some Directors called for clarification of the Fund's lending into arrears policy, particularly with regard to the good-faith criterion. In addition, a few Directors requested that the normal circulation period for staff reports prior to the Board not be shortened unless a rapid decision is essential.

Directors noted that the Fund has provided a very high share of total official financing in recent exceptional access arrangements. While financing from other official sources will continue to be decided on a case-by-case basis, some Directors considered that, as members proceed toward graduating from use of Fund resources, it would be appropriate for financing from other official bilateral and multilateral sources to increase. A view was expressed, however, that the Fund should remain the primary source of official financing.

Directors took note of the circumstances in which Fund resources have addressed an underlying balance of payments need that was related to fiscal imbalances. While Fund resources can only be used to meet a balance of payments need, on occasion purchases have in effect been used as a source of budget financing, particularly where the resources have been made available directly to the government rather than retained by the central bank. Several Directors noted that such use increases financial risks to the Fund, including the risk that the associated repurchases become subject to a budget appropriation process, and some Directors recommended that such arrangements be avoided in the future. Several Directors requested a more detailed assessment in the period ahead of the rationale for, and the risks associated with, the use of Fund financing as a source of budget finance.

Directors agreed that future reviews of the exceptional access policy should be undertaken at the same time as regular reviews of access policy in the credit tranches and under the EFF. The next review is scheduled to take place in late 2004.

BUFF/04/81
April 23, 2004

The Acting Chair's Summing Up—
Review of Access Policy Under the Credit Tranches and the Extended Fund Facility, and Access Policy in Capital Account Crises-
Modifications to the Supplemental Reserve Facility and Follow-Up Issues Related to Exceptional Access Policy,
Executive Board Meeting 03/16, February 26, 2003

Directors welcomed the opportunity to review the recent application of the Fund's access policy, as well as proposals to make operational the Fund's new strengthened framework for exceptional access in capital account crises. Together with the summing up of our discussion on September 6, 2002, this summing up will provide a new framework that will help ensure that exceptional access remains exceptional, while retaining the Fund's flexibility to provide adequate assistance to members facing a capital account crisis. The Board also decided to maintain the current access limits in the credit tranches.

Access Policy in Capital Account Crises-Modifications to the Supplemental Reserve Facility and Issues Related to Exceptional Access Policy.

Regarding the policy on access in capital account crises, Directors discussed a number of operational aspects of the new framework whose building blocks were endorsed at their discussion on September 6,2002. As noted at that time, the new framework establishes four substantive criteria guiding decisions on when exceptional access may be appropriate in capital account crises-events characterized by a sharp loss of investor confidence and large and disorderly outflows of capital. Directors stressed that the effectiveness of the exceptional access policy will critically depend on the consistent and rigorous application of these criteria. Directors took note of the further staff papers planned on the capacity of countries to access financial markets after debt restructuring, and on initial experience with the debt sustainability analysis.

The new framework also sets out stronger procedures for decision-making on exceptional access proposals. These procedures include increasing the burden of proof in program documentation, early and more formal Board consultations on program negotiations in exceptional access cases, and, as a rule, ex post evaluation of programs with exceptional access within one year of the end of the arrangement. Directors agreed that these procedures would apply to any exceptional access (i.e. access under any facility that exceeds the limits applying in the credit tranches and the Extended Fund Facility), even when the member is not experiencing a capital account crisis.

Directors saw a more formal process for Executive Board consultation at the early stages of program discussions as helpful for reinforcing careful and systematic decision- making on exceptional access cases. At the same time, however, they recognized the constraints imposed by the special circumstances under which exceptional access programs are negotiated. In particular, these programs are frequently negotiated over a very short time with a backdrop of a worsening crisis, where new information and developments may require substantial changes in the program at very short notice. Directors also agreed that management and staff should have sufficient flexibility and discretion

in coming to an agreement in crisis situations without undue delay. The need to move very quickly in some situations was emphasized by several Directors. Recognizing that these constraints will affect different cases differently, Directors agreed on the following policy regarding procedures for early consultation to be followed in all cases involving access above the limits.

Once management decides that new or augmented exceptional access to Fund resources may be appropriate, it will consult with the Board promptly in an informal meeting. Directors will be provided with a concise note that sets out the following as fully as possible: (i) a tentative diagnosis of the problem; (ii) the outlines of the needed policy measures; (iii) the basis for a judgment that exceptional access may be necessary and appropriate, with a preliminary evaluation of the four substantive criteria' applying in capital account crises, and including a preliminary analysis of external and sovereign debt sustainability; and (iv) the likely timetable for discussions. Staff will circulate this note to Executive Directors at least two hours prior to the informal session, to give Directors some time to absorb the material before meeting. This meeting will provide the basis for consultation with capitals and the issues that emerge would be addressed in a further informal session.

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, any substantial changes in understandings, and any changes to the initially envisaged timetable for Board consultation. The staff will provide the Board with a separate report evaluating the case for exceptional access based on further consideration of the four substantive criteria, including debt sustainability. To the extent that program parameters are not yet agreed, this report will clearly be tentative. Where time permits, this report will be provided to the Board in advance of the circulation of program documents. In all cases, this report will be included in the program documents.' The four criteria are: exceptional balance of payments pressures in the capital account; debt sustainability analysis; expectation of reentry to capital markets; and strong program design and implementation prospects. The full language of the criteria is given

in *Summing Up by the Acting Chair-Access Policy in Capital Account Crises* (BUFF/02/159, 9/20/02).

Management will consult with the Board specifically before concluding discussions on a program and before any public statement on a proposed level of access.

Strict confidentiality will need to be maintained, and public statements by members, staff and management should take special care not to prejudge the Board's exercise of its responsibility to take the final decision.

As the Board agreed in September, the staff report for an arrangement proposing exceptional access will include: a consideration of each of the four substantive criteria for exceptional access in capital account crises (including a rigorous analysis of debt sustainability); a thorough discussion of need and the proposed level of access; an assessment of the risks to the Fund arising from the exposure and its effect on liquidity; and systematic and comprehensive information on the member's capacity to repay the Fund.

Directors highlighted the unusual uncertainty and risk that is often associated with the projections of private capital flows and the difficulty this poses for program design. In such cases, it is especially important to be explicit and cautious about the assumptions underlying the projections for financing and their sensitivity to shocks. A number of Directors requested that further information be provided to the Board discussing private sector involvement in program financing. There will normally be a range of potentially applicable approaches for sustaining private sector financial flows, including voluntary efforts to overcome collective action problems among creditors, that could help meet the objectives of the program. Directors agreed that discussions of these issues would be expected to be part of the Board consultations for exceptional access cases set out above.

Directors also agreed to include in the program documentation a standard table that would gauge proposed access levels against a broader set of metrics, and complement quota based metrics. While Fund access would not be constrained to, or evaluated against, any of the indicators

proposed in the paper, these indicators would provide useful additional perspective and help ensure uniformity of treatment among members. Directors agreed that a table along the lines proposed in the staff paper should be included in all requests for exceptional access with the possible inclusion of additional indicators as might be needed.

Directors considered possible changes to the maturity of repurchases under the Supplemental Reserve Facility (SRF), as well as the appropriate mix of Fund resources in capital account crises. They observed that the experience with capital account crises has shown a greater variance in the duration of countries' balance of payments need than originally expected. Most Directors expressed concern about the increased use of so-called "blends" of credit tranche and SRF resources. The Board has decided to lengthen the maturity of SRF expectations by one year and obligations by six months, and to strengthen the presumption that exceptional access in capital account crises should be provided under the SRF. A number of Directors stressed that there should be a strong presumption to use only SRF resources in all cases where exceptional access is used in capital account crises.

Directors also had an initial exchange of views about the implementation of the Fund's access policy in situations where a debt restructuring is needed. They stressed that difficult and well-informed assessments will be required to deal with financial challenges and needs that are fundamentally different from those of countries with a sustainable debt burden. In particular, the substantive criteria for exceptional access in capital account crises will generally not be met and the conditions for the use of the SRF will not apply. Directors generally agreed that access in such cases would normally be expected to be within the access limits, although there could be rare circumstances warranting exceptional access. A few Directors were hesitant to allow for any possibility of exceptional access in debt restructuring cases.

Directors agreed that the consistent implementation of the new framework for access policy will be an important contribution to the Fund's ongoing efforts to heighten the degree of clarity and predictability for both members and markets about the Fund's response in crisis resolution. They welcomed the proposal for a stock taking on the operation of this framework after one year.

Review of Access Policy in the Credit Tranches and under the Extended Fund Facility

Directors decided to retain the current access limits applying in the credit tranches and Extended Fund Facility-l00 percent of quota annually, and 300 percent of quota cumulatively. They also agreed to shift to a two-yearly cycle for the reviews of access policy, and to broaden the review to include access under the Poverty Reduction and Growth Facility, with the next review to take place by end-December 2004. A number of Directors cautioned, however, that, in view of the downside risks in the world economic outlook, the Fund's access policy would need to be monitored closely in the period ahead. Directors welcomed, in this regard, the assurance that an earlier review of access policy can take place, should this prove necessary. In addition, staff will provide a factual report on access developments by end-December 2003.

BUFF/03/28
March 5,2003

The Acting Chair's Summing Up—
Policy Safeguards for Countries Seeking Access to Fund Financial Support that Would Lead to High Levels of Combined GRA-PRGT Exposure,
Executive Board Meeting 20/91, September 9, 2020

Executive Directors welcomed the opportunity to discuss new policy safeguards to mitigate financial risks to the PRGT and to the GRA, respectively, that arise from a member having high combined credit from these two sources of financing. They generally agreed on the need for appropriate scrutiny for such cases, and on ensuring a more consistent application of policy safeguards in Fund lending.

Directors broadly supported the proposed policy safeguards, which would apply to any Fund member with combined access to GRA and PRGT resources that exceeds quota-based thresholds set at the same level that triggers the exceptional access framework of the GRA, and agreed that the assessment of the three criteria will apply at the time of approval of financing requests as specified in the proposed

decision and at reviews in the context of arrangements. They agreed that, by introducing new policy safeguards requiring more scrutiny on requests for high combined access levels not currently covered by the Fund's exceptional access frameworks, the new policy would help to mitigate financial risks to the PRGT and GRA, respectively.

Some Directors highlighted that the Fund should be cautious about lending exceptionally large amounts, in particular, when debt is already at high risk of distress, and particularly without debt restructuring and/or debt relief in place to restore debt sustainability. Many Directors underscored the importance of ensuring that the Fund can adequately support PRGT-eligible members, including through the use of blended concessional and non-concessional financing, and particularly during these exceptional times.

A number of Directors noted that combined high access requests – like exceptional access – are expected to be exceptional, emphasizing the catalytic role of the Fund. They also underscored that, given the financial benefits, staff should continue to advise PRGT-eligible countries to use concessional financing under the PRGT up to the applicable access limits before accessing resources in the GRA.

Many Directors expressed concern that application of the criterion that a member's policy program provides a reasonably strong prospect of success could preclude members with limited institutional capacity from accessing Fund resources in amounts above the thresholds for high combined GRA and PRGT credit. They underscored the importance of giving support and attention, in particular through capacity development, to those countries facing challenges with institutional capacity.

Some Directors emphasized the need for careful communication, which highlights that the new safeguards are not intended to constrain access to Fund resources.

SU/20/142
September 14, 2020

POLICY SAFEGUARDS FOR COUNTRIES SEEKING ACCESS TO FUND FINANCIAL SUPPORT THAT WOULD LEAD TO HIGH LEVELS OF COMBINED GRA—PRGT EXPOSURE

1. Subject to paragraphs 5 and 6 below, and with a view to enhancing safeguards for the use of resources in the General Resources Account (GRA) and the Poverty Reduction and Growth Trust (PRGT), respectively, the Fund will not approve any of the following financing requests in the GRA or under the PRGT in an amount above the High Combined GRA and PRGT Credit Thresholds defined in paragraph 2 below, unless it is satisfied that the criteria set forth in paragraph 3 below and the procedural requirements set forth in paragraph 4 below are met:

(i) a new arrangement in the GRA or under the PRGT;

(ii) a purchase under the Rapid Financing Instrument (RFI) or a loan under the Rapid Credit Facility (RCF);

(iii) an augmentation of access under an arrangement in the GRA or under the PRGT; or

(iv) 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 thresholds specified in paragraph 2.

2. For the purpose of this Decision, High Combined GRA and PRGT Credit (hereinafter "HCC") arises when a member's annual or cumulative access (net of scheduled repurchases and repayments) to the sum of resources in the GRA and under the PRGT exceeds, in quota terms, the equivalent of the annual or the cumulative limit (net of scheduled repurchases) applicable to the access by members to GRA resources set forth in paragraph 2 of Decision No. 14064-(08/18), adopted February 22, 2008, as amended (hereinafter the "HCC Thresholds"). The HCC Thresholds shall adjust automatically to any changes in the access limits set forth in Decision No. 14064-(08/18), adopted February 22, 2008, as amended (hereinafter, the "GRA Access Decision").

3. Subject to paragraph 5 below, the criteria that must be satisfied for purposes of paragraph 1 of this Decision are as follows:

(a) 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.

(b) Risks to the sustainability of public debt are adequately contained, which shall be evidenced by, and subject to, the standards set forth below:

A. For members subject to the Bank-Fund Debt Sustainability Framework for Low-Income Countries (the "LIC-DSF"):

I. 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 to be at low or moderate overall risk of public debt distress; or

II. Where the member s public debt is assessed to be sustainable but not with high probability (which includes cases where the member s overall risk of public debt distress is assessed to be high or in debt distress) or where the member s debt is assessed to be unsustainable ex ante, access to resources in excess of the HCC 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 (generally considered to be met for countries that are assessed under the LIC-DSF to be at low or moderate overall risk of public debt distress) (i) within 36 months from Board approval in the case of a new Fund arrangement, purchase under the RFI or loan under the RCF, or within the period of the new arrangement, whichever is longer, or (ii) within the remaining period of an arrangement, in cases where the Board approves a request for an augmentation or a rephasing of access under the arrangement; provided that, in cases where the member s public debt is assessed to be sustainable but not

with high probability and the member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund (including to the PRGT) combined access above the proposed thresholds will be made available if the combination of the member s policies and financing from sources other than the Fund, which may include debt restructuring, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources (including PRGT resources). In applying the more flexible standard where debt is sustainable but not with a high probability, BUFF/16/9, Corr. 1 will apply.

B. For members subject to assessments of debt sustainability under the Debt Sustainability Framework for Market Access Countries, this criterion will be met where a rigorous and systematic analysis indicates that the same debt sustainability requirements that apply to exceptional access in the GRA, set forth in paragraph 3(b) of the GRA Access Decision and in BUFF/16/9 (1/27/2016), are met.

(c) The member's policy program 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.

4. Subject to paragraph 5 below, the procedural requirements regarding Board consultations, staff reports and ex post evaluations as set forth in Annex I of SM/20/137 shall apply to cases involving access in excess of the HCC Thresholds.

5. In cases involving access above the HCC Thresholds and exceptional access to GRA resources and/or high access or exceptional access to PRGT resources, the following shall apply:

(a) Where in the context of a financing request specified in paragraph 1, a member's combined access to resources in the GRA and under the PRGT would exceed any of the HCC Thresholds, and the GRA portion of such access would also exceed the annual or cumulative access limit to GRA resources, the criteria set forth in paragraph 3 of this Decision

shall not apply and the criteria applicable to exceptional access to GRA resources set forth in paragraph 3 of the GRA Access Decision (the "GRA Criteria") shall apply; the procedural requirements set forth in paragraph 4 of this Decision and the procedural requirements for exceptional access in the GRA shall both apply in such cases.

(b) Where in the context of a financing request specified in paragraph 1, a member's combined access to resources in the GRA and under the PRGT would exceed any of the HCC thresholds and the PRGT portion of such access would also exceed the normal annual or cumulative access limit to PRGT resources, the criteria set forth in paragraph 3 of this Decision shall apply, and the criteria set forth in Section II, Paragraph 2(a) of the PRGT Instrument annexed to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended (the "PRGT Criteria") shall also apply for access to PRGT resources above the PRGT normal access limits. In such cases, the procedural requirements set forth in paragraph 4 of this Decision and the procedural requirements for exceptional access to PRGT resources shall both apply.

(c) Where in the context of a financing request specified in paragraph 1, a member's combined access to resources in the GRA and under the PRGT would exceed any of the HCC Thresholds and also the respective annual or cumulative access limits in the GRA and under the PRGT, the criteria set forth in paragraph 3 of this Decision shall not apply, and the GRA criteria shall apply, in addition to the application of the PRGT criteria for access to PRGT resources above the PRGT normal access limit. In such cases, the procedural requirements set forth in paragraph 4 of this Decision shall not apply, and both the procedural requirements for exceptional access in the GRA and for exceptional access to PRGT resources shall apply, respectively.

(d) Where in the context of a financing request specified in paragraph 1, a member's combined access to resources in the GRA and under the PRGT would exceed any of the HCC Thresholds and also the thresholds that give rise to high access in the PRGT, the criteria set forth in paragraph 3 of this Decision shall apply, and the procedural requirements for high access in the PRGT and the procedural requirements set forth in paragraph 4 of this Decision shall also apply.

6. Access to GRA resources that is limited to the first credit tranche in the GRA shall not be included in calculating the HCC thresholds. Moreover, the framework for HCC set out in this decision shall not apply to financing approved to support the clearance of protracted arrears in the context of the HIPC Initiative for any access equivalent to amounts covered by HIPC Initiative debt relief. (SM/20/137, Sup. 3, 09/08/20)

Decision No. 16873-(20/91),
September 9, 2020, as amended by
17830-(24/98),
October 25, 2024

Summing Up by the Acting Chair—Access Policy in Capital Account Crises,
Executive Board Meeting 02/94, September 6, 2002

Directors welcomed the opportunity to consider elements of a strengthened framework for the policy on exceptional access to the Fund's resources—i.e., access that exceeds the limits under the credit tranches and the Extended Fund Facility (EFF). Our discussion today has focused particularly on access policy and crisis resolution in cases where a combination of adjustment and financing is likely to be sufficient to put a country on a stable medium-term path. In some other cases, a restructuring of private claims may be necessary. Our work on ways to strengthen the framework for debt restructurings—including the sovereign debt restructuring mechanism and the contractual approach—and clarifying the lending into arrears policy are separate strands for developing the crisis resolution strategy. Access policy is also closely related to our ongoing discussions on the size of the Fund, and the Twelfth General Review of Quotas, with a number of Directors noting that progress on this issue, including on the distribution of quotas, would help to address some of the concerns about exceptional access.

Directors discussed the exceptional access policy in the context of the Fund's response to the challenges arising from the increasing integration of global financial markets in the last decade. This integration

has helped to support a rapid expansion of investment and activity in many emerging market countries, but has also exposed these countries to crises caused by rapid reversals of capital flows. The Fund has responded to the challenges posed by these modern capital account crises by strengthening its crisis prevention capabilities and, in some cases, by helping meet members' unusually large financing needs. Directors agreed that exceptional access will sometimes be necessary if the Fund is to provide meaningful assistance to members facing a capital account crisis, but that the policies on such access need to be strengthened to ensure that it remains exceptional. In this context, some Directors noted that the exceptional circumstances clause may continue to be needed occasionally also for balance of payments problems in the current account.

Our discussion today has been informed by the experience gained in past exceptional access cases, beginning with Mexico's Stand-By Arrangement (SBA) in 1995. Several of the programs supported by exceptional access have been quite successful in helping the member achieve external viability, resume growth with limited vulnerability, and regain access to private markets, although more slowly than at first expected. In other countries, however, the combination of adjustment and exceptional access in the context of the associated political and external environment was not sufficient to avoid a restructuring of obligations. It was noted, however, that in all cases the borrowing members have remained current on their repayment obligations to the Fund. From a broader perspective, Directors also noted that, while some moral hazard is bound to be present in Fund lending, there is little evidence that the use of exceptional access in general has had large effects on moral hazard by increasing investor or country risk-taking.

Directors agreed that more clearly defined criteria regarding the appropriate use of exceptional access in capital account crises are needed to help shape the expectations of members and markets, provide a benchmark for difficult decisions regarding program design and access, safeguard Fund resources, and ensure uniformity of treatment of members. Directors generally considered that (at a minimum) the following criteria would need to be met to justify exceptional access for members facing a capital account crisis:

(i) The member is experiencing exceptional balance of payments pressures on the capital account resulting in a need for Fund financing that cannot be met within the normal limits;

(ii) A rigorous and systematic analysis indicates that there is a high probability that debt will remain sustainable;

(iii) The member has good prospects of regaining access to private capital markets within the time Fund resources would be outstanding, so that the Fund's financing would provide a bridge; and

(iv) The policy program of the member country 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.

In discussing the aforementioned criteria, Directors emphasized in particular the importance of rigorous debt sustainability analyses to support requests for exceptional access. Several Directors saw scope for further strengthening the criteria so as to ensure their strict application. Directors underscored the importance of involving the private sector for program success, and a number of them expressed the view that the member's best efforts to secure private sector involvement in program financing should be an important consideration for justifying exceptional access.

A few Directors suggested further narrowing the definition of capital account crises that could warrant exceptional access by establishing a formal criterion relating to problems of contagion or the potential for systemic effects. Many other Directors, however, considered that such a criterion could create a bias toward higher access for larger members, which could not be reconciled with the principle of uniformity of treatment. Directors recognized that the Fund should be prepared to provide access above the normal limits in cases where the member's problems have regional or systemic implications, when the other criteria are met.

Directors concurred that the member's balance of payments needs remain a key criterion in determining access in individual cases, while recognizing that measurement of need in financial crises is

subject to an unusual degree of uncertainty. Stocks of financial claims can be very large, and can potentially translate into a large balance of payments need. In this context, several Directors highlighted the limitations of the gross financing needs variable, which is a commonly reported measure of need in Fund-supported programs.

A number of Directors noted that, in capital account crises, access in percent of quotas has varied widely, partly because, for some members, the quota may not reflect the relative size of the economy and/or their integration into international capital markets. Most Directors considered, nevertheless, that quotas should remain the fundamental metric for access. Many Directors recognized that alternative metrics, such as GDP, exports, gross reserves, and calculated quotas, could provide additional perspectives on the scale of access in individual cases, even though they would not give unequivocal guidance. In this light, a few Directors recommended that further work be done to support assessments of the appropriate scale of access in more detail.

Most Directors agreed that even when the need was large, Fund financing in exceptional access cases had in practice covered only a portion of the gross financing need, with financing from the private sector and from other official sources filling the balance. Directors emphasized that efforts to involve private sector creditors in program financing should be continued, but it was also recognized that concerted or involuntary action by such creditors could be associated with a slow return of confidence and market access. Several Directors encouraged further consideration of the role of private sector involvement in exceptional access cases.

Directors supported strengthening the procedures for decision making on access proposals above the normal access limits to provide additional safeguards and enhance accountability, and the Board agreed to the following measures:

(i) *Raising the burden of proof required in program documents as set out in the staff paper*. This would include thorough discussion of need and the proposed level of access, a rigorous analysis of debt sustainability, and an assessment of the risks to the Fund arising from the exposure and its effect on liquidity;

(ii) *Formalizing requirements regarding early Board consultation on the status of negotiations in exceptional access cases*. The modalities of the Board's involvement will be further worked out, building on the practice under which the Board has confidential briefings on the broad strategy of the program and the case for access above normal limits before negotiations are concluded; and

(iii) *Requiring an ex post evaluation by the staff of programs supported by exceptional access within a year after the end of the arrangement, with a number of Directors suggesting that the Independent Evaluation Office also consider conducting such evaluations*.

Directors also considered the possibility of establishing a presumption of public disclosure of Fund staff reports on programs supported by exceptional access. A majority of the Board held the view that, in particular in these cases, there would be a high premium on increasing public understanding and credibility of the program strategy. Many other Directors, however, were concerned that moving to a presumption of publication of such staff reports might not be easily reconcilable with the need for frank assessments of the risks involved. Directors agreed to return to this issue on the occasion of the next review of the Fund's transparency policy in June 2003.

Directors discussed the possibility of requiring a supermajority of Board votes to approve exceptional access. They generally agreed that such a fundamental change to the governance structure of the Fund—which would necessitate a change in the Articles of Agreement—should not be pursued at this time. A few Directors were in favor of separating Board decisions on exceptional access from the approval of the program. Several Directors noted, however, that the merits of the access proposal could not be considered independently from the program, and cautioned against procedures that could slow the approval process. Directors discussed the possibility of introducing a presumptive limit on cumulative exceptional access to provide an additional restraint on the use of the Fund's resources. Directors were opposed to the establishment of such a limit, noting that it could not preclude access above this limit without fundamentally constraining the Fund's capacity to respond to crises in its member countries where access above the high limit might be justified. They also pointed

to a number of difficult practical hurdles that a limit or norm on exceptional access would raise, in particular, the problem of choosing the right level for a high limit, and the complexity of rules that would need to be defined around a two-tier system of access limits. Furthermore, some Directors were concerned that a presumptive access limit or norm would only be credible to the extent that it was adhered to. Past decisions on high access above the limits considered would make it more difficult to establish credibility.

Turning to prudential considerations regarding exceptional access cases, Directors agreed that more systematic and comprehensive information regarding the member country's capacity to repay the Fund and the Fund's exposure to the member country is needed to underpin judgments about the appropriateness of the proposed access levels in individual cases. In this context, Directors also considered setting a maximum absolute exposure level for a single member above which additional precautionary balances would immediately be accumulated through the burden-sharing mechanism. While a few Directors saw merit in such a proposal, most Directors opposed this idea, as it would raise difficult issues regarding the uniformity of treatment of members in terms of access. They were also concerned that using the burden-sharing mechanism could signal a lack of confidence of the Fund in the member country's economic program and ability to repay the Fund. Some Directors called for an increase in quotas to provide the Fund with adequate resources to deal with the new type of crises.

Directors also had a preliminary discussion of possible changes in the terms and conditions of Fund lending above the limits to affect incentives that apply to exceptional access cases. Most Directors agreed that the scope for increasing the rate of charge to discourage exceptional access appears limited. A number of Directors were of the view that, since some capital account crises are unlikely to reverse as quickly as foreseen in the Supplemental Reserve Facility (SRF), lending at somewhat longer maturities should be available if the Fund is to contribute effectively in some of these cases. Other Directors, however, cautioned that such proposals could blur the distinction between SRF and SBA resources, and would warrant a fuller review. Many Directors also expressed interest in further considering the establishment of a presumption that SRF resources would be used when the

cumulative access exceeds the limits under the credit tranches and the EFF. A few Directors also noted the importance of the policy on early repurchases in this context.

The current discussion has been fruitful in developing consensus in a number of areas. Staff will prepare a follow-up paper before the end of the year on how best to put this new framework in place, including procedures for early Board consultation in cases where exceptional access is considered, and issues related to private sector involvement in these cases. This paper will also include further consideration of the appropriate maturity of Fund lending in capital account crises, and of the related issue of the mix between SRF and SBA resources. At that discussion, the Board will also conduct the regular review of access policy under the credit tranches and the EFF.

BUFF/02/159
September 20, 2002

The Acting Chair's Summing Up—The Fund's Lending Framework and Sovereign Debt—Further Considerations
Executive Board Meeting 16/4, January 20, 2016

Executive Directors welcomed today's discussion of proposed reforms to the Fund's exceptional access framework, one of the issues under the sovereign debt restructuring work program that was endorsed by the Executive Board in May 2013. Directors supported the broad objectives underlying the proposed reforms. They agreed that, by modifying this framework to allow responses that are better calibrated to a member's debt vulnerabilities, the reforms would help promote more efficient resolution of sovereign debt problems and avoid unnecessary costs for the member, its creditors, and the overall system. At the same time, they would enable the Fund—consistent with its mandate—to continue providing financing to assist members in resolving their balance of payments problems, including in the presence of spillover and contagion risks.

In this context, Directors generally favored the removal of the systemic exemption. It was recognized that the removal of the systemic exemption is critical for several reasons. First, to the extent that

a member faces significant debt vulnerabilities despite its planned adjustment efforts, the use of the systemic exemption to delay remedial measures risks impairing the member's prospects for success and undermining safeguards for the Fund's resources. Second, from the perspective of creditors, the replacement of maturing private sector claims with official claims, in particular Fund credit, will effectively result in the subordination of remaining private sector claims in the event of a restructuring. Third, the systemic exemption aggravates moral hazard in the international financial system and may exacerbate market uncertainty in periods of sovereign stress. Finally, it is far from clear that invoking the systemic exemption to defer necessary measures on debt can be relied upon to limit contagion, since the source of the problem—namely, market concerns about underlying debt vulnerabilities—is left unaddressed.

Directors agreed that staff's proposed approach addresses more robustly the rigidities in the exceptional access framework, while ensuring that debt vulnerabilities are addressed in an appropriately calibrated way. Specifically:

- When the Fund is confident that debt is sustainable with high probability, it would continue to provide financing in support of a strong adjustment program that envisages payment of outstanding obligations as they fall due. These cases would include those where, although a member may have lost market access, the Fund is confident that this loss is temporary and that debt is sustainable.
- By contrast, when debt is clearly unsustainable, prompt and definitive action to restructure debt and restore debt sustainability with high probability remains the least-cost approach.
- However, when a member's debt is assessed to be sustainable but not with high probability, requiring a definitive debt restructuring could incur unnecessary costs. In such situations, it would be appropriate for the Fund to grant exceptional access so long as the member also receives financing from other sources during the program on a scale and terms such that the policies implemented with program support and associated

financing, although they may not restore projected debt sustainability with a high probability, improve debt sustainability and sufficiently enhance the safeguards for Fund resources.

Directors noted that, in applying this more flexible standard in circumstances where debt is assessed to be sustainable but not with high probability, there would be a range of options that could meet the prescribed requirements. There would be no presumption that any particular option would apply. Rather, the choice would depend on the circumstances of the particular case, and would need to be justified accordingly. In particular:

- In situations where the member retains market access, or where the volume of private claims falling due during the program is small, sufficient private exposure could be maintained without the need for a restructuring of their claims.

- If the member has lost market access and private claims falling due during the program would constitute a significant drain on available resources, a reprofiling of existing claims (that is, a short extension of maturities falling due during the program, with normally no reduction in principal or coupons) would typically be appropriate. This could allow a somewhat less stringent adjustment path while also reducing the needed level of access. Although a reprofiling is a form of debt restructuring, it was recognized that, in these circumstances, it will likely be less costly to the debtor, the creditors, and the system than a definitive debt restructuring. In this context, the scope of debt to be reprofiled would be determined on a case-by-case basis, recognizing that it would not be advisable to reprofile a particular category of debt if the costs for the member of doing so—including risks to domestic financial stability—outweighed the potential benefits. Notably, short-term debt instruments (by original maturity), trade credits, and local currency-denominated debt had not been included in most past restructurings.

- Similarly, financing from official bilateral creditors, where necessary, could be provided either through an extension of

maturities on existing claims and/or in the form of new financing commitments.

As is the case with all debt restructurings under Fund-supported programs, a reprofiling, where it is needed, should ideally be undertaken before the approval of the Fund arrangement. However, there may be circumstances under which more flexibility is warranted, so that the conclusion of the debt operation is contemplated at a later date. Against this background, it would not be necessary to hold up Fund support until there is complete clarity regarding the terms of this financing.

Directors broadly concurred with staff's analysis on the nature and type of cross-border spillovers that could result from a debt restructuring. They recognized that some spillovers, insofar as they reflect a repricing of risk in line with fundamentals, should be accommodated and complementary policy actions should be taken if necessary to counter market fluctuations that are not rooted in fundamentals.

Nevertheless, Directors took note of the fact that, if a rare tail-event case were to arise where any restructuring of private claims, even a reprofiling, is judged to pose unmanageable risks, either for domestic financial stability or in terms of possible cross-border spillovers, the reformed framework creates the flexibility for the Fund to approve exceptional access to Fund resources without such a restructuring so long as official sector partners are willing to provide the necessary financing. Such financing would need to be on terms sufficiently favorable to improve sustainability and enhance safeguards for Fund resources, and, accordingly, the Fund would need assurances that the terms could be modified in future if the outlook for debt sustainability were to deteriorate significantly. If official creditors were unwilling to provide such assurances, the terms of the financing would need to be sufficiently generous upfront to restore debt sustainability with high probability. In circumstances where debt is unsustainable, the terms of the financing provided by official bilateral creditors would similarly need to be sufficiently favorable to restore debt sustainability with high probability. This could take the form of loans with long tenors and concessional rates, grants, or other instruments. Directors noted that these requirements would be implemented flexibly. The Fund could proceed on the basis of political commitments to backstop debt sustainability without

necessarily requiring all the specific modalities to be spelt out. Directors concurred that, while this alternative approach for rare tail-risk cases does not allay moral hazard concerns, it would be more effective than the systemic exemption, as it would help the member address its debt problems, mitigate contagion at its source, and provide safeguards for Fund resources. Some Directors noted the expectation that the approach would be used only rarely and emphasized that the decision to resort to this approach should be made in an evenhanded manner. A few Directors expressed the view that the approach described in this paragraph could be feasible even in less extreme circumstances rather than just in rare tail-events characterized by unmanageable risks.

Directors observed that the Fund's assessment of debt sustainability will continue to play a central role in the exceptional access framework. In this regard, they emphasized that, notwithstanding continued improvements in the Fund's toolkit for making debt sustainability assessments, the determination of where a country's debt prospects lie on the spectrum of probabilities will continue to involve a significant element of judgment. Specifically, the determination, which is inherently forward-looking, would take into account all relevant information, including country-specific information on prospects for policy implementation, growth opportunities, contingent liabilities, the nature of the creditor base and indicators of investor confidence; as well as the outlook for the global economic environment. Directors noted that, taking these considerations into account, the levels of debt that are consistent with sustainability could vary significantly across programs.

With regard to the third criterion under the exceptional access framework, namely the condition related to market access, Directors supported staff's view that this condition needs to be met even in cases involving open-ended commitments of official support beyond the program period. They agreed that the resolution of a member's balance of payments problem and the achievement of medium-term external viability is a key objective of Fund lending, and a member's ability (as distinct from its need) to access private capital markets is inherent to this resolution. While official financing commitments can provide a useful backstop against downside risk, they do not render the market access criterion moot. Directors emphasized, nonetheless, that staff

should take into account the positive impact that commitments of official support may have on a member's ability to access markets, on a case-by-case basis, when assessing whether the third criterion is met.

Directors also broadly supported staff's clarification on the timeframe within which to establish market access. Specifically, they noted that the Fund has generally expected that a member gain or regain market access within a timeframe that facilitates the repayment of all of its obligations to the Fund—not just the last one that is due, as the current wording of the third criterion might suggest.

The changes to the Fund's exceptional access framework will enter into effect immediately and will apply to all future completion of reviews under existing arrangements or approval of new Fund arrangements.

Looking ahead, Directors called on staff to continue its work on ensuring that the Fund's lending toolkit is effective in addressing systemic crises and contagion. They looked forward to the upcoming review of issues relating to debtor-creditor engagement, including the Fund's lending into arrears policy. This would complete the program of work aimed at facilitating the timely and orderly resolution of sovereign debt problems.

BUFF/16/9, Cor. 1 (1/27/2016)
January 27, 2016

Emergency Financing Mechanism

Summing Up by the Chairman—Emergency Financing Mechanism, Executive Board Meeting 95/85, September 12, 1995

Directors welcomed the opportunity to consider the elements of a proposed "emergency financing mechanism" (EFM) which would strengthen the ability of the Fund to respond rapidly in support of members facing a crisis in their external accounts and seeking Fund assistance. Although the wording "emergency financing mechanism" suggests a more ambitious purpose, Directors in fact considered that the topic under discussion was an emergency procedure rather than a new financing mechanism.

Directors agreed that the essence of an emergency financing mechanism was to provide for exceptional procedures that, in the event a member faced a crisis, would facilitate rapid approval of Fund support while assuring the conditionality necessary to warrant such support. In this connection, Directors generally agreed that there was not necessarily a link between exceptional procedures to facilitate a rapid response on the part of the Fund, on the one hand, and exceptional access, or the need for supplementary financing, on the other. However, Directors noted that, in addition to a rapid response to an emergency, the Fund may need to provide potentially large and front-loaded access, which possibly would imply the need to call upon the supplementary resources. Issues related to possible expansion of the GAB and/or the supplementary borrowing arrangements, and their modalities and criteria for activation, remain open for further consideration, and we may need to return to the question of linkages to the EFM as those discussions evolve. For the moment, however, I believe there is broad agreement among Directors on the main aspects of what would constitute emergency procedures.

While noting the staff's assurances regarding "moral hazard" and other issues raised during the Board discussion of the role of the Fund in August, most Directors stressed the importance of ensuring that the use of the emergency procedures would be limited to truly exceptional circumstances and that the Fund's role, in the context of such use, would remain catalytic. Further, use of emergency procedures would not be a guarantee against sovereign default. With regard to the key features of these emergency procedures, many Directors underscored the critical importance of strengthened Fund surveillance, and close cooperation between the Fund and the members, in order to help avoid a financial crisis and to facilitate a rapid response should a crisis occur. In that context, it was stressed by several Directors that it was a member's responsibility to come to the Fund early with a strong and comprehensive economic program in order to prevent a potential crisis from emerging and to limit the cost of repair.

There was very broad support for the circumstances and conditions under which emergency financing procedures could be initiated, and for the procedures themselves, as suggested and clarified by the staff. Some Directors expressed concern about the lack of objective criteria to identify in advance what kind of financial crisis would require and

warrant a rapid Fund response, but others noted that it would be difficult to define beforehand the characteristics that would constitute such a crisis. A number of Directors would prefer to limit the use of emergency procedures to situations involving significant spillover or contagion effects, but most noted that such an approach would unduly restrict the availability of emergency procedures. Some Directors pointed to the lack of consensus on the meaning, in particular, of the concept of systemic effects.

In their comments, a number of Directors have emphasized the importance of continuous and substantive involvement of the Executive Board in the utilization of emergency procedures. I fully agree and have assured you that management would inform the Board immediately of its intention to activate the emergency procedures. Close communication and consultation would be maintained throughout the process, about which I will have more to say later in this summing up, and I agree on the importance of ensuring early and broad-based support in any activation of emergency procedures.

With reference to the specific elements of emergency procedures, I would list them as follows so that there is clarity for members, the staff, management, and the Board.

• The emergency procedures would be expected to be used only in rare circumstances that represented or threatened to give rise to a crisis in a member's external accounts requiring immediate response from the Fund. Identification of such an emergency would be based on an initial judgment by management, in consultation with the Executive Board, that the member was faced with a truly exceptional situation threatening its financial stability, and that a rapid Fund response in support of strong policies was needed to forestall or to contain significant damage to the country itself or to the international monetary system, it being understood that the potential for spillover effects would be an important element of the Board's final judgment.

• The conditions for activation of emergency procedures would include the readiness of the member to engage immediately in accelerated negotiations with the Fund, with the prospect of early agreement on—and implementation of measures sufficiently strong to address the problem. Prior actions normally would be expected.

The member's past cooperation with the Fund, in particular its record of reporting and responding to the Fund's policy advice in the context of regular consultations and continuing surveillance, would have a strong bearing on the speed with which the Fund itself could assess the situation and agree on necessary corrective measures. Our important operating principle—the stronger the program, the stronger the Fund's support would also apply here.

• The Executive Board would be informed immediately by management of the intention to activate emergency procedures, the nature of the emergency and the initial outlines of the planned responses by the member and the Fund, and the likely timetable for Executive Board discussion of a proposed arrangement. Strict confidentiality would need to be maintained, and public statements should be careful not to prejudge the Board's exercise of its responsibility to take the final decision.

• A short written report would be circulated to the Executive Board as soon as feasible, describing the member's current economic situation.

• During the negotiations with the member, the Executive Board would be briefed regularly on economic and financial developments, the progress of negotiations, the likely key parameters of the program (including the level and phasing of access), the likely impact on the Fund's liquidity and the possible need to activate borrowing arrangements, and any changes in the initially envisaged timetable for Executive Board discussion of the arrangement. These briefings would provide the Board with opportunity to give guidance to management and the staff on the country's policies and the contemplated Fund assistance.

• In instances where support from other creditors is likely to be important, consultations with key creditors would be initiated at the outset of the emergency. The Executive Board would be informed of relevant developments in this area, in the context of the regular informal briefings.

• Once agreement had been reached on a program, documents would be circulated as soon as possible. The staff would aim to do this within, say, five days. The Executive Board would be prepared to consider the request for an arrangement as early as 48 to 72 hours after circulation of the documentation. Decisions regarding key parameters, including

access and phasing, would be taken in the context of the Executive Board's consideration of the arrangement, in accordance with the existing rules and practices of the Fund.

• The early involvement and high frequency briefing of the Executive Board would be a centerpiece of the procedures facilitating a rapid Fund response. Similarly, after approval of the arrangement, and during a period of very close monitoring by the staff to allow early and continuing assessment of the effectiveness of the member's policy response, the Executive Board would continue to be involved closely in monitoring progress until the emergency was definitively resolved. In most cases, it could be expected that the full review of the initial policy response and the reaction of markets to these policies would be conducted within one to two months of the approval of the arrangement, with the aim of allowing modifications to policies as necessary in light of the evolving situation.

• Directors agreed that there would be an understanding, rather than a legal obligation, that the member would make early repurchase of the resources made available under emergency procedures, provided the member overcame its crisis quickly.

I conclude from today's meeting that Directors agree that we should strengthen the Fund's ability to act quickly in crisis situations. Directors have endorsed the broad outlines of the proposed features of what could constitute emergency procedures. I will plan to report to the Interim Committee on this basis. Of course, there are issues related to supplementary financing arrangements still under discussion, and we will consider any implications of such arrangements for the emergency financing mechanism in due course.

STREAMLINING PROCEDURES FOR BOARD CONSIDERATION OF THE FUND'S EMERGENCY FINANCING DURING EXCEPTIONAL CIRCUMSTANCES INVOLVING A PANDEMIC—PANDEMIC EMERGENCY PROCEDURES

1. **Pandemic Emergency Procedures.**

a. When the Managing Director, informed by the World Health Organization's assessment, determines that a life-threatening global

pandemic is inflicting severe economic disruption across the Fund's membership, the Executive Board may activate the pandemic emergency procedures specified in this decision.[1] For a period of three months from the Executive Board's approval, the Executive Board will generally be prepared to consider, in cases of urgent actual balance of payments need, requests for approval of purchases or disbursements under the Rapid Financing Instrument and/or the Rapid Credit Facility, respectively, program reviews and requests for changes in access in existing arrangements, and requests for assistance under the Catastrophe Containment and Relief Trust (CCRT) within 5 business days after the circulation of the relevant documentation to the Executive Board. The same circulation period will apply for Article IV consultations where the use of Fund resources under a Flexible Credit Line arrangement or Precautionary and Liquidity Line arrangement is under discussion or anticipated.

b. In such cases, the standard minimum circulation periods for such documentation shall not apply.

2. **Renewal.** Prior to the end of the three-month period from the date of the Executive Board's activation decision pursuant to paragraph 1 above, the Executive Board shall determine whether to renew their application for an additional period of up to three months[2] or to discontinue them, provided that any discontinuation will not apply to the Board's consideration of requests issued to the Executive Board pursuant to these procedures prior to such discontinuation.

3. **Early termination:** At any time, the Executive Board may decide that conditions no longer warrant the use of these procedures and terminate their application, provided that any termination will not apply to the Board's consideration of requests issued to the

[1] Ed. Note: Decision No. 16696-(20/37), April 6, 2020 provides: "The Executive Board decides, in light of the COVID-19 pandemic, to activate the Pandemic Emergency Procedures pursuant to Decision A, for three months from the date of this decision. (SM/20/79, Rev. 1, 04/03/20)"

[2] Ed. Note: In Decision No. 16844-(20/37), adopted July 1, 2020, "the Fund decides to renew the Pandemic Emergency Procedures activated pursuant to Decision No. 16696-(20/37), adopted April 6, 2020, for an additional period of three months ending on October 5, 2020. (SM/20/98, 06/26/20)"

Executive Board pursuant to these procedures prior to such discontinuation. (SM/20/79, Rev. 1, 04/03/20)

Decision No. 16695-(20/37),
April 6, 2020,
as amended by 16844-(20/37),
July 1, 2020

Post Financing Assessment (Previously, Post Program Monitoring)

The Acting Chair's Summing Up—
Post Program Monitoring During the Pandemic—Proposal for Temporary Streamlining of Procedures and Renaming of the Policy, Executive Board Meeting 21/44, May 7, 2021

Executive Directors welcomed the opportunity to discuss the proposals for temporarily modifying the modalities for Post Program Monitoring (PPM)[1] in response to the challenges posed by the pandemic. They emphasized that the increase in Fund lending, including due to emergency assistance, and the corresponding higher risks to the Fund underscore the importance of maintaining appropriate safeguards to the Fund's balance sheet, of which PPM policy is a central element. Directors broadly acknowledged, however, that in the current circumstances, it remains difficult to undertake frequent engagements with the authorities of member countries under PPM due to ongoing constraints in both the Fund and the countries concerned.

Directors generally agreed that temporarily streamlining the implementation modalities of the PPM framework is warranted to address the abovementioned constraints. They stressed, however, that the objective of PPM to safeguard Fund resources and members' capacity to repay should be maintained. Thus, Directors reaffirmed that the existing PPM application criteria with respect to the absolute and quota-based thresholds, as well as the broad coverage under PPM of all financing instruments, remain appropriate.

[1] Ed. Note: Decision No. 17037-(21/44), May 7, 2021, renamed "Post Program Monitoring" to Post Financing Assessment.

Directors generally supported the proposal to temporarily suspend annual standalone PPM reports and to conduct PPM discussions at the time of the Article IV consultation, with the Article IV Consultation staff report also to include all the elements of the PPM discussion under the title of the Article IV report. A few Directors would prefer that these joint reports not be considered by the Board on a lapse of time basis. Given the temporary streamlined modalities, Directors emphasized the need to undertake timely Article IV consultations to preserve the objectives of the PPM policy, and for staff to maintain close communication with members under PPM during the period between Article IV consultations. They requested that the Board be informed in a timely manner should concerns with the capacity to repay of a country under PPM arise in between reports or should there be slippages in the timetable of Article IV consultations with these members. Directors also requested that the Board be updated in a timely manner on developments in countries where a successor program is under consideration. They agreed that the streamlined modalities will apply to all existing and future members subject to PPM until end-2022, after which the standard modalities would resume, including the stand-alone PPM report.

Going forward, and separate from the temporary change in PPM modalities, Directors agreed to rename the policy, from Post Program Monitoring to Post Financing Assessment (PFA), to reflect more appropriately that it not only covers outstanding credit resulting from Fund-supported programs but also credit from outright purchases in the GRA or PRGT disbursements.

SU/21/58
May 12, 2021

POST PROGRAM MONITORING DURING THE PANDEMIC—PROPOSAL FOR TEMPORARY STREAMLINING OF PROCEDURES AND RENAMING OF THE POLICY

Decision No. 13454-(05/26), adopted March 14, 2005, as amended, is further amended to read as follows:

1. If outstanding credit to a member exceeds any of the thresholds specified below:

(a) 200 percent of quota for credit from the Fund's General Resources Account (GRA), or from the Fund as Trustee of the Poverty Reduction and Growth Trust (PRGT), or from the Fund as Trustee of the Resilience and Sustainability Trust (RST), or a combination thereof; or

(b) an amount equivalent to SDR 1.5 billion for credit from the Fund's GRA; or

(c) an amount equivalent to SDR 0.38 billion from the PRGT; or

(d) an amount equivalent to SDR 0.38 billion from the RST,

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), or Policy Coordination Instrument (PCI), the member will be expected to engage in Post Financing Assessment (PFA) discussions with the Fund involving the monitoring of its economic developments and policies upon the recommendation of the Managing Director. Where the above criteria are met, the Managing Director shall recommend PFA 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, PCI, PSI or a staff monitored program is expected to be in place within the next six months) are such that the process is unwarranted. PFA will normally cease when the member's outstanding credit falls below all of the applicable thresholds above.

2. The Managing Director may also propose PFA to the Executive Board in cases where outstanding credit as defined above is below the above-specified thresholds if, in the view of the Managing Director, there are developments that suggest the need for closer monitoring of the member's capacity to repay, and particularly, where developments call into question the member's progress toward external viability.

3. For members subject to PFA, there will normally be one standalone PFA paper issued for Executive Board consideration in a twelve-month period. The member will be expected to engage in discussions with staff on its policies, which shall include a quantified macroeconomic framework. The staff will report to the Executive Board on the member's policies, the consistency of the macroeconomic framework with the objective of medium-term viability, and the implications for the member's capacity to repay the Fund. PFA papers should also examine the risks to the member's capacity to repay the Fund.

4. The Executive Board's consideration of a PFA paper will be reflected in a press release. The publication of the press release will follow the normal press release procedure, including the requirement of the member's consent.

5. For the period from May 7, 2021 through December 31, 2022, the modalities set out in paragraphs 1-4 above for PFA shall be modified as follows: PFA discussions will be combined with the Article IV consultations with such members, and reported in the Article IV Consultation staff report issued to the Board normally once in any twelve-month period, with the Article IV press release also covering PFA considerations.

6. All References in other Fund decisions to "Post Program Monitoring" are revised to read "Post Financing Assessment." (SM/21/58, 04/23/21)

Decision No. 13454-(05/26),
March 14, 2005,
as amended by Decision Nos. 13563-(05/85), October 5, 2005,
14184-(08/93), October 29, 2008,
14284 (09/29), March 24, 2009,
15946-(16/14), February 17, 2014
16019-(16/61), July 1, 2016,
16233-(17/62), July 14, 2017, and
17037-(21/44), May 7, 2021, and
17231-(22/37), April 13, 2022

The Acting Chair's Summing Up—
Strengthening the Framework for Post-Program Monitoring,
Executive Board Meeting 16/51, July 1, 2016

Executive Directors welcomed the opportunity to discuss proposals to improve the Fund's framework for post-program monitoring (PPM). They considered PPM to be an important element of the Fund's safeguards framework. Through closer engagement with members that have substantial outstanding credit to the Fund but are no longer in a program relationship, PPM enhances the Fund's ability to detect risks to the member's repayment capacity and thus safeguard the Fund's resources. Directors noted that the sizeable expansion of Fund credit in recent years has made it all the more important to ensure that the PPM framework remains robust. At the same time, they recognized the challenge of striking the right balance between different—and sometimes conflicting—objectives, including between strengthening and streamlining efforts, and between flexibility and evenhanded treatment.

Against this backdrop, Directors supported moving toward a more risk-based and focused PPM framework. They agreed that PPM reports should examine in depth the full range of risks to members' capacity to repay, and that the analysis should be tailored to members' specific circumstances. Directors welcomed the range of innovative techniques and indicators used in the analysis and monitoring of risks, while stressing the desirability of maintaining a clear distinction, in terms of both content and modalities, between PPM and other forms of Fund engagement, be it lending or surveillance.

Directors saw merit in establishing absolute-size thresholds to help ensure adequate monitoring of large exposures to the Fund's resources. They found it reasonable to calibrate such thresholds relative to the Fund's loss-absorption capacity, and to use as a proxy the minimum floor of precautionary balances for credit outstanding from the General Resources Account (GRA), and the reserve balance for credit outstanding from the Poverty Reduction and Growth Trust (PRGT). Directors supported, or could support, setting the absolute-size thresholds at SDR 1.5 billion for GRA credit, and at SDR 0.38 billion for PRGT

credit. Some Directors considered that a lower threshold for GRA exposures would have provided a better safeguard to Fund resources.

Directors agreed that the quota-based threshold should be retained as a backstop. They supported, or could support, raising the threshold to 200 percent of quota, close to the point at which level-based surcharges apply for GRA exposures. Some Directors would have preferred a lower level, noting that small and medium-sized economies could benefit from enhanced engagement with the Fund, or should be able to opt in voluntarily.

Directors agreed that the policy should be implemented in a flexible and streamlined manner, while ensuring the strongest safeguards to Fund resources. They agreed to reduce the frequency of PPM to once in any 12-month period, based on a mission scheduled between annual Article IV consultations, which would also help differentiate the two reports. That notwithstanding, Directors took note of the requirement that Article IV consultations, inter alia, assess balance of payments stability and risks. While a number of Directors were willing to go along with a presumption that all standalone PPM reports would be considered on a lapse-of-time (LOT) basis, most Directors had reservations and emphasized the importance of the Board exercising its fiduciary duty to oversee risks to the Fund's resources. In this context, a few Directors saw value in applying the absolute-size thresholds as a trigger for formal Board consideration of PPM reports. In light of these considerations, Directors agreed to retain the current risk-based approach to the usage of LOT procedures, whereby it would be possible for the Board to conclude PPM consideration on an LOT basis if no major issues have arisen.

BUFF/16/51
July 8, 2016.

Article V, Section 3(*d*) and (*f*)

Media of Payment

Assessment of Strength of Member's Balance of Payments And Gross Reserve Position For The Purposes of Designation Plans, Operational Budgets and Repurchases Under Article V, Section 7(b)

This decision sets forth guidelines for the assessment of the strength of the balance of payments and gross reserve position of a participant under Article XIX, Section 5(a)(i) (designation plans), and of the balance of payments and reserve position of a member under Article V, Section 3(d) (operational budgets) and, in accordance with Executive Board Decisions No. 5704-(78/39) and No. 6172-(79/101), under Article V, Section 7(b) (early repurchases).

1. Assessments of strength for the purposes of Article V, Sections 3(d) and 7(b) will be based on a member's balance of payments and gross reserve position, and shall take into account developments in the exchange markets.

2. A member's "balance of payments and gross reserve position" is a combined concept, under which strength in one element may compensate for moderate weakness in the other.

3. In the Fund's assessment whether a member's balance of payments and gross reserve position is sufficiently strong for the purposes of the designation plans, operational budgets, and early repurchases, all relevant factors and data on the member's position shall be considered, including the following: recent and prospective movements in gross reserves, balance of payments developments, the relationship of gross reserves to a member's imports and Fund quota, and developments in exchange markets. To the extent that recent data on changes in a member's net reserves are available, these shall be taken into account as an indicator of the member's balance of payments position.

4. If a member has outstanding purchases in the General Resources Account, the assessment of its balance of payments

and gross reserve position will include judgments on whether the member's position shows an improvement in comparison with the position at the time it made its last purchase from the Fund, on the extent of the improvement, and on whether it is likely to be sustained in the foreseeable future. Special attention will be given to the recent and prospective evolution in the various components of the member's balance of payments, including developments in the member's net reserves to the extent that data are available.

Decision No. 6273-(79/158) G/S,
September 14, 1979

TRANSFERS OF SDRS UNDER ARTICLE V, SECTION 3(f)

Pursuant to Article V, Section 3(f), the Fund shall provide SDRs instead of the currencies of other members to a participant making a purchase in accordance with decisions on the operational budgets taken under Rule O-10. For this purpose, the Executive Board shall keep under review the amount of the Fund's holdings of SDRs in the General Resources Account in the light of all relevant considerations, including the relationship of SDR holdings to its other assets, and will determine from time to time the approximate range within which the Fund will aim to maintain these holdings.

Decision No. 6275-(79/158) G/S,
September 14, 1979

MEMBERS WITH OUTSTANDING PURCHASES

Pursuant to paragraph 2 of the Executive Board Decision No. 6274-(79/158), Procedures for the Sale of Currencies at the Request of the Executive Board approves the procedures set out in SM/79/277 (11/29/79).

Decision No. 6352-(79/183),
December 12, 1979

SM/79/277

Procedures

1. Executive Board Decision No. 6274-(79/158) on the selection of currencies by the Fund contains the following paragraph.

2. Under procedures to be adopted, the currency of a member with outstanding purchases subject to repurchase, whose balance of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3(d) only if the member and the Fund agree.

…

5. … [T]he following procedural guidelines are suggested. They place stress on consultations between the Managing Director and the member concerned prior to the submission by the Managing Director to the Executive Board of a proposal agreed with the member on a maximum amount of sales of its currency and on the way in which these sales would be integrated in the operational budget. The guidelines are intended to provide a reasonable degree of flexibility for the Managing Director to make proposals that would be acceptable both to the member that wished its currency to be sold and to the Executive Board.

a. As far as practicable, a member with outstanding purchases that wishes its currency to be sold by the Fund would be expected to consult with the Managing Director before the end of the second month of the quarterly period prior to the beginning of the period in which the currency would be sold. This will enable a proposal for the sale of the currency to be incorporated in the next operational budget. However, the Managing Director might also propose an amendment to an existing budget. The qualification "as far as practicable" is included in order to provide some flexibility; one reason for this is that a member may not know that its balance of payments and reserve position is judged "sufficiently strong" for the purposes of the next designation plan and operational budget until the relevant documents are circulated to the Executive Board.

b. Following the consultation, and with the agreement of the member concerned, the Managing Director will make a proposal to the Executive Board in accordance with paragraph (c) below that the currency be included in the operational budget. The Managing Director's proposal will cover the way in which the sales of the currency will be integrated with the sales of other currencies and SDRs in the execution

of the operational budget. While in each case the decision on sales of a currency would rest with the Executive Board, there would be a reasonable presumption that a proposal made in accordance with these guidelines would be accepted.

c. Proposals by the Managing Director for sales of a currency of a member with purchases outstanding would be guided by the following considerations:

(i) Proposals would not normally be made for sales of currencies if such sales would give rise to repayments of borrowing by the Fund, or if they would be attributed by the member to repurchase obligations falling due within the quarterly period of the budget.

(ii) The amounts of currency involved should not be such as to detract significantly from the promotion of balanced positions in the Fund or the aim of maintaining the SDR holdings of the General Resources Account within a particular range.

Review of Guidelines for Allocation of Currencies

1. Pursuant to Decision No. 11386-(96/107), adopted December 2, 1996, the Fund has reviewed the guidelines for the use of currencies in the General Resources Account approved by Decision No. 10279-(93/19), adopted February 10, 1993. The Executive Board approves the new guidelines set out below:

2. Currencies to be used for transfers in the operational budget will be allocated in proportion to members' quotas.

3. Currencies to be used for receipts in the operational budget will be allocated in such a way as to promote over time-balanced positions in the Fund in relation to quotas. Receipts in currencies will be allocated to members with positions in the Fund above the average of all members included in the operational budget. The amount allocated in each currency shall be in proportion to the difference between the member's position in the Fund and the projected average of all members included in the operational budget, expressed as a percent of quota, at the end of the budget period.

4. A member's "position in the Fund" shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member or

an institution of the member under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund's use of its currency holdings for this purpose.

5. The Fund's holdings of a member's currency in terms of quota resulting from allocations of currencies for transfers shall not be reduced below a floor of one-half of the projected average level, in percent of quota, of the Fund's holdings of usable currencies at the end of the budget period.

6. The Fund will seek to maintain adequate working balances of each member's currency included in the operational budget for transfers of not less than 10 percent of the quotas of these members.

7. These guidelines will enter into effect with the operational budget for the period December 1998–February 1999. Their operation will be reported to the Executive Board in the context of the quarterly operational budgets.

8. The guidelines will be reviewed by the Executive Board not later than December 31, 2000 (EBS/98/194, 11/17/98).

Decision No. 11837-(98/121),
November 30, 1998

SELECTION OF CURRENCIES BY THE FUND

This decision sets forth guidelines for the selection of currencies in purchases under Article V, Section 3(d), in repurchases under Article V, Section 7(i), and in transfers of SDRs by the Fund under Article V, Section 6(b) pursuant to decisions adopted prior to the date of this decision.

1. Normally, the Fund will select a member's currency for use in the operations and transactions of the General Resources Account in amounts that result in a net reduction of the Fund's holdings of the currency only if the member's balance of payments and gross reserve position is judged to be sufficiently strong. Accordingly this will not preclude the possibility that the Fund will make net reductions in its holdings of the currency of a member with a strong reserve position even though it has a moderate balance of payments deficit.

2. (a) Under procedures to be adopted, the currency of a member with outstanding purchases subject to the guidelines on early repurchase, whose balance of payments and gross reserve position is judged sufficiently strong for the purposes of operational budgets and designation plans, normally will be sold by the Fund under Article V, Section 3(d) only if the member and the Fund agree.

(b) If the outstanding purchases of a member judged sufficiently strong are not subject to the guidelines on early repurchase, and the member agrees with the Fund that its currency shall be sold, the amounts of its currency to be sold shall be calculated in accordance with the procedures set out in the Annex to this decision.

3. If the currency of a member whose balance of payments and gross reserve position is not judged sufficiently strong in accordance with paragraph 1 above can be accepted in repurchase under Article V, Section 7(i), the Fund, at the request of the member, will give special emphasis to the use of that currency for repurchases.

4. The guidelines in this decision will be applied in a manner that will allow the Fund to retain the flexibility necessary to ensure that (i) the use of currencies can be adapted to the needs and circumstances of members and of the Fund, and (ii) the transactions and operations of the Fund can be executed expeditiously and in a manner that pays due regard to the convenience of members. Considerations that are relevant under (i) may include the need for members to purchase certain currencies in order to stabilize exchange markets, the effects of the use or receipt of currencies on the Fund's financial position, the Fund's liquidity, and the fact that in respect of the issuer of a reserve currency the ratio of its Fund position to its gold and foreign exchange holdings may not provide an appropriate measure of the amounts of the currency that might be used by the Fund. Considerations under (ii) may include the need to avoid the use of an excessive number of currencies in single transactions and operations. (SM/81/37, Sup. 1, 3/4/81)

Decision No. 6774-(81/35),
March 5, 1981

ANNEX

Sales of Currencies of Members Indebted to the Fund

a. There are some members indebted to the Fund that are judged sufficiently strong but to whose outstanding purchases the guidelines on early repurchase do not apply. It was agreed that the Fund would not insist on its right to sell the currency of such a member and such sales would take place only if there was agreement between the member and the Fund. In such cases the Managing Director, is authorized, under procedures agreed by the Executive Board, to approach any of these members in a particularly strong position with a view to the member reducing its indebtedness to the Fund in amounts calculated in accordance with the guidelines. In order to facilitate sales of such members' currencies, the rule of attribution is changed to give a member with outstanding indebtedness under excluded facilities financed by borrowing (other than the GAB) the option to apply the consequent reduction in the Fund's holdings of its currency to an enlargement of its reserve tranche position rather than to the discharge of its outstanding obligations to the Fund.

b. The Fund will calculate the amounts of the currencies of the members referred to in (a) above, included for sales in an operational budget, in accordance with the guidelines on early repurchase. In addition, if any other debtor member whose outstanding purchases were neither under excluded facilities financed by borrowings nor subject to the guidelines on early repurchase agreed with the Fund on the sale of its currency, the Fund would calculate the amounts to be sold in the same manner. However, at the request of the member, the calculated amounts would be reduced for the first two successive budget periods. The calculation of the amount of sales of a debtor member's currency for any quarterly period would no longer be made in accordance with the guidelines on early repurchase, or would be reduced from the calculated amount, when sales of the currency equal the outstanding indebtedness of the member to the Fund.

Ineligibility to Use the Fund's General Resources

Use of Fund's Resources: Limitation and Ineligibility Under Article V, Section 5

The Fund has, in the case of a member which has had a previous exchange transaction with the Fund, power to declare the member ineligible or limit its use of the resources of the Fund if the member is, in the opinion of the Fund, using the resources of the Fund in a manner contrary to the purposes of the Fund.

Decision No. 284-3,
March 10, 1948

Use of Fund's Resources: Postponement and Limitation Under Article V, Section 5

If the Fund receives a request from a member to purchase exchange and either, (1) the Fund is considering sending the member a report pursuant to Article V, Section 5 or (2) the Fund finds when the request is before it that action pursuant to that Section should be considered, then the Fund has the authority, pursuant to Article V, Section 5 of the Fund Agreement, to postpone the transfer as permitted under the provisions of Rules and Regulations G-3[11] for such time as may reasonably be necessary to decide the question of applying Article V, Section 5, and, if it decides to apply it, to prepare and send to the member a report and subject its use of the Fund's resources to limitations. Under such circumstances the limitations imposed will apply to the pending request for the purchase of exchange as well as to future requests.

Decision No. 286-1,
March 15, 1948

[1] Ed. Note: Corresponds to Rule G-4 of the Rules and Regulations adopted April 29, 1981, effective May 1, 1981.

Article V, Section 6

Sales of SDRs by the Fund

SALES OF SDRS BY THE FUND

1. Pursuant to Article V, Section 6(*b*) and (*c*), the Fund shall provide a member at its request with SDRs from the General Resources Account in exchange for an equivalent amount of the currencies of other members to enable the member to pay SDRs in order to increase its quota under Board of Governors Resolution No.34-2 on the Seventh General Review of Quotas or in accordance with the provisions of that Resolution.

2. The amount of SDRs a member may receive under this decision shall not exceed the difference between the amount of the member's SDR holdings and the amount of its quota payment due in SDRs at the time of payment.

Decision No. 6663-(80/160) S,
October 31, 1980

Article V, Section 7

Repurchases

Guidelines for Early Repurchase

Members that make purchases in the General Resources Account are expected normally to repurchase as their balance of payments and reserve position improves. The Fund affirms the continued need for this general policy on early repurchase under the first sentence of Article V, Section 7(b) following the introduction in November 2000 of time-based repurchase expectations for purchases in the credit tranches and under the Extended Fund Facility and the Compensatory Financing Facility. The Fund encourages members to make voluntary advance repurchases in lieu of or in addition to early repurchases under this general policy.

The following provisions set forth guidelines for members regarding early repurchase under the first sentence of Article V, Section 7(b) when the balance of payments and reserve position of members improves. The guidelines apply to the Fund's holdings of currency that result from the purchases under Article V, Section 3 that are subject to repurchase under the provisions of the Articles and policies of the Fund.

1. A member's balance of payments and reserve position will be deemed normally to have improved sufficiently for early repurchases to be expected in accordance with these guidelines if the member's balance of payments and reserve position is judged sufficiently strong for the purposes of a quarterly designation plan and financial transactions plan as determined by the Fund from time to time in the light of the relevant factors. A member that makes a purchase in the credit tranches or under a special policy of the Fund will not be expected, however, to make early repurchases within six months of a purchase.

2. During the quarter following the decisions adopting the designation plan and financial transactions plan, it will be expected

that a specified amount of the Fund's holdings of the member's currency will be repurchased.

3. Subject to paragraphs 4 and 5 below, the specified amount for the expected quarterly repurchase will be 1.5 percent of the member's gross reserves plus (minus) 5 percent of the increase (decrease) in gross reserves over the latest six-month period for which data are available ("latest gross reserves"). The quarterly amount will be subject to a limit of 4 percent of the member's latest gross reserves. A quarterly repurchase will be limited to an amount that will not (I) reduce the member's latest gross reserves below 250 percent of the member's quota, and (ii) exceed, together with the member's early repurchases during the preceding three quarters, 10 percent of these reserves.

4. The specified amount in accordance with paragraph 3 above will represent the minimum reduction in the Fund's holdings of the member's currency expected during the quarter. Repurchases by the member during the quarter will be included in calculating the reductions for this purpose. If the member's repurchases made during a quarter in advance of repurchase maturities exceed the minimum reduction expected during that quarter, the excess will give rise to a credit that will meet pro tango the expectations of early repurchase for the next five quarters. At the end of a quarter the credit will be reduced by the larger of (i) the repurchase expectation for the quarter that is deemed to be satisfied by the credit, and (ii) the repurchase obligations that would have matured during the quarter but have been discharged by the advance repurchase.

5. If, during the two quarters prior to the date when a member is added to the list of members whose positions are considered sufficiently strong for the purposes of the quarterly designation plan and financial transactions plan, the member's repurchases in advance of maturity exceed the minimum reduction expected during those two quarters, a credit will be given in accordance with paragraph 4 above. Any credit still available when a member's balance of payments and reserve position is no longer considered sufficiently strong for the purposes of a quarterly

designation plan and financial transactions plan will continue to apply in accordance with paragraph 4 above.

6. In each financial transactions plan the Managing Director will report on the observance by members of the guidelines for early repurchase.

7. This decision will be reviewed from time to time in light of experience. (SM/79/136, Sup. 1, 6/25/79)

Decision No. 6172-(79/101),
June 2, 1979
as amended by Decision No. 12425-(01/14),
February 9, 2001

REPURCHASE

1. Repurchases of the outstanding amount of a member's currency that results from a purchase under the credit tranches and is subject to charges under Article V, Section 8(b), or under the decision on Compensatory Financing of Export Fluctuations (Decision No. 4912-(75/207), as amended) or the decision on the Problem of Stabilization of Prices of Primary Products (Decision No. 2772-(69/47), as amended), or the decision on Compensatory Financing of Fluctuations in the Cost of Cereal Imports (Decision No. 6860-(81/81), as amended), or the decision on the Compensatory Financing Facility (Decision No. 8955-(88/126), as amended), or the decision on Emergency Assistance (Decision No. 12341-(00/117)), shall be completed, pursuant to Article V, Section 7(c), five years after the date of the purchase, provided that the repurchase shall be made in equal quarterly installments during the period beginning three years and ending five years after the date of the purchase unless the Fund approves a different schedule.

2. Decisions with respect to the timing of repurchases shall be understood to permit a member to combine all repurchases to be made within a calendar month and to complete them not later than the last business day of the month, provided however that the maximum period for use of the Fund's resources according to

the policy under which a repurchase is to be made shall not be exceeded.

3. If a member that has an outstanding obligation to pay gold in repurchase has made an equivalent repurchase with special drawing rights in discharge of a commitment the member shall be regarded as having discharged its obligation in accordance with Schedule B, paragraph 2.

4. If a member that has an outstanding obligation to pay gold in repurchase has made an equivalent repurchase with currencies of other members in discharge of a commitment, the member shall be regarded as having discharged its obligation in accordance with Schedule B, paragraph 2, provided that if the currencies paid are not acceptable in repurchase as of the date of the Second Amendment, the member shall substitute an equivalent amount of the currencies of other members specified by the Fund in accordance with Article V, Section 7(i).

5. If a member that has an outstanding obligation to pay gold in repurchase has not made an equivalent repurchase with special drawing rights or with the currencies of other members in discharge of a commitment, within two months after the date of the Second Amendment of the Articles of Agreement, the member shall make a repurchase equivalent to the outstanding obligation in gold with special drawing rights or, at its option, with the currencies of other members specified by the Fund in accordance with Article V, Section 7(i). The repurchase shall be regarded as a discharge of the member's obligation in accordance with Schedule B, paragraph 2.

6. The dates for the payment of special drawing rights or currencies of other members in discharge of any obligation to pay gold to the Fund in repurchase, and for any substitution under paragraph 5 above, after the date of the Second Amendment of the Articles of Agreement shall be determined in accordance with Schedule B, paragraph 1.

7. Repurchase under Schedule B, paragraph 4 shall be completed four years after the date of the Second Amendment of the Articles of Agreement. If the Fund's holdings of a member's currency that are subject to paragraph 4(ii) are in excess of 10 percent of the member's quota on the date of the Second Amendment, the member shall be requested to agree to make the repurchase in four equal installments beginning not later than one year after that date.

Decision No. 5703-(78/39),
March 22, 1978, effective April 1, 1978,
as amended by Decision Nos. 6862-(81/81), May 13, 1981,
8955-(88/126), August 23, 1988,
12342-(00/117), November 28, 2000, and
14287-(09/29),
March 24, 2009,
effective April 1, 2009

ATTRIBUTION OF REDUCTIONS IN FUND'S HOLDINGS OF CURRENCIES

1. (a) Subject to paragraphs (b), (c) and (e) below a member shall be free to attribute a reduction in the Fund's holdings of its currency (i) to any obligation to repurchase, and (ii) to enlarge its reserve tranche.

(b) For a member with overdue repurchase obligations, the reduction shall be attributed to any obligation to repurchase.

(c) Repurchases of credit outstanding under the Short-Term Liquidity Line (SLL) shall be attributed to the first maturing repurchase obligation under the SLL.

(d) [Repealed]

(e) A reduction resulting from a repurchase made pursuant to a repurchase expectation under paragraph 10(a) of Decision No. 4377-(74/114) shall be attributed to the member's repurchase obligation arising from the same purchase three years after the original date on which that repurchase expectation was to be met.

2. A reduction attributed to a reserve tranche position will not discharge an expectation of repurchase under the Guidelines for Early Repurchase.

3. If the member when asked does not make an attribution in accordance with 1 above, it will be deemed to be discharging the first maturing repurchase obligation.

…

Decision No. 6831-(81/65),
April 22, 1981, effective May 1, 1981,
as amended by Decision Nos. 7059-(82/23), February 22, 1982,
12345-(00/117), November 28, 2000,
14287-(09/29), March 24, 2009, effective April 1, 2009, and
15092-(12/19),
February 24, 2012, and
Decision E in 16747-(20/43),
April 14, 2020

Article V, Sections 8 and 9

Charges and Remuneration

The Chair's Summing Up—
Review of Charges and the Surcharge Policy—Reform Proposals
Executive Board Meeting 24/97, October 11, 2024

Executive Directors welcomed the Review of Charges and the Surcharge Policy. They considered that charges and the surcharge policy are integral parts of the Fund's multilayered risk management framework, providing price-based incentives for prudent and temporary borrowing, helping to accumulate reserves to protect the Fund's balance sheet against financial risks, and thus preserving the Fund's cooperative lending model at the center of the global financial safety net. They noted that the review is an important part of a broader ongoing effort to ensure that the Fund's lending policies continue to meet the needs of the membership in the current complex global context and agreed that the proposed reforms will meaningfully contribute to these efforts.

Directors noted that borrowing costs for members have increased considerably. The sharp rise in global interest rates in recent years pushed up the floating SDR interest rate and, as a result, the basic rate of charge. Meanwhile, Fund lending income increased notably, driven by an expansion of credit to near historical peaks, and the Fund reached its medium-term target for Precautionary Balances of SDR 25 billion in late FY2024, buttressing the strength of its balance sheet.

Directors agreed that policy changes should be guided by four principles: (i) meaningfully lowering the cost of borrowing for members; (ii) sustaining effective incentive mechanisms; (iii) preserving adequate income generation capacity; and (iv) maintaining policy simplicity. They broadly agreed that the proposed reforms were consistent with these four guiding principles.

Directors broadly supported the reform package outlined in the staff report. They noted that the package balances the interests of creditors and debtors by meaningfully reducing borrowing costs while preserving the price-based incentive mechanism and income generation capacity. They welcomed the expected 36 percent average reduction in borrowers' costs on account of the lowering of the margin for the basic rate of charge and surcharges, which would help create additional policy space and improve their capacity to repay the Fund. At the same time, they noted that the income outlook after implementation of the proposed measures remained robust, providing for a continued capacity to accumulate reserves, even after possible income distributions to members and under adverse lending and/or investment income scenarios.

Directors broadly supported the proposal to reduce the margin for the basic rate of charge from 100 basis points to 60 basis points under Rule I-6(4). A number of Directors expressed their preference for a larger reduction in the margin to further lower the cost for GRA borrowers while being consistent with the relevant rules. A few others would have favored a smaller reduction to safeguard the Fund's strong financial position, which underpins its capacity to support member countries.

On surcharges, Directors agreed with the proposed approach of making parametric adjustments to the current policy framework, although a few would have preferred more fundamental changes to the surcharge architecture. Directors concurred with the proposal to increase the level-based surcharge threshold from 187.5 percent of quota to 300 percent of quota.

Directors supported the proposal to reduce the time-based surcharge rate from 100 basis points to 75 basis points. Some Directors, however, saw scope for further reductions in the time-based rate, including in future reviews, while a few others would have preferred to maintain the current rate.

Directors welcomed the proposal to align the commitment fee thresholds to the overall annual and cumulative access limits under the GRA (200 and 600 percent of quota, respectively). They noted that

these alignments would broadly offset the erosion in recent years and simplify the overall GRA lending policy framework.

Directors welcomed the proposal to conduct reviews of the surcharge policy on a regular five-year cycle going forward, which would allow for more timely assessments and updates to the surcharge policy framework and help enhance predictability for members and markets. They noted that reviews could be conducted earlier than every five years if warranted, for instance, by unexpected developments in the Fund's income and reserve outlook. Some Directors would have preferred to agree now for the next review to take place in three years, followed by reviews on a five-year cycle.

Directors welcomed the proposed strengthening of procedures to ensure an earlier and more comprehensive disclosure of charges and surcharges in the negotiation of financial arrangements, to better inform country authorities' borrowing decisions.

Directors stressed the importance of a strong balance sheet to support the IMF's lending to members with financing needs. To further strengthen the backstop provided by Precautionary Balances for the absorption of possible losses, they agreed with the staff proposal, going forward, to align the level of resources placed in the Special Reserve of the General Resource Account (net of pension adjustments and the endowment) with the SDR 20 billion floor of the Precautionary Balances. Directors noted that this could be achieved by allocating net income after any distributions in future financial years exclusively to the Special Reserve until it reaches the level of the Precautionary Balances floor. Decisions to this effect would be taken by the Board at the annual reviews of the Fund's income position starting at end-FY2025.

Directors underscored the need to carefully communicate to a wide range of stakeholders the purpose of the policies, the reform measures, and their impact on member countries and the IMF.

SU/24/150
October 18, 2024

Future Changes in Charges on Fund's Holdings of Members' Currencies in Excess of Quota

Changes in any schedule of charges levied under Article V, Section 8(c), (d), and (e)[1] shall apply to all holdings subject to the schedule that are obtained by the Fund after the date of this decision. (EBS/74/138, 5/24/74; and Cor. 1, 6/13/74)

Decision No. 4239-(74/67),
June 13, 1974

Charge on Purchases in Credit Tranches and Under Extended Fund Facility and SLL—Amendment to PRGT Instrument

1.Subject to paragraph 2, the rate of charge under Article V, Section 8(b) on the Fund's combined holdings of a member's currency in excess of 300 percent of the member's quota in the Fund resulting from purchases in the credit tranches, under the Short-Term Liquidity Line and under the Extended Fund Facility shall be 200 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing; and for the Fund's combined holdings resulting from purchases in the credit tranches and under the Extended Fund Facility, it shall also include an additional 75 basis points per annum on such holdings in any case where they are outstanding for more than 36 months in the case of purchases in the credit tranches, or 51 months in the case of purchases under the Extended Fund Facility.

2.The relevant threshold in paragraph 1 shall change to 200 percent instead of 300 percent for any member from the first occurring of (i) its quota increase under the Sixteenth General Review of Quotas becoming effective or (ii) 35 days after the Executive Board has determined that the general effectiveness conditions for the Sixteenth General Review of Quota have been met. (SM/24/256, 09/27/24)

3. A member with credit outstanding in the credit tranches or under the Extended Fund Facility, or with an arrangement in effect on February 17, 2016, may notify the Fund by February 25, 2016 that it elects to have the rate of charge on such existing holdings of the member's currency,

[1] Ed. Note: Corresponds to Article V, Section 8(c), (d), and (e) of the Articles of Agreement after the Second Amendment.

and on holdings of the member's currency arising from future purchases under such an effective arrangement, to be based on the threshold of 300 percent member's quota in effect prior to its quota increase under the 14th General Review of Quotas, instead of the threshold of 187.5 percent under paragraph 1 above. Absent such notification, the rate of charge shall be computed pursuant to paragraphs 1 and 2 above. If a member has made an election under this paragraph 2, such election shall cease to apply as of the date of the Fund's approval of any new access to the Fund's general resources for that member, including an augmentation of an arrangement in effect on February 17, 2016, and the rate of charge under this Decision shall be computed for all holdings of the member's currency in the credit tranches or under the Extended Fund Facility pursuant to paragraph 1 above.

4. This Decision shall be reviewed on an as needed basis in accordance with Decision No. 13814-(06/98), adopted November 15, 2006, and Decision No. 15764-(15/39), adopted April 23, 2015, on implementing streamlining of policy reviews. (SM/16/10, Sup. 3, 02/16/16)

Decision Nos. 12346-(00/117),
November 28, 2000,
as amended by Decision Nos. 14285-(09/29), March 24, 2009,
15943-(16/14), February 17, 2016,
Decision F in 16747-(20/43), April 14, 2020, and
17824-(24/97),
October 11, 2024

ANNEX

For purposes of paragraph 2(a)(ii) of Decision No. 14285, the framework for surcharges on purchases in the credit tranches and under the Extended Fund Facility that was in effect from November 28, 2000 until the date of Decision No. 14285 is as follows: "The rate of charge under Article V, Section 8(b) on the Fund's combined holdings of a member's currency in excess of 200 percent of the member's quota in the Fund resulting from purchases in the credit tranches and under the Extended Fund Facility made after November 28, 2000 shall be 100 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes

of burden sharing, provided that the rate on such holdings in excess of 300 percent of the member's quota shall be 200 basis points per annum above the rate of charge referred to in Rule I-6(4) as adjusted for purposes of burden sharing." (SM/09/69, Sup. 2, 03/24/09)

Media of Payment in General Resources Account

1. A member whose holdings of SDRs are insufficient for the payment of the total of estimated charges due and payable by it within the next thirty days may:

(a) obtain SDRs from the General Resources Account up to a reasonable estimate of the balance of SDRs needed for the payment; or

(b) pay the balance of the charges in the currencies of other members.

2. A member that is unable to pay charges in SDRs because it is not a participant in the Special Drawing Rights Department and has not been prescribed as another holder may pay all charges payable under Article V, Section 8 in the currencies of other members.

3. The currencies for which the SDRs would be sold under paragraph 1(a) or that would be paid under paragraph 1(b) and paragraph 2 shall be selected by the Fund from those currencies that the Fund would receive in accordance with the operational budget in effect at the time. (SM/78/43, 2/3/78)

Decision No. 5702-(78/39) G/S,
March 22, 1978, effective April 1, 1978,
as amended by Decision No. 7096-(82/57) G/S,
April 23, 1982

Accounting for Charges from Members with Overdue Obligations

The Executive Board decides that, effective November 1, 1986, accrued charges on the use of the Fund's general resources from a member that is overdue in meeting any financial obligation

to the Fund for six months or more will not be included in accrued income unless the member is current in the payment of charges. Charges that are not included in accrued income will instead be reported as deferred income, and will be recorded as income only when paid. Once charges from a member have been reported as deferred income, charges subsequently accrued will not be included in accrued income until the member becomes current in the payment of charges.

Decision No. 8433-(86/175),[1]
October 31, 1986

SPECIAL CHARGES ON OVERDUE FINANCIAL OBLIGATIONS TO THE FUND

I. *Overdue Repurchases*

1. The Fund has reviewed the rates of charge to be levied under Article V, Section 8(c) on its holdings of a member's currency that have not been repurchased in accordance with the requirements of the Articles or decisions of the Fund.

2. Within three business days after (i) the due date for the repurchase by a member of the Fund's holdings of its currency or (ii) the effective date of this decision, whichever is the later, the Fund shall consult with the member on the reduction of the Fund's holdings of the member's currency that should have been repurchased. The consultation shall take place by rapid means of communication.

3. Unless the Fund's holdings of the member's currency are reduced within the period referred to in Section IV below by the amount that should have been repurchased, the rate of charge on the holdings that should have been repurchased shall be increased by a percentage equal to the excess, if any, of the rate of interest on the SDR over the rate of charge levied on the holdings under Rule I-6(4). For the purposes of this calculation, any adjustments in the rate of charge referred to in Rule I-6(4) that may be made to cover deferred income or for placement to the Special Contingent Account shall not be taken into consideration.

1 Ed. Note: This decision replaced Decision No. 7930-(85/41), March 13, 1985.

II. *Overdue Charges in the General Resources Account*

A special charge equal to the rate of interest on the SDR shall be paid by a member on the unpaid amount of charges owed by it under Article V, Section 8(a) and (b).

III. *Overdue Interest and Repayments on Trust Fund Loans*

The Fund shall levy a special charge on (i) the amount of overdue interest on Trust Fund loans, at a rate equal to one half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, and (ii) the overdue amounts of repayments of Trust Fund loans, at a rate equal to one half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, less one-half percent.

IV. *Waiver of Special Charges*

Special charges under Sections I, II, and III above shall be levied in respect of an overdue financial obligation as of the due date or the effective date of this decision, whichever is the later, unless the obligation is discharged within ten business days after the applicable date.

Effective May 1, 1992, special charges under Sections I and II above shall not be levied on overdue obligations of a member that is overdue in meeting any financial obligation to the Fund subject to special charges under Sections I and II above for six months or more.

Effective May 1, 1993, special charges under Section III above shall not be levied on overdue obligations of a member that is overdue for six months or more in meeting any financial obligation to the Fund subject to special charges under Section III above.

V. *Notification and Payment of Special Charges*

1. Special charges levied under this decision shall be payable following the end of each of the Fund's financial quarters and the member shall be notified promptly of any special charges due. The charges shall be payable on the second business day following the dispatch of the notification.

2. Special charges in respect of overdue repurchases and charges in the General Resources Account shall be paid in SDRs to that Account. Special charges in respect of overdue repayments and interests on Trust Fund loans shall be paid in U.S. dollars to the Special Disbursement Account. Such payments may be made also in SDRs to a prescribed holder on behalf of the Special Disbursement Account, provided that use of SDRs is in accordance with Decision No. 8642-(87/101) S/TR, adopted July 9, 1987.

VI. *Entry into Effect and Review*

This Decision will enter into effect on February 1, 1986. It will be reviewed shortly after October 31, 1986 at the time of the mid-year review of the Fund's income position for the financial year ending April 30, 1987, and thereafter annually in connection with the annual reviews of the Fund's income position.

Decision No. 8165-(85/189) G/TR,
December 30, 1985, effective February 1, 1986,
as amended by Decision Nos. 8496-(87/3) G/TR, January 7, 1987,
8641-(87/101) G/S/TR, July 9, 1987,
8923-(88/110) G/TR, July 21, 1988,
10000-(92/58) G/TR, April 17, 1992,
10337-(93/49) G/TR, April 9, 1993,
10352-(93/49) G/TR, April 9, 1993,
10551-(94/1) G/TR, January 7, 1994, and
13001-(03/39) G/TR,
April 25, 2003

SETOFF IN CONNECTION WITH A RETROACTIVE REDUCTION OF CHARGES DUE BY MEMBERS IN ARREARS

1. When the Fund decides upon a retroactive reduction in the rate of charge specified in Rule I-6(4), the amount to be paid to a member that has charges or repurchases overdue, in the General Resources Account, on the effective date of the payment by the Fund, shall be set off pro tanto, as of that date, against such overdue obligations in the following manner: the member shall be requested to specify which overdue obligations, among the categories listed in paragraph

2, it wishes to discharge by the setoff; in the absence of a response by the member within seven business days after the request, the setoff shall apply to the member's overdue obligations, within the categories listed in paragraph 2, in the descending order of maturities.

2. The setoff under paragraph 1 shall apply to:

(a) special charges due on the amount of overdue charges under Executive Board Decision No. 8165-(85/189) G/TR, December 30, 1985;

(b) special charges due on the amount of overdue repurchases under Article V, Section 8(c);

(c) charges due under Article V, Section 8(a) or (b);

(d) overdue repurchase obligations.

Decision No. 8271-(86/74),
April 30, 1986

Burden Sharing

Implementation of Burden Sharing in FY 2001

Section I. *Principles of Burden Sharing*

1. The financial consequences for the Fund, which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

The rate of charge referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Sections III and IV.

…

Section IV. *Adjustment for Deferred Charges*

1. (a) If income from charges becomes deferred during an adjustment period as defined in (c), notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4), and, subject to the limitation in (b), the rate of remuneration prescribed in Rule I-10, shall be adjusted in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189)G/TR, adopted December 30, 1985, shall not be taken into account.

(b) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(c) The adjustments under this paragraph shall be made as of the first day after each financial quarter beginning May 1, August 1, November 1 and February 1:

shortly after July 31 for the period May 1 to July 31;

shortly after October 31 for the period August 1 to October 31;

shortly after January 31 for the period from November 1 to January 31;

shortly after April 30 for the period from February 1 to April 30.

2. (a) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distribution under this provision shall be made quarterly.

(b) Distribution under (a) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(c) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(d) Notwithstanding Paragraph 1 (a) above, the rate of charge and the rate of remuneration determined under this section shall be rounded to three decimal places, provided that an adjustment of at least 0.1 basis point shall be made to both the rate of charge and the rate of remuneration, subject to subparagraph (e) below.

(e) If the amounts generated as a result of paragraph (2)(d) above exceed or fall short of the amounts to be generated from adjustments to the rate of charge or the rate of remuneration under paragraph 1(a) above for the relevant quarterly period, then any excess or shortfall from adjustments to the rate of charge 11 or the rate of remuneration shall be applied, respectively, to the amount to be generated from the adjustment to the same rate for the following quarterly period. No adjustment shall be made if any excess amount generated from the previous quarterly period is equal to or exceeds the amount needed in the following quarterly period. (EBS/09/202, 12/8/09) (EBS/09/202, 12/08/09)

Section V. *Review*

The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit set forth in paragraphs 2(b) of Section III and 1(b) of Section IV.

Decision No. 12189-(00/45),
April 28, 2000,
effective May 2, 2000,

as amended by Decision Nos. 13911-(07/35), April 25, 2007, 14496-(09/125), December 15, 2009, and 15676-(14/94), October 24, 2014

BURDEN SHARING—IMPLEMENTATION IN FY 2007

Section I. *Principles of Burden Sharing*

1. The financial consequences for the Fund that stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.

2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. *Determination of the Rate of Charge*

The rate of charge referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV of this decision and Section IV of Executive Board Decision No. 12189-(00/45), adopted April 28, 2000.

Section III. *Adjustment for Deferred Charges*

Notwithstanding paragraph 1(a) of Section IV of Executive Board Decision No. 12189-(00/45), adopted April 28, 2000, the rate of charge and the rate of remuneration determined under that Section shall be rounded to two decimal places.

Section IV. *Amount for Special Contingent Account-1*

1. An amount of SDR 60 million shall be generated during financial year 2007 in accordance with the provisions of this Section and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with paragraph 1 of this

Section, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and, subject to the limitation in (b), the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this paragraph.

(b) Notwithstanding paragraph 1 above, adjustments to the rate of charge and the rate of remuneration under this paragraph shall be rounded to two decimal places. No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(c) The adjustments under this paragraph shall be made as of May 1, 2006, August 1, 2006, November 1, 2006 and February 1, 2007; shortly after July 31 for the period May 1 to July 31; shortly after October 31 for the period from August 1 to October 31; shortly after January 31 for the period from November 1 to January 31; shortly after April 30 for the period from February 1 to April 30.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) Distributions under (a) shall be made in proportion to the amounts that have been paid or have not been received by each member because of the respective adjustments.

(c) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(d) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special

Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (b).

Section V. *Review*

The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit set forth in paragraph 2(b) of Section IV of this decision and Section IV of Executive Board Decision No. 12189-(00/45), adopted April 28, 2000. (EBS/06/51, 4/12/06)

Decision No. 13707-(06/40),
April 28, 2006

Article V, Sections 10 and 11

Rates for Computations and Maintenance of Value

Rates for Computations and Maintenance of Value

1. The exchange rate for computations by the Fund relating to the currency of a member in the General Resources Account.

(a) on the occasion of the use of that currency in an operation or transaction between the Fund and a member (other than the case specified in (b) below) shall be the rate determined as of the date of the Fund's instructions for the execution of the transaction or operation, and if this rate cannot be used, the rate of the preceding day closest thereto that is practicable. The value date shall be the second business day after the date of the dispatch of the Fund's instructions, or as early thereto as is practicable.

(b) Payments received by the Fund after the due date and payments made to the Fund on an unscheduled basis shall be valued at the exchange rate in effect on the day of receipt, provided that, if a late payment is received within ten business days from the date of the instructions and there is a shortfall or overpayment caused by the difference between the exchange rate used for the instructions and the exchange rate in effect on the day of receipt, no adjustment shall be made if the shortfall or overpayment does not exceed SDR 5,000, unless the member that issues the currency being used for the payment requests that the adjustment be made irrespective of costs.

(c) on all other occasions shall be the rate at which the currency is held by the Fund.

2. The Fund shall adjust its holdings of the currency of a member in the General Resources Account

(a) whenever a computation relating to the currency is made in accordance with paragraph 1(a) above,

(b) at the end of the Fund's financial year,

(c) when the member requests the Fund to adjust the Fund's holdings of its currency,

(d) with respect to the euro, on the last business day of each month,

(e) with respect to the U.S. dollar, on the last business day of each month, and

(f) on such other occasions as the Fund may decide.

3. Adjustments under paragraph 2 shall be made on the basis of the exchange rate of the currency under Rule O-2 for the day of the adjustment and shall take effect on that day, provided that if an exchange rate under Rule O-2 is not communicated for the currency with respect to paragraph 2(b) above, the rate of the preceding day closest thereto for which a rate is communicated shall be used.

4. Whenever the Fund adjusts its holdings of a member's currency in accordance with paragraph 3 above, the Fund shall establish an account receivable or an account payable, as the case may be, in respect of the amount of the currency payable by or to the member under Article V, Section 11.

5. For the purpose of adjustments, the Fund's holdings of a member's currency in the General Resources Account shall consist of the total of the balances of the member's currency in the General Resources Account, plus the balance in any account receivable, or minus the balance in any account payable, in the currency, as of the date of the adjustment. The total of the balances of the member's currency in the General Resources Account shall be as recorded on the Fund's books if the member agrees with this procedure.

6. For the purpose of applying the provisions of the Articles as of any date, the Fund's holdings of a currency shall consist of its

actual holdings plus the balance in any account receivable or minus the balance in any account payable on that date.

7. Settlements of accounts receivable or payable by or to a member shall be made promptly after the end of a financial year of the Fund and at other times when requested by the Fund or the member.

Decision No. 5590-(77/163),
December 5, 1977,
effective April 1, 1978,
as amended by Decision Nos. 11859-(98/130),
December 17, 1998,
and 12998-(03/39),
April 25, 2003

Article V, Section 12(*f*)

Special Disbursement Account

Special Disbursement Account: Investment

1. The Managing Director is authorized to invest a member's currency held in the Special Disbursement Account in accordance with the provisions of Article V, Section 12(*h*).

2. …

3. …

Decision No. 12152-(00/21),
March 3, 2000

Structural Adjustment Facility—Use of Resources of Special Disbursement Account—List of Eligible Members and Amounts of Assistance

1. The members on the list annexed to this decision are eligible to receive balance of payments assistance under the Structural Adjustment Facility within the Special Disbursement Account ("the Facility").

2. The potential access of each eligible member to the resources of the Facility as of March 29, 1989 shall be 50 percent of quota; no more than 15 percent of quota shall be disbursed under the first annual arrangement; no more than 20 percent of quota shall be disbursed under the second annual arrangement; and no more than 15 percent of quota shall be disbursed under the third annual arrangement.

Decision No. 8240-(86/56) SAF,
March 26, 1986,
as amended by Decision Nos. 8542-(87/36) SAF, March 2, 1987,
8651-(87/105) SAF, July 22, 1987,
8935-(88/118) SAF, July 29, 1988,

9117-(89/40) SAF, March 29, 1989,
9986-(92/48) SAF, April 7, 1992,
10184-(92/132) SAF, November 3, 1992,
14522-(10/3), January 11, 2010, effective April 10, 2010,
15835-(15/73, July 17, 2015, and
16658-(20/18), February 19, 2020,
17829-(24/98)
October 15, 2024

ANNEX

Low-Income Developing Members Eligible for Assistance
Under the Structural Adjustment Facility
Within the Special Disbursement Account [1]

Members	
Afghanistan	Maldives
Bangladesh	Mali
Benin	Marshall Islands, Republic of

1 Ed. Note: Effective November 22, 1999, the Enhanced Structural Adjustment Facility (ESAF) was renamed the Poverty Reduction and Growth Facility (PRGF). The original table is from "Eligibility to Use the Fund's Facilities for Concessional Borrowing," SM/12/14, January 17, 2012. Zimbabwe is not PRGT-eligible due to its removal from the PRGT-eligible list by an Executive Board decision in connection with its overdue obligations to the PRGT. Decision No. 15224-(12/82), August 9, 2012, added South Sudan to the list of eligible members. Decision No. 15351-(13/32), April 8, 2013, added the Federated States of Micronesia, Marshall Islands, and Tuvalu to the list, and removed Georgia and Armenia. The removal of Armenia and Georgia from the list shall become effective on July 8, 2013, or on the date of the termination of any respective arrangement under the PRGT that may be in existence for Armenia or Georgia, whichever date is later. Decision No. 15835-(15/73), July 17, 2015, removed Bolivia, Mongolia, Nigeria, and Vietnam from the list, effective on October 16, 2015, or on the date of the termination of any respective arrangement under the PRGT that may be in existence for Bolivia, Mongolia, Nigeria, or Vietnam, whichever is later. Decision No. 16658-(20/18), February 19, 2020, removed Guyana from the list "effective five months from the date of adoption of this decision ("Effective Date"), provided that any arrangement under the Poverty Reduction and Growth Trust or any Policy Support Instrument in existence as of such Effective Date may continue until the expiration or other termination of the arrangement or the PSI." Decision No. 17829-(29/98), added the Syrian Arab Republic ro rhe list.

Bhutan	Mauritania
Burkina Faso	Micronesia, Federated States of
Burundi	Moldova, Republic of
Cambodia	Mozambique
Cameroon	Myanmar
Cape Verde	Nepal
Central African Republic	Nicaragua
Chad	Niger
Comoros	Papua New Guinea
Congo, Democratic Republic of	Rwanda
Congo, Republic of	St. Lucia
Côte d'Ivoire	St. Vincent and the Grenadines
Djibouti	São Tomé and Príncipe
Dominica	Senegal
Eritrea	Sierra Leone
Ethiopia	Solomon Islands
Gambia, The	Somalia
Ghana	South Sudan
Grenada	Sudan
Guinea	Tajikistan
Guinea-Bissau	Tanzania
Guyana	Timor-Leste
Haiti	Togo
Honduras	Tonga
Kenya	Tuvalu
Kyrgyz Republic	Uganda
Lao People's Democratic Republic	Uzbekistan
Lesotho	Vanuatu
Madagascar	Yemen, Republic of
Malawi	Zambia

ELIGIBILITY TO USE THE FUND'S FACILITIES FOR CONCESSIONAL FINANCING—PRGT ELIGIBILITY CRITERIA

1. The following criteria for entry and graduation shall, respectively, guide Executive Board decisions to add members to, and remove members from, the list annexed to Decision No. 8240-(86/56) SAF, as amended (the "PRGT-eligibility list"):

(A) *Criteria for entry*: A member will be added to the PRGT-eligibility list if (i) its annual per capita gross national income ("GNI"), based on the latest available qualifying data, is (a) below the International Development Association ("IDA") operational cut-off; or (b) less than twice the IDA operational cut-off if the member qualifies as a "small country" under the definition set forth in subparagraph (D); or (c) less than five times the IDA operational cut-off if the member qualifies as a "microstate" under the definition set forth in subparagraph (D); and (ii) the sovereign does not have capacity to access international financial markets on a durable and substantial basis as defined in subparagraph (C).

(B) Criteria for graduation: A member will be removed from the PRGT-eligibility list if it meets either or both the income and market access criteria specified in (1) and (2) below, and does not face serious short-term vulnerabilities as specified in (3) below:

(1) *Income Criterion*: the member's annual per capita GNI (i) has been above the IDA operational cut-off for at least the last five years for which qualifying data are available; (ii) has not been on a declining trend over the same period, comparing the first and last relevant annual data; and (iii) based on the latest qualifying annual data, is (a) at least twice the IDA operational cut-off; or (b) at least three times the IDA operational cut-off if the member qualifies as a "small country" under the definition set forth in subparagraph (D); or (c) at least six times the IDA operational cut-off if the member qualifies as a "microstate" under the definition set forth in subparagraph (D).

(2) *Market Access Criterion*: (i) the sovereign has the capacity to access international financial markets on a durable and substantial basis as defined in subparagraph (C); (ii) the member's annual per

capita GNI is above 100 percent of the IDA operational cut-off based on the latest qualifying annual data; and (iii) the member's annual per capital GNI has not been on a declining trend over the last five years for which qualifying data are available, comparing the first and last relevant annual data.

(3) *Absence of serious short-term vulnerabilities*: the member does not face serious short-term vulnerabilities, which shall require in particular (i) the absence of risks of a sharp decline in the member's income, or of a loss of its market access (where relevant); (ii) limited debt vulnerabilities as indicated by the most recent debt sustainability analysis, including, for members whose debt has been assessed under the Debt Sustainability Framework for Low-Income Countries, an external debt distress classification of moderate or less and does not face a heightened overall risk of debt distress reflecting significant vulnerabilities related to domestic debt and/or private external debt; and (iii) confirmation that overall debt vulnerabilities remain limited, taking into account developments and prospects since the most recent debt sustainability analysis.

(C) For the purposes of subparagraphs (A) and (B)(2), the sovereign's capacity to access international financial markets on a durable and substantial basis shall be evidenced by either of the following:

(1) The issuance or guarantee by a public debtor of external bonds in international markets, or disbursements under external commercial loans contracted or guaranteed by a public debtor in international markets that (i) for the purposes of subparagraph (A) occurred during at least two of the last five years for which qualifying data are available (the entry duration threshold), and has been in a cumulative amount equivalent to at least 50 percent of the member's quota in the Fund at the time of the assessment (the entry scale threshold) provided that (a) if the member s quota increase under the Fourteenth General Review of Quotas has become effective, the cumulative amount shall be equivalent to at least 25 percent of the member's quota, and provided further that, if the member's quota increase under the Sixteenth General Review of Quotas has become effective, such cumulative amount shall be equivalent to at least 20 percent of the member's quota

and (b) 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 2 percent of the member's quota in the Fund at the time of the assessment, or less than 1.5 percent of quota if the member's quota increase under the Sixteenth General Review of Quotas has become available, that year shall not count towards meeting the entry duration threshold, or (ii) for the purposes of Paragraph (B)(2), occurred during at least three of the last five years for which qualifying data are available (the graduation duration threshold), and has been in a cumulative amount equivalent to at least 100 percent of the member's quota in the Fund at the time of the assessment (the "graduation scale threshold"), provided that (a) if the member's quota increase under the Fourteenth General Review of Quotas has become effective, the cumulative amount shall be equivalent to at least 50 percent of the member's quota and provided further that if the member's quota under the Sixteenth General Review of Quotas has become effective, such cumulative amount shall be equivalent to at least 35 percent of the member's quota and (b) 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, or less than 1.5 percent of quota if the member's quota increase under the Sixteenth General Review of Quotas has become effective, that year shall not count towards meeting the graduation duration threshold, or

(2) The existence of convincing evidence that the sovereign could have tapped international markets as specified under (1) above, even though the actual issuance or guarantee by a public debtor of external bonds in international markets, or actual disbursements under external commercial loans contracted or guaranteed by a public debtor in international markets, fell short of the entry and graduation duration thresholds and/or the entry and graduation scale thresholds specified under (1) above. Determinations under this paragraph shall be a case-specific assessment that takes into account relevant factors, including the volume and terms of recent external borrowing or guaranteeing of external borrowing in international markets, and the sovereign credit rating where one exists.

For purposes of this subparagraph (C): (i) a "public debtor" shall include the sovereign (national government) as well as other public borrowers (including political subdivisions, agencies of the national government or of political subdivisions, autonomous public bodies and public corporations) whose ability to borrow in international markets is assessed to be an indicator of the sovereign's creditworthiness, however 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; (ii) "external bonds" are those issued in international capital markets and "external commercial loans" are commercial loans contracted in international markets by residents of a member with nonresidents, provided that bonds issued and loans contracted in markets that are not integrated with broader international market, 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, shall not qualify; and (iii) bonds and commercial loans guaranteed by a public debtor shall be obligations of a private debtor whose repayment is guaranteed by a public debtor.

(D) For the purposes of the criteria set forth in this paragraph 1, a member will be considered a "small country" if it has a population below 1.5 million, and a "microstate" if it has a population below 200,000.

(E) For the purposes of the criteria set forth in this paragraph 1, assessments of per capita GNI will normally be based on World Bank data using the ATLAS methodology, but other data sources may be used in exceptional circumstances, including data estimated by Fund staff in the absence of World Bank data. Qualifying data for the purposes of the criteria set forth in this paragraph 1 shall be data in respect of which the most recent observation relates to a calendar year that is not more than 30 months in the past at the time of the assessment.

2. Executive Board decisions to remove a member from the PRGT-eligibility list pursuant to the graduation criteria set forth in paragraph 1 of this decision shall become effective five months after their adoption

(the "effectiveness date"), provided that such decisions shall not affect any arrangement under the Poverty Reduction and Growth Trust established pursuant to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended ("PRGT"), or any program subject to assessment and endorsement by the Fund under a policy support instrument ("PSI"),that are in existence as of the effectiveness date. Any such arrangement or PSI may continue until the expiration or other termination of the arrangement or PSI, and the arrangement or PSI may be extended or access under the arrangement may be augmented where appropriate in accordance with the applicable policies on extension or augmentation.

3. Notwithstanding the entry into effect of a decision to remove a member from the PRGT-eligibility list in accordance with this decision, any outstanding PRGT resources disbursed to such member shall remain subject to the terms of the PRGT. In Section II, paragraph 4(c) of the PRGT, the reference to "as such list may be amended from time to time," shall be deleted.

4. The term "eligible recipients" under paragraph 7(a) of Decision No. 12481-(01/45) governing subsidies for post conflict and natural disaster purchases of PRGT-eligible members shall be understood to include members that, at the time of their removal from the PRGT-eligibility list pursuant to this decision, have outstanding post conflict or natural disaster purchases in respect of which subsidies may be provided under Decision No. 12481-(01/45), for as long as such purchases remain outstanding. In subparagraph 7(d) of Decision No. 12481-(01/45), as amended, the references to "qualifying PRGT-eligible members" shall be replaced with references to "PRGT-eligible members," and the second sentence shall be deleted.

5. It is expected that the criteria for entry and graduation set forth in this decision shall be reviewed every two years.[1] It is also expected that the PRGT-eligibility list shall be reviewed and updated every two years on the basis of the then applicable criteria for entry and graduation,

1 Ed. Note: At the 2012 review of eligibility to use the Fund's facilities for concessional financing, the next review was scheduled to take place in 2013, a year ahead of schedule.

provided however that (i) decisions on entry onto the PRGT-eligibility list of members that meet the entry criteria specified in paragraph 1 above may also be adopted in the interim period between reviews; (ii) notwithstanding paragraph 1 above, decisions may be adopted in the interim period between reviews in respect of the re-entry onto the PRGT-eligibility list of members that had previously been removed from such list as a sanction for overdue obligations, so long as such a member at the time of re-entry does not meet the criteria for graduation specified in subparagraph 1(B) above; and (iii) decisions may be adopted in the interim period between reviews in respect of the graduation from the PRGT-eligibility list of members that meet the criteria for graduation specified in subparagraph 1(B) above, at the request of such a member. (SM/09/288, Sup. 1, Rev. 1, 1/11/10) (SM/09/288, 12/11/09)

Decision No. 14521-(10/3),
January 11, 2010,
as amended by Decision Nos. 15105-(12/17), February 17, 2012,
15350-(13/32), April 8, 2013,
15834-(15/73), July 17, 2015,
16657-(20/18), February 19, 2020, and
17828-(24/98),
October 15, 2024

MODALITIES OF GOLD PLEDGE FOR USE OF PRGF TRUST RESOURCES UNDER RIGHTS APPROACH

1. As long as loans from the Poverty Reduction and Growth Facility Trust (hereinafter the "PRGF Trust") to members for the financing of "rights" as defined in the Managing Director's Summing Up at EBM/90/97 of June 20, 1990 are outstanding, the Fund shall review the adequacy of the Reserve Account of the ESAF Trust (hereinafter the "Reserve Account") by end March and end September of each year.

2. The Fund shall determine whether the amounts held in the Reserve Account, plus other available means of financing that would effectively restore the resources of the Trust, are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months following a review

under paragraph 1. To the extent that it is determined by the Fund that these resources are insufficient to meet all such obligations (the "potential shortfall"), then the Managing Director is hereby authorized and instructed to sell gold held in the General Resources Account of the Fund in an amount that would generate proceeds available for transfer to the Special Disbursement Account under Article V, Section 12(*f*), up to the equivalent of the potential shortfall in the Reserve Account provided that

(i) these proceeds shall not exceed the equivalent of the previous drawings on the Reserve Account attributable to overdue obligations under loans from the ESAF Trust to members for the financing of rights as described above, plus foregone interest earnings on amounts equivalent to these drawings, and less any amounts corresponding to these drawings that have been subsequently paid by such members or for which the Reserve Account has previously been replenished from the proceeds of a gold sale under this decision; and

(ii) the total amount of gold available for sale under this decision shall not exceed the amount specified in paragraph 4.

3. The proceeds of any sale of gold under this decision in excess of an amount equivalent at the time of the sale to one special drawing right per 0.888671 gram of fine gold shall be placed in the Special Disbursement Account and shall be transferred immediately thereupon to the Reserve Account.

4. Subject to Paragraphs 5, 6, and 7 the Fund shall retain full ownership of holdings of gold of 3 million ounces in the General Resources Account, less any amounts sold pursuant to this decision, as long as loans from the ESAF Trust to members for the financing of rights as described above remain outstanding.

5. The need to maintain the full amount specified in paragraph 4 available for sale shall be reassessed on the occasion of the reviews under paragraph 1. This amount shall not be reduced without the consent of all lenders to the Loan Account of the ESAF Trust.

6. This decision shall not be amended by the Fund except with the consent of all lenders to the Loan Account of the ESAF Trust.

7. This decision shall be terminated (i) when after all loans that may be made from the ESAF Trust have been fully disbursed, the resources held in the Reserve Account exceed the amounts outstanding under ESAF Trust loans, or (ii) when after all loans that may be made from the ESAF Trust for the financing of rights as described above have been fully disbursed, there are no outstanding obligations under such ESAF Trust loans, with respect to which a gold sale can be made under this decision, whichever is earlier.

Decision No. 10286-(93/23) ESAF,
February 22, 1993,
as amended by Decision No.12229-(00/66) PRGF,
June 30, 2000

ANNUAL REIMBURSEMENT OF GENERAL RESOURCES ACCOUNT IN RESPECT OF EXPENSES OF CONDUCTING BUSINESS OF PRGF-ESF TRUST

1. Beginning the financial year in which the Fund adopts a decision authorizing the sale of the current stock of post-Second Amendment gold, the Fund will resume annual reimbursements of the General Resources Account in respect of the expenses of conducting the business of the PRGF-ESF Trust, pursuant to Decision No. 8760-(87/176), adopted December 18, 1987.

2. Notwithstanding paragraph 1 above, the lending and subsidization capacity of the PRGF-ESF Trust will be kept under close review and, if a determination is made by the Fund that the resources of the Trust are likely to be insufficient to support anticipated demand for PRGF-ESF assistance and the Fund has been unable to obtain additional subsidy resources, the Fund should temporarily suspend annual reimbursements of the General Resources Account in respect of the expenses of conducting the business of the PRGF-ESF Trust. Upon suspension, the Fund will engage donors with a view to restoring the sustainability of the PRGF-ESF Trust. (SM/08/80, Rev. 1, Sup. 1; 4/8/08)

Decision No. 14093-(08/32),
April 7, 2008

Article VI, Section 1

Use of Fund's Resources for Capital Transfers

USE OF FUND'S RESOURCES FOR CAPITAL TRANSFERS

[Ed. Note: See Interpretation Pursuant to Decision No. 71-2, adopted September 26, 1946,[1] and Decision No. 1238-(61/43), adopted July 28, 1961.[2]]

[1] Ed. Note: See p. 375.

[2] Ed. Note: See p. 375.

Article VI, Section 3

Controls on Capital Transfers

CONTROLS ON CAPITAL TRANSFERS

The report of the Committee on Interpretation on controls on capital transfers (EBD/56/71, 7/11/56) is approved and the following conclusions are adopted:

Subject to the provisions of Article VI, Section 3 concerning payments for current transactions and undue delay in transfers of funds in settlement of commitments:

(a) Members are free to adopt a policy of regulating capital movements for any reason, due regard being paid to the general purposes of the Fund and without prejudice to the provisions of Article VI, Section 1.

(b) They may, for that purpose, exercise such controls as are necessary, including making such arrangements as may be reasonably needed with other countries, without approval of the Fund.

Decision No. 541-(56/39),
July 25, 1956

Article VII

Borrowing

NEW ARRANGEMENTS TO BORROW

Preamble

In order to enable the International Monetary Fund (the "Fund") to fulfill more effectively its role in the international monetary system, a number of countries with the financial capacity to support the international monetary system have agreed to provide resources to the Fund up to specified amounts in accordance with the terms and conditions of this decision. As the Fund is a quota-based institution, the credit arrangements provided for under the terms of this decision shall only be drawn upon when quota resources need to be supplemented in order to forestall or cope with an impairment of the international monetary system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1(i) of the Fund's Articles of Agreement.

Paragraph 1. *Definitions*

As used in this decision the term:

(i) "amount of a credit arrangement" means the maximum amount expressed in special drawing rights that a participant undertakes to make available to the Fund under a credit arrangement;

(ii) "Articles" means the Articles of Agreement of the Fund;

(iii) "available commitment" means a participant's credit arrangement less any drawn and outstanding balances;

(iv) "borrowed currency" or "currency borrowed" means currency transferred to the Fund's account under a credit arrangement;

(v) "call" means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund's account;

(vi) "credit arrangement" means an undertaking to provide resources to the Fund on the terms and conditions of this decision;

(vii) "currency actually convertible" means currency included in the Fund's financial transactions plan for transfers;

(viii) "drawer" means a member that purchases borrowed currency from the General Resources Account of the Fund;

(ix) "indebtedness of the Fund" means the amount the Fund is committed to repay under a credit arrangement;

(x) "member" means a member of the Fund;

(xi) "participant" means a participating member or a participating institution;

(xii) "participating institution" means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member; and

(xiii) "participating member" means a member that has entered into a credit arrangement with the Fund.

(b) For the purposes of this decision, the Monetary Authority of Hong Kong (the "HKMA") shall be regarded as an official institution of the member whose territories include Hong Kong, provided that:

(i) loans by the HKMA and payments by the Fund to the HKMA under this decision shall be made in the currency of the United States of America, unless the currency of another member is agreed between the Fund and the HKMA;

(ii) the references to balance of payments and reserve position in paragraphs 5(c), 6(b), 6(c), 7(a), and 11(e) shall be understood to refer to the balance of payments and reserve position of

Hong Kong. The HKMA shall not be eligible to vote on a proposal for activation under paragraph 5(c), included in a resources mobilization plan under paragraph 6(b), or subject to calls under paragraph 7(a), and shall be excluded from calls in accordance with paragraph 6(c), if, at the time of voting on any such proposal, approval of any such resource mobilization plan, or making of any such call, the HKMA notifies the Fund that Hong Kong's present and prospective balance of payments and reserve position does not allow it to meet calls under its credit arrangement; and

(iii) the HKMA shall have the right to request early repayment in accordance with paragraph 13(c) with respect to claims transferred to the HKMA if at the time of the transfer the balance of payments position of Hong Kong is, in the opinion of the Fund, sufficiently strong to justify such a right.

Paragraph 2. *Credit Arrangements*

(a) A member or institution that adheres to this decision undertakes to provide resources to the Fund on the terms and conditions of this decision up to the amount in special drawing rights set forth in Annex I to this decision ("Annex I"), which may be amended from time to time in order to take into account changes in credit arrangements resulting from the application of paragraphs 3(b), 4, 15(b), 16, 17, and 19(b).

(b) Except as set forth in paragraph 1(b)(i) or otherwise agreed with the Fund, resources provided to the Fund under this decision shall be made in the currency of the participant. Agreements under this paragraph for the use of the currency of another member shall be subject to the concurrence of any member whose currency shall be used.

Paragraph 3. *Adherence*

(a) Any member or institution specified in Annex I as a new participant may adhere to this decision in accordance with paragraph 3(c).

(b) Any member or institution not specified in Annex I, may apply to become a participant at any time. Any such member or

institution that wishes to become a participant shall, after consultation with the Fund, give notice of its willingness to adhere to this decision, and, if the Fund and participants representing 85 percent of total credit arrangements shall so agree, the member or institution may adhere in accordance with paragraph 3(c). When giving notice of its willingness to adhere under this paragraph 3(b), a member or institution shall specify the amount, expressed in special drawing rights, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement. The admission of a new participant shall lead to a proportional reduction in the credit arrangements of all existing participants whose credit arrangements are above that of the participant with the smallest credit arrangement: such proportional reduction in the credit arrangements of participants shall be in an aggregate amount equal to the amount of the new participant's credit arrangement less any increase in total credit arrangements decided in accordance with paragraph 4(a), provided that no participant's credit arrangement shall be reduced below the minimum amount set out in Annex I.

(c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the deposit of the instrument the member or institution shall be a participant as of the date of the deposit.

Paragraph 4. *Changes in Amounts of Credit Arrangements*

(a) When a member or institution is authorized under paragraph 3(b) to adhere to this decision, the total amount of credit arrangements may be increased by the Fund with the agreement of participants representing 85 percent of total credit arrangements; the increase shall not exceed the amount of the new participant's credit arrangement.

(b) The amounts of participants' individual credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement of the Fund and of participants representing 85 percent of total credit arrangements,

including each participant whose credit arrangement is changed. This provision may be amended only with the consent of all participants.

Paragraph 5. *Activation Period*

(a) When the Managing Director considers that the Fund's resources available for the purpose of providing financing to members from the General Resources Account need to be supplemented in order to forestall or cope with an impairment of the international monetary system, and after consultations with Executive Directors and participants, the Managing Director may make a proposal for the establishment of an activation period during which the Fund may (i) make commitments under Fund arrangements for which it may make calls on participants under their credit arrangements, and (ii) fund outright purchases by making calls on participants under their credit arrangements; provided that an activation period shall not exceed 6 months, and provided further that the amount covered by calls to fund such commitments under arrangements and outright purchases shall not exceed the maximum amount specified in the proposal. The proposal for the establishment of an activation period shall include information on (i) the overall size of possible Fund arrangements on which discussions are advanced, (ii) the balance between arrangements that are expected to be drawn upon and arrangements that are expected to be precautionary, (iii) additional financing needs that, in the opinion of the Managing Director, may arise during the proposed activation period, and (iv) the mix of quota and NAB resources for purchases from the General Resources Account in the period following the approval of an activation period. The information will be updated quarterly during an activation period.

(b) If there is not unanimity among the participants, the question whether the participants are prepared to accept the Managing Director's proposal for the establishment of an activation period in accordance with paragraph 5(a) will be decided by a poll of the participants. A favorable decision shall require an 85 percent majority of total credit arrangements of participants eligible to vote. The decision shall be notified to the Fund.

(c) A participant shall not be eligible to vote if, based on its present and prospective balance of payments and reserve position, the member is not included in the financial transactions plan for transfers of its currency at the time of the decision on a proposal for an activation period.

(d) An activation period shall become effective only if it is accepted by participants pursuant to paragraph 5(b) and is then approved by the Executive Board.

Paragraph 6. *Resource Mobilization Plans and Calls*

(a) To fund outright purchases during an activation period and commitments under arrangements approved during an activation period, calls under individual credit arrangements of participants may be made on the basis of resource mobilization plans approved by the Executive Board in conjunction with the financial transactions plan for the General Resources Account, normally on a quarterly basis for periods where the New Arrangements to Borrow is activated and for periods up to six months where the New Arrangements to Borrow is not activated. Such resource mobilization plans shall specify for each participant the maximum amount for which calls may be made during the applicable period. The Executive Board may at any time amend such a plan to change the maximum amounts and period for calls. With respect to the allocation of the maximum amounts among participants, the resource mobilization plan shall normally establish an allocation that would result in the available commitments of participants being of equal proportion relative to their credit arrangements

(b) A participant shall not be included in the resource mobilization plan when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the financial transactions plan for transfers of its currency.

(c) Calls during the period of a resource mobilization plan shall be made on participants by the Managing Director with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion

relative to their credit arrangements. No call shall be made on a participant that has been included in the resource mobilization plan if, at the time of such call, the member's currency is not being used in transfers under the financial transactions plan because of the member's balance of payments and reserve position.

(d) When the Fund makes a call pursuant to this paragraph 6, the participant shall promptly make the transfer in accordance with the call.

Paragraph 7. *Procedures for Special Calls*

(a) Calls pursuant to paragraph 11(e) may be made at any time with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements, provided that no such call shall be made on a participant, when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the financial transactions plan for transfers of its currency or, if the member has been included in the financial transactions plan, when, at the time of such call, the member's currency is not being used in transfers under such plan because of the member's balance of payments and reserve position. Calls under this paragraph 7(a) shall not be subject to the procedures set forth in either paragraph 5 or paragraph 6.

(b) Calls pursuant to paragraph 23 may be made at any time; they shall not be subject to the procedures set forth in either paragraph 5 or paragraph 6.

(c) When the Fund makes a call pursuant to this paragraph 7, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. *Nature and Evidence of Indebtedness*

(a) A participant's claim on the Fund arising from calls under this decision shall be in the form of a loan to the Fund; provided that, at the request of a participant, the Fund shall issue to the participant and the participant shall purchase, for up to the amount of

any call on that participant, one or more promissory notes (each a "Note" or together the "Notes") that have the same substantive terms as loans extended under this decision and are subject to the General Terms and Conditions for NAB Notes set forth in Annex II to this decision (the "GTC").[1] The GTC may be amended by a decision of the Fund with the agreement of participants representing 85 percent of total credit arrangements, provided that any amendment of the GTC shall be consistent with the terms of this decision. The amended GTC shall apply upon effectiveness to all outstanding Notes issued under this decision.

(b) In cases where a participant's claim on the Fund is in the form of a loan, the Fund shall issue to the participant, at its request, instruments evidencing the Fund's indebtedness. The form of the instruments shall be agreed between the Fund and the participant. Upon repayment of the amount of any such instrument and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

(c) In cases where a participant's claim on the Fund is in the form of Notes, such Notes shall be issued in book entry form. Upon the request of a participant, the Fund shall issue a registered Note substantially in the form as set out in the Appendix to the GTC. Upon repayment of any Note and all accrued interest, the Note shall be returned to the Fund for cancellation. If less than the amount of any such Note is repaid, the Note shall be returned to the Fund and a new Note for the remainder of the amount shall be substituted with the same maturity date as in the old Note.

Paragraph 9. *Interest*

(a) The Fund shall pay interest on its indebtedness under this decision at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special

[1] Ed. Note: The "GTC" is not included in this volume.

drawing rights or any such higher rate as may be agreed between the Fund and participants representing 85 percent of the total credit arrangements.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(c) Interest due to a participant shall be paid, as determined by the Fund in consultation with the participant, in special drawing rights, in the participant's currency, in the currency borrowed, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible.

Paragraph 10. *Use of Borrowed Currency*

The Fund's policies and practices under Article V, Sections 3 and 7 of the Articles on the use of its general resources, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this decision shall affect the authority of the Fund with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund's policies and practices, and shall not depend on whether the Fund can borrow under this decision.

Paragraph 11. *Repayment by the Fund*

(a) Subject to the other provisions of this paragraph 11, the Fund, ten years after a transfer by a participant in response to a call under this decision, shall repay the participant an amount equivalent to the transfer calculated in accordance with paragraph 12. If a drawer for whose purchase resources were made available under this decision repurchases on a date earlier than ten years after its purchase, the Fund shall repay participants an equivalent amount during the quarterly period in which the repurchase is made in accordance with paragraph 11(d). Repayment under this paragraph 11(a) or under paragraph 11(c) shall be, as determined by the Fund, in the currency borrowed whenever feasible, in the currency of the participant, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4 of the Articles unless the participant agrees to

accept special drawing rights above that limit in such repayment, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible.[1]

(b) Before the date prescribed in paragraph 1l(a), the Fund, after consultation with participants, may make repayment in part or in full to one or several participants in accordance with paragraph 11(d). The Fund shall have the option to make repayment under this paragraph 11(b) in the participant's currency, in the currency borrowed, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4 of the Articles unless the participant agrees to accept special drawing rights above that limit in such repayment, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible. At the request of a participant, the Fund shall repay, in accordance with this subparagraph (b), any claims resulting from calls under the participant's credit arrangement that exceed the amount of the participant's credit arrangement as changed in accordance with Executive Board Decision No. 15073 adopted December 21, 2011, provided that no such repayment shall be made until the quota increase for the relevant member under the Fourteenth General Review of Quotas has become effective.

(c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under this decision, the Fund shall promptly repay an equivalent amount to participants. If the Fund has used resources under this decision to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction to participants, up to the amount of the reserve tranche purchase. Payments under this paragraph 11(c) shall be allocated among participants in accordance with paragraph 11(d).

(d) Repayments under paragraphs 11(a), second sentence, 11(b), and 11(c) shall be allocated among participants with due regard to the objective specified in paragraph 6(a) of achieving

[1] Ed. Note: This paragraph was amended by Decision No. 15014-(11/110), November 16, 2011, effective November 17, 2011.

available commitments of participants that are of equal proportion relative to their credit arrangements. For each participant, repayments shall be applied first to the longest outstanding claim under its credit arrangement. If repayment is to be made in accordance with this paragraph 11(d) on a claim that has been transferred, the repayment shall be made to the transferee of such claim.

(e) Before the date prescribed in paragraph 11(a), a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. The participant seeking such repayment shall consult with the Managing Director and with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made promptly after consultation with the participant in freely usable currencies or in special drawing rights, as determined by the Fund, or, with the agreement of the participant, in the currencies of other members that are actually convertible. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, the Managing Director shall make calls on individual participants to provide the necessary balances under their credit arrangements subject to the limit of their available commitments. At the time of such call, and if so requested by the participant seeking early repayment, (i) a participant providing balances under its credit arrangement that are not balances of a freely usable currency shall ensure that such balances can be exchanged for a freely usable currency of its choice, and (ii) a participant providing balances under its credit arrangement that are balances of a freely usable currency, shall collaborate with the Fund and other members to enable such balances to be exchanged for another freely usable currency.

(f) When a repayment is made on a claim arising from a call under this decision, the amount that can be called for under the credit arrangement of the participant under which the claim arose as a result of a call under this decision shall be restored pro tanto.

(g) Unless otherwise agreed between the Fund and a participating institution, the Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this paragraph 11 or to pay interest in accordance with the provisions of paragraph 9 if the Fund

transfers an equivalent amount in special drawing rights to the member in which the participating institution is established.

Paragraph 12. *Rates of Exchange*

(a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing right in accordance with Article XIX, Section 7(a) of the Articles, and the Fund shall be obliged to repay an equivalent value.

(b) For all of the purposes of this decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 13. *Transferability*

(a) No participant or non-participant holder may transfer all or any part of its claim to repayment under a credit arrangement except (i) in accordance with this paragraph 13 or (ii) with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

(b) All or part of any claim to repayment under a credit arrangement may be transferred at any time to a participant or to a non-participant that is either (i) a member of the Fund, (ii) the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Articles ("other fiscal agency"), or (iii) an official entity that has been prescribed as a holder of special drawing rights pursuant to Article XVII, Section 3 of the Articles.

(c) As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement (in the case of transferees that are participants) or as the claim was held by the transferor (in the case of transferees that are non-participants), except that (i) the transferee shall have the right to request early repayment of the transferred claim on balance of payments grounds pursuant to paragraph 11(e) only if the transferee is a member, or an institution of a member, whose balance of payments and reserve position, at the time of the transfer, is considered sufficiently strong for its currency to be usable in transfers under the Fund's financial

transactions plan; (ii) if the transferee is a non-participant, references to the participant's currency shall be deemed to refer (A) if the transferee is a member, to the transferee's currency, (B) if the transferee is an institution of a member, to the currency of that member, and (C) in other cases, to a freely usable currency as determined by the Fund; and (iii) claims transferred in accordance with this paragraph 13 shall be considered drawn balances of the first transferor participant for purposes of determining the available commitment under its credit arrangement, and claims obtained by a participant under a transfer shall not be considered drawn balances of the transferee for purposes of determining the available commitment under its credit arrangement.

(d) The price for the claim transferred shall be as agreed between the transferee and the transferor.

(e) The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

(f) The transfer shall be registered by the Fund and the transferee shall become the holder of the claim if the transfer is in accordance with the terms and conditions of this decision. Subject to the foregoing, the transfer shall be effective as of the value date agreed between the transferee and the transferor.

(g) Notice to or by a transferee that is a non-participant shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency designated by the transferee in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund if the transferee is a member, or to or by the transferee directly if the transferee is not a member.

(h) If all or part of a claim is transferred during a quarterly period as described in paragraph 9(b), the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

(i) Unless otherwise agreed between the Fund and a transferee that is either a participating institution or the central bank or other fiscal agency designated by any member for purposes of

Article V, Section 1 of the Articles, the Fund shall be deemed to have discharged its obligations to make repayment to such transferee in special drawing rights in accordance with paragraph 11 or to pay interest in special drawing rights in accordance with paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the account of the member in which the institution is established.

(j) If requested, the Fund shall assist in seeking to arrange transfers.

(k) The transferee of a claim may request at the time of transfer that a claim in the form of a loan be exchanged by the Fund for a Note on the same substantive terms subject to the GTC, or that a claim in the form of a Note be exchanged for a loan claim on the same substantive terms.

(l) Derivative transactions in respect of any claim under this decision, and transfer of participation interests in any claim, are prohibited.

Paragraph 14. *Notices*

Notice to or by a participating member under this decision shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 15. *Amendment*

(a) Except as provided in paragraphs 4(b), 15(b), and 16, this decision may be amended during the period prescribed in paragraph 19(a) and any subsequent renewal periods that may be decided pursuant to paragraph 19(b) only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. Such concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).

(b) If in its view an amendment materially affects the interest of a participant that voted against the amendment, the participant shall have the right to withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted. This provision may be amended only with the consent of all participants.

Paragraph 16. *Withdrawal of Adherence*

Without prejudice to paragraph 15(b), a participant may withdraw its adherence to this decision in accordance with paragraph 19(b) but may not withdraw within the period prescribed in paragraph 19(a) except with the agreement of the Fund and all participants. This provision may be amended only with the consent of all participants.

Paragraph 17. *Withdrawal from Membership*

If a participating member or a member whose institution is a participant withdraws from membership in the Fund, the participant's credit arrangement shall cease at the same time as the withdrawal takes effect. The Fund's indebtedness under the relevant credit arrangement shall be treated as an amount due from the Fund for the purpose of Article XXVI, Section 3 and Schedule J of the Articles.

Paragraph 18. *Suspension of Exchange Transactions and Liquidation*

(a) The right of the Fund to make calls under paragraphs 6, 11(e), and 23 and the obligation to make repayments under paragraph 11 shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, credit arrangements shall cease and the Fund's indebtedness shall constitute liabilities under Schedule K of the Articles. For the purpose of paragraph 1(a) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the currency borrowed, then the participant's currency and finally the currency of the drawer for whose purchases transfers were made by the participants in connection with calls under paragraph 6.

Paragraph 19. *Period and Renewal*

(a) This decision shall continue in existence until December 31, 2025. When considering a renewal of this decision for any period following the period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and, in particular, (i) the experience with the procedures for activation and (ii) the impact of the Sixteenth General Review of Quotas on the overall size of quotas, and shall consult on any possible modifications.

(b) This decision may be renewed for such period or periods and with such modifications, subject to paragraphs 4(b), 15(b), and 16, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant shall not preclude its subsequent adherence in accordance with paragraph 3(b).

(c) If this decision is terminated or not renewed, paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in connection with any indebtedness of the Fund under credit arrangements in existence at the date of the termination or expiration of the decision until repayment is completed. If a participant withdraws its adherence to this decision in accordance with paragraph 15(b), paragraph 16, or paragraph 19(b), it shall cease to be a participant under the decision, but paragraphs 8 through 14, 17, and 18(b) of the decision as of the date of the withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under such former credit arrangement until repayment has been completed.

Paragraph 20. *Interpretation*

Any question of interpretation raised in connection with this decision (including the GTC) which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction

of the Fund, the participant or transferee of a claim raising the question, and all other participants. For the purpose of this paragraph 20 participants shall be deemed to include those former participants to which paragraphs 8 through 14, 17, and 18(b) continue to apply pursuant to paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. *Relationship with the General Arrangements to Borrow and Associated Borrowing Arrangements*

(a) Bilateral borrowing agreements in effect from January 1, 2021 through December 31, 2025 may be activated only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April 20, 2011, taking into account all available uncommitted resources under the New Arrangements to Borrow (the "modified FCC"), is below SDR 100 billion (the "activation threshold"); provided, however, that the Managing Director shall not provide such notification unless the New Arrangements to Borrow are activated as of the time of the notification, or there are no available uncommitted resources under the New Arrangements to Borrow as of that time.

(b) With a view to ensuring the adequacy of Fund resources, paragraph 21(a) of this decision shall not preclude the Managing Director from approaching creditors before the modified FCC is below the activation threshold, if extraordinary circumstances so warrant in order to forestall or cope with an impairment of the international monetary system. Paragraph 21(a) of this decision shall also not prevent the activation of bilateral borrowing agreements in effect from January 1, 2021 through December 31, 2025 if, in a poll of the participants, participants representing 85 percent of total credit arrangements agree that bilateral borrowing can be activated without the requirements of paragraph 21(a) being met.

Paragraph 22. *Other Borrowing Arrangements*

Nothing in this decision shall preclude the Fund from entering into any other types of borrowing arrangements.

Paragraph 23. *Transitional Arrangements for Amendments Adopted Pursuant to Decision No. 16645-(20/5), adopted January 16, 2020*

At the request of a participant that holds claims, either in the form of loans or notes, on the Fund under bilateral borrowing agreements entered into by the Fund prior to the effectiveness of the amendments to this decision set forth in Decision No. 16645-(20/5), adopted January 16, 2020, and that are related to an activation of such agreements prior to that date, the Managing Director shall make calls under the credit arrangement of such a participant to fund the repayment of such claims. Similarly, at the request of the relevant participant, calls shall be made on a participant that is a participating institution for the repayment of such claims held by the member of which it is an official institution or by the central bank or other fiscal agency designated by the member, or on a participant that is a member for the repayment of such claims held by the central bank or other fiscal agency designated by the member. Notwithstanding paragraph 11(a), the maturity date of claims under credit arrangements arising from such calls shall be the maturity date of the bilateral borrowing agreement claim for whose repayment the call was made.

Decision No. 11428-(97/6),
January 27, 1997,
as amended by Decision Nos. 12880-(02/113),
12881-(02/113), November 12, 2002,
13996-(07/100), November 15, 2007,
14577-(10/35), April 12, 2010,
14721-(10/80), August 5, 2010,
15014-(11/110), November 16, 2011,
15072-(12/1), December 21, 2011,
15073-(12/1), December 21, 2011,
16079-(16/99), November 4, 2016, and
16645-(20/5),
January 16, 2020

Attachment I, Annex I

Participants and Amounts of Credit Arrangements

(In Millions of SDRs)[1]

Current Participants	Amount[2]
Australia	4,440.90
Austria	3,636.98
Banco Central de Chile	1,381.94
Banco de Portugal	1,567.00
Bangko Sentral ng Pilipinas	680.00
Bank of Israel	680.00
Belgium	7,988.66
Brazil	8,881.82
Canada	7,747.42
China	31,720.76
Cyprus	680.00
Danmarks Nationalbank	3,259.52
Deutsche Bundesbank	25,780.04
Finland	2,267.76
France	18,958.32
Hong Kong Monetary Authority	680.00
India	8,881.82
Italy	13,797.04
Japan	67,017.00
Korea	6,689.64

[1] Credit arrangements are subject to a minimum of SDR 680 million.

[2] Ed. Note: Paragraph 3 of Decision 16079-(16/99), November 4, 2016, states: "The credit arrangements of current and new participants in the New Arrangements to Borrow set out in the Annex I to the NAB Decision shall be updated as set out in the Annex of EBS/16/103, (10/21/16) to reflect the effectiveness of the changes in credit arrangements following the implementation of the rollback of credit arrangements in accordance with Executive Board Decision No. 15073-(12/1), adopted December 21, 2011. (EBS/16/103, 10/21/16)"

Kuwait	341.29
Luxembourg	986.24
Malaysia	680.00
Mexico	5,075.32
National Bank of Poland	2,570.80
Netherlands	9,189.60
New Zealand	680.00
Norway	3,933.38
Russian Federation	8,881.82
Saudi Arabia	11,305.48
Singapore	1,297.10
South Africa	680.00
Spain	6,810.28
Sveriges Riksbank	4,511.36
Swiss National Bank	11,081.32
Thailand	680.00
United Kingdom	18,958.32
United States	56,404.94
Total	361,145.16
Prospective Participants	
Greece	1,681.20
Ireland	1,915.94
Total	364,401.01

Attachment to SM/96/307

NAB Meetings

In the course of establishing the new arrangements to borrow (NAB), understandings were reached on procedures and administrative arrangements for meetings of participants. These understandings are intended to complement, but do not supersede or

modify, the provisions related to the activation of the new arrangements to borrow, as specified in the Fund decision.

Frequency, timing, subject matter, and level of representation

Participants agreed that, in addition to any meetings needed for activation, renewal, or amendment of the NAB, it would be appropriate for participants to meet once a year at the time of the annual Fund/Bank meetings to discuss matters pertaining to the NAB. The objective of these meetings would be to review and discuss macroeconomic and financial markets developments, especially those that could have an impact on the stability of the financial system and lead to a possible need for the Fund to seek supplementary resources for the purposes set out in the preamble of the NAB. Participants would be represented by a minister or central bank governor or both. The principal representative could appoint deputies to meet in their stead. The level of the meeting (Ministerial or Deputy) would be determined each year in light of the issues at hand.

Chairmanship

The Chairmanship of the NAB grouping would rotate annually in the English alphabetical order of the participants, as listed in the Annex to the decision, beginning with the first name on that list.[1] The Chair would, in consultation with participants, be responsible for determining the agenda of the meeting, which will be devoted to the matters set out above. These consultations would also serve to determine the level of representation (Ministerial or Deputy) that would be most appropriate for the meeting in question.

Support

IMF headquarters staff would, under the direction of the Chair, provide secretariat support for the group. This would entail providing logistic support and maintaining an archive of documents

[1] In the event that the Chair was unable to perform its functions, a substitute would be provided by the participant immediately above the Chair on the list of participants in the Annex, or, if that substitute were not available, by the participant immediately below the Chair in that list.

concerning the deliberations and decisions taken under the new arrangements to borrow.

NEW ARRANGEMENTS TO BORROW—TRANSFERABILITY OF CLAIMS

Pursuant to paragraph 13 of the New Arrangements to Borrow (NAB), the Fund consents in advance to the transfer of outstanding claims to repayments under the NAB on the terms and conditions set out below:

1. All or part of any claim under the NAB may be transferred at any time to a participant in the NAB.

2. As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement, except that the transferee shall acquire the right to request early repayment of the transferred claim on balance of payments grounds pursuant to paragraph 11(e) of the NAB only if, at the time of the transfer, (i) the transferee is a member, or the institution of a member, whose balance of payment and reserve position is considered sufficiently strong for its currency to be usable in net transfers in the Fund's operational budget; or (ii) the transferee is the institution of a nonmember, and the balance of payments and reserve position of the nonmember is, in the opinion of the Fund, sufficiently strong to justify such acquisition.

3. The price for the claim transferred shall be as agreed between the transferee and the transferor.

4. The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferee and the transferor.

6. If all or part of a claim is transferred during a quarterly period as described in paragraph 9(c) of the NAB, the Fund shall

pay interest to the transferee on the amount of the claim transferred for the whole of that period.

7. If requested, the Fund shall assist in seeking to arrange transfers.

8. This decision shall become effective on the date of effectiveness of the NAB.

Decision No.11429-(97/6),
January 27, 1997

ESTABLISHMENT OF THE BORROWED RESOURCES SUSPENSE ACCOUNTS

1. The Managing Director is authorized (i) to establish Borrowed Resources Suspense Accounts within the General Department, (ii) to transfer to these Accounts balances of currencies borrowed before these can be used in transactions or received in repurchases made before repayment can be made, and (iii) to invest these balances until they can be transferred to the General Resources Account for immediate use in a transaction or an operation.

2. A Borrowed Resources Suspense Account for each currency shall be opened, as needed, with the depository designated pursuant to Article XIII, Section 2, by a member whose currency is to be borrowed, used for investment, or used in repayment or the payment of interest and shall be operated in accordance with the standard procedures for the operation of the Fund's No. 1 and Securities Accounts with the depository.

Decision No. 6844-(81/75),
May 5, 1981

INVESTMENT BY THE FUND OF THE CURRENCIES HELD IN THE BORROWED RESOURCES SUSPENSE ACCOUNTS

1. The Managing Director is authorized to invest currencies held in the Borrowed Resources Suspense Accounts in one or more of the following ways: (a) deposits with a national official financial institution of a member, or an international financial institution, that are denominated in special drawing rights; (b) marketable obligations issued by a member or by a national official

institution of a member and denominated in special drawing rights; and (c) marketable obligations issued by an international financial institution and denominated in special drawing rights.

2. The policy on the investment of the undisbursed amounts held in the Borrowed Resources Suspense Accounts shall take into account the operational needs of the General Resources Account, including the dates on which members are expected to make purchases from the Fund under its Policy on Enlarged Access.

3. (a) The Managing Director, when making arrangements for the placement of investments in accordance with paragraphs 1 and 2 above, shall consider the terms offered by a national official financial institution of the member issuing the currency borrowed, or to which the borrowed funds may be transferred, that will accept investments denominated in special drawing rights, and the terms offered by the Bank for International Settlements, for all or part of the intended investment in SDR-denominated deposits.

(b) In the event the Managing Director considers that none of the offers made by the central banks and by the BIS is sufficiently attractive, he shall inform the Executive Board promptly and make other proposals to it for investment in SDR-denominated obligations.

4. The Managing Director is authorized to transfer borrowed funds at the time of the original receipt from the Borrowed Resources Suspense Account in the depository designated by the member whose currency was borrowed to the Borrowed Resources Suspense Account in the depository designated by the member whose currency is to be used in an investment when this transfer is necessary to effect an investment denominated in special drawing rights, and when this transfer has been concurred in by the two members whose currencies will be involved.

Decision No. 6845-(81/75),
May 5, 1981

GUIDELINES FOR BORROWING BY THE FUND

The Guidelines for Borrowing by the Fund set forth in Decision No. 15176-(12/58), adopted June 15, 2012, as amended, are further amended to read as follows:

Quota subscriptions are and should remain the basic source of the Fund's financing. However, on a temporary basis, borrowing by the Fund can provide an important supplement to its resources. The confidence of present and potential creditors in the Fund will depend not only on the prudence and soundness of its financial policies but also on the effective performance of its various responsibilities, including, in particular, its success in promoting crisis prevention, adjustment, sustainable growth, and financial stability. Against this background, the following guidelines shall apply for borrowing by the Fund.

1. Fund borrowing shall remain subject to a process of continuous monitoring by the Executive Board in the light of the above considerations. For this purpose, the Executive Board will regularly review the Fund's liquidity and financial position, taking into account all relevant factors of a quantitative and qualitative nature.

2. The Executive Board may establish at any time, in the context of circumstances prevailing at that time, limits expressed in terms of the total of Fund quotas above which the total of outstanding borrowing plus unused credit lines would not be permitted to rise.

3. Any limits that may be adopted pursuant to paragraph 2 above are not to be understood, at any time, as targets for borrowing by the Fund.

4. (a) For purposes of these guidelines, bilateral borrowing agreements concluded by the Fund as part of the 2016 borrowing exercise and consistent with the modalities approved in August 2016 are referred to as "2016 Borrowing Agreements". Bilateral borrowing agreements entered into or amended by the Fund pursuant to the borrowing framework approved in March 2020

shall be referred to as the "2020 Borrowing Agreements." The 2016 Borrowing Agreements, together with the 2020 Borrowing Agreements, shall be collectively referred to herein as the "Bilateral Borrowing Agreements".

(b) The Bilateral Borrowing Agreements shall be activated for use by the Fund under the terms of such agreements only after the Managing Director has notified the Executive Board that the Forward Commitment Capacity of the Fund as defined in Decision No. 14906-(11/38), adopted April 20, 2011, taking into account all available uncommitted resources under the New Arrangements to Borrow (the "modified FCC"), is below SDR 100 billion (the "activation threshold"); provided however that the Managing Director shall not provide such notification to the Executive Board unless:

(i) the New Arrangements to Borrow ("NAB") are activated as of the time of the notification, or there are no available uncommitted resources under the NAB as of that time; and

(ii) the activation of the 2016 or 2020 Bilateral Borrowing Agreements has been approved by creditors representing at least 85 percent of the total credit amount committed under the 2016 or 2020 Borrowing Agreements, respectively, by creditors eligible to vote on such activation. For the purposes of conducting a poll of eligible creditors on such activation, the Managing Director shall propose in writing to eligible creditors the activation of the 2016 or 2020 Bilateral Borrowing Agreements, as applicable, and request the creditors' vote on the activation. Only creditors under the 2016 or 2020 Bilateral Borrowing Agreements, respectively, may vote on the activation, except that any such creditor shall not be eligible to vote if, at the time of the vote, its Bilateral Borrowing Agreement is not effective or the relevant member is not included in the Fund's Financial Transactions Plan for transfers of its currency.

(c) If the Bilateral Borrowing Agreements are activated pursuant to paragraph 4(b) above, they shall automatically be deactivated

when the NAB is no longer activated, unless there are no available uncommitted resources under the NAB at that time. Separately, the Bilateral Borrowing Agreements shall be deactivated if the Managing Director has notified the Executive Board that the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has risen above the activation threshold, and:

(i) the Executive Board determines that activation is no longer necessary; or

(ii) six months have elapsed since the date of the Managing Director's notification and, within that period, the modified FCC (excluding any amounts available under the Bilateral Borrowing Agreements) has not fallen below the activation threshold. If, after the deactivation of the Bilateral Borrowing Agreements under this paragraph 4(c), the modified FCC were to fall below the activation threshold, the provisions of paragraph 4(b) will apply.

5. The Fund is expected to use any quota increases under the Sixteenth General Review of Quotas to reduce and, depending on the size of the quota increases and the Fund's liquidity, eliminate its reliance on bilateral borrowing agreements.

6. In the context of approval of the Financial Transactions Plan, the Executive Board shall determine (a) the appropriate mix between borrowed resources and quota resources, and (b) the appropriate amounts to be drawn across different sources of borrowed resources. In making these determinations, the Fund shall take into account the Fund's liquidity needs and the expected availability of borrowed and quota resources, among other relevant considerations.

7. The Fund shall aim to maintain equitable burden sharing among creditors in accordance with the burden sharing rules that are applicable to each source of borrowed resources under the relevant agreements and decisions applicable to that source, including equitable burden sharing among creditors under all Bilateral Borrowing Agreements.

8. The Executive Board shall review these guidelines by December 31, 2023. (SM/20/72, 03/18/20)

Decision No. 9862-(91/156),
November 15, 1991,
as amended by Decision Nos. 14367-(09/65), June 29, 2009,
15176-(12/58), June 15, 2012,
15830-(15/70), July 13, 2015,
16042-(16/77), August 29, 2016,
16646-(20/5), January 16, 2020, and
16679-(20/32),
March 30, 2020

The Chair's Summing Up—
Maintaining Access to Bilateral Borrowing and
Review of the Borrowing Guidelines,
Executive Board Meeting 20/32, March 30, 2020

Executive Directors reiterated their commitment to a strong, quota-based and adequately resourced IMF to preserve its role at the center of the global financial safety net. In light of the economic and financial impact of the COVID-19 pandemic, it is critical to maintain the Fund's resource envelope to support members' needs and boost global confidence. In this context, Directors supported another round of temporary bilateral borrowing beyond 2020, as part of the membership's agreed package on IMF resources and governance reforms. They underscored that, as the third line of defense after quotas and the New Arrangements to Borrow (NAB), successive rounds of bilateral borrowing agreements (BBAs) have played a critical role in ensuring that the Fund's overall resource envelope is adequate to meet the membership's potential needs. Directors also supported the proposed approach for determining the credit amounts of individual agreements, which would maintain the Fund's overall resource envelope and build on a broad consensus among creditors. Directors looked forward to a timely completion of the 16th General Review of Quotas.

Directors agreed that the framework for the 2020 BBAs should closely follow that for the 2016 BBAs. They supported a common 3-year term of the agreements from January 1, 2021 through December 31, 2023,

which could be extended if needed by one year through end-2024 by a decision of the Executive Board and consent of the respective creditors. While issuing a strong call for timely implementation of NAB Reform, Directors supported including a safeguard in case the effectiveness of the NAB Reform is delayed beyond January 1, 2021.

Directors endorsed the key substantive provisions of the proposed 2020 BBAs and the template for 2020 loan and note purchase agreements, including transitional arrangements related to the interactions between the 2016 BBAs, 2020 BBAs, and NAB. They reiterated that the key substantive provisions should be the same across all 2020 BBAs, although drafting variations not affecting the substance of these key provisions could be accommodated.

Directors agreed that the Guidelines for Borrowing remain broadly appropriate and endorsed the proposed limited updates to reflect the expiration of the 2012 BBAs and the envisaged round of 2020 BBAs. Directors welcomed the broad indications of willingness to participate in the 2020 BBAs, subject to domestic procedures. Directors called for finalizing the 2020 BBAs as early as possible, helping to ensure that the Fund can continue to address members' financing needs.

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SU/20/45
April 6, 2020

2016 Borrowing Agreements—One-Year Extension of Terms

1. Taking into account the Fund's overall liquidity situation and actual and prospective borrowing requirements, the Executive Board approves a one-year extension through December 31, 2020

of the initial terms of the borrowing agreements concluded following the approval by the Executive Board in August of 2016 of the modalities for a new round of bilateral borrowing ("the 2016 Borrowing Agreements"), in accordance with paragraph 2(a) of each of the 2016 Borrowing Agreements.

2. The Executive Board authorizes the Managing Director to take such actions as necessary to implement this extension of the 2016 Borrowing Agreements on behalf of the Fund. (EBS/19/22, 04/22/19)

Decision No. 16513-(19/40),
May 20, 2019

The Chairman's Summing Up—
Borrowing by the Fund—Proposed Modalities,
Executive Board Meeting 12/58, June 15, 2012

Executive Directors welcomed the opportunity to discuss the modalities for a 2012 round of bilateral borrowing by the Fund and to review the Fund's borrowing guidelines in the context of the membership's cooperative efforts to increase Fund resources by over $430 billion. They generally considered that the proposed borrowing modalities, which build on the framework adopted for the 2009 borrowing round and the New Arrangements to Borrow (NAB), provide a good basis for compromise. Directors recognized that a careful balance needs to be struck between lenders' preferences and safeguarding the Fund's balance sheet. They agreed that it would be important to move rapidly to conclude borrowing agreements.

Directors noted that the scale of potential borrowing, if fully drawn, would be unprecedented in relation to quota resources and would increase financial risks for the Fund, amid the potential for large lending with highly correlated risks. They stressed that the primary tool to mitigate risks is the strength of the Fund's lending policies, supported by adequate junior co-financing.

Directors underscored that borrowing provides only temporary and supplementary resources and that the Fund is, and should remain, a quota-based institution. Mindful of the timetable

envisaged for the 15th General Review of Quotas, Directors agreed that the initial term of the 2012 bilateral borrowing agreements should be for two years, and most supported the proposal that this term be extendable by one year after consultation with lenders, and following a Board decision approving the extensions. Thereafter, an additional one-year extension would be possible, subject to the lender's consent and to a Board decision approving the further extensions. A few Directors would have preferred that the first one-year extension also be subject to the lender's consent. Directors expected that any quota increases under the 15th Review would be used by the Fund to reduce and, depending on the size of the quota increase and the Fund's liquidity, eliminate its reliance on bilateral borrowing. In this context, a few Directors cautioned against prejudging the outcome of the 15th Review, while a few others favored a stronger link through a roll-back clause to reduce a creditor's bilateral claims in an amount equivalent to its quota increase.

Directors stressed the need to protect the Fund against mismatches between its borrowing and lending maturities. Given the similar treatment under the NAB, they agreed that the maximum maturity of claims under the 2012 bilateral agreements should be 10 years. Directors broadly concurred that lenders should indicate that they stand ready to cooperate with the Fund as needed and appropriate. In addition, or as an alternative, for those lenders who are willing, the borrowing agreements should allow for an extension of the maximum maturity of claims for up to another 5 years with the lender's consent, in exceptional circumstances involving a shortage of Fund resources in relation to Fund obligations falling due.

Directors supported full and immediate encashability of all claims on the Fund arising under the 2012 borrowing agreements in case of balance-of-payments need of the relevant member, allowing these claims to qualify as reserve assets. They broadly concurred that the agreements should not include weekly or monthly limits on drawings, but that the case for introducing such limits could be revisited in the future, if warranted in light of developments. Directors also agreed that there should be reciprocity among agreements that would authorize the Fund to draw on the 2012 agreements to fund encashment requests related to other creditors' claims outstanding under those agreements; these encashment drawings could be made under

the 2012 agreements for as long as claims under these agreements remain outstanding. Most Directors considered that, to the maximum extent possible, the borrowing agreements should provide for revolving lines of credit as under the NAB, with a few Directors suggesting that this should be mandatory for all agreements.

Directors stressed that the new borrowing agreements should provide a second line of defense after quota and NAB resources, and consistent with this understanding, many underlined that the new borrowing agreements should only be activated when the NAB is also activated, unless there are no available uncommitted NAB resources remaining. Directors therefore agreed that the Fund's Guidelines for Borrowing should specify that access to the new agreements should only be triggered when a modified version of the Fund's Forward Commitment Capacity, taking into account all available uncommitted NAB resources, has reached a certain threshold level, and the NAB is activated or there are no available uncommitted NAB resources remaining. A few Directors requested that the activation of the NAB as a condition for drawing upon the borrowing arrangements be included in each agreement. Although there were a few differences of views on the appropriate level of the threshold, Directors supported setting the threshold at SDR 100 billion, and most considered that the Board should retain the flexibility to revisit the threshold level in the future if warranted. A few Directors would have preferred introducing a supermajority requirement among bilateral creditors as a precondition for any recourse to the new bilateral borrowing.

Directors supported other key substantive modalities and details for the 2012 bilateral borrowing agreements as proposed in SM/12/126 and Supplements 1 and 2. They also stressed that the key substantive terms for the 2012 borrowing agreements should be the same across all the 2012 agreements, although drafting variations not affecting the substance of these key terms could be accommodated.

Directors considered that the Guidelines for Borrowing by the Fund remain appropriate in most respects. There was broad support for the proposed modifications to reflect certain aspects of the modalities and terms of the 2012 bilateral borrowing agreements.

BUFF/12/67
June 20, 2012

A Framework for the Fund's Issuance of Notes to the Official Sector

1. The Fund endorses the form Note Purchase Agreement (NPA), the General Terms and Conditions for International Monetary Fund Series A and Series B Notes, and the form of registered Series A and B notes that are set out in the Attachment to EBS/09/96, Supplement 2.

2. The Fund is prepared to consider the approval of NPAs with members or central banks of members whose balance of payments and reserve position is sufficiently strong in the opinion of the Fund that their currency is being used in transfers under the Financial Transactions Plan. It is expected that such approval will be sought on a lapse-of-time basis.

3. The conclusion of NPAs shall be subject to the Fund's guidelines on borrowing, as amended from time to time. (EBS/09/96, Sup. 2, 7/6/09)

Decision No. 14379-(09/67),
July 1, 2009

Article VIII, Section 2(*b*)

Unenforceability of Exchange Contracts

UNENFORCEABILITY OF EXCHANGE CONTRACTS—FUND'S INTERPRETATION OF ARTICLE VIII, SECTION 2(B)

The following letter shall be sent to all members:

The Board of Executive Directors of the International Monetary Fund has interpreted, under Article XVIII[1] of the Articles of Agreement, the first sentence of Article VIII, Section 2(b), which provision reads as follows:

Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member.

The meaning and effect of this provision are as follows:

1. Parties entering into exchange contracts involving the currency of any member of the Fund and contrary to exchange control regulations of that member which are maintained or imposed consistently with the Fund Agreement will not receive the assistance of the judicial or administrative authorities of other members in obtaining the performance of such contracts. That is to say, the obligations of such contracts will not be implemented by the judicial or administrative authorities of member countries, for example by decreeing performance of the contracts or by awarding damages for their nonperformance.

2. By accepting the Fund Agreement members have undertaken to make the principle mentioned above effectively part of their

[1] Ed. Note: Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.

national law. This applied to all members, whether or not they have availed themselves of the transitional arrangements of Article XIV, Section 2.

An obvious result of the foregoing undertaking is that if a party to an exchange contract of the kind referred to in Article VIII, Section 2(b) seeks to enforce such a contract, the tribunal of the member country before which the proceedings are brought will not, on the ground that they are contrary to the public policy (ordre public) of the forum, refuse recognition of the exchange control regulations of the other member which are maintained or imposed consistently with the Fund Agreement. It also follows that such contracts will be treated as unenforceable notwithstanding that under the private international law of the forum, the law under which the foreign exchange control regulations are maintained or imposed is not the law which governs the exchange contract or its performance.

The Fund will be pleased to lend its assistance in connection with any problem which may arise in relation to the foregoing interpretation or any other aspect of Article VIII, Section 2(b). In addition, the Fund is prepared to advise whether particular exchange control regulations are maintained or imposed consistently with the Fund Agreement.

Decision No. 446-4,
June 10, 1949

Article VIII and Article XIV

Payments Restrictions

Payments Restrictions for Security Reasons: Fund Jurisdiction

Article VIII, Section 2(*a*), in conformity with its language, applies to all restrictions on current payments and transfers, irrespective of their motivation and the circumstances in which they are imposed. Sometimes members impose such restrictions solely for the preservation of national or international security. The Fund does not, however, provide a suitable forum for discussion of the political and military considerations leading to actions of this kind. In view of the fact that it is not possible to draw a precise line between cases involving only considerations of this nature and cases involving, in whole or in part, economic motivations and effects for which the Fund does provide the appropriate forum for discussion, and the further fact that the Fund must exercise the jurisdiction conferred by the Fund Agreement in order to perform its duties and protect the legitimate interests of its members, the following policy decision is taken:

1. A member intending to impose restrictions on payments and transfers for current international transactions that are not authorized by Article VII, Section 3(*b*) or Article XIV, Section 2 of the Fund Agreement and that, in the judgment of the member, are solely related to the preservation of national or international security, should, whenever possible, notify the Fund before imposing such restrictions. Any member may obtain a decision of the Fund prior to the imposition of such restrictions by so indicating in its notice, and the Fund will act promptly on its request. If any member intending to impose such restrictions finds that circumstances preclude advance notice to the Fund, it should notify the Fund as promptly as circumstances permit, but ordinarily not later than 30 days after imposing such restrictions. Each notice received in accordance with this decision will be circulated immediately to the Executive Directors. Unless the Fund informs the member within

30 days after receiving notice from the member that it is not satisfied that such restrictions are proposed solely to preserve such security, the member may assume that the Fund has no objection to the imposition of the restrictions.

2. The Fund will review the operation of this decision periodically and reserves the right to modify or revoke, at any time, the decision or the effect of the decision on any restrictions that may have been imposed pursuant to it.

Decision No. 144-(52/51),
August 14, 1952

BILATERALISM AND CONVERTIBILITY

1. This decision records the Fund's views on the use of bilateral arrangements.

2. Fund policies and attitude on bilateral arrangements which involve the use of exchange restrictions and represent limitations on a multilateral system of payments are an integral part of its policy on restrictions. This policy aims at the elimination of foreign exchange restrictions and the earliest possible establishment of a multilateral system of payments in respect of current transactions between members. The Fund's policies and procedures on such restrictions rest on Articles I, VIII and XIV of the Fund Agreement.

3. Certain members have already taken steps to reduce their dependence on bilateral arrangements, but many members still use them. The Fund welcomes the reduced reliance on these arrangements and believes that the improvement in the international payments situation makes it less necessary for members to rely on such arrangements. The Fund urges the full collaboration of all its members to reduce and to eliminate as rapidly as practicable reliance on bilateralism. In this respect the Fund recommends close cooperation of those who plan to make their currencies convertible in the near future. Unless this policy is energetically pursued by all countries, both convertible and inconvertible, there is serious risk that widespread restrictions, particularly of a discriminatory character, will persist. Moreover, the persistence of bilateralism may impede the attainment and maintenance of convertibility. This

whole problem is one not only for countries which maintain bilateral arrangements but also for other countries whose domestic and foreign economic policies may adversely affect the balance of payments of other members.

4. The Fund will have discussions with its members on their need to retain existing bilateral arrangements or their ability to facilitate the reduction of bilateral arrangements by other countries. During the coming year, the Fund will explore with all countries which are parties to bilateral arrangements which involve the use of exchange restrictions the need for the continuation of these arrangements, the possibilities of their early removal, and ways and means, including the use of the Fund's resources, by which the Fund can assist in this process. In its examination of the justification for reliance on such bilateral arrangements the Fund will, without excluding other considerations, have particular regard to the payments position and prospects of the members concerned.

Decision No. 433-(55/42),
June 22, 1955

Official Clearing and Payments Arrangements—Temporary Exemption from Three-Month Rule

Pending completion of the forthcoming review of the jurisdictional aspects of official clearing and payments arrangements, the Fund shall not object to the maintenance in existing official clearing or payments arrangements of settlement provisions that do not require the settlement of balances at least as frequently as every three months if such provisions were in force before July 1, 1994.

Decision No. 10749-(94/67),
July 20, 1994

Retention Quotas: Decision and Letter of Transmittal

In concluding consultations on restrictions on current payments and transfers as required under Article XIV of the Fund Agreement, the Fund postponed consideration of retention quotas and similar practices through which some members have sought to improve their earnings of specific currencies. The Fund has now examined these practices more fully than was possible at the

consultations referred to above. The Fund has extended this examination to cover the terms of reference of the resolution adopted on September 9, 1952, by the Board of Governors and has come to the following conclusions

1. Members should work toward and achieve as soon as feasible the removal of these retention quotas and similar practices, particularly where they lead to abnormal shifts in trade which cause unnecessary damage to other countries. Members should endeavor to replace these practices by more appropriate measures leading to currency convertibility.

2. The Fund will enter into consultation with each of the members concerned with a view to agreeing on a program for the implementation of 1 above, including appropriate attention to timing of any action which may be decided upon.

3. The Fund does not object to those practices which, by their nature, can be regarded as devices designed solely to simplify the administration of official exchange allocations.

The Managing Director is asked to send the following letter to all members in transmitting the foregoing decision on retention quotas and similar practices:

> The Fund has made a detailed study concerning retention quotas and other similar practices pursuant to the resolution passed at the Seventh Session of the Board of Governors in Mexico in September 1952. I am pleased to transmit herewith a decision of the Executive Board of the Fund based on this study.
>
> The Fund has concluded that these practices stem from widespread difficulties presently existing in the international payments position of many countries. The Fund's consideration of this subject has shown that what is referred to as "retention quotas and similar practices" covers a wide range of exchange measures. Certain practices under this heading may be unobjectionable from the point of view of Fund policies. Other

practices in this category, however, appear to result in adverse effects on exchange stability and to cause unnecessary damage to member countries. They also may lead to the adoption of retaliatory measures. The interest of the Fund in these matters clearly follows from the terms of Article VIII containing the general obligations of members with respect to the avoidance of exchange restrictions, discriminatory currency arrangements, and multiple currency practices, and Article XIV dealing with these exchange measures during the transitional period.

In dealing with retention quotas and similar practices, the Board has not intended to change existing Fund standards and procedures with respect to exchange restrictions, discriminatory currency arrangements, and multiple currency practices. Specifically, there was no intention to affect the existing requirements of prior consultation and approval with respect to measures of this character. Those requirements, so far as they concern multiple currency practices, were communicated to members in the Fund's letter of December 19, 1947 (Appendix II of the Fund's Annual Report of 1948). Accordingly, it is expected that members intended to maintain, introduce, or enlarge those retention quotas and similar practices which constitute exchange restrictions, multiple currency practices, or discriminatory currency arrangements will act in accordance with existing Fund requirements.

The decision recognizes that it is not practicable to deal with all of these practices on a general basis. The Fund, therefore, wishes to deal with these arrangements on a case-to-case basis. We shall communicate as quickly as practicable with members using these practices. We are confident that members will cooperate in these individual discussions in order to enable the Fund to reach appropriate conclusions.

Decision No. 201-(53/29),
May 4, 1953

Discrimination for Balance of Payments Reasons

The following decision deals exclusively with discriminatory restrictions imposed for balance of payments reasons.

In some countries, considerable progress has already been made towards the elimination of discriminatory restrictions; in others, much remains to be done. Recent international financial developments have established an environment favorable to the elimination of discrimination for balance of payments reasons. There has been a substantial improvement in the reserve positions of the industrial countries in particular and widespread moves to external convertibility have taken place.

Under these circumstances, the Fund considers that there is no longer any balance of payments justification for discrimination by members whose current receipts are largely in externally convertible currencies. However, the Fund recognizes that where such discriminatory restrictions have been long maintained, a reasonable amount of time may be needed fully to eliminate them. But this time should be short and members will be expected to proceed with all feasible speed in eliminating discrimination against member countries, including that arising from bilateralism.

Notwithstanding the extensive moves toward convertibility, a substantial portion of the current receipts of some countries is still subject to limitations on convertibility, particularly in payments relations with state-trading countries. In the case of these countries the Fund will be prepared to consider whether balance of payments considerations would justify the maintenance of some degree of discrimination, although not as between countries having externally convertible currencies. In this connection the Fund wishes to reaffirm its basic policy on bilateralism as stated in its decision of June 22, 1955.

Decision No. 955-(59/45),
October 23, 1959

ARTICLES VIII AND XIV

There has been in recent years a substantial improvement in the balance of payments and the reserve positions of a number of Fund members which has led to important and widespread moves to the external convertibility of many currencies. Most international transactions are now carried on with convertible currencies, and many countries have progressed far with the removal of restrictions

on payments. In consequence of these developments, it seems likely that a number of members of the Fund either have reached or are nearing a position in which they can consider the feasibility of formally accepting the obligations of Article VIII, Sections 2, 3, and 4. Previous decisions taken by the Fund, such as those on multiple currency practices, bilateral arrangements, discriminatory restrictions maintained for balance of payments purposes, and payments restrictions for security reasons, indicate the Fund's attitude on these matters. The present decision has been adopted as an additional guide to members in pursuance of the purposes of the Fund as set forth in Article I of the Articles of Agreement.

1. Article VIII provides in Sections 2 and 3 that members shall not impose or engage in certain measures, namely restrictions on the making of payments and transfers for current international transactions, discriminatory currency arrangements, or multiple currency practices, without the approval of the Fund. The guiding principle in ascertaining whether a measure is a restriction on payments and transfers for current transactions under Article VIII, Section 2, is whether it involves a direct governmental limitation on the availability or use of exchange as such. Members in doubt as to whether any of their measures do or do not fall under Article VIII may wish to consult the Fund thereon.

2. In accordance with Article XIV, Section 3,[1] members may at any time notify the Fund that they accept the obligations of Article VIII, Sections 2, 3, and 4, and no longer avail themselves of the transitional provisions of Article XIV. Before members give notice that they are accepting the obligations of Article VIII, Sections 2, 3, and 4, it would be desirable that, as far as possible, they eliminate measures which would require the approval of the Fund, and that they satisfy themselves that they are not likely to need recourse to such measures in the foreseeable future. If members, for balance of payments reasons, propose to maintain or introduce measures which require approval under Article VIII, the Fund will grant approval only where it is satisfied that the measures

[1] Ed. Note: Corresponds to Article XIV, Section 1 of the Articles of Agreement after the Second Amendment.

are necessary and that their use will be temporary while the member is seeking to eliminate the need for them. As regards measures requiring approval under Article VIII and maintained or introduced for non-balance of payments reasons, the Fund believes that the use of exchange systems for non-balance of payments reasons should be avoided to the greatest possible extent, and is prepared to consider with members the ways and means of achieving the elimination of such measures as soon as possible. Members having measures needing approval under Article VIII should find it useful to consult with the Fund before accepting the obligations of Article VIII, Sections 2, 3, and 4.

3. If members at any time maintain measures which are subject to Sections 2 and 3 of Article VIII, they shall consult with the Fund with respect to the further maintenance of such measures. Consultations with the Fund under Article VIII are not otherwise required or mandatory. However, the Fund is able to provide technical facilities and advice, and to this end, or as a means of exchanging views on monetary and financial developments, there is great merit in periodic discussions between the Fund and its members even though no questions arise involving action under Article VIII. Such discussions would be planned between the Fund and the member, including agreement on place and timing, and would ordinarily take place at intervals of about one year.

4. Fund members which are contracting parties to the GATT and which impose import restrictions for balance of payments reasons will facilitate the work of the Fund by continuing to send information concerning such restrictions to the Fund. This will enable the Fund and the member to join in an examination of the balance of payments situation in order to assist the Fund in its collaboration with the GATT. The Fund, by agreement with members which are not contracting parties to the GATT and which impose import restrictions for balance of payments reasons, will seek to obtain information relating to such restrictions.

Decision No. 1034-(60/27),
June 1, 1960

Summing Up by the Chairman—Biennial Review of the Fund's Surveillance Policy, Executive Board Meeting 93/15, January 29, 1993

…

Most Executive Directors emphasized the importance of a greater commitment of members to current account convertibility as evidenced by the acceptance of Article VIII obligations. They agreed that many members have availed themselves of Article XIV for too long and should take appropriate steps to remove remaining restrictions. Therefore, the staff will intensify its efforts to encourage countries to accept the obligations of Article VIII, especially in those long-standing cases where there are no restrictions subject to Articles VIII or XIV.

PAYMENTS ARREARS IN CURRENT INTERNATIONAL TRANSACTIONS

The Executive Board has reviewed the Fund's policy with respect to payments arrears. The Fund shall be guided by the approach in the conclusions set forth in SM/70/139, 7/6/70).

Decision No. 3153-(70/95), October 26, 1970

SM/70/139

Conclusions

1. Undue delays in the availability or use of exchange for current international transactions that result from a governmental limitation give rise to payments arrears and are payments restrictions under Article VIII, Section 2(*a*), and Article XIV, Section 2. The limitation may be formalized, as for instance compulsory waiting periods for exchange, or informal or ad hoc.

2. The need for the Fund to define its policy on payments arrears is emphasized by the fact that restrictions resulting in payments arrears arising from informal or ad hoc measures do particular harm to a country's international financial relationships because of the uncertainty they generate. This uncertainty is particularly harmful

to the smooth functioning of the international payments system and has pronounced adverse effects on the creditworthiness of the debtor country which may extend beyond the period of the existence of the restrictions.

3. In the light of these considerations it is believed that the Fund should aim in consultation reports at a more systematic treatment of restrictions on payments and transfers for current international transactions that produce payments arrears. In all cases where payments arrears arise from a governmental limitation on, or interference with, the availability of foreign exchange at the time a payment for a current international transaction falls due, or with the timely transfer of the proceeds of such transactions, the payments arrears should be treated in the consultation papers as evidence of a payments restriction requiring approval in Article VIII or Article XIV consultation decisions. The staff, in the consultation discussions, will have to establish whether payments arrears exist by ascertaining whether there has been a substantial delay beyond that usually required for ascertaining the bona fides of exchange applications or the time that can be regarded as normally required for the administrative processing of applications for exchange. If payments arrears exist and approval of the restriction giving rise to them is requested by the member, the member should be expected to submit a satisfactory program for their elimination. Approval if given should be only for a temporary period and generally with a fixed terminal date. Because of the difficulty in surveillance, approval should be wherever feasible in terms of the level of arrears outstanding. The program for the elimination of the payments arrears should provide for a maximum permissible delay to which a payment or transfer could be subjected, together with a phased reduction in the outstanding level.

…

Payments Policies

Consultations on Members' Policies in Present Circumstances

1. The Committee on Reform of the International Monetary System and Related Issues on January 18, 1974 reviewed important recent

developments and agreed that, in the present difficult circumstances, all members, in managing their international payments, must avoid the adoption of policies which would merely aggravate the problems of other members. Accordingly, the Committee stressed the importance of avoiding competitive depreciation and the escalation of restrictions on trade and payments; and emphasized the importance of pursuing policies that would sustain appropriate levels of economic activity and employment, while minimizing inflation. It was also recognized that recent developments would create serious payments difficulties for many developing countries. The Committee agreed that there should be the closest international cooperation and consultation in pursuit of these objectives.

2. The Executive Directors call on all members to collaborate with the Fund in accordance with Article IV, Section 4(a),[1] with a view to attaining these objectives. The consultations of the Fund on the policies that members are following in present circumstances will be conducted with a view to the attainment of these objectives.

Decision No. 4134-(74/4),
January 23, 1974

Multiple Currency Practices

The Acting Chair's Summing Up—
Review of the Fund's Policy on Multiple Currency Practices—Proposals for Reform,
Executive Board Meeting 22/63, July 1, 2022

Executive Directors welcomed the opportunity to complete the review of the Fund's Policy on Multiple Currency Practices (MCPs). They observed that MCPs can be distortionary, create unfair competitive advantage among countries, and hamper trade and investment, particularly over the medium and long term. They agreed that the MCP policy should remain a cornerstone of the Fund's legal and policy framework to ensure orderly exchange arrangements and a stable system of exchange rates. They welcomed

[1] Ed. Note: Refers to the Articles of Agreement in effect before the Second Amendment.

the adjustments to the policy to reflect developments since the last review in the 1980s so that it does not discourage good practices in FX markets and is better aligned with the Fund's other policies (including the policy on exchange restrictions and the Institutional View on the Liberalization and Management of Capital Flows (IV)), while ensuring that it continues to address policy actions that are considered impermissible under the new policy.

Directors supported the reform proposals. They concurred that the main principle of the policy—that official action by members' governments or their fiscal agencies should not cause unreasonable deviations in exchange rate spreads compared to normal costs and risks of exchange transactions—remains valid, although a few Directors stressed that the Fund should continue to approach the policy from an economic rather than a legalistic perspective. Directors agreed to eliminate the practice of finding an MCP due to potential exchange rate spreads.

Directors agreed that the scope of official action by members' governments and fiscal agencies should be clarified to focus primarily on action that segments the FX markets and/or increases or decreases the cost of exchange transactions. Directors agreed that FX auctions that are in line with best practices would not give rise to an MCP, as they do not segment the FX market. Directors also agreed that an official exchange rate calculated based on the preceding day's market rates would not give rise to an MCP.

Directors agreed that foreign exchange purchases and sales by the authorities (aside from auctions) that do not segment the FX market would be excluded from the scope of the revised policy. However, Directors noted that if such FX transactions make foreign currency available at a particular exchange rate only for specific purposes or to a subset of end-users or intermediaries, therefore segmenting the FX market, such transactions would be assessed under the policy.

Directors agreed that exchange rate spreads with illegal parallel markets would no longer be considered MCPs, but the underlying distortions would be captured under the Fund's policy on exchange restrictions, where relevant. However, Directors stressed that country authorities should make reasonable efforts to eliminate illegal parallel markets and that staff should continue to discuss them in staff reports.

Directors also agreed that broken cross rates caused by official action would no longer be considered MCPs, as reliance on such practices has almost disappeared and thus they are no longer economically relevant.

Directors agreed that since NDFs[1] are not exchange transactions, they would only be considered under the MCP policy if they are closely related to acquiring or selling foreign exchange. Directors agreed to retain the current treatment of agreements between central banks under the MCP policy.

Directors welcomed the proposal to replace the current fixed two percent rule for spot FX transactions with a country-specific market based norm (the High/Low range) and tolerance margin (+/- 2 percent), whichever is wider, which will be used also for non-spot FX transactions. Directors broadly agreed that the Fund may find an MCP whenever there is a single deviation outside this range due to official action, but a few Directors called on staff to consider possible refinements to this approach in the next review. Directors agreed that additional costs or subsidies that are sufficiently closely related to an exchange transaction should be considered part of the effective exchange rate to be used in the assessment. As a continuation of the current policy, exchange taxes not exceeding 2 percent applied on market exchange rates will not give rise to an MCP.

Directors noted that the new policy does not introduce new data provision requirements. The relevant market exchange rate data is collected from reputable third-party providers, but staff can use data that are representative of the FX market from alternative sources, if needed. Directors noted that members will be expected to continue to provide data necessary for MCP assessments beyond that required under Article VIII, Section 5.

Directors agreed that an MCP will be considered eliminated if the authorities cease the official action that gave rise to the MCP, take credible measures to bring the spread back within the permissible range, or the impermissible spread does not reoccur following an observation period of 12 months.

Directors agreed that the use of the FX system for purposes unrelated to the balance of payments should generally be

[1] Ed. Note: Nondeliverable forwards.

discouraged. They also agreed to strengthen the criteria for temporary approval of MCPs maintained primarily for non-BOP circumstances by additionally requiring that the member commits to a credible strategy for removal and that the MCP does not constitute an exchange restriction. A few Directors saw the benefits of a review of the Fund's policy on exchange restrictions.

Directors broadly agreed with the proposals to enhance the current cooperative approach to noncompliance by increasing transparency and accountability. They generally supported more prominent and extensive coverage of MCPs in staff reports, including more consistently reporting the existence of measures, discussion of their economic impact, staff's advice on removal, and the authorities' plans. A few Directors, however, cautioned that this could cause reputational risks to the authorities and preferred maintaining the current level of coverage. Directors welcomed annual reporting to the Board of a list of all approved and unapproved MCPs. Directors highlighted the role of Fund advice and technical assistance in promoting the elimination of MCPs and the reform of FX markets. Directors noted that the Board will revisit the issue of a remedial framework for unapproved MCPs in future reviews of the new MCP policy, taking into consideration the experience with the enhanced cooperative approach. A few Directors suggested similarly revisiting the issue of extending the MCP policy to capital transactions.

In line with the recently endorsed provisions of the IV, Directors agreed that MCPs and exchange restrictions that are also considered CFMs as they are also designed to limit capital flows would be assessed only under the respective Article VIII policy. Directors agreed that MCPs that apply solely to capital transactions are not subject to Fund approval but will continue to be identified as MCPs in Article IV reports and will be assessed only under the IV.

Directors welcomed the transitional arrangements to ensure the smooth implementation of the new MCP policy, which will become effective nine months following the Board approval of the decision with a few exceptions. Effective immediately, no MCPs will be found due to official exchange rates computed with a one-day lag, foreign exchange auctions consistent with best practices, spreads arising from illegal parallel markets, and broken cross rates caused by

official action. Directors welcomed staff's plan to conduct outreach to the membership on the new policy during the transitional period. They noted that only limited additional resources will be required once the policy is well-established. Directors agreed that the new MCP policy will be reviewed within five years, or on an as needed basis.

SU/22/104,
July 8, 2022

REVIEW OF THE FUND'S POLICY ON MULTIPLE CURRENCY PRACTICES—PROPOSALS FOR REFORM

The Fund has reviewed its policy on multiple currency practices. The Fund shall be guided by the following decision in assessing members' compliance with their obligations under Article VIII, Section 3 with respect to multiple currency practices:

1. **Multiple currency practices.**

I. Article VIII, Section 3 of the Articles of Agreement prohibits a member from engaging, or permitting any of its fiscal agencies referred to in Article V, Section 1 to engage, in multiple currency practices without the approval of the Fund. As a general principle, Official Action should not cause exchange rate spreads to differ unreasonably from those that arise from the normal commercial costs and risks of exchange transactions. Therefore, a multiple currency practice would arise in the circumstances set forth in this paragraph 1.

a. Official Action causes an Effective Exchange Rate for a Spot Exchange Transaction to exceed the Spot Permissible Spread.

b. Official Action causes an Effective Exchange Rate for a Non-spot Exchange Transaction to exceed the Non-spot Permissible Spread.

II. Notwithstanding the above, a multiple currency practice would not arise if the Effective Exchange Rate for an Exchange Transaction caused by Official Action is calculated as follows:

(i) the Effective Exchange Rate is derived solely from the weighted average of transaction exchange rates in a member's wholesale foreign exchange market or, in the absence

of a wholesale foreign exchange market, as the weighted average of the transaction exchange rates between intermediaries and their clients, or a combination of the two if the wholesale foreign exchange market is not representative of the member's foreign exchange market, and

(ii) the only transactions included in the calculation of the Effective Exchange Rate occurred on the business day immediately preceding the day on which such Effective Exchange Rate is to be used.

(iii) An exchange rate spread that arises without official action would not give rise to a multiple currency practice.

2. **Definitions.**

a. Official Action: An action by a member or any of its fiscal agencies referred to in Article V, Section 1 of the Articles of Agreement qualifies as an Official Action when it: (i) directly or indirectly segments the foreign exchange market on the member's territory by giving rise to an Effective Exchange Rate that is only available to a specific intermediary and/or end-user or a limited group of intermediaries or end-users, and/or for only a limited range of purposes, and/or (ii) increases or decreases the cost of an Exchange Transaction. In that regard, foreign exchange auctions organized according to the criteria specified in paragraph 15 of SM/22/129, as well as foreign exchange transactions conducted by the authorities according to the criteria specified in paragraph 22 of SM/22/129 would not be considered to segment the foreign exchange market and therefore would not constitute Official Action for the purposes of this decision.

b. Effective Exchange Rate: The nominal exchange rate (or when the nominal exchange rate is not determined by Official Action, the mid-point of the High/Low range), plus the aggregate of any Exchange Tax or subsidy that has been imposed by Official Action on the Exchange Transaction and which are sufficiently closely related to the Exchange Transaction.

c. Exchange Transaction: A transaction involving the exchange of the currency of one member for another member's currency.

d. Exchange Tax: Any tax, levy, fee, commission, surcharge or other mandatory costs imposed by Official Action on an Exchange Transaction.

e. Spot Exchange Transaction: An Exchange Transaction that settles no more than two business days after the transaction date.

f. Non-spot Exchange Transaction: An Exchange Transaction that settles more than two business days after the transaction date.

g. Spot Permissible Spread: (i) the spread between the highest (most depreciated) wholesale exchange rate and the lowest (most appreciated) wholesale exchange rate observed on a given business day (the "High/Low range") in the member's wholesale foreign exchange market or (ii) a tolerance band of +/- 2 percent around the midpoint of the High/Low range, whichever is wider, as further defined in paragraphs 24 and 25 of SM/22/129 and as further described in paragraphs 22-32 of SM/18/208, Supplement 3.

h. Non-spot Permissible Spread: (i) The spread between the highest (most depreciated) and the lowest (most appreciated) wholesale ex-change rate of a given Non-spot Transaction with the same maturity as the equivalent Non-spot Exchange Transaction affected by Official Action observed on a given business day (the "High/Low range") in the member's wholesale foreign exchange market, or (ii) a tolerance band of +/- 2 percent around the midpoint of the High/Low range, whichever is wider, as further defined in paragraphs 27 and 28 of SM/22/129 and as further described in paragraphs 33-42 SM/18/208, Supplement 3. If market data are unavailable, the non-spot market exchange rate will be computed using a theoretical model of the non-spot transaction.

i. Observation Period: The consecutive 12-month period following staff's last observance of a spread exceeding the Spot Permissible Spread or Non-spot Permissible Spread.

3. **Approval of multiple currency practice.** The Fund will be prepared to grant temporary approval of a multiple currency practice under the circumstances discussed in this paragraph 3.

a. With regard to multiple currency practices introduced or maintained for balance of payments reasons, while the Fund

encourages members to eliminate these practices as soon as conditions permit, it would be prepared to grant approval if the member represents and the Fund is satisfied that:

(i) the measures giving rise to these practices are temporary,

(ii) the measures are being applied while the member is endeavoring to eliminate its balance of payments problems, and

(iii) the measures do not give the member an unfair competitive ad-vantage over other members or discriminate among members.

b. With regard to multiple currency practices introduced or maintained primarily for non-balance of payments reasons, while the Fund urges members to adopt alternative policies not connected to the exchange system, the Fund will be prepared to grant approval of those practices, if the member represents and the Fund is satisfied that the measures giving rise to these practices:

(i) do not materially impede the member's balance of payments adjustment,

(ii) do not harm the interests of other members,

(iii) do not discriminate among members, and

(iv) do not give rise to an exchange restriction under Article VIII, section 2(a).

In addition, the member must commit to a credible strategy for the removal of these practices.

c. To assist the Executive Board in assessing an MCP and reaching a decision concerning approval or non-approval of an MCP subject to approval under Article VIII, Section 3, the reasons underlying the practice and its effects will be analyzed in the relevant staff reports.

d. Temporary approval of an MCP will normally be granted for periods of approximately one year, to provide for a regular review by the Executive Board, except where the practice is maintained only for existing arrangements as contemplated in SM/98/102 and for a specified period of time.

4. **Taxes and Exchange Restrictions.** An Exchange Tax by itself or in aggregate with other Exchange Taxes that does not give rise

to a multiple currency practice under this decision, would not be considered an exchange restriction under Article VIII, Section 2(a).

5. **Elimination of MCPs.** Once the Executive Board finds that an MCP has arisen, it would be considered eliminated in any of the following circumstances: a. The member removes the Official Action that gave rise to the MCP; or b. The member has taken credible measures to eliminate the impermissible exchange rate spread and to ensure that the Official Action will not, in the future, give rise to an Effective Exchange Rate that exceeds the Spot Permissible Spread or Non-Spot Permissible Spread for that member (as applicable); or c. The impermissible spread does not reemerge during the Observation Period.

6. **MCPs Applying Solely to Capital Transactions.** The following principles will apply:

a. Members should continue to provide the Fund with specific and full information on measures that may give rise to multiple currency practices applicable solely to capital transactions. Multiple currency practices applicable solely to capital transactions, while not subject to Fund approval under Article VIII, Section 3, shall be identified as such in Article IV consultation or other staff reports, along with a full assessment of such practices, including their economic consequences.

b. In accordance with Decision No. 8648-(87/104), July 17, 1987, the phrase "multiple currency practices" in decisions of the Fund relating to the use of the Fund's resources does not, except as otherwise provided, include multiple currency practices applying solely to capital transactions.

7. **Provision of information.** Beyond the provision of data required under Article VIII, Section 5 and Decision No. 13183-(04/10), as amended, the Fund expects that members will continue to provide to the Fund all information necessary for assessments of multiple currency practices.

8. **Reviews.** The Fund will review this policy every five years, or on an as needed basis.

9. **Repeal of Executive Board Decisions.** This Decision repeals in its entirety (i) Decision No. 6790-(81/43), dated March 20, 1981, as amended by Decision No. 11728-(98/56), adopted on May 21, 1998, and (ii) Decision No. 649-(57/33), adopted June 26, 1957.

10. **Effective Date.** This decision shall enter into effect nine months following the date of its approval (the "Effective Date").[1] Effective immediately, no MCP will arise from the following: official exchange rates calculated with a one-day lag, foreign exchange auctions that do not segment the FX market, exchange rate spreads arising in illegal parallel markets, and broken cross rates. All existing MCPs arising from the types of official action specified in this paragraph 10 are considered eliminated as of the date of the approval of this decision. All other MCPs maintained by members under the previous MCP policy that are in effect as of the Effective Date will be considered eliminated on the Effective Date. (SM/22/129, Sup. 1, 06/27/22)

Decision No. 17292-(22/63),
July 1, 2022,
as amended by Decision No. 17431-(23/21),
March 20, 2023

REVIEW OF THE FUND'S POLICY ON MULTIPLE CURRENCY PRACTICES—EXTENSION OF THE EFFECTIVE DATE

Notwithstanding paragraph 10 of Decision No. 17292-(22/63) ("the MCP Decision"), as amended, the MCP Decision shall enter into effect on February 1, 2024, save for those elements of the MCP Decision which became effective immediately. (SM/23/216, 10/05/23)

Decision No. 17567-(23/78),
October 20, 2023

[1] Ed. Note: Decision No. 17431-(23/21), adopted March 20, 1922, states: "Notwithstanding paragraph 10 of Decision No. 17292-(22/63) ("the MCP Decision"), the MCP Decision shall enter into effect on November 1, 2023 save for those elements of the MCP Decision which became effective immediately. (SM/23/72, 03/13/23)."

STATEMENT TO MEMBERS TRANSMITTING FUND'S DECISIONS ON MULTIPLE CURRENCY PRACTICES

The letter to members concerning multiple currency practices and the accompanying statement of the Fund's decisions with respect to such practices are agreed as revised (Executive Board Document No. 235, Revision 2) and shall be sent without delay to all members. The texts of earlier decisions on the same subject are modified as necessary to correspond with the agreed statement.

Decision No. 237-2,
December 18, 1947

Letter to Members

December 19, 1947

To All Members:

During the past several months the Fund has been giving special consideration to multiple currency practices. I am writing to all of the members today in order to acquaint them with the results of our considerations. Enclosed is a memorandum containing the pertinent decisions taken by the Executive Board. These set forth the general lines of the Fund's policies toward multiple currency practices which the Fund has adopted to date, together with the obligations of the members and the jurisdiction of the Fund upon which the development of Fund policy will necessarily be based.

We intend, as rapidly as may be possible under the circumstances, to discuss with each member now engaging in a multiple currency practice how this general policy will be applied to its individual problems. In the meantime, all of the members are requested to be guided by the enclosed memorandum and to initiate with the Fund discussions of any pressing problems which may arise.

Sincerely yours,
GUTT
Managing Director

Multiple Currency Practices

This memorandum contains the decisions the Fund has so far taken concerning its policies toward multiple currency practices, and clarification of its jurisdiction with respect to such practices.

The exchange systems of the members who engage in multiple currency practices are frequently complex. For this reason various difficulties will be involved in the modification and removal of the practices, and the policy of the Fund in this regard must develop progressively as its consultations with the members concerned reveal problems which might otherwise be overlooked. The policies set forth below have been agreed as a basis for the initiation of discussions with the members affected:

I. *Policies*

A. *General*

1. *Consultation*. There should be continuing consultation on multiple currency practices between the Fund and the members concerned. Members should, as a minimum, consult the Fund before introducing a multiple currency practice, before making a change in any of the multiple rates of exchange, before reclassifying transactions subject to different rates, and before making any other type of significant change in their exchange systems.

2. *Stability and Restrictions*. In most cases multiple currency practices are both systems of exchange rates and restrictions on payments and transfers for current international transactions. Whenever it is inconvenient to deal with both aspects of such multiple currency practice simultaneously, priority should be given to those features which affect exchange stability and orderly exchange arrangements among members.

3. *Removal*. Early steps should be taken toward the removal of multiple currency practices which are clearly not necessary for balance of payments reasons. In such cases, ample time should be provided for members to take the necessary steps and to install appropriate substitutes where necessary.

The Fund will encourage members engaging in multiple currency practices for balance of payments reasons to establish as soon as possible conditions which would permit their removal, with the general objective of seeking removal not later than the end of the transitional period.

Where complete removal by the end of the transitional period proves impossible, the Fund will assist the members concerned to eliminate the most dangerous aspects of their multiple currency practices and to exercise reasonable control over those retained.

B. Specific Practices

1. *Fixed Exchange Rates*. When a multiple currency system includes fixed exchange rates, members should consult with the Fund on any changes in their practices, whether such changes concern the rates of exchange or the classification of transactions subject to particular practices. Should the step contemplated by a member be a part of a program made in agreement with the Fund, the member could, of course, act without prior consultation

When a multiple rate system is used for restrictions on current and capital transactions, the elimination of the restriction on current transactions would be highly commendable even though restrictions on capital transactions might have to be retained.

2. *Taxes on Exchange Drafts*. The use by members of taxes on exchange drafts resulting in an unusually large difference between buying and selling rates for a currency is not in accord with the objectives of the Fund Agreement and the Fund shall, in consultation with members concerned, seek the elimination of such practices as rapidly as practicable

3. *Fluctuating Rates of Exchange*

(a) *Free Markets*. When a multiple currency practice includes a free market with a fluctuating rate, the member should agree with the Fund on the scope of the transactions permitted to take place in that market. Any changes in the scope of these transactions should, of course, be subject to agreement with the Fund. The objective should be to eliminate the fluctuations in the free market as soon as such action is reasonably practicable. When it is not reasonably practicable

to eliminate such fluctuations, the Fund will encourage members to exclude current transactions from the free market to the extent that this would be reasonable in the circumstances of each case.

(b) *The Auction System*

(i) The purpose for which an auction system is to be used should be agreed with the Fund and any change in its scope should be agreed with the Fund. The fewer the transactions subject to the auction rate, and the less essential the goods involved, the better.

(ii) Depending upon the circumstances, the monetary authorities should undertake to keep the auction rate stable, or to maintain it within certain limits, or to make every effort to prevent brisk fluctuations.

(iii) Wherever auction rates exist or are proposed, circumstances should be examined in order to determine whether a fixed rate should be substituted for the auction rate.

(iv) If, as is usually the case where an auction system exists, a reduction of the money supply is desirable, the proceeds of the auction market should be directed toward this end.

II. *Jurisdiction of the Fund*

Multiple currency practices, besides being in most cases restrictive practices, also constitute systems of exchange rates. Since exchange stability depends on effective rates, the general purposes of the Fund and the members' undertakings of Article IV, Section 4(*a*)[1] "to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations" are fundamental considerations in an interpretation of the rights and obligations of members under Article XIV, Section 2 or Article VIII, Section 3, to maintain, introduce, or adapt multiple currency practices. Subject to these general principles, the following conclusions

[1] Ed. Note: Refers to the Articles of Agreement in effect before the Second Amendment.

are agreed with respect to the Fund's jurisdiction and the obligations of members.

A. *Practices Subject to Article VIII, Section 3*

1. *Maintenance*. A member maintaining multiple currency practices at the time the Agreement entered into force, if it does not take advantage of Article XIV, is required by Article VIII, Section 3, to consult with the Fund for their progressive removal or obtain the Fund's approval for their maintenance.

2. *Introduction*. Members that have not been occupied by the enemy, and former enemy-occupied members which have not taken advantage of the transitional arrangements, whether or not they have existing multiple rate practices, may introduce a new practice only under Article VIII, Section 3, which provides expressly for the necessity of approval by the Fund.

3. *Adaptation*. If a multiple currency practice is in force by virtue of Article VIII, Section 3, the member may change or adapt such practice only after consulting with the Fund and obtaining its approval.

4. *Reclassification*. Members maintaining multiple currency practices under Article VIII, Section 3, may reclassify commodities subject to the practices only after consultation with the Fund and Fund approval.

B. *Practices Subject to Article XIV, Section 2*

1. *Restrictive Nature*. Multiple currency practices, when applied to current international transactions, constitute a type of restriction on payments and transfers for current international transactions for the purposes of Article XIV, Section 2.

2. *Representations by the Fund*. The following language in Article XIV, Section 4[1] of the Fund Agreement:

> The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any

[1] Ed. Note: Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.

> member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement.

(a) applies at any time after the entry into force of the Fund Agreement and

(b) gives to the Fund the power to determine what is meant by "in exceptional circumstances."

3. *Maintenance*. Members may maintain multiple currency practices during the transitional period under the provisions of Article XIV, Section 2, but only if the maintenance of such practices is necessary for settling members' balance of payments in a manner which does not unduly encumber their access to the resources of the Fund. Members are under a duty to withdraw such practices as soon as they are able without them to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund. Moreover, under Section 4 of Article XIV, the Fund has certain powers to make representations in exceptional circumstances, of which it is the judge, that conditions are favorable for the withdrawal of any particular restriction. The Fund may exercise this power even if a particular restriction is justified for balance of payments reasons, if the conditions are favorable for the substitution of some practice which is not inconsistent with the purposes of the Agreement.

4. *Introduction*. Only former enemy-occupied members, which are availing themselves of the transitional provisions, and then whether or not they have existing multiple currency practices, may introduce a new multiple currency practice under Article XIV, Section 2, provided the Fund agrees with the member that the practice is necessary and does not find that it is inconsistent with the purposes of the Fund Agreement or with Article IV, Section 4(*a*).[1]

5. *Adaptation*. A member maintaining multiple currency practices under Article XIV may adapt the existing restrictions, provided such action is consistent with the obligations of Article IV,

1 Ed. Note: Refers to the Articles of Agreement in effect before the Second Amendment.

Section 4(*a*) and the Fund is satisfied that the adaptation is dictated by "changing circumstances." A duty to consult with and obtain the approval of the Fund before changing the practice is implicit in both Article IV, Section 4(*a*)[1] and in Article XIV, Section 2. The Fund has the power under Article XIV, Section 4,[2] to represent in exceptional circumstances that circumstances are favorable to withdrawal of a proposal to change an existing multiple currency practice.

6. *Reclassification*. A member maintaining multiple currency practices under Article XIV may reclassify commodities subject to such practices, under the power to adapt restrictions in Section 2 of Article XIV, and under the same conditions, provided, however, that under the existing restrictions the effective rates are other than parity.

C. *Exchange Taxes*

When a tax affects an obligation undertaken by the members of the Fund, the relationship between the tax and the obligation is of direct concern to the Fund and subject to its jurisdiction. Whenever exchange taxes are used to modify par values, create multiple currency practices, or introduce restrictive exchange controls, they are subject to the Fund's jurisdiction. The Fund has authority to deal with these exchange matters irrespective of the official device or procedure involved.

D. *Rates Differing from Parity by More Than One Percent*

An effective buying or selling rate which, as the result of official action, e.g., the imposition of an exchange tax, differs from parity by more than 1 percent, constitutes a multiple currency practice.

The Acting Chair's Summing Up—
Review of the Fund's Policy on Multiple Currency Practices—
Initial Considerations,
Executive Board Meeting 19/8, February 1, 2019

[1] Ed. Note: Refers to the Articles of Agreement in effect before the Second Amendment.

[2] Ed. Note: Corresponds to Article XIV, Section 3 of the Articles of Agreement after the Second Amendment.

Executive Directors welcomed the opportunity to review the policy on multiple currency practices (MCP). They noted that, since it was last reviewed in 1981, foreign exchange markets have undergone significant changes and some operational issues have arisen in the implementation of the policy. They agreed that these developments warrant a consideration of reforms to the MCP policy, with a view to maintaining its relevance, effectiveness, and traction with members.

Directors agreed that there remain economic and legal reasons to retain the MCP policy as a cornerstone of the Fund's legal and policy framework for exchange rates. They observed that MCPs can be distortionary, create unfair competitive advantage among countries, and hamper trade and investment. Directors noted that, while the existing MCP policy has served the Fund well, some important aspects of the policy have increasingly complicated its implementation in today's realities.

Directors broadly supported the majority of the reform proposals. As a general principle, they concurred that for the policy to be effective, it needs to be based on rules that reflect market realities in member countries, can be applied consistently across the Fund's membership, and are simple and easily understood by stakeholders. Directors also stressed that any revisions to the policy should seek to ensure that the Fund's legal and policy framework continues to facilitate the development of stable foreign exchange systems that are free of restrictions on payments and transfers for current international transactions. A number of Directors also attached importance to refocusing the MCP policy on measures that are deemed material. Overall, Directors considered that the core principle of the current policy—that official action should not cause unreasonable deviations in foreign exchange spreads compared to normal commercial costs and risks—remains appropriate.

Directors agreed that the scope of official action should be clarified to focus primarily on action that segments foreign exchange markets. They broadly concurred that certain practices currently captured by the MCP policy should be excluded in the future, notably foreign exchange auctions that conform to best practice, illegal parallel markets, and the use of official exchange rates based

on the market exchange rates of the previous day. A number of Directors stressed that removing illegal parallel markets from the MCP analysis should be complemented with reasonable efforts by country authorities to eliminate such markets and a stronger emphasis on exchange restrictions in Fund surveillance.

Directors endorsed the proposal to eliminate the practice of finding MCPs due to potentiality. They concurred that an MCP should only arise if official action resulted in an actual exchange rate spread on the member's territory exceeding the permissible margin. This would refocus the policy on economically more meaningful developments and promote a more constructive dialogue with the membership. In a similar vein, Directors supported excluding broken cross-rates, which have almost disappeared, from the remit of the policy.

Most Directors maintained the view that MCPs applying solely to the capital account are not considered a breach of obligation under Article VIII, Section 3 and are not subject to Fund approval. They saw merit in clarifying the specific linkages of the MCP policy and the Institutional View (IV) on the liberalization and management of capital flows as set out in the paper. In particular, they agreed that where MCPs also constitute capital flow management measures, they should be assessed under the IV. Such an assessment would, however, remain within the confines of policy advice without changing the rights and obligations of member countries under the Articles of Agreement. Some Directors were supportive of, or open to considering, the inclusion of MCPs on capital account transactions within the scope of the Fund's jurisdiction under Article VIII, Section 3, noting the materiality and distortionary effects of such MCPs.

With regard to the permissible spreads for spot transactions, Directors welcomed staff's proposal to replace the current fixed two-percent rule with a country-specific market-based norm that would apply uniformly across the membership. They noted that the range between the most depreciated and most appreciated exchange rates in the wholesale market on a given day would be an appropriate benchmark that is sensitive to the level of market development

and market conditions in each member country. Most Directors also agreed that a two-percent tolerance margin around the mid-point of this range would help avoid capturing insignificant deviations from the market norm, although a few Directors would have preferred a higher margin. Directors also supported the proposal to treat non-spot transactions in an analogous manner, using the methodologies proposed by staff. In terms of implementation, most Directors supported retaining the notion that a single breach should constitute an MCP, while a number of Directors called for some flexibility based on materiality considerations.

Many Directors endorsed the proposal to remove the possibility of temporary approval of MCPs maintained for non-balance of payments (BOP) reasons, thereby more closely aligning the policies for approval of MCPs and exchange restrictions. Many other Directors considered that member countries should be allowed to maintain MCPs for non-BOP purposes in certain situations. A number of Directors saw merit in reviewing the policy on exchange restrictions in light of the proposed changes to the MCP policy, with a few Directors noting an opportunity to also revisit the Board decision on payment restrictions imposed for security reasons.

Directors considered the case for developing a formal remedial framework for unapproved MCPs. Most Directors favored preserving the current cooperative approach, under which the Fund, through its surveillance, program conditionality, and technical assistance, would encourage member countries to eliminate such measures. Some of these Directors saw scope for more transparent reporting in respect of unapproved MCPs. While a few Directors would be willing to consider a remedial framework for prolonged cases of MCPs, some others called for further analysis on the need for, and the modalities of, a remedial framework.

Going forward, Directors supported putting in place transitional arrangements to provide adequate time for member countries to adjust their policies, after which the revised MCP policy would become operational. Directors looked forward to further consultation and a formal proposal for reform that incorporates their views, followed by a guidance note for staff with implementation details.

They would also welcome periodic reviews of the new MCP policy and its implementation in the future.

SU/19/13
February 8, 2019

MULTIPLE CURRENCY PRACTICES APPLICABLE SOLELY TO CAPITAL TRANSACTIONS

The phrase "multiple currency practices" in decisions of the Fund relating to the use of the Fund's resources does not, except as otherwise provided, include multiple currency practices applying solely to capital transactions.

Decision No. 8648-(87/104),
July 17, 1987

Article VIII, Section 5

Furnishing of Information

The Acting Chair's Summing Up—
Review of Data Provision to the Fund for Surveillance Purposes,
Executive Board Meeting 24/33, April 1, 2024

Executive Directors welcomed the conclusion of the Review of Data Provision to the Fund for Surveillance Purposes. They recalled that, during the meeting of March 2022, they had already endorsed the introduction of more structured and transparent assessment of data adequacy for surveillance, the approach to deal with outdated data requirements, and the introduction of mandatory provision of macrofinancial indicators. Directors also recalled their recent endorsement of the use of the revised data adequacy assessment framework starting in February 2024.

Noting that the list of mandatory data series was last updated in 2004, Directors concurred that adapting the perimeter of mandatory data provision to the evolving global economy is crucial for ensuring the effectiveness and evenhandedness of Fund surveillance. Given the priorities identified in the 2021 Comprehensive Surveillance Review, they generally supported updating and expanding the overall envelope of mandatory data provision in the areas of public sector, foreign exchange interventions (FXI), and swaps and repos among central banks, while reiterating their support for expanding macrofinancial data requirements. Directors acknowledged that the streamlined proposals on data on public sector, foreign exchange interventions, and central bank swaps and repos, represent a compromise that aims to enhance the information that the Fund needs for surveillance, while taking into consideration the key concerns raised by Fund members during the Review.

Directors endorsed the expansion of the mandatory provision of public sector data, as proposed in the staff paper. Noting

the capacity constraints in some Fund members for producing these indicators, Directors called on staff to work closely with the authorities to identify technical assistance priorities that would help countries address these constraints over time.

Directors generally agreed with the proposal, as outlined in the staff paper, to introduce mandatory provision of data on foreign exchange interventions. They also endorsed the mandatory provision of information on central bank swaps and repurchase agreements. Many Directors noted, however, that the data on FXI and on swaps and repos can be market sensitive and decontextualized. In this context, Directors called on staff to ensure the upmost care when handling confidential information to avoid undermining the authorities' policy implementation, while also building trust in the revised data provision policy. In addition, Directors generally saw merit in introducing a secured electronic platform that members may decide to use for transmission to the Fund of mandatory data considered confidential, while stressing the need for cost-effectiveness and efficiency in the implementation of this platform.

Directors endorsed the proposed transition periods for introducing the new data provision requirements and the general guidance on frequency and timeliness for the new data to be provided. They emphasized the need to consider capacity constraints and noted that, even after the updated data requirements come into force, the lack of capacity to provide the data to the Fund would not lead to a breach of obligation; although members would be expected to develop the needed statistical capacity over time. In this context, Directors called for continued outreach to Fund members, including provision of tailored capacity development assistance to those countries where data provision capacity is constrained. Capacity development needs will also be informed by the new data adequacy assessment framework.

Directors looked forward to the next Review of Data Provision to the Fund for Surveillance Purposes in 5 years or later, as appropriate.

SU/24/49
April 3, 2024

REVIEW OF DATA PROVISION TO THE FUND FOR SURVEILLANCE PURPOSES

1. Pursuant to paragraph 1 of Decision No. 13183-(04/10), as amended (the 2004 Decision), the Fund has reviewed data provision to the Fund for surveillance purposes and Annex A of the2004 Decision.

2. The 2004 Decision is hereby further amended to read as set forth in the Attachment to this decision.

3. The next review of data provision to the Fund for surveillance purposes and Annex A of the 2004 Decision shall take place as needed, and normally not earlier than five years following the date of adoption of this decision. (SM/24/39, Sup. 2, 03/13/24)

Decision No. 17692-(24/33),
April 1, 2024

Attachment

1. Pursuant to Article VIII, Section 5, the Fund decides that all members shall provide the information listed in Annex A to this decision, which is necessary for the Fund to discharge its duties effectively. Members shall provide the data specified in items 1-12 of Annex A for the periods commencing after the dates indicated therein for each data category. In addition, members shall provide the data specified in items 13-22 of Annex A, starting with the first reporting period indicated therein for each data category. Members identified as having systemically important financial sectors, in accordance with Decision No. 1436-(10-92), as amended, as of the date of adoption of this decision, shall further provide the data specified in items 23-27 of Annex A, starting with the first reporting period indicated therein for each category. Members identified after the date of the adoption of this decision as having systemically important financial sectors shall additionally provide data specified in items 23-26 of Annex A for the periods commencing three years after the date of such identification, and item 27 of Annex A for the periods commencing one year after the date of such identification. Reviews of Annex A shall be conducted together with reviews of data provision to the Fund for surveillance purposes.

2.When a member fails to provide information to the Fund as specified in Article VIII, Section 5 or in a decision of the Fund adopted pursuant to that Article including information listed in Annex A (hereinafter information required under Article VIII, Section 5), the procedural framework set forth in paragraphs 5 through 17 below shall apply. Failure to provide information includes both the nonprovision of information and the provision of inaccurate information.

3. A member has an obligation to provide information required under Article VIII, Section 5 to the best of its ability. Therefore, there is no breach of obligation if the member is unable to provide information required under Article VIII, Section 5 or to provide more accurate information than the information it has provided. However, a member that is unable to provide final data is obligated to provide provisional data to the best of its ability until it is in a position to provide the Fund with final data. When assessing a member's ability to provide information, the Fund will give the member the benefit of any doubt. 1For the information of Directors, Appendix I contains a clean version of the Decision incorporating the amendments proposed herein.

4. In the context of performance criteria associated with the use of the Fund s general resources, a member may be found in breach of its obligation under Article VIII, Section 5 only if (i) it has reported that a performance criterion was met when in fact it was not, or that a performance criterion was not observed by a particular margin and it is subsequently discovered that the margin of non-observance was greater than originally reported, and (ii) a purchase was made on the basis of the information provided by the member, or the information was reported to the Executive Board in the context of a review which was subsequently completed or of a decision of the Executive Board to grant a waiver for non-observance of the relevant performance criterion.

Procedures Prior to Report by the Managing Director to the Executive Board

5. Whenever it appears to the Managing Director that a member is not providing information required under Article VIII, Section

5, the Managing Director shall call upon the member to provide the required information; before making a formal representation to the member, the Managing Director shall inform, and enlist the cooperation of, the Executive Director for the member. If the member persists in not providing such information and has not demonstrated to the satisfaction of the Managing Director that it is unable to provide such information, the Managing Director shall notify the member of his intention to make a report to the Executive Board under Rule K-l for breach of obligation unless, within a specified period of not less than a month, such information is provided or the member demonstrates to his satisfaction that it is unable to provide such information.

6. Whenever it appears to the Managing Director that a member has provided inaccurate data on information required under Article VIII, Section 5, the Managing Director shall consult with the member to assess whether the inaccuracy is due to a lack of capacity on the part of the member; provided however, that in de minimis cases, as defined in paragraph 1 of Decision No. 13849, the preliminary communications and consultations with the member may be conducted by the Area Department. If, after the consultation with the member, the Managing Director finds no reason to believe that the inaccuracy is due to a lack of capacity on the part of the member, he shall notify the member of his intention to make a report to the Executive Board for breach of obligation under Rule K-l unless the member demonstrates to his satisfaction within a period of not less than one month that it was unable to provide more accurate information.

7. If the Managing Director concludes that the nonprovision of information or the provision of inaccurate information is due to the member's inability to provide the required information in a timely and accurate fashion, he may so inform the Executive Board. In that case, the Executive Board may decide to apply the provisions of paragraph 10 below.

Report by the Managing Director

8. After the expiration of the period specified in the Managing Directors notification to the member, the Managing Director shall

make a report to the Executive Board under Rule K-l for breach of obligation, unless the Managing Director is satisfied that the member's response meets the requirements specified in his notification. The report shall identify the nature of the breach and include the member's response (if any) to the Managing Directors notification, and may recommend the type of remedial actions to be taken by the member.

Consideration of the Report

9. Within 90 days of the issuance of the Managing Directors report, the Executive Board will consider the report with a view to deciding whether the member has breached its obligations. Before reaching a decision, the Executive Board may request from the staff and the authorities additional clarification of the facts respecting the alleged breach of obligation; the Executive Board will specify a deadline for the provision of such clarification.

10. If the Executive Board finds that the members failure to provide information required under Article VIII, Section 5 is due to its inability to provide the information in a timely and accurate fashion, the Executive Board may call upon the member to strengthen its capacity to provide the required information and ask the Managing Director to report periodically on progress made by the member in that respect. The member may request technical assistance from the Fund.

11. (a) If the Executive Board finds that the member has breached its obligation, the Executive Board may call upon the member to prevent the recurrence of such a breach in the future and to take specific measures to that effect. Such measures may include the implementation of improvements in the member's statistical systems or any other measures deemed appropriate in view of the circumstances.

(b) In addition, if the Executive Board finds that the member is still not providing the required information, the Executive Board will call upon the member to provide such information.

(c) The Executive Board will specify a deadline for taking any remedial actions specified under (a) and (b); in principle, the

deadline will not exceed 90 days for actions specified under (b). The decision may note the intention of the Managing Director to recommend the issuance of a declaration of censure if the specified actions are not implemented within the specified period. In order to assist the Executive Board in identifying the appropriate actions to address a breach of obligation under Article VIII, Section 5, the member may, before the Board meeting, provide the Executive Board with a statement specifying the remedial actions it intends to take and a proposed timeframe. The member may also request technical assistance from the Fund.

(d) At the expiration of the period specified by the Executive Board, the Managing Director shall report to the Executive Board on the status of the specified actions. If the member has not taken the specified actions within the specified period, and depending on the circumstances of such failure, the Managing Director may recommend and the Executive Board may decide: (1) to extend the period before further steps under the procedural framework are taken; (2) to call upon the member to take additional remedial actions within a specified timeframe; or (3) to issue a declaration of censure against the member.

Declaration of Censure

12. If a member fails to implement the actions specified by the Executive Board before the established deadline, the Managing Director may recommend and the Executive Board may decide to issue a declaration of censure. Before the adoption of a declaration of censure, the Executive Board may issue a statement to the member setting out its concerns and giving the member a specified period to respond.

13. The declaration of censure will identify the breach of obligation under Article VIII, Section 5 and the specified remedial actions the member has failed to take within the specified timeframe. The declaration may specify a new deadline for the implementation by the member of the specified remedial actions; in addition, the declaration may identify further remedial actions for the member to implement before the specified deadline. It will note that the member's failure to implement any of the actions

called for in the declaration within the specified timeframe may result in the issuance of a complaint for ineligibility under Article XXVI(a) and the imposition of this measure. At the expiration of the period specified by the Executive Board, the Managing Director shall report to the Executive Board on the status of the specified actions.

Sanctions under Article XXVI

14. Following the adoption of a declaration of censure, if the Executive Board finds that the member has failed to implement any of the actions called for in the declaration within the specified timeframe, the Managing Director may issue a complaint to the Executive Board and recommend that the Executive Board declare the member ineligible to use the general resources of the Fund for its breach of obligation under Article VIII, Section 5. The Executive Board decision declaring the member ineligible to use the general resources of the Fund will note that the members persistence in its failure to fulfill its obligations under Article VIII, Section 5 following the declaration of ineligibility may result in the issuance of a complaint for the suspension of the members voting and related rights and in the imposition of this measure.

15. If the member persists in its failure to fulfill its obligations under Article VIII, Section 5 for six months after the declaration of ineligibility, the Managing Director may issue a complaint and recommend that the Fund suspend the members voting and related rights. The Executive Board decision suspending the members voting and related rights will note that the members persistence in its failure to fulfill its obligations under Article VIII, Section 5 following the declaration of suspension of voting and related rights may result in the issuance of a complaint for compulsory withdrawal and in the initiation of the proceedings for the compulsory withdrawal of the member from the Fund.

16. If the member persists in its failure to fulfill its obligation under Article VIII, Section 5 for six months after the suspension of its voting rights, the Managing Director may initiate proceedings for the compulsory withdrawal of the member from the Fund.

17. All the Executive Board decisions arising from a breach of obligation taken under the procedures described above, including a decision to issue the statement of concern referred to in paragraph 12 above, will give rise to a public announcement with prior review of the text by the Executive Board.

18. (a) The following procedures shall apply to cases in which a member provides inaccurate information required under Article VIII, Section 5:

(i) for the purposes of a performance criterion under an arrangement in the General Resources Account, or

(ii) for another purpose in circumstances where the relevant information is reported to the Fund with respect to a performance criterion under an arrangement under a facility of the Poverty Reduction and Growth Trust, a quantitative target under a Policy Coordination Instrument, or an assessment criterion under a Policy Support Instrument, and understandings have been reached between Fund staff and the relevant member that such reporting shall be made not only for the purposes of the relevant arrangement or instrument but for such other purposes as well, and where the deviation from the relevant performance criterion or assessment criterion, as the case may be, is judged to be de minimis as defined in paragraph 1 of Decision No. 13849.

(b) Whenever the Managing Director considers a deviation described in paragraph 18 (a) to be de minimis in nature:

(i) the consultations and notifications contemplated in paragraph 6 may be made by a representative of the relevant Area Department, and

(ii) the report of the Managing Director contemplated in paragraph 8 shall, wherever possible, be included in a staff report on the relevant member that deals with issues other than the potential breach of Article VIII, Section 5 and, with respect to potential remedial actions for such breach of obligation, shall include a recommendation that no further action by taken by the Fund. In

those rare cases in which such a document cannot be issued to the Board promptly after the Managing Director concludes that a breach of obligation under Article VIII, Section 5 has arisen, the Managing Director shall consult Executive Directors and, if deemed appropriate by the Managing Director, a stand-alone report under Rule K-1 will be prepared for consideration by the Executive Board normally on a lapse-of-time basis.

(c) Whenever the Executive Board, under paragraph 1l(a), finds that a breach of obligation under Article VIII, Section 5 has occurred but that the relevant deviation was de minimis in nature as defined in paragraph 1 of Decision No. 13849,

(i) the Executive Board shall decide that no further action be taken by the Fund with respect to the breach, and under paragraph 17, and

(ii) the finding of breach of obligation shall not be published by the Fund.

ANNEX A

The data referred to in paragraph 1 of this decision are the national data on the following matters:[1]

	Required Information	**For the periods commencing after**
1	reserve, or base money	December 31, 2004
2	broad money	December 31, 2004
3	interest rates, both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds	December 31, 2004

[1] Table 1A, Table 2, Table 3, Table 4A and Table 4B in Chapter 5 of SM/24/39 Sup. 1 provide further information on the applicable definitions and reporting frequency and time lag for items 13-27 of Annex A.

4	revenue, expenditure, balance and composition of financing (i.e., foreign financing and domestic bank and nonbank financing) for the general and central governments respectively;[2] the stocks of central government and central government-guaranteed debt, including currency and residual maturity composition and the extent to which the debt is held by residents or nonresidents	December 31, 2004
5	balance sheet of the central bank	December 31, 2004
6	external current account balance	December 31, 2004
7	exports and imports of goods and services	December 31, 2004
8	for the monetary authorities: international reserve assets (specifying separately any reserve assets that are pledged or otherwise encumbered), reserve liabilities, short-term liabilities linked to a foreign currency but settled by other means, and the notional values of financial derivatives to pay and to receive foreign currency (including those linked to a foreign currency but settled by other means)	December 31, 2008
9	gross domestic product, or gross national product	December 31, 2004
10	consumer price index	December 31, 2004
11	gross external debt[3]	December 31, 2004
12	consolidated balance sheet of the banking system	December 31, 2004

[2] The general government consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.

[3] Gross external debt is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy.

	Required Information	First Reporting Period[4]
13	Total stock of general government debt	2025
	Decomposition of stock of general government debt by maturity (residual maturity or amortization schedule), by currency, and, if the debt data are amenable to classification on the basis of the residency or nonresidency of the holder, the extent to which the debt is held by residents or nonresidents. In each case, coverage of decomposed debts must be at least 80 percent of the total stock of debt at the general government level (excluding guaranteed debt) for each reporting year. For debt for which the breakdown is not provided, information on the instrument types or issuing government unit (e.g., state government or local government) shall be provided.	2027
14	Stock of central and general government debt—decomposition by creditor type, by instrument, and by individual multilateral and official bilateral creditors.[5] With respect to decomposition by creditor type and by instrument only, coverage of decomposed debts at the central government level and the general government level must be at least 80 percent of the total stock of debt at the central government level and the general government level respectively (both excluding guaranteed debt) for each reporting year. For debt for which the breakdown is not provided, information on instrument types or issuing government unit (e.g., state government or local government) shall be provided.	2027

[4] This is the first period for which members would be required to provide data to the Fund. The reporting period may refer to either calendar or fiscal year, based on member circumstances. H2 refers to the second half of the year. Q3 refers to the third quarter of the year.

[5] Decomposition by individual multilateral and official bilateral creditors (the latter aggregated at the creditor country level) is only required for members where the share of debt to multilateral and official bilateral creditors is at least 20 percent of the total stock of debt at the central government level or the general government level respectively (both excluding guaranteed debt), for each reporting year.

15	Liquid financial assets of central and general government 2027	2027
16	Foreign exchange intervention (FXI) by the central bank (or corresponding monetary authority) (i) in the spot market (net amount), and (ii) undertaken with derivative instruments (net amount)	H2/2026
17	Currency swaps and repurchase agreements entered into by the central bank (or corresponding monetary authority) with other central banks (or corresponding monetary authorities) (aggregated net amount) which may be used for maintaining the stability of financial markets and the financial system.	H2/2026
18	Banks' Financial Soundness Indicators:	
	Regulatory capital to risk-weighted assets	Q3/2025
	Tier 1 capital to risk-weighted assets	Q3/2025
	Nonperforming loans net of provisions to capital	Q3/2025
	Nonperforming loans to total gross loans	Q3/2025
	Return on assets	Q3/2025
	Return on equity	Q3/2025
	Interest margin to gross income	Q3/2025
	Non-interest expenses to gross income	Q3/2025
	Liquid assets to total assets	Q3/2025
	Liquid assets to short-term liabilities	Q3/2025
	Net open position in foreign exchange to capital	Q3/2027
19	Total assets of other depository corporations	Q3/2025
20	Total credit from other depository corporations	Q3/2025
21	Sectoral breakdown of credit from other depository corporations	Q3/2025
22	Currency breakdown (domestic vs. foreign currency) of other depository corporations' total assets and credit indicators (total and sectoral breakdowns)	Q3/2025

Members with Systemically Important Financial Sectors		
23	Total financial assets of other financial corporations	Q3/2027
24	Total credit from other financial corporations	Q3/2027
25	Sectoral breakdown of credit from other financial corporations	Q3/2027
26	Currency breakdown (domestic vs. foreign currency) of other financial corporations' total financial assets and credit indicators (total and sectoral breakdowns)	Q3/2027
27	Residential real estate price index	Q3/2025

Review of the Framework for Data Adequacy Assessment for Surveillance

The Fund notes the new Data Adequacy Assessment for Surveillance ("DAA") set forth in SM/23/249, which includes the introduction of a new Data Issues Annex in Article IV consultation staff reports in place of the Statistical Issues Appendix in the informational annex. The Fund agrees that the new DAA framework provides a more structured, principle-based, and transparent assessment of data adequacy to support surveillance.

The Fund endorses the use of the DAA Framework in Article IV consultations initiated after February 1, 2024. (SM/23/249, 11/27/23)

Decision No. 17598-(23/93),
December 4, 2023

The Acting Chair's Summing Up—
Review of Data Provision to the Fund for Surveillance Purposes,
Executive Board Meeting 22/25, March 14, 2022

Executive Directors welcomed the opportunity to take stock of the experience with Data Provision to the Fund for Surveillance Purposes since the last review completed in 2012. They

also considered proposals for expanding the perimeter of mandatory data provision, introducing a more structured and transparent assessment of data adequacy for surveillance, and addressing outdated data requirements.

…

…

…

Directors agreed with the proposal to expand macrofinancial data requirements for all member countries, as proposed in the staff paper. They generally agreed that members designated as having systemically important financial sectors should provide to the Fund a larger set of macrofinancial indicators, as also outlined in the staff paper.

While many Directors agreed with the proposal to expand the mandatory provision of data on foreign exchange interventions and some other central bank transactions, as outlined in the staff paper, many other Directors expressed reservations. Most Directors noted that these data can be market sensitive; and a number of Directors considered that disclosing this information, including due to any leakage or data breach, could undermine the authorities' policy implementation. In this context, Directors agreed on the need for the utmost caution to preserve data confidentiality when members so desire and for having in place adequate safeguards to protect data confidentiality. A few Directors recommended reducing the frequency of data provision and increasing the reporting lag, while a few others preferred using a narrow definition for data on foreign exchange interventions. Some Directors favored relying on a voluntary approach for the provision of these data. A few Directors considered that the provision of data on the use of swap and repo transactions among central banks should not be required.

…

Directors agreed that effective surveillance requires a more structured and transparent assessment of data adequacy for

surveillance. Accordingly, they endorsed the introduction of a new, principles-based approach, noting that this strengthened framework will facilitate policy dialogue with the authorities and improve prioritization of capacity development efforts by more clearly identifying areas where data need to be improved.

Directors reiterated that periodicity and timeliness of data provision should remain guided by the Fund's surveillance needs. They noted that the current framework, where information can be provided according to country-specific understandings between staff and the authorities, is geared toward supporting bilateral and multilateral surveillance. Directors agreed that in the absence of country-specific understandings, general understandings drawn from internationally accepted practices, including the IMF Data Standards Initiatives, should be used. They also reiterated that under certain conditions, the data provision framework allows for flexibility on the specific definitions of indicators, considering that member-specific circumstances, including capacity constraints, can make alternative definitions appropriate.

Directors agreed that some of the minimum required indicators listed under Article VIII, Section 5, of the Articles of Agreement and specified in Annex III of the staff paper have become outdated, owing to methodological improvements and longer-term trends in the global economy. While recognizing that an amendment to the Articles could help modernize the data provision framework, Directors agreed to maintain the Fund's long-standing practice of not applying the existing remedial framework to members not providing the data required under Article VIII, Section 5 that the Fund considers outdated.

…

….

In sum, Directors agreed with the new principles-based approach for assessing data adequacy for surveillance, the approach to outdated macroeconomic indicators, and the enhanced data provision of macrofinancial indicators. At the same time, they concurred on the need to iron out with their national authorities the remaining

specific issues in the proposals on data on public sector, foreign exchange interventions, and central bank swaps and repos. Accordingly, Directors agreed to return as soon as possible to the data provision policy to conclude the review.

SU/22/40

Decision No. 13183-(04/10),
January 30, 2004,
as amended by Decision Nos.13814-(06/98), November 15, 2006,
13849-(06/108), December 20, 2006,
14107-(08/38), May 2, 2008,
14354-(09/79), July 23, 2009, effective January 7, 2010,
16235-(17/62), July 14, 2017, and
17692-(24-33),
April 1, 2024

The Acting Chair's Summing Up—Review of
Data Provision to the Fund for Surveillance Purposes,
Executive Board Meeting 08/38, May 2, 2008

Executive Directors welcomed the opportunity to review progress in members' provision of data to the Fund for surveillance purposes, and the expanded data list adopted under the 2004 Decision on Strengthening the Effectiveness of Article VIII, Section 5. Directors stressed that timely and good quality data are crucial to Fund surveillance. Directors agreed with the thrust of the staff paper's analysis and findings, and broadly endorsed the staff's recommendations.

…

Handling of Potential Breaches of Article VIII, Section 5

Directors stressed that members should abide by their obligation to provide the Fund with data covered under Article VIII, Section 5 to the best of their ability. They encouraged management and staff to address vigorously this responsibility of members,

while emphasizing the importance of a cooperative approach and of paying due attention to capacity limitations. Directors noted that the approach followed in recent years has been largely effective in resolving concerns that members may not be sharing data to the best of their ability. They pointed, however, to the wide variance in staff's handling of such cases as an area for improvement, and stressed that staff must follow up expeditiously in cases where concerns arise. They endorsed the proposal to clarify guidance to staff regarding steps to follow when there is a concern that a member may not be complying with Article VIII, Section 5, to ensure consistent and evenhanded treatment. In cases of non-provision of data, most Directors agreed that there should be no delay in implementing the formal procedures specified under the 2004 Decision—including the "letter stage" where management notifies the member of its intention to inform the Board of a breach of obligation—once the criteria for moving to the letter stage are met, namely where the data are not provided and the member appears to have the capacity to provide the data. However, some Directors emphasized that staff should take care not to move to the letter stage prematurely. In cases where there are concerns that data are being provided late or inaccurately, staff should prepare a plan and timetable for following up on these concerns, including moving to the letter stage when necessary.

…

Directors agreed that with the discussions today, the Board concluded the review of Annex A envisaged under the 2004 Decision, and that future reviews of Annex A should be conducted together with the reviews of data provision to the Fund for surveillance purposes.

The next reviews are expected to be conducted in 2013, unless a need arises earlier.

BUFF/08/57,
May 12, 2008

THE SPECIAL DATA DISSEMINATION STANDARD (SDDS), THE SDDS PLUS, AND THE ENHANCED GENERAL DATA DISSEMINATION STANDARD (E-GDDS).

[Ed. Note: The IMF website on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/) contains a comprehensive set of documents on IMF data dissemination standards, including the Executive Board's discussions on and assessment of the Special Data Dissemination Standard (SDDS), the SDDS Plus, and the Enhanced General Data Dissemination Standard (e-GDDS) (https://www.imf .org/external/np/sta/dsbb/list.htm)].

Article IX, Section 5

Archives

The Acting Chair's Summing Up—
2024 Review of the Fund's Transparency Policy and
Open Archives Policy,
Executive Board Meeting 24/107, November 15, 2024

Executive Directors welcomed the 2024 Review of the Fund's Transparency Policy and Open Archives Policy. They underlined that these policies are at the core of the Fund's broader transparency framework and are critical for helping the Fund to fulfill its mandate. They enhance the institution's credibility and the traction of its advice by making important documents available to the public on a timely basis and subject the Fund to outside scrutiny and accountability.

Directors agreed that the Transparency Policy's principles and objectives remain broadly appropriate. They agreed that the Transparency Policy's objectives should reflect the need for (i) timely disclosure, (ii) safeguarding the confidentiality of information, and (iii) ensuring the independence and candor of staff's analysis. Directors also agreed that the policy's rules-based approach to Board document publication and limited modifications helps achieve those objectives and ensure the evenhanded application of the policy, although a number of Directors continued to have concerns over the restrictiveness of some of the rules to modify Board documents.

Directors acknowledged that, under these policies, significant progress has been made over the last decade in terms of greater transparency. The Fund's transparency framework continues to be on par with other comparable financial institutions in terms of publication and disclosure of documents and information, the communication of Board activities, the rules to modify documents ahead of publication, and the protection of confidential information. Nearly all Board documents are now published and, on average, published

more quickly. Nonetheless, Directors agreed that there is room for improvement of the implementation of the Transparency Policy, including to address remaining concerns among some Executive Directors about the evenhanded application of the modification rules.

Directors noted that in the increasingly fast-paced media environment, the expectations of stakeholders on the availability and timeliness of information and independence of analysis have grown. They agreed that there is room to clarify the objectives of the policy and make staff analysis and the Fund's views available more promptly, including by reducing the number of country papers that are published with long delays. Directors also agreed on the need for prompter communication of the Board's views and decisions through press releases, especially for Article IV consultations, and ensuring the accurate presentation of authorities' views in surveillance country documents.

Directors agreed that the preamble to the policy decision should reflect the principle of protecting the independence and candor of staff's analysis, while recognizing the necessity of modifications in some limited and defined circumstances. A number of Directors would have preferred balancing the language with the need to ensure the adequate reflection of authorities' views or accuracy and clarity of staff reports. To improve clarity about the policy, Directors also supported the introduction of a more precise list of the specific Board documents that are covered by the policy but that are not subject to a presumption of publication. In addition,

Directors concurred that published Board documents cannot be modified except in very narrow and specific circumstances to address significant risks to the Fund. Directors concurred with the importance of reducing delays in the publication of country staff reports. Accordingly, they broadly supported the proposals to operationalize the application of the non-objection modality to obtain members' consent to publication of the country staff reports, including by establishing a timeframe for members to communicate their publication decisions and inform the public about such decisions on a timely basis. Some Directors felt it was unnecessary and inconsistent with the concept of voluntary publication of country documents to require press releases to indicate the authorities'

publication intentions. A few Directors would have preferred to eliminate the option to opt-out of the non-objection regime; a few others underscored the importance of maintaining the opt-out option. A number of Directors recommended allowing more flexibility in the timing of staff report publication to take into account capacity constraints, domestic approvals, and logistical issues, such as translating reports for non-English speaking audiences.

Directors underscored that rapid communication of the Board's views supports greater transparency. They agreed that establishing a separate publication path for surveillance country press releases, obtaining publication consent on a non-objection basis, and simplifying their preparation would support the timely publication of surveillance country press releases. A few Directors noted that publishing press releases and country staff reports together should ideally remain the norm. A few others emphasized the need to reduce the risks that could arise with the separate publication of the press release and the country staff report.

Directors concurred that at times modifications to the authorities' views presented in surveillance country staff reports are needed to ensure their accurate presentation. In this context, Directors supported the proposal to allow for parsimonious additions to the authorities' views sections on main issues and policy recommendations covered by the surveillance staff report, while establishing adequate safeguards to protect the integrity of staff reports and analysis, including effective application of existing policies that support the integrity of staff analysis. As a way to improve the accuracy of staff reports, some Directors emphasized the importance of avoiding surprises as noted in the Guidance Note on surveillance. In this context, many Directors emphasized the need for greater flexibility in representing the authorities' views. A number of these Directors felt that the proposed safeguards to make additions to authorities' views in surveillance staff reports may be somewhat restrictive. More generally, Directors called for more open dialogue with authorities to ensure accurate and balanced presentation of the latter's views. Directors also welcomed staff's operational proposals, or called for additional measures, to ensure that the authorities' views section and/or authorities' other statements receive adequate visibility when country reports are published.

Directors agreed with incorporating into the Transparency Policy the procedures for the removal of confidential information from Board documents before publication and the safeguards to identify the confidential nature of the information. They also supported the proposal to address and widen the scope of administrative errors that may arise when submitting documents for Board consideration, and to extend the deadline for submitting requests to correct errors in Board documents. Directors took note of staff's proposed clarifications on the procedures of modifying policy documents prior to Board consideration.

Directors also agreed to widen the dispute procedures set under the Transparency Policy to cover disagreements arising between the member and management to cover any type of modification to Board documents.

Directors underscored the importance of better knowledge-sharing, guidance, and more streamlined procedures to support the effective operationalization of the Transparency Policy. In that regard, a number of Directors suggested periodic sessions to share information about trends in implementing the Transparency Policy. Directors also welcomed staff's proposals to strengthen awareness-raising efforts to improve the understanding of the policy, its objectives, and procedures among staff, Executive Directors' offices, and authorities. Concurring with staff proposal to develop "how to" notes, some Directors suggested developing a clear, concise, and publicly available factsheet covering the key elements of the Transparency Policy. They underscored the need to clarify the criteria used in implementing the correction rules for country documents and welcomed the operational proposals to upgrade and simplify the process of assessing modification requests and enhance transparency on the outcome of those requests. A few Directors noted that the upcoming review of the Fund's communication strategy could further highlight the Fund's commitment to transparency.

Regarding the Open Archives Policy, Directors noted that the information available in the Fund's archives has significantly increased and is more easily accessible to the public. They agreed that the policy remains broadly appropriate, compares favorably to those of other international organizations, and that no major update

of the policy is required. They agreed to retain the current time rules for making archived permanent records available to the public, although a few Directors saw room to potentially reduce the time rule for releasing transcripts of informal Board meetings.

Directors agreed with staff's proposals to address specific practical concerns with the implementation of the Open Archives Policy. They concurred with proposals to ensure that Board documents that have been published are also made available under the archive catalog upon publication and recognized that the Managing Director, in exceptional circumstances, may grant upon request access to other documentary material before the expiration of the relevant time rule. Directors supported staff's plans to strengthen the implementation of the policy by acquiring the infrastructure required for managing the Fund's permanent digital records and welcomed plans to address the current backlog of unprocessed paper record of other documentary material and establish internal coordination mechanisms and guidance to support policy implementation.

Directors agreed that both policies should continue to be on the standard 5-year or more, as needed, review cycle. A few Directors stressed the need for timely reviews and that the next review should take place within five years.

SU/24/163
November 21, 2024

REVIEW OF THE FUND'S TRANSPARENCY POLICY—ARCHIVES POLICY

1. Outside persons, on request, will be given access under the terms specified in this Decision.

2. Access will be given as follows:

(i) Executive Board documents that are over 3 years old, with the exception of Executive Board documents discussing cyber and physical security vulnerabilities of the Fund, to which access will be given after 20 years;

(ii) Minutes of Executive Board meetings that are over 3 years old, with the exception of Minutes of Executive Board meetings

discussing a member's use of (i) the Fund's resources, (ii) the Policy Support Instrument, and (iii) the Policy Coordination Instrument, to which access will be given after 5 years, and Minutes of Executive Board meetings discussing cyber and physical security vulnerabilities of the Fund, to which access will be given after 20 years;

(iii) BUFF Statements by the Managing Director or Fund Staff to the Executive Board, BUFF/EDs, Gray Documents, and Green Documents that are over 3 years old, with the exception of such documents discussing a member's use of (i) the Fund's resources, (ii) the Policy Support Instrument, and (iii) the Policy Coordination Instrument, to which access will be given after 5 years, and such documents discussing cyber and physical security vulnerabilities of the Fund, to which access will be given after 20 years;

(iv) Précis of Executive Board Meetings (replaced by Weekly Précis and Weekly Decisions Report), Executive Board Seminars Agendas and Minutes, Secretary's Journal of Executive Board Informal Sessions Minutes, and Executive Board Committee Minutes that are over 5 years old; and

(v) Other archived permanent records of the Fund that are over 20 years old.

3. Access to Fund documents specified in paragraph 2 above that are classified as "Secret" or "Strictly Confidential" as of the date of this Decision will be granted only upon the Managing Director's consent to their declassification. It is understood that this consent will be granted in all instances but those for which, despite the passage of time, it is determined that the material remains highly confidential or sensitive.

4. Executive Board documents covered by Decision No. 15420-(13/61), adopted June 24, 2013, as amended, on the Fund's Transparency Policy, that are classified as "Strictly Confidential" after the date of this Decision will be automatically declassified when the respective time periods specified in paragraph 2 have elapsed, unless at the time of their initial classification as "Strictly

Confidential, the authoring department specifies that the document in question shall not be subject to automatic declassification. If a specification is made that a document shall not be subject to automatic declassification, paragraph 3 of this Decision shall apply to the declassification of that document.

5. Access to the following archived permanent records of the Fund will not be granted: (a) legal documents and records maintained by the Legal Department that are protected by attorney-client privilege; (b) archived permanent records furnished to the Fund by external parties, including member countries, their instrumentalities and agencies and central banks, that bear confidentiality markings, unless such external parties consent to their declassification; (c) personnel files and medical or other records pertaining to individuals; and (d) documents and proceedings of the Grievance Committee.

6. In exceptional circumstances when the Managing Director determines that it is in the interest of the Fund, access to other archived permanent records referred to in paragraph 2(v) above may be granted upon request prior to the expiration of the 20 year period applicable to such records.

7. To enable easier and wider public access to the archived permanent records of the Fund, they may be made available through a variety of means, including a catalog published on a designated section on the Fund's external website. Accordingly, a "request" under paragraphs 1and 6 of this Decision may be made orally in person at Fund Headquarters or by telephone; in writing by hardcopy or electronic means such as e-mail or facsimile; or through a portal of the catalog. Requested material may also be conveyed to the public by hardcopy, electronic means and other web-based modalities. Without prejudice to access that will be given pursuant to 2(i) above, from the date of effectiveness of this Decision all Executive Board documents published by the Fund earlier shall be made available to the public through the catalog on the Fund's external website.

8. Since the Board's approval of the Policy on Access to Fund Archives in 1996, staff has continued to follow the long-standing

policy of requesting Board consent for ad hoc exceptions to the policy on behalf of external researchers. A reasonable cost recovery scheme may be maintained for administering ad hoc requests for Board approval of exceptions to the terms specified under this Decision. No charge shall be assessed for requests received from government officials of member countries.

9. Decision No. 11192-(96/2), January 17, 1996, as amended, on the Opening of the Archives and Decision No. 12981-(03/34), April 9, 2003 on Review of the Policy on Access to the Fund's Archives are repealed.

10. This Decision is expected to be reviewed by the Executive Board at regular intervals in tandem with the regular reviews of the Fund's Transparency Policy, Decision No. 15420-(13/61), adopted June 24, 2013, as amended. (SM/24/257, Sup. 1, 11/08/24)

Decision No. 14498-(09/126),
December 17, 2009,
as amended by Decision Nos. 14766-(10/115), November 29, 2010,
15547-(14/19), February 27, 2014,
16234-(17/62), July 14, 2017,
16600-(19/89), October 29, 2019, and
17848-(24/107),
November 15, 2024

Cooperation with Investigations on Fund Activities by Auditing Institutions of Members—Procedures

The Executive Board of the International Monetary Fund adopts the following procedures to cooperate, upon request, with investigating agencies of members for the preparation of reports on the Fund and its activities. In keeping with the multilateral character of the Fund and in light of the many existing mechanisms to assess the Fund and its activities, the Executive Board expects that restraint will be exercised in requesting such investigations.

1. All requests from official investigating agencies will be notified to the Executive Board at least two weeks before the commencement of any cooperation with the agency pursuant to the

request. The notification will include the full text of the terms of reference of the enquiry and any special features of the enquiry. Executive Directors will have an opportunity to comment on all aspects of the notification, as they deem suitable.

2. Management and staff will be prepared to meet a request if it is channeled through an Executive Director's office and provides:

(i) a precise description of the terms of reference of the enquiry; and

(ii) written assurances that:

- confidential information provided in the course of the enquiry will not be disclosed;
- management and staff will be given an opportunity to review any report resulting from the enquiry before its circulation outside the agency to ascertain that no confidential information is being disclosed in the report and that the factual information is correct; and
- the views of management and staff will be included in the report in an acceptable manner.

3. In principle only documents and information available to the Executive Board will be made available to the agency; the consent of Executive Directors whose statements are involved should be requested before transmitting grays or Executive Board minutes to the agency. Requests by the agency for access to additional documents and information (other than those relating to the Fund's internal advisory procedures) will be submitted to the Executive Board for approval if management supports the request. The Executive Board will not approve the request unless it has reviewed the relevant document or information; the procedures for the review will ensure the confidentiality of the document or information.

4. The Executive Board will be informed of requests which are denied by management under paragraph 2 or 3. In such cases, management or the relevant Executive Director may consult with the Executive Board.

5. All published reports resulting from such investigations will be circulated to the Executive Board for information, together with an assessment of the staff resources used by the Fund in the enquiry.

6. If, in the judgment of management, an investigative agency did not respect the written assurances provided in accordance with paragraph 2(ii), it shall so inform the Executive Board and propose any remedial action it considers necessary.

7. These procedures will be reviewed not later than January 30, 2004. (SM/00/97, Rev. 1, Sup. 2, 2/2/01)[1]

Decision No. 12424-(01/13),
February 5, 2001,
as amended by Decision No. 12936-(03/8),
February 4, 2003

[1] Ed. Note: The Executive Board reviewed the procedures on July 24, 2012 (Decision No. 15211-(12/76)). Pursuant to this decision, the procedures shall be reviewed again in five years.

Article IX, Section 7

Privilege for Communications

INTERPRETATION OF ARTICLE IX, SECTION 7

Whereas the Executive Director for the [member concerned] has raised certain questions of interpretation of the provisions of Section 7 of Article IX of the Articles of Agreement of the Fund as to the treatment to be accorded by a member of the International Monetary Fund to official communications of the Fund, which questions of interpretation are set forth below;

WHEREAS the said Executive Director has requested that the Executive Directors, in accordance with Article XVIII[1] of said Articles, decide such questions of interpretation;

NOW THEREFORE, the Executive Directors hereby decide such questions of interpretation as follows:

Question No. 1:

Does Section 7 of Article IX of the Articles of Agreement of the Fund apply to rates charged for official communications of the Fund?

Decision on Question No. 1:

Yes. Section 7 of Article IX applies to rates charged for official communications of the Fund.

Question No. 2:

If a member exercises regulatory powers over the rates charged for communications, is it relieved of the obligation of Section 7, Article IX, by reason of the fact that the facilities for transmitting communications are privately owned or operated or both?

[1] Ed. Note: Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.

Decision on Question No. 2:

No. A member which exercises regulatory powers over the rates charged for communications is not relieved of its obligation under Section 7 of Article IX by reason of the fact that the facilities for transmitting such communications are privately owned or operated or both.

Question No. 3:

Is the member's obligation under Section 7 of Article IX satisfied if official communications of the Fund may be sent only at rates which exceed the rates accorded the official communications of other members in comparable situations? For example, would the obligation of member "a," under Section 7 of Article IX, be satisfied if the rate charged the Fund for its official communications from the territory of member "a" to the territory of member "b" exceeds the rate charged member "b" for its official communications from the territory of "a" to that of "b"?

Decision on Question No. 3:

No. The obligation of a member under Section 7 of Article IX is not satisfied if official communications of the Fund may be sent only at rates which exceed the rates accorded the official communications of other members in comparable situations. For example, the obligation of member "a," under Section 7 of Article IX, would not be satisfied if the rate charged the Fund for its official communications from the territory of member "a" to the territory of member "b" exceeds the rate charged member "b" for its official communications from the territory of "a" to that of "b."

Decision No. 534-3,
February 20, 1950

Article IX, Section 8

Immunities and Privileges of Officers and Employees

MANAGING DIRECTOR—POLICY STATEMENT ON IMMUNITY OF FUND OFFICIALS

The Executive Board expressed support for the Managing Director's policy statement on the immunity of Fund officials.

Decision No. A-11780,
June 17, 2002

ANNEX

Policy Statement on Immunity of Fund Officials

The safety and security of Fund staff and other officials, particularly while traveling on mission or on assignment to field offices, are of paramount importance to the Fund. In this regard, in addition to the procedures that are intended to ensure the physical safety of Fund staff and other officials and their families, there are legal protections applicable in situations where staff and other officials are arrested or detained.

Article IX, Section 8 of the Articles of Agreement provides that all Governors, Executive Directors, Alternates, members of committees, representatives appointed under Article XII, Section 3(j), advisors of any of the foregoing persons, officers, and employees of the Fund shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity.

This policy statement clarifies the rights that apply, and sets out the basic steps that would be taken, in the event that a Fund official[1] is arrested or detained while on mission, on assignment to resident representative posts or field offices, or at headquarters,

[1] For purposes of this Policy Statement, the term "officials" includes all persons listed in Article IX, Section 8.

and explains what actions the Fund is prepared to take to obtain the dismissal of all charges to which the immunity applies and the immediate release of the official.

In the event that a Fund official were to be arrested or detained, it would be necessary to immediately determine whether or not the arrest or detention was made for acts performed in an official capacity. In order to make this assessment and to ensure that both the official's immunity and the Fund's interests are protected, the Fund has the right:

(1) to visit and converse freely with the official;

(2) to be apprised of the grounds for the arrest or detention, including the main facts of the case and the formal charges against the official;

(3) to assist the official in arranging for legal assistance; and

(4) to appear in legal proceedings to defend any interest of the Fund affected by the arrest or detention.

As these rights are considered ancillary to the immunities of the Fund and its officials and essential in order for the Fund to safeguard and maintain its interests, member countries are required, as part of their obligation to respect immunities, to give the Fund a full and timely opportunity to exercise these rights.

Accordingly, a Fund official who is arrested or detained will be entitled to contact the Fund, or have the authorities notify the Fund of his arrest or detention. The mere fact that there is no apparent connection between the reason for the arrest or detention given by the authorities of the member country and the duties, functions or status of the official would be insufficient to negate the right of the Fund to be informed.

If the Managing Director concludes that the official's acts are covered by immunity from legal process, and the immunity has not been waived by the Executive Board, the Managing Director will inform the Executive Board and notify the authorities of his conclusions and insist on the immediate release of the official and the dismissal of any charges to which the immunity applies. This notification must be conveyed by the authorities to the competent law enforcement or judicial organs.

In the event that a member's authorities (including judicial and law enforcement organs) failed to respect immunities or to comply with the ancillary obligations described above, the Managing Director will report the matter to the Executive Board under Rule K-1 of the Rules and Regulations, and the Executive Board will be asked to consider the application of sanctions to the member for breach of its obligations under the Articles.

In addition, if Fund officials were to be incarcerated, the Fund would also seek to monitor their treatment and the conditions in which they are being held, with a view to ensuring that they receive humanitarian treatment, adequate nourishment and medical care.

Article X

Relations with Other International Organizations

THE IMF-WORLD BANK CONCORDAT (SM/89/54, REV. 1)

March 31, 1989

To: Members of the Executive Board

From: The Acting Secretary

Subject: Bank-Fund Collaboration in Assisting Member Countries

The President of the World Bank and the Managing Director of the International Monetary Fund have reached agreement on the attached text. This document, jointly prepared by the managements of the Bank and the Fund, reviews the current status of cooperation between the Fund and the Bank and provides for the administrative and procedural steps that are necessary to secure a constructive and stronger collaboration between them.

The purposes and mandates of the Bank and the Fund are defined in their Articles of Agreement, as interpreted by their respective Boards. Operating within the framework of the Articles, the managements of both institutions believe that it is of the utmost importance to ensure the closest possible collaboration and working relations between the two institutions in order to serve member governments with maximum effectiveness in meeting their development needs and in providing support for macroeconomic and structural change.

The guidelines contained in the attached document are intended to achieve this objective and should help avoid administrative friction and facilitate orderly resolution of differences of views. Both of us recognize that the advice, suggestions and support of each institution for the other are essential if they are to discharge their responsibilities effectively and promptly. Smooth and effective working relations between the two institutions have assumed

special importance in view of the contribution that both of them are expected to make to policy formulation and sustained economic growth in their member countries.

The staff will be instructed to implement the guidelines embodied in this document in a spirit of close collaboration. This matter will be brought to the agenda for discussion on a date to be announced.

Attachment

Memorandum to the Executive Board of the International Monetary Fund and the Board of Executive Directors of the World Bank March 30, 1989

FROM: The Managing Director
The President

SUBJECT: Bank-Fund Collaboration in Assisting Member Countries

1. Guidelines for collaboration between our two institutions have been in place since 1966. They have been reviewed and strengthened on a number of occasions since then.[1] We, and our colleagues in the management of both institutions, have recently reviewed the experience with collaboration under existing policy and practices.

2. The problems faced by our member countries are severe. They are struggling to restore stability, to adjust their economies to a more rapidly changing and less benign international environment, and to restore growth, while they continue to grapple with their massive debt overhangs and limited availability of both concessional funds and commercial capital. The majority of the members of our two organizations face serious problems. Many of them face the urgent need for change in policies, institutions, and the incentive framework. All are entitled, in our view, to the best advice our highly competent staffs can provide—each by drawing on their specialized technical expertise and experience. It is our responsibility,

[1] Additional collaboration procedures were added to the original guidelines in 1970, and guidelines, as expanded, were reviewed and affirmed by managements of both institutions in 1980, and by the Fund in 1984 and the Bank in 1985.

and that of our Boards, to ensure that the procedures in place make possible, to the fullest extent practicable, comprehensive analyses by our staffs, early exchange of views on differences, and a system to refer remaining differences to the appropriate level of management for resolution. Proposals to improve our capacity to achieve these objectives are set forth in this paper.

3. The existing guidelines lay down principles which remain sound and provide a firm basis on which to build. They provide the Bank with ". . . primary responsibility for the composition and appropriateness of development programs and project evaluation, including development priorities." The Fund is assigned ". . . primary responsibility for exchange rates and restrictive systems, for adjustment of temporary balance of payments disequilibria, and for evaluating and assisting members to work out stabilization programs as a sound basis for economic advance." The guidelines further provide that "in between these two clear-cut areas of responsibility . . . there is a broad range of matters which are of interest to both institutions. This range includes such matters as the structure and functioning of financial institutions, the adequacy of money and capital markets, the actual and potential capacity of the member to generate domestic savings, the financial implications of economic development programs, both for the internal financial position of the country and for its external situation, foreign debt problems, and so on."

4. The same guidelines also stipulate that "[on those matters in the area of primary responsibility of the Bank], the Fund, and particularly the field missions of the Fund, should inform themselves of the established views and position of the Bank and adopt those views as a working basis for their own work. This does not preclude discussions between the Bank and the Fund as to those matters, but it does mean that the Fund (and Fund missions) will not engage in a critical review of those matters with member countries unless it is done with the prior consent of the Bank." Corresponding provisions were made for the Bank and Bank missions.

5. While we reaffirm the principles of these guidelines, the overlap of activities of the two institutions has grown rapidly in the 1970s and 1980s as the Bank and the Fund have attempted to respond to the massive financing and adjustment requirements of members in

a more difficult economic environment. In recognition of the longer-term and supply-oriented nature of the adjustment process, the Fund increased its consideration of structural issues in stand-by arrangements; extended the repayment period of extended arrangements to 10 years; and introduced the concessional and relatively long-term Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF). In response to the serious balance of payments problems affecting many developing countries stemming from the sharp deterioration of the terms of trade and from the weakness in domestic policies and institutions, the Bank introduced Structural Adjustment Loans (SALs) in 1980 that provided financing in support of policies to promote structural, economy-wide changes and, subsequently, Sector Adjustment Loans (SECALs), which focused on structural changes in specific sectors.

6. There is continuous and successful cooperation between the Bank and the Fund. Close contacts between the two staffs contribute to a better understanding of economic problems and policy options, and normally lead to improved and consistent policy advice; better coordination of the amounts, forms, and timing of financial assistance; and a greater effectiveness in mobilizing additional financial support.

7. Yet, given the complexity of the problems faced by our members and the perspectives of the two institutions, it is not unusual that differences of view may sometimes arise. In a few cases, some significant differences about country priorities and policy have emerged. In some cases, they have spilled into discussions by the staff with country authorities. Differences of view have concerned a number of areas, including exchange rate, the level of external assistance sufficient to provide reasonable prospects for sustained and successful adjustment efforts and resumption of growth, the speed of adjustment, and the need to maintain adequate levels of public sector development expenditures. At other times, differences of view between the staffs of the two institutions have centered on the trade-off between efficiency gains from certain structural measures to be accrued over time and balance of payments and budgetary impacts.

8. With the growing contiguity of the activities of the Bank and the Fund, we believe it is essential to strengthen collaboration,

to ensure that conflicts of views are resolved at an early stage, do not surface in contacts with country authorities, and do not result in differing policy advice to member countries.

9. The Fund has among its purposes the promotion of economic conditions conducive to growth, price stability, and balance of payments sustainability and is required to exercise surveillance on a continual basis over the performance of its members as defined by Article IV. The Fund is empowered to provide temporary balance of payments financing to members to enable them to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity. Thus, the Fund has focused on the aggregate aspects of macroeconomic policies and their related instruments—including public sector spending and revenues, aggregate wage and price policies, money and credit, interest rates and the exchange rate. The Fund has to discharge responsibilities with respect to surveillance, exchange rate matters, balance of payments, growth-oriented stabilization policies and their related instruments. These are the areas in which the Fund has a mandate, primary responsibility, and a record of expertise and experience.

10. The Bank has the objective of promoting economic growth and conditions conducive to efficient resource allocation, which it pursues through investment lending, sectoral and structural adjustment loans. Thus, the Bank has focused on development strategies; sector and project investments; structural adjustment programs; policies which deal with the efficient allocation of resources in both public and private sectors: priorities in government expenditures; reforms of administrative systems, production, trade and financial sectors; the restructuring of state enterprises and sector policies. Moreover, as a market-based institution, the Bank also concerns itself with issues relating to the creditworthiness of its members. In these areas, except for the aggregate aspects of the economic policies mentioned in the previous paragraph, the Bank has a mandate, primary responsibility, and a record of expertise and experience.

11. While it is important to strengthen the framework for collaboration and to reduce the risk of conflict and duplication, both

the Bank and the Fund must be allowed to explore their legitimate concerns with regard to macroeconomic and structural issues and to take them into account in their policy advice and lending operations. The 1966 guidelines stipulate that views on matters clearly within the area of "primary responsibility" of one or the other of the two institutions "should be expressed to members only by or with the consent of that institution." This provision remains appropriate. The procedures for enhanced collaboration spelled out below are designed to assure resolution of issues. It is, of course, equally important that borrowing countries be aware of the responsibility of the institution for policy advice in the areas of its primary responsibility.

12. The objective of the enhanced collaboration procedures is to avoid differing policy advice, but this does not mean that one institution should not engage in analyses in the areas of primary responsibilities of the other institution. On the contrary, the institutions and borrowing members normally stand to benefit from analyses from different perspectives, and thorough discussions between the two staffs are encouraged. In the event differences of view persist at the staff level even after a thorough common examination of them, and should the differences not be resolved by the management, the institution which does not have the primary responsibility would, except in exceptional circumstances, yield to the judgment of the other institution. In those cases, which are expected to be extremely rare, the managements will wish to consult their respective Executive Boards before proceeding. Also, in the interest of efficiency of staff resource use, each institution should rely as much as possible on analyses and monitoring of the other institution in the areas of primary responsibilities of the latter, while safeguarding the independence of institutional decisions.

Procedures for Enhanced Collaboration

13. Given the complexity of the problems handled, the differences in the mandates of the Bank and the Fund and the unique perspectives brought to bear on the assessment of country situations by the staffs of the two institutions, it is expected that differences of view will sometimes arise. Existing procedures and practices of Bank-Fund collaboration are designed to ensure the quality of analysis and policy advice, as well as thorough explorations of any

differences of view that may emerge between the staffs. Typically, differences are worked out at the working level and are resolved satisfactorily in the large majority of cases. However, in order to further strengthen existing procedures on Bank-Fund collaboration and to facilitate the resolution of any remaining differences of view, new or more formal steps have been agreed in the following areas:

I. Strengthening Collaboration

14. The daily interactions and ad hoc contacts involving managements and staffs (and monthly, as well as ad hoc, meetings between the Managing Director and the President) will be supplemented with regular meetings of the senior staff of each institution. In particular, there should be regular meetings between Bank Regional Vice Presidents and the corresponding Fund Area Department Directors to review current operational concerns. These meetings should anticipate and thus reduce the differences of view between staffs of the two organizations. In addition, meetings would be held at the senior level as required to review the strategies of each institution for countries of common concern. These meetings would normally be chaired by the Deputy Managing Director of the Fund and the Senior Vice President, Operations, of the Bank supported by a few senior staff on each side.

15. Whenever conditionality or advice to countries on major issues is involved, agreement should be sought promptly, beginning with working level staffs sharing information and views at the earliest possible stages, and involving their respective superiors when resolution at the working level cannot be achieved. It will be the responsibility of the managers to seek a resolution of any major differences of view between the institutions before the matter is discussed with the member, and before either staff makes proposals to the member. The Deputy Managing Director of the Fund and the Senior Vice President, Operations, of the Bank will meet to discuss any issues not resolved at the Fund Director/Bank Regional Vice President Level and advise, if necessary, the Managing Director and the President if any differences remain.

16. Existing procedures should be strengthened by a more systematic exchange of information on future country work and mission plans by country. Area Departments and Regions would

be expected to maintain a forward-looking calendar of at Least one year that would be updated periodically. Deviations from the work plan or calendar would be communicated to the other institution without delay.

17. We also stand ready to establish, under the direction of the Fund's Director of Research and the Bank's Vice President, Development Economics, ad hoc study groups to examine analytical issues which may arise in the areas of common work between the two institutions.

18. In the low-income countries, PFP discussions should continue to be handled jointly and, whenever possible, with a single mission chief at an appropriate rank, on the basis of pre-agreed terms of reference. The decision on whether the chief of such joint missions should be from the Bank or from the Fund will be determined on a case-by-case basis. When parallel missions are in the field, they would be expected to cooperate fully and meet jointly with the country authorities, following positions clearly agreed on in advance. Assuming members agree, the Fund management could issue an invitation for one or more Bank staff to be attached to missions involving the use of Fund resources in SAF/ESAF-eligible countries where the Bank was also financially active. Comparable provisions would be made to invite Fund staff to participate in Bank appraisal missions for SALs or SECALs in the same countries.

II. Improved Collaboration to Support Adjustment Programs

19. Under existing procedures, the Bank staff includes a discussion of the Fund's financial relations, the status of any negotiations for the use of Fund resources, and the results of any recent Fund reviews in the President's Report to the Bank's Executive Board on a proposed adjustment loan, since adjustment lending operations are not normally undertaken unless an appropriate Fund arrangement is in place. In the absence of a Fund arrangement, the Bank staff should ascertain whether the Fund has any major outstanding concerns about the adequacy of macroeconomic policies prior to formulating its own assessment in connection with the approval of the draft loan documents.[1] The Fund's assessment of

[1] SM/88/249 (11/14/88), pp. 4–6.

macroeconomic policies is also taken into account in the Bank's assessment of its conditions prior to the release of subsequent tranches.

20. While the existing procedure functions well in most cases,[1] it is desirable to strengthen the coordination between the two institutions in this area. Such a need is particularly strong in the context of providing the Fund's assessment of macroeconomic policies for member countries where there are no existing Fund arrangements. Nonetheless, the economic situation or policies of the member may have changed significantly between consultations. In these cases the Bank will ask the Fund's views, leaving time for consultations with the country authorities as needed. In comparable circumstances, the Fund management will ask the Bank's staff views prior to recommending approval of an adjustment program involving the use of Fund resources.

III. A PFP-Like Document for Middle-Income Countries

21. Some Directors have suggested that consideration be given to preparing PFP-like documents for some middle-income countries requesting the use of Fund resources, particularly those requesting arrangements under the EFF.[2] While the preparation of medium-term plans could be useful for non-SAF-eligible countries where the member seeks a multi-year commitment of resources from its creditors or where structural changes are prominent in the programs (e.g., under the EFF), this matter would be presented to the Executive Boards for consideration after further consultations between the two staffs and managements.

IV. Collaboration in the Context of the Debt Strategy

22. In the context of the debt strategy, the Fund is looked to by the commercial and official financing communities for an

[1] Both the staff reports and summings up of Article IV consultations are made available to the Bank staff. Between consultations, the Bank staff is kept aware of the Fund staff's views and the results of other relevant Executive Board discussions on a continuous basis.

[2] See BUFF/88/92 (5/13/88), pp. 2–3; and "Proposals for Extending the Policy Framework Paper (PFP) Process to Middle-Income Debtors" (EBD/88/144, 5/31/88).

assessment of balance of payments prospects and financing requirements of member countries undertaking stabilization programs. Bank views are sought with respect to Longer-term external resource requirements and growth prospects. In certain cases menu items play an important role in providing financing and contributing to a viable debt service profile over the medium term. Both institutions have an interest in this aspect of the member's external position as it affects the member's medium-term balance of payments prospects and creditworthiness. Therefore, in order to better coordinate our assistance to debtor countries faced with the need to develop financial menu items and other innovative forms of financing, including those aimed at debt reduction, we will establish a task force to promote cooperation, analysis, and the exchange of information on the financing techniques by our institutions.

V. Collaboration in the Presence of Overdue Obligations

23. Both the Bank and the Fund urge members with overdue obligations to one or both institutions to become current with both. In practice, if a member country has overdue obligations to one institution, this will affect the other institution's assessment of the justification for extending its own financial assistance. Each institution's policies require that it review the ability of a member to meet its financial obligations in light of that member's discharge of its obligations to the other; Fund management would find it difficult to present a request for a Fund arrangement to the Executive Board for a member with overdue obligations to the Bank, both because of its implications for ability to meet Fund obligations and because continued access to Bank or IDA Lending is often necessary to ensure that an adjustment program is adequately financed. Fund management, therefore, proposes to seek the views of the Bank in all cases where the use of Fund resources was requested by a member with overdue obligations to the Bank, and would not be prepared to support such a request when arrears to the Bank were an indication that the resources of the Fund would not be safeguarded. Similarly, Bank management would advise its Board with regard to countries with overdue obligations to the Fund and would not be prepared to recommend approval of an IBRD or IDA loan, if the overdue obligations to the Fund were an indication that the resources of the Bank would not be safeguarded. Furthermore, the

two managements will act in the full spirit of solidarity when one of the institutions is confronted with arrears, as such arrears constitute a major challenge to the cooperative nature of the institutions. They will, in such instances, provide their good offices and support to help eliminate those arrears.

VI. Independence of Institutional Decisions

24. The Executive Directors of the Bank and the Fund have stressed repeatedly the need to avoid cross-conditionality: each institution must continue to proceed with its own financial assistance according to the standards laid down in its Articles of Agreement and the policies adopted by its Executive Board. Thus, although the Bank's assessment of structural and sectoral policies will continue to be an important element in decisions regarding Fund lending, the ultimate decision on whether to support the program rests with the Fund's Executive Board. Similarly, although the Fund's assessments will continue to be an important element in decisions regarding Bank adjustment lending, the ultimate decision rests with the Bank's Executive Directors.

25. Nevertheless, in the event that Fund management were to decide to submit a program for approval in spite of the Bank's reservations about structural policies or in the presence of arrears to the Bank, Fund management would present the case to an informal meeting of the Fund's Executive Board for discussion prior to communicating its decision to the member concerned. Bank management would adopt the corresponding procedure.

VII. Dealing with Other Institutions

26. Not only have the activities and roles of the Fund and the Bank expanded in relation to their members, coordinating activities to assist member countries in mobilizing resources have grown rapidly, as has the interest of other groups (the OECD, DAC, UN) in matters of debt and the resumption of growth. To avoid conflicting views from being expressed in reports to such organizations, to the maximum extent feasible, the draft reports prepared by either institution will be sent to the other well in advance of the circulation date for review and comments. This will provide an additional opportunity to identify possible problems and to resolve them.

VIII. Longer-Term Promotion of Mutual Understanding

27. To better acquaint staff of the two institutions with the thinking practices and constraints within which each institution operates, we propose to initiate an exchange of staff on two- to three-year secondments at the senior professional levels. During the period of the secondment, staff members would be wholly integrated into the regular staff of the institution to which they have been seconded. For administrative reasons, there might need to be some limit on the number of secondments at any one time.

28. While the measures set out above should go a long way toward resolving emerging differences of view and limiting potential areas of conflict, both the Fund and the Bank remain committed to a process of strengthening their collaboration in a longer-term perspective.

Fund/Bank Collaboration: Invitation to the Bank to Send a Staff Member as an Observer, Executive Board Meeting 70/30, April 10, 1970

…

2. The Executive Board authorizes the issuance of a general invitation to the International Bank for Reconstruction and Development to send a staff member as an observer to attend Fund Board discussions on staff reports on missions relating to Article VIII and Article XIV consultations and use of Fund resources in areas of common interest.

Concluding Remarks by the Acting Chairman—Bank-Fund Collaboration—Report of the Managing Director and the President; and Review of Collaboration in Strengthening Financial Systems, Executive Board Meeting 98/102, September 22, 1998

I shall summarize the constructive and useful discussion of the two papers on Bank-Fund collaboration in two parts. First, I will offer remarks on the Report of the Managing Director and the President on Bank-Fund Collaboration in which I have tried to capture the spirit of the views expressed by Directors. Second, I will

provide a summary of the discussion on the review of Bank-Fund Collaboration in strengthening financial systems, which includes Directors' comments on the issues and proposals on which their views were sought.

Report of the Managing Director and the President on Bank-Fund Collaboration

This has been a constructive and useful discussion.

Directors generally agreed that the 1989 Concordat still provides a valid framework for Bank-Fund collaboration. Nevertheless, some Directors considered that there might be a need to more fully reflect present realities, in which macroeconomic and sectoral issues were becoming increasingly intertwined. Directors noted that recent experience pointed to some areas where collaboration could be further strengthened. In this context, while welcoming the further clarification of responsibilities between the Bank and the Fund outlined in the Report, Directors stressed the even greater importance of developing practical mechanisms to ensure close coordination and to manage the unavoidable overlaps that will remain in some areas between the two institutions. In that regard, many Directors welcomed the emphasis given to reinforcing the culture of collaboration among the staffs. Directors equally underscored the importance of effective implementation of the existing guidelines as well as the spirit in which that was done. They welcomed the commitment of the heads of both institutions to enhancing collaboration.

Directors regarded the framework set out for the interaction of the two institutions in surveillance, policy advice, lending operations, and crisis management as helpful. Important lessons had been learnt from the Asian crisis, and it was essential that those lessons were applied to other countries that could be vulnerable to the turmoil in world financial markets. The need to seek out the Bank's advice in its areas of expertise at an early stage and to the maximum extent feasible was emphasized. Equally, it was important for the Bank to respond in a timely fashion. Those two elements were essential ingredients for the quick delivery of advice on integrated stabilization and structural reform policies and programs.

Directors welcomed the Bank's efforts to undertake more intensive structural assessments and to enhance its capacity to respond quickly to deliver policy advice. Directors endorsed the proposals for strengthening collaboration in the financial sector. Collaboration in public sector work was also considered a priority, especially on social sector issues. Directors also welcomed the pilot program in enhanced Bank-Fund collaboration in low-income countries that was in the process of being launched.

Directors agreed with the proposals for improving operational procedures for enhancing collaboration, but stressed the importance of the culture of collaboration to ensure that those procedures were followed. Access to the right people and to timely information were key to coordination. Most Directors also supported the establishment of the joint electronic information system. Those, and other mechanisms, were seen as useful complements to, but not substitutes for, open communication between staff. In that regard, cross-participation in missions was important, and some Directors felt that, when appropriate, joint missions could be considered.

Several Directors felt that the Report should give more attention to the role of the authorities. Those Directors stressed that the framework for Bank-Fund collaboration should give more emphasis to: taking account of the needs of the country; making the delineation of responsibilities and the designation of key decision-makers clear to the authorities; and involving the country in the collaborative efforts of the Fund and the Bank. Indeed, the Bank and the Fund exist to serve their shareholders according to the highest possible standards, and the needs of the member country should be the driving force of our activities.

Some Directors felt that an important contribution to Bank-Fund collaboration was strengthened coordination between the Executive Boards of the two institutions, and we will come back to the proposals that have been put forward in this area.

Let me assure you that the managements of both institutions are personally committed to strengthening Bank-Fund collaboration. We frequently discuss issues of common concern and work through any disagreements that emerge. Given the strong links between the areas of our work and overlaps in certain sectors, it

is inevitable that differences of view will arise. To manage these differences constructively, it is important to keep the channels of communication between the two institutions open and to maintain a dialogue. We will continue to keep an open dialogue.

Finally, we will consider how we can best reflect your comments in the Report to the Interim Committee and to the Development Committee and consult with our Bank colleagues on the points raised in their Board discussion. I see two areas where we can strengthen the Report, namely, by emphasizing the culture of collaboration and better reflecting the role of country authorities.

Review of Bank-Fund Collaboration in Strengthening Financial Systems

I will now try to summarize the useful discussion we have had on collaboration in strengthening financial systems.

Executive Directors welcomed the opportunity to discuss the collaboration experience over the past year and proposals for new and improved procedures for further cooperation between the Bank and the Fund in financial sector work. Directors generally agreed that the broad division of responsibilities prescribed by the 1989 Concordat, and further elaborated in the paper presented to the Boards of the two institutions in August 1997, continues to provide a valid framework. However, recent experiences, especially in crisis situations, had exposed problems in operational coordination and highlighted the need to improve collaboration procedures. In that connection, Directors agreed that the distinction in the mandates of the two institutions—the Fund to exercise surveillance over macroeconomic and stabilization policies and the Bank to promote overall economic development, structural and sectoral reforms—should continue to provide the basis for the delineation of responsibilities in financial sector work. However, as attested by the recent experience in Asia, Directors underscored that it might not be possible to delineate responsibilities between the Bank and the Fund along functional lines in all areas and at all times. Financial sector strengthening was such an area, in which the distinction between macroeconomic and sectoral/developmental issues was inherently blurred. Thus, while agreeing that, where possible, the staff should

continue to identify areas that allow clearer delineation, they stressed the need to strengthen the implementation of the existing guidelines, particularly by addressing how best to manage unavoidable overlaps of responsibilities. Noting that the staff paper provided a useful starting point for the Board's review of those issues, Directors urged the staff to build on this work with a view to further clarifying and specifying the operational aspects of coordination and collaboration.

Directors emphasized that in crisis situations and short-term stabilization programs, the Fund should continue to take responsibility for the overall stabilization exercise, including the adoption of urgent structural adjustment measures. This would be particularly important in those cases in which financial sector issues have macroeconomic implications and when Bank input is not immediately available. Directors stressed, nevertheless, that engagement of the Bank should begin at an early stage, or at least from the time problems emerge. Noting that mismatches in the operational time schedules of the Bank and the Fund had complicated past coordination efforts, Directors stressed that improved coordination would require a timely response from the Bank. In this regard, they welcomed the efforts by the Bank to expedite the delivery of its policy advice and assistance. Directors stressed that, in less critical circumstances, the Bank should be consulted on aspects of program formulation that pertain to structural issues where the Bank has primary responsibility. The country's longer-term program in the financial sector would be worked out over time by the Bank and the country, taking into account the requirements of stabilization objectives, and this would feed into the review process of the programs supported by the Bank and the Fund.

Directors supported staff proposals to strengthen operational procedures to improve collaboration. In particular, they emphasized the importance of cross-participation in missions. Such efforts could help alleviate the pressure on staff resources on both institutions, and ease the burden on national authorities. Directors also called for greater sharing of information, while stressing the need to preserve confidentiality of data. The possibilities for some formal linkages between Fund-supported programs and related Bank sectoral work was noted, in view of the many implications of structural reforms in the financial area for macroeconomic stability

and the success of Fund-supported programs. Directors considered that such procedures could serve to avoid duplication of work and assure complementary in policy advice.

Directors supported the establishment of a Bank-Fund Financial Sector Liaison Committee to reinforce the collaboration process. They agreed that this Committee should focus in the first instance on facilitating coordination in financial sector work, improving the efficiency of the use of staff resources and experts in this area, and resolving disagreements. The Committee should in particular assist in prioritizing assignments and quickly delineating work in overlapping areas to country-specific situations, in order to avoid inconsistent advice or duplication of work. Directors agreed with the proposed organization of the Committee, but cautioned that the Committee should be used as a flexible instrument where needed, and not regarded as a panacea for improved collaboration. A few Directors suggested that a joint subcommittee of Executive Directors could be formed to enhance accountability and transparency, especially on disagreements between the two institutions. More fundamentally, however, Directors considered that strengthened collaboration would require staff in the field to work together and resolve their own differences. It was also suggested by some Directors that the management of the Fund and the Bank report to the Bank and the Fund Boards periodically on the working of the Committee and that its activities be reviewed in light of experience.

Directors considered that the Bank and the Fund should play a catalytic role in developing commonly accepted policies and good practices. In that respect, they noted that neither the Bank nor the Fund should take the lead in developing standards and good practices in areas outside their core fields of responsibility; rather, that they should rely on more specialized agencies to do so. An important function of the Bank and the Fund in this area would be to participate in the elaboration of standards and good practices where they have relevant expertise, provide guidelines for adapting them to country-specific circumstances, and disseminate commonly accepted principles among their member countries.

Directors agreed that the Fund could, with the prior consent of the concerned authorities, seek to augment internal resources by

drawing on experts from national and other international organizations for the monitoring of financial systems under Article IV surveillance. They underscored the need for the Bank and the Fund to collaborate closely in the dissemination of standards and good practices and the delivery of associated technical assistance. They stressed that such efforts should be well coordinated from the start to ensure the effectiveness of technical assistance and efficient use of expert resources as well as to avoid the risks of overlapping requests for technical assistance, conflicting advice to countries, and suboptimal use of expert resources. They also underscored the need to adopt appropriate policies in this area to ensure confidentiality. In that respect, Directors felt that outside experts should be held to the same standards as the staff.

Some Directors thought that peer review procedures could provide a useful arrangement for following up on the findings of Article IV surveillance missions on financial sector issues in countries where substantial actual and potential problems had been identified. Some Directors suggested that the institutional arrangement for operating peer reviews could be located in, and coordinated by, the Fund in collaboration with other international bodies, including the Bank for International Settlements and the World Bank, and requested that a paper be prepared for Board consideration on the organizational and other aspects of peer reviews. They noted that peer reviews would require prior consent from the authorities of the countries concerned. They encouraged the staff to explore possible approaches to coordinating peer review procedures.

BUFF/98/95
September 28, 1998

The Acting Chair's Summing Up—
Operational Framework for Debt
Sustainability Assessments in Low-Income Countries—
Further Considerations,
Executive Board Meeting 05/34, April 11, 2005

Executive Directors welcomed the opportunity to consider the outstanding issues regarding the joint Fund-World Bank operational framework for the debt sustainability assessments (DSAs) in low-income countries. They underscored the importance of such a

framework for helping low-income countries avoid an unsustainable build-up of debt in their pursuit of the Millennium Development Goals. Directors reiterated their broad support for the key elements of the framework: (i) country-specific, policy-dependent external debt-burden thresholds to guide debt sustainability assessments; (ii) forward-looking simulations of debt and debt service under a baseline scenario and in the face of shocks; and (iii) prudent borrowing strategies to contain risks of debt distress. Most Directors agreed that the operational framework is now ready to be incorporated in Fund operations.

Directors endorsed the proposed country-specific thresholds for external debt-burden indicators, including the classification of countries based on policy and institutional performance. They noted that the empirical evidence indicates that a country's ability to carry debt is correlated with the quality of its policies and institutions, and agreed that this should be reflected in the debt-burden thresholds. Directors also maintained that the need for prudence in external borrowing calls for a conservative approach in setting the thresholds. Directors felt that the staffs' preferred option is consistent with these criteria. They also saw centering the thresholds on the operational threshold of the HIPC Initiative as essential to preserve the coherence of the international community's approach to debt sustainability. Directors noted, moreover, that the preferred option does not require as high a share of grant financing, the availability of which is not assured, as the alternatives considered.

Directors again cautioned that the thresholds should be seen as guideposts for informing debt sustainability assessments rather than as rigid ceilings, and that individual country circumstances, including the burden of domestic public sector debt, need to be factored into the assessments. In this regard, some Directors expressed concern that the framework could be implemented rigidly, resulting in foregone development opportunities if additional grant financing or debt relief does not materialize; but some others stressed the need to avoid perceptions that the thresholds can be consistently exceeded because they are only indicative.

Directors stressed that the framework does not imply that countries with lower debt should borrow up to their thresholds. A

few Directors noted the importance of adequate conditionality being attached to grants, to reduce any moral hazard implicit in the framework. Some Directors also stressed the need to avoid using over-optimistic export projections in the DSAs. Some Directors continued to express some reservations about the use of the World Bank's Country Policy and Institutional Assessment (CPIA) to classify the quality of policies and institutions, but most Directors supported its use, subject to periodic review, and while recognizing that CPIA thresholds should not be used mechanically in country assessments.

Directors welcomed the proposed transitional arrangements for the use of the new DSA framework for HIPCs, while the HIPC Initiative is still under way. They recognized that there are fundamental differences between DSAs under the HIPC Initiative and those under the new framework, the former being a backward-looking calculation for the purpose of determining debt relief, while the latter is a forward-looking exercise to inform future borrowing and policy decisions. While these differences would need to be clarified, Directors felt that applying the new framework to HIPCs as soon as possible is important to guide HIPCs in their borrowing decisions and provide creditors and donors with a clear view of these countries' debt sustainability outlook. Directors also stressed the importance of a well-designed communications strategy to accompany the introduction of the framework.

Directors supported the preparation of a joint DSA for each low-income country and welcomed the proposed modalities of collaboration between Fund and World Bank staffs for achieving these objectives. Most Directors felt that the proposed modalities are in line with previous Board discussions of this topic and the respective mandates of the two institutions. They noted that, in almost all cases, Fund and World Bank staffs are expected to agree on the baseline for the DSA and the assessment of the risk of debt distress; and only in highly exceptional cases would they be unable to reach agreement on the underlying DSA baseline or the assessment of debt distress risks. Directors agreed that in such cases the different views of the staffs should be reported to the country authorities at an early stage, and later to the Boards in the DSA document. They urged the staffs, however, to avoid this outcome to the extent possible, and a number of Directors were of the view that the production

of a single DSA is critical for the framework's credibility. Directors noted that minor revisions to DSAs would only be made in cases where both staffs agreed that the revision was minor, and would not in any case change the overall assessment or lead to two separate and inconsistent DSAs. Some Directors urged a clearer definition of what would be considered a minor update under the framework that would not warrant the production of a new joint DSA.

Directors noted that the framework would be an important addition to the Fund's toolkit to assess the appropriate balance between adjustment, lending, grants, and debt restructuring/relief in low-income countries. They also underlined the importance of the Fund and Bank staff working closely with other IFIs and donors to allow a coordinated approach to concessionality decisions and to ensure that the proposed framework guides the decisions of donors and creditors, including the Fund. Directors also saw a key role for the Fund and Bank staff in integrating country-led approaches into the process and building broad country ownership of the analytical underpinnings of the framework, which would be essential to enhance its effectiveness.

Directors asked the staffs to report to them after a six- to twelve-month period on the results of the country application of the proposed framework after sufficient experience has been gained and welcomed the staffs' intention to update the framework in light of these results. Directors provided a number of suggestions for guiding the implementation of the proposed framework and the Fund's continuing work in this area, which the staff will take into account.

BUFF/13/2005
April 13, 2005

The Acting Chair's Summing Up—
Update on the Joint IMF-WB
Multipronged Approach to Address Debt Vulnerabilities,
Executive Board Meeting 20/116, December 7, 2020

Directors welcomed the update on the implementation of the multipronged approach (MPA) to address debt vulnerabilities in low-income and developing countries (LIDCs) and emerging

markets (EMs). They continued to support its four mutually-reinforcing pillars, which seek to address debt vulnerabilities through debt transparency, capacity building, analytical tools, and debt policies. Directors agreed that the COVID-19 pandemic had heightened the importance of the MPA while recognizing that its implementation alone may not be sufficient to significantly reduce vulnerabilities.

Directors appreciated the close collaboration between the Fund and the World Bank on MPA implementation and asked for continued strong collaboration to exploit complementarities. They were encouraged by progress achieved so far, including on broader debt coverage in LIC Debt Sustainability Analyses (DSAs); scaled-up capacity development activities in debt recording and reporting; and expanded creditor outreach, in particular through the G20. Directors welcomed implementation of the revised LIC debt sustainability framework, the redesign of IMF and World Bank policies on responsible borrowing and lending in the Bank's newly approved Sustainable Development Finance Policy, and review of the IMF's Debt Limits Policy (DLP) together with recent work on options to reform the architecture for resolving privately-held sovereign debt.

Notwithstanding valuable progress under the MPA, directors stressed the need to further strengthen debt transparency, a prerequisite to accurately monitor and manage debt risks. They endorsed continued Fund and World Bank support to countries for increasing their capacity to record, monitor, and consistently report on public debt, developing an effective legal framework, and disseminating such data to international databases. Many Directors sought to encourage disclosure of debt subject to confidentiality clauses to the Board. A few Directors emphasized the need to appropriately balance transparency and commercial confidentiality, emphasizing that disclosure by creditors and debtors should be on a voluntary basis. Directors also highlighted the opportunity presented by the upcoming review of Data Provision for Fund Surveillance to expand the minimum data provision obligation to include key public debt data needed to underpin the Fund's capacity to assess fiscal space and analyze debt risks. Noting that creditors also play an important role in debt disclosure, Directors supported continued creditor outreach by the Fund and the World Bank to promote transparency and sustainable financing practices.

Directors appreciated the scaling up and reallocation of capacity development activities in response to the pandemic, to focus on areas key for reducing the incidence and mitigating the effects of debt payments problems, including by adopting innovative methods to deliver technical advice. Further efforts could also be made to strengthen debt management capabilities. Directors emphasized that heightened debt vulnerabilities amid the pandemic underscored the need to leverage Fund surveillance and lending activities to increase traction of staff advice to further strengthen LIDCs' debt management practices.

Directors noted that debt-related analytical tools are critical to help borrowing countries make informed decisions, such as on the scope to raise spending without endangering market access and debt sustainability. The DSA tools also play a central role to inform the implementation of IMF and World Bank policies and help guide the use of resources. At the same time, these tools need to be embedded in the broader framework for debt management and fiscal risk assessment. Directors encouraged further use of the LIC DSA's debt transparency requirements to continue to broaden debt data coverage and refine contingent liability stress tests for all countries. They also stressed that completing as planned the review of the DSA for market access countries, the guidance note, and rolling out of the new template, would be important to strengthen analysis of risks.

Directors commended the recently approved review of the Debt Limits policy aimed at further adapting debt conditionality to the changes in the creditor landscape facing LICs including by supporting debt transparency. Directors highlighted that the upcoming reviews of the IMF's lending into arrears policies will be important in the context of rising debt sustainability challenges. In this respect, Directors noted that the "Common Framework for Debt Treatments beyond the DSSI" recently adopted by the G20 and the Paris Club is an important step to enable timely and comprehensive sovereign debt resolution. They encouraged staff to coordinate closely with the G20, the Paris Club, and the World Bank to operationalize this Common Framework consistent with Fund policies in the context of requests for IMF-supported programs.

Directors stressed the importance of monitoring MPA implementation progress and supported the proposed indicators. Many

Directors called for an interim initial update on MPA progress, while a few Directors agreed with the proposed update in about 12 months.

SU/20/174
December 11, 2020

The Acting Chair's Summing Up—
Review of the Debt Sustainability Framework for
Market Access Countries,
Executive Board Meeting 21/5, January 14, 2021

Executive Directors welcomed the wide-ranging and comprehensive review of the Debt Sustainability Framework for Market Access Countries (MAC DSA), to be renamed "Sovereign Risk and Debt Sustainability Framework for Market Access Countries" (MAC SRDSF) to capture the full range of its analysis. Against the backdrop of rising vulnerabilities related to the pandemic, they broadly supported the proposed reforms aimed at improving the framework's capacity to predict sovereign stress, enhancing transparency and communication of its results, and aligning it with the three-zone sustainability assessment required under the exceptional access framework. Directors recognized that the framework would require some further technical fine-tuning in the run up to the preparation of the Staff Guidance Note and implementation.

Directors supported the continued application of the existing definition of debt sustainability, and most concurred that General Government (GG) debt, defined per GFSM 2014 classification, should be the default institutional coverage. A few Directors suggested that the expansion of debt coverage to GG be implemented in a phased manner, as two-fifths of EMs currently report data for the central government only. Directors welcomed the incorporation of public sector liquid financial assets as a mitigating factor, and most Directors supported the risk-based approach under which central bank liabilities and/or SOE contingent liabilities would need to be included in the debt perimeter. However, a few Directors advised the incorporation of a broader range of public sector assets and wider adoption of net public debt concepts in the framework. Directors stressed that capacity-development support would be needed to bring country data coverage to adequate levels. A few

Directors preferred the continuation of the existing 5-year time horizon in certain cases in view of large uncertainties regarding public debt projections.

Directors welcomed the expanded realism toolkit for baseline projections and tools to assess sovereign risks at three horizons: short, medium, and long term. They supported the use of the proposed new tools, with slight adjustments, to produce the probabilistic debt sustainability assessments required in Fund-supported programs and evaluate the consistency of restructuring targets with restoring sustainability in debt restructuring cases. A number of Directors emphasized the need to adequately account for the impact of climate change on sovereign risk and debt sustainability. A few Directors questioned the expansion of the existing realism toolkit to cover exchange rate analysis, especially for pegged regimes. A number of Directors expressed concern about the use of perceptions-based third-party indicators to build the institutional quality variable used in the short- and medium-term models. In addition, these Directors asked to leave adequate room for judgment and, as a cross-check, compare results using alternative indicators of institutional quality that are not perceptions-based.

Directors agreed that a sovereign risk analysis should generally be prepared in both program and surveillance contexts. In a program context, staff reports should contain the full range of risk-of-sovereign-stress outputs for the medium and long term (but not for the near term), as well as an overall risk assessment. In surveillance and precautionary arrangement cases, most Directors endorsed full disclosure of sovereign risk analysis to the Board but limited disclosure (omitting the near-term risk signal and assessment) to the public for a 12-month period, at which time full disclosure to the public would be reconsidered based on the experience gained with the new framework. A number of Directors expressed concern about the unintended consequences from potential market sensitivities of full disclosure of sovereign risk. A number of other Directors favored moving to full disclosure of sovereign risk analysis to the public immediately. Directors noted that implementing the limited disclosure options would require a targeted modification to the Transparency Policy, which would be proposed on a lapse-of-time basis.

Directors agreed that sustainability assessments should be required for arrangements involving GRA resources (including precautionary arrangements) as well as for the PCI. While most Directors agreed that sustainability assessments should be optional in surveillance cases, a few Directors favored preparing a sustainability assessment in surveillance cases with high risk of sovereign stress, with the results disclosed to the Board but not to the public, although a few other Directors would favor public disclosure even for such cases. With respect to program cases, a range of views were expressed. Some Directors preferred maintaining the current practice by which a three-zone assessment is included in staff reports in exceptional access cases but not in normal access cases. A few Directors suggested full disclosure (to the Board and the public) of three-zone assessments in both normal and exceptional access cases. In the end, Directors could go along with disclosure to the Board of three-zone assessments in both normal and exceptional access cases, and to the public only in exceptional access cases, with experience assessed at the end of a 12-month period.

In the context of precautionary arrangements, Directors agreed that sovereign risk assessments would be informed by the baseline scenario, while sustainability assessments would be informed both by the baseline and, when appropriate, by an adverse (full drawing) scenario. They agreed that the latter would be appropriate in exceptional access cases (excluding FCL cases), if shocks triggering a drawing are not adequately captured by the medium-term tools, or when review departments have doubts about the realism of the baseline that cannot be resolved through discussions with the country team, although a few Directors stressed that the appropriate use of the new realism tools should resolve any such doubts.

While most Directors supported the proposed timeline, with a carefully planned roll-out expected for Q4 2021 or Q1 2022, some Directors favored a more accelerated schedule, and a few others considered the proposed timeline could be ambitious. In this context, the transition between the old and the new framework should be carefully managed to ensure consistency. Directors looked forward to the preparation of a guidance note and new templates underpinning the new framework, accompanied by early

engagement with a subset of country teams to test the new tools in parallel with the current framework. They encouraged the provision of appropriate capacity development support and maintaining close engagement with the Board as the framework is implemented, as well as ensuring an effective communication strategy with member-country authorities and external stakeholders during this process.

SU/21/10
January 22, 2021

EUROPEAN CENTRAL BANK—OBSERVER STATUS

1. The European Central Bank (ECB) shall be invited to send a representative to meetings of the Executive Board on: Euro-area policies in the context of the Article IV consultations with member countries under Decision No. 12899-(02/119); Fund surveillance under Article IV over the policies of individual euro-area members; Use of Fund resources by individual euro-area members; Role of the euro in the international monetary system; World Economic Outlook; Global Financial Stability Reports; Fiscal Monitor Report; and World Economic and Market Developments.

2. In addition, the ECB shall be invited to send a representative to meetings of the Executive Board on agenda items recognized by the ECB and the Fund to be of mutual interest for the performance of their respective mandates. It is understood, for purposes of this paragraph and provided that there is no objection from the member concerned, that the ECB shall be invited to send a representative to meetings of the Executive Board on: Fund surveillance under Article IV over the member countries whose currencies are included in the SDR currency basket; Fund surveillance under Article IV over, and on use of Fund resources by, the non-euro area member countries of the European Union; and Fund surveillance over the policies of, and on use of Fund resources by, members that have been placed by the European Commission on the list of candidate countries to the European Union. The Executive Board will be informed by management, after consultation with the Presidency of the Council of the European Union, of any changes to the list of candidate countries to the European Union.

3. At Executive Board meetings, the representative of the ECB will have the status of observer and, as such, will be able to address the Board with the permission of the Chairman on matters within the responsibility of the ECB. The ECB representative may circulate written statements in advance of Board meetings to which the ECB has been invited. Such statements may be acknowledged by the Chairman to become part of the record of the Board meeting.

4. The Fund shall communicate to the ECB:

(i) the agenda for all Board meetings, and

(ii) the documents for the Executive Board meetings to which the ECB has been invited.

5. The Board notes that the ECB has agreed to preserve the confidentiality of all information and documents communicated by the Fund to the ECB, as specified by the Fund, and that any such information and documents shall be solely for the internal use of the ECB. (EBD/17/32, 07/26/17)

Decision No. 12925-(03/1), December 27, 2002,
as amended by Decision Nos. 13414-(05/01), December 23, 2004,
13612-(05/108), December 22, 2005,
14517-(10/1), January 5, 2010, and
16259-(17/71),
August 2, 2017

GUIDELINES/FRAMEWORK FOR FUND STAFF COLLABORATION WITH THE NEW WORLD TRADE ORGANIZATION

The Executive Board decides that the draft guidelines/framework for Fund staff collaboration with the World Trade Organization (WTO), set forth in EB/CGATT/95/1, Supplement 1 (4/18/95), may be used by the staff to discuss cooperation with the WTO staff, with the goal of reaching agreement on collaboration between the institutions. (EBD/96/56, 4/18/95)

Decision No. 10968-(95/43),
April 21, 1995

EB/CGATT/95/1
Supplement 1

Guidelines/Framework for Fund Staff Collaboration with the New World Trade Organization

This note is intended to provide Fund staff with guidelines for cooperation with the World Trade Organization (WTO), established on January 1, 1995. It builds upon the close, formal and informal collaboration that existed between the Fund and the GATT. These guidelines will be periodically reviewed and extended or modified as necessary, in the light of the evolution of the collaborative relationship between the Fund and the WTO.

The ministerial Declaration included in the Final Act concluding the Uruguay Round called upon the Director-General of the WTO to consult with the heads of the Fund and the World Bank on enhanced inter-institutional cooperation, especially with a view to achieving greater coherence in global economic policymaking. Cooperation between the Fund and the WTO is expected to cover the following areas:

- balance of payments consultations
- coherence in global economic policymaking
- consistency of policy advice and obligations
- resolution of open jurisdictional issues
- staff contacts
- representation
- document exchange
- research and information exchange

Balance of payments consultations

An important aspect of Fund/WTO collaboration is through the Fund's participation in the consultations of the WTO Committee on Balance of Payments Restrictions with common members. A WTO member applying restrictions on trade in goods and/or services to safeguard its balance of payments must consult with the WTO Committee. In carrying out these consultations, the WTO Committee is required to consult with the Fund regarding the member's

macroeconomic situation, particularly its balance of payments position and level of international reserves. In reaching its decision as to whether the trade restrictions are justified on balance of payments grounds, the WTO Committee must accept the Fund's findings of statistical and other facts relating to foreign exchange, monetary reserves, and balance of payments, and its determination as to the seriousness of the member's international reserve situation. Thus the Fund should stand ready to provide the WTO Committee timely information and assessment of the consulting member's balance of payments situation. Towards this end, the Fund and WTO will consult on the appropriate timing of the consultation. The Fund will provide the WTO Committee on a timely basis the latest RED report of the consulting member. When a recent RED is not available or where there have been significant changes in the country's external position since the last RED, the Fund will provide updated information on recent economic developments; transmittal of such supplementary information is submitted for Board approval on a lapse of time basis. In the case of a full consultation by the WTO Committee (when detailed discussion of the external financial justification for the restrictions is required), the Fund representative will also provide a statement that has been cleared by the Fund's Executive Board.

Coherence in global economic policymaking

The WTO's charter calls for cooperation with the Fund and the Bank with a view to achieving greater coherence in global economic policymaking. The Fund, given its responsibilities in the macroeconomic policy area, including with respect to exchange rates, can contribute to assessing issues of coherence between macroeconomic and trade policies. The Fund can also contribute to greater policy coherence by taking into account in its work the concerns of the WTO in the trade area. In the period ahead, Fund and WTO staffs will work closely to define better the elements and mechanisms for achieving coherence in economic policymaking, including formal and informal channels for communication between the Fund and the WTO.

Consistency of policy advice and obligations

In the conduct of their surveillance functions, the Fund and the WTO should ensure policy consistency and avoid duplication.

In its surveillance, the Fund examines a member country's trade policy, along with its other economic and financial policies, with respect to their impact on the member's own adjustment and on other Fund members. The WTO exercises surveillance over specific aspects of trade policies (such as the implementation of the Multifiber Arrangement) and over individual countries' overall trade policy (through the trade policy review mechanism (TPRM)) with a view to enhancing the transparency of the trade regime. In surveillance, Fund staff should place greater emphasis on specific macroeconomic/trade linkages. The staff should also take into account the WTO's views of the trade stance of particular member countries, as enunciated, for example, in the WTO's conclusions of the Trade Policy Reviews (TPRs) with individual countries; when TPR reports are out of date or not available, the staff could seek the relevant information from the WTO Secretariat including in some cases through informal staff visits. The WTO Secretariat's reports for the TPR contain as background information the macroeconomic environment of the consulting member. To assist the WTO's surveillance, Fund staff should stand ready to provide information on the macroeconomic policies of common members in the preparation of TPR reports. This would be particularly so in cases where a recent Article IV consultation report is not available.

Fund staff need also to ensure that, in the context of surveillance and use of Fund resources (UFR), and bearing in mind the aim of achieving medium-term external viability, recommended policy measures and program conditionality are consistent with the member's agreements under the auspices of the WTO. This has assumed particular importance in the light of the more extensive commitments undertaken by members under the Uruguay Round. To promote structural reform, Fund policy advice often encompasses features that require reforms that are consistent with (though they may go beyond) a member's undertakings in the WTO. For example, tariffs may be reduced under a Fund-supported program to below levels "bound" in the relevant WTO agreements; this would promote economic efficiency without conflict with obligations under these agreements. However, if tariffs were to be raised above bound levels, this would breach the member's obligations in the agreements under the auspices of the WTO. To avoid such situations,

Fund staff should seek information from the member and from the WTO on the nature and level of its tariff obligations under WTO-administered agreements, and take this information into account in policy formulation. Internal staff review procedures should assist in identifying potentially inconsistent policy measures. Where there is ambiguity or doubt about the WTO-consistency of specific measures, Fund staff should consult with WTO staff on member countries' WTO obligations and would expect WTO staff to provide the necessary input promptly so as to allow timely implementation of Fund-supported adjustment programs. The authorities should also be urged to consult with the WTO to clarify potential conflicts before the measures are implemented.

Fund-supported programs should continue to avoid cross conditionality. That is, Fund-supported programs should continue to avoid directly linking the use of Fund resources to the performance of obligations under the WTO-administered agreements. Fund-supported programs may include reductions in subsidies or trade barriers that are consistent with or go beyond the commitments undertaken under the Uruguay Round when the Fund finds that such measures are necessary to achieve the objectives of the Fund-supported program, but not to enforce commitments to agreements under the auspices of the WTO. Thus, for example, under the Uruguay Round, countries are required in principle to reduce their agricultural export subsidies over a six year period by certain percentages from those prevailing during a specified base period. Fund-supported programs may also call for a reduction in such subsidies, which could be more rapid and comprehensive than under the Uruguay Round, if this is necessary to achieve the program's fiscal and resource allocation objectives. Moreover, provisions in a Fund arrangement constitute conditions for the member's use of Fund resources and do not alter obligations vis-à-vis other WTO members. For example, if program design calls for a reduction in applied tariffs to below WTO "bound" levels, this does not constitute a requirement by the Fund for the member to "bind" its WTO-administered commitments at the lower applied level. Fund staff will continue to consult and coordinate with Bank staff in the design of trade reforms included in Fund-supported adjustment programs.

Resolution of open jurisdictional issues

The Final Act of the Uruguay Round includes a Declaration on the Relationship of the World Trade Organization with the International Monetary Fund, which confirms the continued application of Article XV of GATT 1947 (now GATT 1994) on collaboration with the Fund in the area of trade in goods. Article XV requires the WTO to seek cooperation with the Fund in order for the WTO and the Fund to pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the WTO. These provisions also recognize the right of a WTO member that is a Fund member to maintain exchange controls or restrictions in accordance with the Fund's Articles. Similarly, in the area of services, Article XI of the General Agreement on Trade in Services (GATS) safeguards the rights and obligations of Fund members under the Fund's Articles with respect to restrictions on current international transactions. Thus, it is expected that the WTO will not authorize countermeasures against exchange measures that are consistent with the Fund's Articles, or find measures consistent with the Fund's Articles to violate one of the Multilateral Agreements on Trade in Goods or the GATS, or subject exchange measures to remedies in the absence of violation for "nonviolation, nullification or impairment." The Fund and the WTO will work on clarifying jurisdictional issues in order that the rights and obligations of Fund members are protected.

Staff contacts

Effective cooperation and interaction among the two staffs will be crucial in ensuring that policy inconsistencies and duplication are avoided, and there is full mutual awareness of the interests and concerns of each institution. The Fund's Geneva Office will continue to provide liaison between the Fund and the WTO on an ongoing basis, supplemented by contacts at headquarters. This will include periodic meetings (at least annually) between appropriately senior staff of the Fund and the WTO to identify issues of common concern and the means of dealing with them, including specifically the manner of enhancing collaboration. Bank staff will be invited to

some of these meetings for trilateral discussions on issues of mutual interest. Meetings at head of institution level would be arranged as needed. In cases involving important trade policy issues, there should be more active use of informal Fund staff visits to exchange views with WTO staff, for example en route to Article IV and/or UFR consultations. Similarly, WTO staff should be encouraged to visit Fund headquarters periodically to informally discuss specific country cases (including in the context of preparing TPR reports) or policy issues. Staff secondments could also be given consideration.

Representation

Observer status in the WTO and the Fund is under discussion.

It is envisaged that representation in the Fund could be on several levels. The Director-General of the WTO (or his representative) could be regularly invited as an observer to the meetings of the Interim and Development Committees and to the joint Annual Meetings by the Chairman of the relevant Committee. The WTO Director General (or his representative) would also be invited as an observer in selected meetings covering general trade policy issues of the Fund's Executive Board, and there would also be some contact with the Committee on Liaison with the WTO (CWTO). In parallel with arrangements for Bank staff observers, the WTO staff representative could be invited to intervene in Fund Board/CWTO meetings by an Executive Director or the Chairman. The WTO Secretariat would be expected to treat the deliberations of the Fund Board/CWTO as strictly confidential information not available to other organizations or to the public. Similarly, Fund staff would be expected to treat the deliberations of the WTO with strict confidentiality.

Document exchange

As mentioned earlier, the Fund will transmit to the WTO Committee on Balance of Payments Restrictions the latest RED report or similar document on the consulting member (in addition to a Fund statement where relevant). The Director-General of the WTO will be regularly provided, for the confidential use of the Secretariat, Article IV Consultation reports (staff reports and REDs) on common members. For these members, consideration might be given in

the future to transmitting the Chairman's Summing Up of the Board discussion to the WTO Director-General, as long as the concerned Executive Director raises no objection. For Fund members that are seeking accession to the WTO, consideration might also be given to transmitting to the WTO Director-General Article IV Consultation reports, provided that the concerned Executive Director raises no objection. Fund staff will also ensure that an up-to-date assessment of a country's macroeconomic situation is available to WTO staff at the time of preparation of the latter's TPR reports or as needed; where there is considerable interval between the Article IV discussion and the TPR, Fund staff should be able to provide WTO staff updated factual information on the macroeconomic situation. As in arrangements with the GATT, Fund staff expect to continue to receive on a confidential basis most WTO documents (i.e., minutes and reports of councils and other bodies, the reports of member countries to these bodies, and TPR reports).

Research and information exchange

Fund staff will seek the WTO Secretariat's views on selected reports in which international trade policy issues are prominently featured. Fund staff expect to be able to comment on selected WTO staff reports in which macroeconomic issues are discussed. Joint studies on topics of mutual interest could be considered from time to time. Fund and WTO staff could participate in seminars at respective institutions involving topics of mutual interest. To improve awareness and reduce duplication, Fund and WTO staffs could make greater use of each other's basic data, taking into account confidentiality requirements of the respective organizations. This could also help reduce the burden on officials in member countries caused by duplication of requests for basic information. With a view to better investigating the economic and financial implications of the Uruguay Round on individual countries,[1] Fund staff have requested access to the WTO's Integrated Database; this should not involve setting up new communications links as Fund staff would

1 Such investigations would also help assessment of possible adverse effects of the Round on particular developing countries as recognized by the WTO ministerial decision.

be able to obtain relevant data from the World Bank which has already been granted access to the Integrated Database.

EXCHANGE OF DOCUMENTS WITH OTHER INTERNATIONAL AGENCIES

1. (a) The Managing Director may transmit to international agencies having specialized responsibilities within the Fund's field of interest the following documents pertaining to common member countries of the Fund and the eligible international organization: (i) staff reports and related documents pertaining to (A) surveillance under Article IV, Section 3(a) and (b), (B) the use of Fund resources, and (C) the Policy Support Instrument and the Policy Coordination Instrument; and (ii) technical assistance reports.

(b) The transmittals described in paragraph 1(a) shall be subject to the reciprocal transmittal of comparable documents of the recipients to the Fund, and on the understanding with the recipients of the documents that the reports will be kept confidential and shall be carried out in accordance with the criteria and procedures set forth in SM/90/120 (6/20/90) and Correction 1 (7/17/90), SM/93/24 (1/28/93), and SM/17/283 (10/26/17), and in the light of the discussion and summing up of EBM/90/105 and EBM/90/106 (7/2/90). In the event confidentiality or reciprocity is not upheld, the document sharing arrangement with the eligible international organization may be suspended by the Managing Director until the Managing Director is assured that confidentiality or reciprocity will be maintained.

2(a) The Managing Director may transmit to the central bank and executive body of an eligible currency union as set forth in the Annex to this decision the following staff reports and related documents pertaining to members of the eligible currency union: (i) surveillance under Article IV, Section 3(a) and (b) including Board discussions on common monetary and exchange rate policies of the eligible currency union; (ii) use of Fund resources; (iii) the Policy Support Instrument and the Policy Coordination Instrument.

(b) The Managing Director may transmit to the central bank and executive body of an eligible currency union as set forth in the

Annex to this decision: (i) staff reports and related documents on Fund surveillance under Article IV, Section 3(a) and (b) pertaining to countries whose currencies are included in the basket of currencies that make up the Special Drawing Right; and (ii) the World Economic Outlook, the Global Financial Stability Report and the Fiscal Monitor.

(c) The transmittal of the documents in paragraphs 2(a) and (b) may take place shortly after their issuance to the Executive Board, provided that there is no objection by the member country to whom the document pertains.

(d) The Managing Director may transmit to the central bank and the executive body of the eligible currency union summings up relating to Board discussions on the documents covered under paragraphs 2 (a) and (b) after issuance to the Executive Board provided that there is no objection by the member country to whom the summing up pertains.

(e) The transmittals described in paragraph 2 shall be subject to the reciprocal transmittal of comparable documents of the recipients to the Fund, and on the understanding with the recipients of the documents that the documents will be kept confidential, and shall be carried out in accordance with the criteria and procedures set forth in SM/17/283 (10/26/17). In the event confidentiality or reciprocity is not upheld, the document sharing arrangement with the relevant organization may be suspended by the Managing Director until the Managing Director is assured that confidentiality or reciprocity will be maintained.

3. Executive Directors concerned may share with the executive body of the eligible currency union informal notes and summaries prepared by Directors' offices relating to Board discussions for which the executive body of the eligible currency union receives related Board documents as set forth in paragraph 2 (a) and (b) of this decision. Such sharing would be subject to ensuring the safeguarding of the confidentiality of notes and summaries.

4. Nothing in this decision shall be read to discontinue or limit the dissemination of documents to any institution allowed by virtue of another decision of the Board or agreement between the Fund and such institution. In cases where this decision expands the scope of Fund documents to be transmitted or modifies the manner in which such documents are transmitted beyond what is provided for in an existing Board decision or under existing practice, this decision shall prevail over such other decisions and practices.

5. In addition, documents referred to in paragraph 11 of the Agreement between the Fund and the World Trade Organization may be transmitted to the World Trade Organization Secretariat on the sixth working day after their circulation to Executive Directors, provided that there is no objection by the member concerned.

Decision No. A-9786-(93/20),
February 11, 1993,
as amended by Decision No. A-10615-(96/105),
November 25, 1996, and
16276-(17/89),
November 9, 2017

Transmittal Policy—The Exchange of Documents Between the Fund and Other Organizations—Decision on Transmittal to Currency Unions

Annex

The eligible currency unions, and their central banks and executive bodies for the purpose of the decision are: the Euro Area (the European Central Bank and the European Commission); the Eastern Caribbean Currency Union (the "ECCU") (the Eastern Caribbean Central Bank and the Monetary Council of the ECCU); the Central African Economic and Monetary Union (the "CEMAC") (the Banque des Etats de l'Afrique Centrale and the Commission of CEMAC); and the West African Economic and Monetary Union (the Banque Centrale des Etats de l'Afrique de l'Ouest and the Commission of WAEMU).

SM/90/120

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(a) Criteria for access

The following three basic criteria would seem relevant in considering the appropriateness of access to Fund documents:

(i) Commonality of operational interest and need: documents would in principle be available to official international organizations that share with the Fund a current operational and financial interest in the particular member country concerned. Thus, organizations that are or will be providing substantial financial assistance to Fund members, primarily balance of payments support whose effectiveness is dependent on the macroeconomic environment, would a priori meet this criterion. Organizations would also have to be deemed to have an operational need for the information in Fund documents.

(ii) Reciprocity: recipient organizations would need to be prepared to make arrangements as appropriate to ensure reciprocity of comparable country papers. The staff will need to explore the scope and nature of these papers in the case of each organization.

(iii) Confidentiality: recipient organizations would need to assure the Fund that the documents provided will not be used for any purpose other than that specified in the organization's request and would be kept confidential. A senior official of the organization would submit a request to the Secretary of the Fund for the regular transmittal of documents, and provide assurance that the material in the documents was for the internal and exclusive use by staff only and that it would not be quoted from, either in whole or in part, or used in publication.

The agencies which meet these criteria at this time, and which could be expected to request regular transmittal of country documents, would include the AfDB, AsDB, Arab Monetary Fund, Arab Monetary Fund, CDB, IsDB, IDB, EC Commission (see also Section V), EIB, and the UNDP on countries that are receiving technical assistance under the executing agency arrangement with the Fund. However, this indicative list can be expected to evolve over time with the agencies' scope of financial operations, and in terms of the countries of concern for each agency. For example, it might also be appropriate to include in this list at some point in the future the newly founded European Bank for Reconstruction and Development. Thus, the staff would keep agency and country indicative lists under periodic review in light of the basic criteria listed above.

SM/93/24

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Given the clear need for a more timely release of country documents, certain modifications in the procedures set out in SM/92/90 may be helpful. These do not alter the guidelines and principles of the Board's decision of July 1990. The request for clearance of the document's transmittal could be made, on a "no objection" basis, in the Secretary's cover note to the document when it is first circulated to Executive Directors (see sample in Attachment III), with a considerable saving of paperwork and time. In this way, the document could be prepared for transmittal shortly after its circulation, and dispatched at a time indicated on the cover note. This time could be, according to the circumstances and on the basis of requirements to be indicated by the area department, either immediately following consideration by the Board or, in what are expected to be exceptional cases, at a specific date before the Board discussion. The need to consider release prior to Board discussion could arise when the early availability of a document is seen to be required, for instance, in order to make available background information when preparations are being made for the provision by donors or other agencies of financial or technical assistance to members, or to facilitate Paris Club rescheduling discussions.[1]

[1] Ed. Note: Not included in this volume.

The modified procedures for clearing the release of country documents will apply only to the transmittal of staff reports and REDs sent to various agencies on a regular basis. Ad hoc requests for country documents will continue to be cleared in the same way as in the past, with the area and issuing department, and with the concurrence of the Executive Director concerned.

Summing Up by the Chairman—
Policy Orientation and Balance of Payments
Assistance of Bilateral and Multilateral Aid Agencies,
Executive Board Meeting 90/106, July 2, 1990

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To facilitate a greater exchange of information on country operations with multilateral agencies that are providing financial support for economic reforms, Directors agreed that the current procedures for release of Fund country documents should be modified to allow access to a wider range of such documents and for a larger group of recipient organizations, provided the confidentiality of the documents would be properly safeguarded. The changes in procedures would comprise staff reports for Article IV consultations, as well as staff papers on requests for and reviews of the use of Fund resources, and papers on recent economic developments. In all cases of documents involving the use of Fund resources, letters of intent and/or policy memoranda, as well as relevant decisions and texts of arrangements, would be deleted; and in certain exceptional cases, perhaps a summary of especially sensitive information would be provided. Directors endorsed the proposal for such a modification on the basis of the criteria set out in the staff paper (SM/90/120).[1]

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BUFF/90/137
August 6, 1990

[1] See, for example, requests to provide economic reviews on states of the former Soviet Union to the EC, the EBRD, the EIB, the OECD, and the BIS (EBD/92/44, 3/6/92), and staff reports on the use of Fund resources by Estonia, Latvia, and Lithuania to the EC (EBD/92/185, 8/28/92, and EBD/92/237, 10/2/92).

The Acting Chair's Summing Up—
IMF Membership in the Financial Stability Board,
Executive Board Meeting 10/86, September 8, 2010

Executive Directors welcomed the opportunity to discuss the proposal for Fund membership in the Financial Stability Board (FSB). Directors noted that Fund staff had already been collaborating informally but closely with the FSB's predecessor, the Financial Stability Forum, on a wide range of financial sector issues. They considered that the establishment of the FSB with its own charter in 2009 provided an opportunity for the Fund, alongside the other international financial institutions, to establish a more formal basis for its participation in the work of the FSB.

Directors noted that the responsibilities of the Fund and the FSB are distinct but closely related and complementary. They considered that the Fund should continue to fulfill its responsibilities as they are set out in the Articles of Agreement, while the two bodies should strive to minimize duplication and overlap in their work. They stressed that the Fund should continue to take the lead in surveillance over the international monetary system and analysis of macrofinancial stability issues in its member countries. At the same time, the Fund should also collaborate with the FSB to address financial sector vulnerabilities and to develop and implement strong regulatory, supervisory, and other policies in the interest of financial stability.

Most Directors agreed that Fund membership in the FSB would provide the most appropriate basis for effective cooperation and collaboration between the two bodies. They noted that membership would allow the Fund to build effectively on the relationship that Fund staff had already established with the FSB, and to play an important role in the FSB's work. A number of other Directors, however, expressed reservations with this approach and called for more discussion of other alternatives, including less formal arrangements, such as observer status for the Fund or a bilateral memorandum of understanding.

Directors underscored the importance of preserving the Fund's independence and accountability to its entire membership

in its future collaboration with the FSB. In approving the Fund's acceptance of membership, they endorsed the understandings that are set out in paragraph 23 of SM/10/221 and, in particular, emphasized that the acceptance of membership in the FSB would not give rise to any legal rights or obligations for the Fund, and the Fund would reserve the right not to take part in the decision making of the FSB where such participation would not be consistent with the Fund's legal or policy framework. In this connection, a number of Directors expressed concern about the nature of the FSB's non-cooperating jurisdictions (NCJs) process and its potential impact on the Fund's accountability to its membership, and stressed that Fund membership in the FSB should not be seen as endorsement of possible FSB initiatives to sanction NCJs.

Directors agreed that the Managing Director would guide the Fund's participation in the FSB based on consultations with the Board, including on issues of strategic importance. In this context, they took note of management's intention to keep Directors informed of the staff's work in the FSB through regular updates.

BUFF/10/132,
September 16, 2010

Attachment[1]

Paragraph 23 of SM/10/221

23. **In approving Fund membership in the FSB, the Executive Board would need to clarify certain understandings that would be communicated to the FSB.** Similar to the approach that the Secretariat of the OECD and the staff of the World Bank are taking in respect to membership to the FSB, the Board would clarify:

• The acceptance of membership in the FSB will not give rise to any legal rights or obligations for the Fund.

• Like other IFIs, the Fund will participate in the FSB in accordance with its legal framework and policies, under Article 5(3) of the FSB Charter.

[1] Ed. Note: The text of paragraph 23 of SM/10/221, August 11, 2010, is included in this volume for the reader's convenience.

• Accordingly, the Fund will reserve the right in specific circumstances not to take part in the decision making of the FSB where such participation would not be consistent with its legal or policy framework.

• In the event that the FSB reaches a decision by consensus that its members would be expected to implement, the Fund will only be prepared to do so to the extent that, and for so long as, it is consistent with its legal and policy framework.

These understandings could be set out in the summing up of the Board discussion approving membership and communicated to the FSB after the meeting.

IMF Membership in the Financial Stability Board

1. The Fund's acceptance of membership in the Financial Stability Board (the "Association") is approved.

2. In approving the Fund's acceptance of membership in the Association, it is understood that (i) the Fund will participate in the Association in accordance with the Fund's legal framework and policies, (ii) the Fund will reserve the right not to take part in, or be bound by, the decision making of the Association on policy-making and related activities where such participation would not be consistent with the Fund's legal or policy framework, and (iii) if the Association reaches a decision on a policy-related matter, the Fund will only be prepared to support that decision to the extent that it is consistent with the Fund's legal and policy framework. (SM/13/44, 02/22/13)

Decision No. 15333-(13/23),
March 15, 2013

The Chairman's Summing Up—Collaboration between Regional Financing Arrangements and the IMF, Executive Board Meeting 17/68, July 26, 2017

Executive Directors welcomed the proposed framework for collaboration between regional financing arrangements (RFAs) and the Fund, which is part of a broader effort to enhance the global financial

safety net (GFSN). They agreed that stronger Fund-RFA collaboration would bring substantial mutually-reinforcing benefits. These include promoting early engagement, exploiting complementarities, increasing the firepower, and mitigating contagion. Directors also concurred that a more structured approach would help enhance transparency, predictability, and effectiveness of collaboration in an increasingly multi-layered GFSN, with the Fund at its center. From the Fund's perspective, improved collaboration with RFAs would help increase its catalytic role and reduce stigma associated with the use of its resources. For some countries that do not have access to RFA resources, the Fund's role at the center of the GFSN, and its readiness to assist these countries, is even more critical.

Directors endorsed the six operational principles to guide future Fund-RFA collaboration, as laid out in the staff paper. They welcomed the fact that these principles were grounded in actual Fund-RFA co-financing experience and, at the same time, are generally in line with the existing high-level G20 principles. Directors underscored the importance of the Fund and the RFA respecting each other's mandate and independence; aiming at consistency and evenhandedness, and encouraging early cooperation. Directors also emphasized that the Fund's preferred creditor status must be fully respected. A number of Directors observed that operationalizing some of these principles may be challenging given the inherent tensions between them.

Directors broadly supported the proposed operational modalities for collaboration based on activities in the areas of capacity development, surveillance, non-financial support, and lending. This framework would allow the Fund to tailor its engagement with RFAs depending on the form of operations and the capacity of each RFA. At the same time, it would provide clear rules of engagement ranging from formal agreement for surveillance and capacity development, to more flexible modalities suitable where the situation may change rapidly, including for lending activities. Directors noted that the different modalities were necessary given the diversity and heterogeneity of RFAs. Directors generally saw mutual benefits from a regular exchange of views, and possible attendance of RFA staff in selected Article IV mission meetings with the consent of both the member country concerned and Fund mission chief. In the context of lending

arrangements, Directors emphasized that the roles of the Fund and the RFA in program design and monitoring need to reflect their respective mandates and policies, as well as the capacity of the RFA. Where the RFA has limited capacity or its areas of responsibilities do not overlap with the Fund, the Fund should take a leading role in establishing the macroeconomic framework, policies, and conditionality. Where the RFA has expertise and room for a division of labor is limited, collaboration could in principle be based on a single coherent and consistent program framework and the independence of the parties involved. Directors observed that this second model calls for careful implementation to strike the right balance between flexibility and evenhandedness while preserving independence, with a few suggesting that it could be helpful to develop clear criteria for determining RFA capacity. Directors stressed that, regardless of the modality used, it would be important to adhere to the six operational principles and for each institution to comply with its own governance structure. They highlighted, in particular, the need to preserve the Fund's high-quality lending standards and independence of assessments in its core areas of responsibility, including debt sustainability analysis, and to adhere to the Fund's policies.

Directors acknowledged the potential for difficulties in resolving fundamental differences of views over program design and conditionality in certain situations, which may have implications for public communication. They agreed that formal mechanisms for resolving difficulties may be counterproductive, although some saw merit in developing broad parameters ex ante. Directors noted that co-financing by the Fund would proceed only when the member's program, including the macroeconomic framework and conditionality, is consistent with the Fund's lending policies, and that the Fund's role in program design and monitoring would be independent of the share of overall financing it provides. In this context, efforts by the RFA to extend the maturity of its financing to better align with that of the Fund would help address financing assurances concerns. Some Directors emphasized that, in protecting its independence, the Fund must be prepared to withhold its participation whenever areas core to its mandate would be compromised, and noted in this regard that the recent IEO report on euro area programs provides insightful lessons.

Directors underlined the importance of sharing technical information between the Fund and RFAs, conditional on reciprocity and confidentiality assurances. They recognized that a clearly-defined legal identity and governance structure of the RFA could help facilitate collaboration in this area. A number of Directors also noted that consideration should be given to sharing country staff reports, especially in a lending context, with relevant RFAs at the time they are issued to the Fund's Executive Board for consideration. A few Directors noted that information sharing, and technical assistance more broadly, would particularly help smaller RFAs strengthen their capacity over time.

Directors regarded the proposals discussed today as an important first step toward stronger and more structured collaboration between the Fund and RFAs. They welcomed the proposed next steps, including continued dialogue between the Fund and RFAs, both individually and collectively, and joint test-runs. These efforts would help improve the operational preparedness of both sides, identify any impediments to co-financing operations and, as warranted, develop more concrete guidance. Directors encouraged staff to continue to draw on new experiences and ex post program evaluations, and provide an update to the Board once experience with the framework established here has been accumulated or as significant issues arise.

BUFF/17/67
July 28, 2017

THE EXCHANGE OF DOCUMENTS BETWEEN THE FUND AND REGIONAL FINANCING ARRANGEMENTS

1. For the purpose of this decision, the term "Regional Financing Arrangement" shall mean a financing mechanism backed by pooled resources through which a group of countries pledge common financial support to a fellow member in the event of external liquidity needs or balance of payments (BoP) difficulties.

2. a. The Managing Director may transmit to Regional Financing Arrangements ("RFAs") that meet the criteria set forth in subparagraph (b) below ("eligible RFAs") the following documents pertaining to common member countries of the Fund and the

eligible RFA: staff reports and related documents pertaining to (A) surveillance under Article IV, Section 3(a) and (b), (B) the use of Fund resources, and (C) the Policy Support Instrument and the Policy Coordination Instrument; (D) Staff Monitored Programs, Post-Program Monitoring reports, and Ex-Post Evaluation reports; (E) Financial System Stability Assessments; and (F) Selected Issues and Statistical Appendixes. The transmittal of documents under this paragraph would occur after Board consideration of the relevant document, provided that there is no objection by the member country to whom the document pertains.

b. The following criteria shall be applied in determining eligibility for access to Fund documents under this decision:

(i) Commonality of operational interest: The RFA has specialized responsibilities within the Fund's field of interest (generally, a mechanism that is or will be providing substantial financial assistance to the member country concerned).

(ii) Reciprocity: The RFA commits to transmit comparable documents of the RFA to the Fund.

(iii) Confidentiality: The RFA provides credible assurance to the Fund that documents provided to the RFA would be used only for the internal purposes of the RFA and would be kept confidential. In the event that the confidentiality or reciprocity assurances are not upheld by the RFA, the document sharing arrangement with the RFA may be suspended by the Managing Director until the Managing Director is assured that the commitments would be kept.

3. a. The Managing Director may, in cases where an eligible RFA is providing or has indicated its readiness to provide financing to a common member country, transmit to the RFA staff reports and related documents on

(i) the use of Fund resources, and

(ii) the Policy Support Instrument and the Policy Coordination Instrument, pertaining to the concerned common member country,

whichever is applicable. The transmittal of Fund documents under this paragraph may take place shortly after their issuance to the Executive Board, provided that there is no objection by the member country to whom the document pertains.

b. The transmittals described under this paragraph may be suspended by the Managing Director if she determines that the RFA's financing activity with the common member country has been inactive for six months or more or upon completion of the RFA's financing.

4. With regard to each eligible RFA, the transmittals described in paragraphs 2 and 3 of this decision shall take place only after the eligible RFA requests a document sharing arrangement with the Fund and identifies an appropriate entity within the RFA to receive access to Fund documents as set forth in paragraphs 14 and 17 of SM/17/326. The transmittals described in paragraph 3 of this decision shall take place only after the eligible RFA indicates that it is providing or ready to provide financing to a common member country. (SM/17/326, 12/06/17)

Decision No. 16307-(17/102),
December 13, 2017

Article XII, Section 3

Executive Directors

ADJUSTMENT OF QUOTA AND VOTING POWER

A change in the quota of a member between regular biennial elections will change by the same amount the voting power of the elected Executive Director who casts the votes of the member.

Decision No. 180-5,
June 25, 1947

CODE OF CONDUCT FOR THE MEMBERS OF THE EXECUTIVE BOARD OF THE INTERNATIONAL MONETARY FUND

The Executive Board approves the Code of Conduct for Members of the Executive Board (EBS/00/108, Rev. 1, 7/7/00)

Decision No. 12239-(00/71), July 14, 2000,
as amended by Decision No. 13146-(03/114),
December 12, 2003

EBS/00/108, Rev. 1

Code of Conduct

Executive Directors of the Fund are entrusted by the member countries that have selected them with responsibilities for ensuring that the Fund carries out the mandate prescribed in its Articles of Agreement. The office of Executive Director of the Fund requires personal and professional conduct that meets the highest standards. The Board of Governors has adopted certain resolutions with respect to the conduct of Executive Directors. In addition, Executive Directors have adopted the following Code of Conduct, which is intended to provide guidance on ethical standards in connection with, or having a bearing on, their status and responsibilities in the Fund.

The standards set out in this code also apply to Alternate Executive Directors, and Advisors to Executive Director, who

perform their functions under the authority of the Executive Director. However, in lieu of the procedures set forth below concerning the Ethics Committee of the Executive Board, Executive Directors will consider any allegations of misconduct by Alternates and Advisors in their respective offices and will take such measures as are necessary and appropriate in the circumstances.

Application

Except with respect to the consideration of alleged misconduct by the Ethics Committee, all references to Executive Directors in this Code shall include Alternates and Advisors unless otherwise indicated. With respect to assistants to Executive Directors, Executive Directors should apply, to the extent possible, the provisions of the Fund Staff Code of Conduct to assistants in their own offices, and should take such measures as are necessary and appropriate. Other persons who are designated as Temporary Alternates shall also be subject to the provisions of this Code on the same basis as Executive Directors.

Basic Standard of Conduct

Executive Directors should observe the highest standards of ethical conduct. In the performance of their duties, they are expected to carry out the mandate of the Fund to the best of their ability and judgment, and to maintain the highest standards of integrity. In their conduct outside the workplace, they should also ensure that they observe local laws so as not to be perceived as abusing the privileges and immunities conferred on the Fund and Executive Directors.

Conduct Within the Fund

Executive Directors should treat their colleagues and the staff with courtesy and respect, without harassment, physical or verbal abuse.

Executive Directors should exercise adequate control and supervision over matters for which they are individually responsible.

Executive Directors should ensure that Fund property and services are used by themselves and persons in their offices for official business only.

Protection of Confidential Information

In line with the rules and guidelines of the Fund, Executive Directors have the responsibility to protect the security of any confidential information provided to, or generated by, the Fund.

Public Statements

When making public statements or speaking to the media on Fund-related matters, Executive Directors should make clear whether they are speaking in their own name or on behalf of the Executive Board.

Conflicts of Interest

In performing their duties, Executive Directors will carry out their responsibilities to the exclusion of any personal advantage.

Executive Directors should avoid any situation involving a conflict, or the appearance of a conflict, between their personal interests and the performance of their official duties. If such a conflict arises, Executive Directors should promptly inform the Ethics Committee and withdraw from participation in decision making connected with the matter. If the conflict is potential rather than actual, Executive Directors should seek the advice of the Ethics Committee about whether they should recuse themselves from the situation that is creating the conflict or the appearance of conflict.

Personal Financial Affairs

Executive Directors should not use, or disclose to others, confidential information to which they have access, for purposes of carrying out private financial transactions. Because of the Fund's role in exchange rate surveillance, Executive Directors should not engage in short-term trading (i.e., a combination of buying and selling within six months) in gold, foreign currencies, and closely related financial instruments, for speculative purposes. For this purpose, the term "combination" does not include one-way transactions, such as the selling or buying of foreign exchange for household expenses, education or travel expenses.

For purposes of complying with these principles, Executive Directors should follow the guidance provided to the staff.

Disclosures

Executive Directors should make written disclosure to a compliance officer selected by the Executive Board of any financial or business interests of their own or their immediate family members. Until the extent and manner of this disclosure are determined by the Executive Board, the rules governing disclosure by the senior staff of the Fund shall apply. The compliance officer shall bring any unresolved concerns regarding a conflict of interest between an Executive Director's holdings and the performance of Fund duties to the attention of the Ethics Committee of the Board.

Gifts and Entertainment

In regard to acceptance of favors, gifts and entertainment, Executive Directors should exercise tact and judgment to avoid the appearance of improper influence on the performance of their official duties. The ordinary courtesies of international business and diplomacy may be accepted, but substantial and unusual gifts, favors and entertainment, as well as loans and other services of significant monetary value, should not be accepted.

Post-Fund Employment

When negotiating for, or entering into an arrangement concerning, prospective employment outside the Fund, Executive Directors should not allow such circumstances to affect the performance of their duties. Where involvement in a Fund matter could be, or could be perceived as, benefiting the prospective employer, regardless of whether there is detriment to the Fund or their constituents, Executive Directors should recuse themselves.

Executive Directors who leave the Fund should not use or disclose confidential information known to them by reason of their service with the Fund, and should not contact Executive Directors or other Fund officials (other than through official channels) to obtain confidential information.

The Ethics Committee of the Executive Board

An Ethics Committee, comprised of five Executive Directors, shall be established by the Executive Board to consider matters relating to this Code. In addition, if requested to by Executive

Directors, the Committee shall give guidance to them on ethical aspects of conduct, including the conduct of their Alternates, Advisors and assistants.

The Executive Board shall select a Chairperson, four members, and five alternate members from among Executive Directors. They shall be selected on the occasion of a general election of Executive Directors, and shall serve for two years. If the Chairperson, a member or an alternate member resigns, a new Chairperson, member or alternate member shall be selected by the Executive Board to complete the remainder of the term.

In the absence of the Chairperson, the Committee member who is the most senior Executive Director in the Board shall serve as acting Chairperson. In the event that a member of the Committee is not able to attend or serves as acting Chairperson, an alternate member shall serve in that member's place in order of seniority of Board membership. If the conduct of a member of the Committee is under consideration by the Committee, that member shall recuse himself/herself and be replaced as provided above.

The General Counsel of the Fund, or if absent his/her representative, shall be the permanent secretary of the Committee. The Ethics Committee may seek the views of the Fund's Ethics Officer ex officio on any matter with which it is dealing.

The meetings of the Ethics Committee shall be restricted to members only and the permanent secretary of the Committee except at the Committee's invitation.

The Ethics Committee shall consider any alleged misconduct by an Executive Director, and any matters brought to its attention by the compliance officer concerning the disclosures made by Executive Directors about any actual or potential conflict of interest. The Executive Director concerned shall, in all cases, be given the opportunity to present his/her views to the Committee.

If a majority of the Ethics Committee concludes that misconduct has been committed, and taking into account both the nature and seriousness of the misconduct and the Executive Director's prior record of conduct, the members of the Committee shall make

recommendations to the Committee of the Whole of the Executive Board regarding whether a warning should be issued to an Executive Director, and whether such warning should be conveyed to the Governor(s) of the member country (or countries) that appointed, elected or designated the Executive Director. If a majority of the Ethics Committee concludes that no misconduct has been committed, the Executive Director concerned shall be so informed and no recommendation shall be made. When convened for this purpose, the Committee of the Whole shall be comprised exclusively of Executive Directors and shall have a quorum equal to one-half the number of Executive Directors.

Upon receiving the recommendations of the Ethics Committee, the Committee of the Whole shall consider which of the following actions to take: (i) no further action in the matter; (ii) issuance of a warning to the Executive Director; or (iii) issuance of a warning to the Executive Director and transmittal of the warning to the Governor(s) of the member country (or countries) that appointed, elected or designated the Executive Director. If there is no consensus in the Committee of the Whole as to which action to take, the matter shall be referred to the Executive Board for decision.

The Executive Director concerned shall, in all cases, have the opportunity to present his/her views to the Committee of the Whole, but shall not participate in the deliberations on the case.

Executive Board Meetings—Procedural Guidelines,
Executive Board Meeting 75/12, February 7, 1975

The Executive Directors considered a paper describing the procedures for the adoption of decisions at meetings of the Executive Board (SM/75/13, 1/10/75).

…

The Executive Directors endorsed the guidelines as amended during the debate, agreeing that they would be available for the possible use of the Chairman and the Executive Directors on those rare occasions on which it became necessary to invoke an understanding about procedure.

SM/75/13

Procedural Guidelines for the Executive Directors

1. Any question of procedure that arises shall be decided before the discussion of substantive matters is resumed.

2. If there is more than one proposal on any subject under consideration, the proposals shall be considered one at a time and in the order in which they were submitted. If two or more proposals are submitted together, they shall be considered simultaneously and shall be decided upon in the order in which they have been presented.

3. An amendment is germane to the subject of a proposal and adds to, deletes from, or revises that proposal. The Chairman shall rule on the question whether a motion is a new proposal or a proposed amendment.

4. If an amendment to any proposal or previously proposed amendment is offered, consideration of the amendment shall be completed before consideration is resumed of the proposal or previously proposed amendment to which it relates. If more than one amendment is proposed, the amendments shall be considered in the reverse order of their submission.

5. The Chairman may rule that parts of a proposal or proposed amendment shall be considered or decided upon separately. If the parts are severed, they shall be taken up in the order in which they appeared in the proposal or proposed amendment.

6. If a proposal or proposed amendment is adopted, any inconsistent proposals or proposed amendments shall not be considered.

7. The Chairman shall rule on questions of procedure, including questions of the application, of these guidelines.

8. The Executive Directors may revise rulings made under these guidelines and may depart from or amend these guidelines at any time.

Article XII, Section 4

Managing Director and Staff

AUTHORIZED SIGNATORIES

1. All instructions and instruments in writing purporting to be binding on the Fund or to be an exercise of any right of the Fund shall be signed for the Fund by either:

(a) the Managing Director; or

(b) such other official or officials of the Fund or other person or persons as the Managing Director shall designate in writing.

2. Authority to sign instructions and instruments for the Fund which is granted by a designation under subparagraph (b) of paragraph 1 of this decision shall not be delegable.

3. Any signature pursuant to this decision may be a facsimile signature or other means of identification if it is authorized in writing by the Managing Director.

4. This decision supersedes all prior general signature authority decisions of the Executive Board without prejudice to action taken pursuant to them. (EBAP/90/315, 11/30/90)

Decision No. 9605-(90/170),[1]
December 7, 1990

The Chair's Summing Up—
Review of Institutional Safeguards,
Executive Board Meeting 22/62, June 30, 2022

Executive Directors met to discuss the Review of Institutional Safeguards and expressed appreciation for its findings and recommendations. They underscored that ensuring the highest

[1] Ed. Note: The current Registry of Signatory Authority, which contains the list of authorized signatories and certified signatures, is maintained on file with each department.

standards of institutional governance and data and analytical integrity is paramount to the Fund delivering on its mandate in an effective, even-handed, and impartial manner.

Directors recalled that the Review follows on the Executive Board's Review on the Investigation of the World Bank's Doing Business 2018 Report. At that time, the Board expressed confidence in the impartiality and analytical excellence of Fund staff and in the Fund's channels for complaint, dissent, and accountability. The Board, nonetheless, in October 2021, committed to consider possible additional steps to strengthen institutional safeguards at the Fund. Against this background, the Board established a Steering Group of Executive Directors (SG) to lead the follow-up review, which aims to ensure that the Fund's systems reflect a robust governance structure that meets the highest standards.

Directors welcomed that the review took an integrated approach, with the SG working with management and two Staff Working Groups (WGs) focused on internal governance and staff voice, and data and analysis integrity. They considered the appointment of an external, independent panel of high-level experts to assess the Fund's internal dispute resolution system an important step. Directors committed to carefully consider all recommendations from the WGs and the External Panel of Experts, in a timely manner.

Directors supported the proposed joint statement from management and the Executive Board. They endorsed the planned approach to implement a set of immediate measures, while in parallel developing an action plan to respond to the full set of recommendations. Noting the strategic nature of this work, Directors emphasized the importance of an update to the Board on progress ahead of the Annual Meetings and for the full action plan, with timelines and a proposed monitoring strategy, to be discussed with the Executive Board at the latest by the end of 2022. They recommended that the action plan include a careful evaluation and costing of all the recommendations, detailing whether the intention is to adopt it as drafted, adapt it, or to not take it forward. For those recommendations that would not be implemented, the rationale should be provided. Directors stressed the importance of Board involvement in the development of the action plan, highlighting that some

recommendations relate directly to the Board's role and function. A few Directors underscored the importance of strengthening the framework to mitigate the risk of leaks of confidential documents.

Directors agreed that the SG should remain in place for at least another six months, including to monitor implementation of any recommendations, as well as interact with management and the WGs on further steps. Directors emphasized the importance of closely engaging staff throughout the development of the action plan and its implementation.

SU/22/103,
July 7, 2022

The Chair's Summing Up—Implementation Plan in Response to IMF Executive Board and Management Endorsed Recommendations of the 2022 Institutional Safeguards Review, Executive Board Meeting, 22/102, December 16, 2022

Executive Directors supported the implementation plan (IP) in response to the recommendations arising from the 2022 Review of Institutional Safeguards, positively noting that it is the result of a careful and thorough consultation process involving the Board's Steering Group on Institutional Safeguards, management, and staff. Directors reiterated their strong commitment to a durable change in the organizational culture of the institution, where discourse and dissent are recognized as critical to the Fund's ability to continue to deliver at the highest standards on its mandate. In this context, they agreed that the IP incorporates comprehensive, mutually reinforcing measures that should help maintain the highest standards of institutional governance and preserve the high quality of Fund advice, noting that this will require a deliberate approach and strong, sustained commitment from the top of the institution, including the Board and management.

Directors welcomed the focus on measures to bolster data and analytical integrity. Recognizing that work in this area is well underway, they looked forward to the initiatives to clarify both the role of management in the clearance of staff papers and staff's engagement with the Offices of Executive Directors (OEDs), which

will require articulating a definition of undue influence that takes into account the dual roles that Executive Directors play in practice, being officers of the Fund who owe an overriding fiduciary duty to it, while at the same time representing the views of their country authorities. They called for the Steering Group and the Board to be fully involved in this workstream. Directors supported steps to ensure evenhanded coverage of emerging areas in surveillance and to strengthen transparency and documentation of the internal review process. A few Directors raised concerns about the mechanisms to address situations where countries could have been subjected to lack of evenhandedness, and a few other Directors reiterated the importance of strengthening the framework to mitigate the risk of leaks of confidential documents. Many Directors considered the review of the Transparency Policy an important related priority and reiterated their calls for its prompt review.

Directors stressed the importance of demonstrating the Board and management's commitment to upholding the highest standards of ethical conduct and transparency and to strong accountability mechanisms. They welcomed the emphasis on setting the tone from the top by enhancing the ethical frameworks applicable to the Board and management and 2 introducing ethics training for all Board members and their staff. Directors also placed importance on measures to ensure greater transparency on the work of the Ethics Committee and to facilitate the publication of financial disclosures of the Managing Director and Deputy Managing Directors, positively noting that work is already underway. Directors encouraged steps to grant access of OED employees to the informal services of the Dispute Resolution System (DRS) and to strengthen the role of the External Audit Committee in internal audit workplans.

Directors recognized the need to enhance staff's trust in the DRS and Ethics and Integrity Offices. They welcomed policy initiatives to address concerns around retaliation, develop a Whistleblower Policy, improve the Grievance Committee process, increase accessibility to the DRS, and improve transparency and access to information relating to the DRS. Directors noted that the timeliness of DRS and ethics and integrity processes is essential to foster trust and confidence in the system and to ensure effective protection of staff's voice. In this context, they supported the focus on addressing

delays and inefficiencies by clearing existing backlogs and reviewing the adequacy of resources and staffing.

Directors noted that the resourcing of agreed IP-related actions will be incorporated in the FY2024 and future budget cycles within the overall envelope approved by the Board through reprioritization. They considered that the Board should be involved in any decisions that may require significant resources. Noting the limits of reprioritization, some Directors favored providing additional gross resources where needed. Directors welcomed the envisaged prioritized workstreams on outstanding issues to help define the modalities and content of the responses to those recommendations. They stressed that the outcome of these workstreams will depend crucially on stakeholders agreeing on a common path and on the feasibility of resourcing the envisaged costs.

Directors highlighted the importance of supporting the execution of the IP through a rigorous and evidence-based validation process. They supported the plans for an interim implementation update to the Board by end-CY2023. Directors welcomed that the Office of Internal Audit progress report for CY2024 would provide an independent validation of the extent to which specific actions have been fully completed and report on workstreams and actions in-train. Directors also agreed with the IP's proposal not to implement a few of the Review's recommendations, either because they do not fit well with the Fund's operations or because existing frameworks are working well. More generally, they recognized that building trust and durable cultural change is a long-term agenda and that some actions will take longer than others and will require ongoing work and monitoring including via more regular staff engagement surveys.

SU/22/175,
December 21, 2022

Reserves, Distribution of Net Income, and Investment

THE INVESTMENT ACCOUNT—ESTABLISHMENT

1. The Fund hereby establishes within the General Department an Investment Account as provided for in Article XII, Section 6(*f*)(i).

2. The assets of the Investment Account shall be kept separately from the other accounts of the General Department. (EBS/06/57, 4/17/06)

Decision No. 13710-(06/40) IA,
April 28, 2006

REVIEW OF THE INVESTMENT ACCOUNT AND TRUST ASSETS INVESTMENT STRATEGY—AMENDMENT TO THE RULES AND REGULATIONS FOR THE INVESTMENT ACCOUNT

The Rules and Regulations for the Investment Account, adopted under Decision No. 15314-(13/16), January 23, 2013, as amended, are further amended as set forth in the Annex I of SM/21/206. (SM/21/206, 12/10/21)

Decision No. 17199-(22/3),
January 12, 2022

Annex I of SM/21/206, 12/10/21

Rules and Regulations for the Investment Account

1. GENERAL PROVISIONS

Objective of the Investment Account

1. The objective of the Investment Account (IA) is to provide a vehicle for the investment of a part of the Fund's assets so as to generate income that may be used to meet the expenses of conducting the business of the Fund. Achieving this objective would

help diversify the sources and increase the level of the Fund's income, thereby strengthening its finances over time.

Sources of Investment Account Assets

2. The IA may be funded with: (a) currencies transferred from the General Resources Account (GRA) in accordance with Article XII, Section 6(f)(ii) of the Articles; (b) the placement of profits from the sale of pre-Second Amendment gold in accordance with Article V, Section 12(g) of the Articles, in amounts up to the total amount of the Fund's general and special reserves at the time of any decision authorizing such transfers; (c) the transfer of profits from the sale of post-Second Amendment gold in accordance with Article V, Section 12(k) of the Articles; and (d) income from the IA investment that is not transferred to the General Resources Account to meet the expenses of the Fund (Article XII, Section 6(f)(iv)).

Investment Account Subaccounts

3. The IA shall have a Fixed-Income Subaccount and an Endowment Subac-count, each of which has its own investment objective and shall be managed in accordance with Sections I and II, and I and III, respectively, of these Rules and Regulations (Rules).

4.Transfers of assets between subaccounts may be made with the approval of the Executive Board.

Responsibilities of The Managing Director

5. The Managing Director is responsible for implementing the investment policies set out in these Rules.

6. In carrying out the Managing Director's responsibilities, the Managing Director shall (a) establish effective decision-making and oversight arrangements; (b) take the necessary measures, including the adoption of policies and procedures, that seek to avoid actual or perceived conflicts of interest; (c) adopt responsible investing principles to incorporate environmental, social, and governance (ESG) considerations into the investment process to support the investment objectives of the IA and to uphold the Fund's reputation; and (d) establish specific risk control measures and put in place mechanisms to monitor their observance by asset managers.

7. The Managing Director shall consult with the Executive Board regarding the key conflict of interest policies and arrangements, and responsible investment principles and arrangements, in the Managing Director's responsibility referred to in paragraph 6.

8. The Managing Director shall provide annual reports to the Executive Board on the investment activities of the IA. Ad hoc reports shall be prepared as warranted by market or other developments.

External Asset Managers

9. All assets of the IA shall be managed by external asset managers, except that the Managing Director is authorized to manage: (a) investments in obligations of the Bank for International Settlements (BIS) and central bank deposits; and (b) other assets on an interim basis following the termination of an external asset manager and pending the transfer of the assets to another external asset manager.

10. The Managing Director shall only select external asset managers of the highest professional standards and shall take into account their proven skills and track record suitable to achieve the investment objectives and to carry out the investment strategies set out under these Rules.

Custody Arrangements

11. The Managing Director shall establish adequate measures for the safekeeping and custody of the assets of the IA.

Use of Investment Account Income

12. The income from investment shall be invested, retained in the IA or used to meet the expenses of conducting the business of the Fund. The Fund shall decide on the use of the IA's income for each financial year, including whether any portion of such income will be transferred to the GRA for use in meeting the expenses of conducting the business of the Fund.

Termination or Reduction of The Investment Account

13. The IA shall be terminated in the event of a liquidation of the Fund and may be terminated, or the amount of the investment may

be reduced, prior to the liquidation of the Fund, by a 70 percent majority of the total voting power. The procedures specified in Article XII, Sections 6(f)(vii), (viii) and (ix) of the Articles will apply in the event of the termination of the IA or a reduction in its assets. The Fund's decision to reduce investments in the IA shall specify the subaccount from which assets shall be used to fund a reduction in investments.

Audit

14. The assets of the IA shall be audited by the Fund's external auditors and included in the Fund's annual financial statements.

Review of The Rules and Conflict of Interest Policies

15. The Executive Board is expected to review these Rules and the Fund's relevant conflict of interest policies every five years.

II. FIXED-INCOME SUBACCOUNT

Investment Objective

16. With a view of generating income while protecting the Fund's balance sheet, the investment objective of the Fixed-Income Subaccount is to achieve investment returns in SDR terms that exceed the 3-month SDR interest rate by a margin of 50 basis points over time while minimizing the frequency and extent of negative returns and underperformance over an investment horizon of three to four years.

Asset Allocation and Tranches

17. (a) The Fixed-Income Subaccount shall consist of two tranches, a shorter-duration Tranche 1 and a longer-duration Tranche 2, and shall have a maximum average duration of 3 years.

(b) Tranche 1 assets shall be managed actively. Eligible asset classes for Tranche 1 are Group 1 and Group 2 asset classes as defined in paragraph 18 below.

(c) Tranche 2 assets shall be managed according to a buy-and-hold investment approach. Eligible asset classes for Tranche 2 are Group 1 asset classes as defined in paragraph 18 below.

(d) Asset transfers between Tranche 1 and Tranche 2, and the allocation to Tranche 1 and Tranche 2 of future inflows to, and outflows from, the Fixed-Income Subaccount shall be determined by the Managing Director.

Eligible Investments

18. (a) "Group 1 asset classes" shall be limited to:

(i) debt obligations issued by national governments of members or their central banks;

(ii) debt obligations issued by national agencies of members;

(iii) debt obligations issued by supranational institutions; and

(iv) obligations issued by the BIS, including without limitation deposits with the BIS and MTIs; all of which shall be denominated in SDR or the currencies included in the SDR basket.

(b) "Group 2 asset classes" shall be limited to:

(i) debt obligations issued by national governments of members or their central banks denominated in non-SDR currencies selected by the Managing Director or, upon the authorization by the Managing Director, by external managers, provided that any currency selection shall be based on ex-ante criteria determined by the Managing Director;

(ii) debt obligations denominated in SDR or the currencies included in the SDR basket, comprising: (A) securities issued by subnational governments; (B) mortgage-backed and other asset-backed securities; (C) covered bonds; and (D) short-dated unsecured corporate bonds; and

(iii) cash-equivalent investments with maturities of one year or less, that are denominated in SDR or the currencies included in the SDR basket.

(c) The Managing Director shall establish the parameters for determining the eligible investments within the categories of the asset classes specified in this paragraph.

19. Up to the maximum 40 percent of the total value of the FixedIncome Subaccount assets may be invested in Group 2 asset classes, and the breach of this limit shall require prompt action to bring the Fixed-Income Subaccount back within the established limit.

20. In addition to investing in Groups 1 and 2 asset classes, the Fixed-Income Subaccount may temporarily hold residual cash balances uninvested, or in short-term instruments sponsored by the custodian(s) or an affiliate.

Minimum Credit Rating

21. Except for obligations of the BIS, central bank deposits, and cash balances invested in short term instruments under paragraph 20, all assets in which the Fixed-Income Subaccount invests shall be subject to the following minimum credit ratings by a major credit rating agency at the time of acquisition (based on Standard & Poor's long-term rating scale): (a) BBB- for corporate bonds; and (b) BBB+ for remaining assets. The Managing Director may establish higher credit ratings for eligible individual asset classes.

22. In cases where an asset is not directly rated, the Managing Director may determine whether a credit rating may be inferred for such asset in a manner that is consistent with market practice.

Divestment

23. Any eligible investment that ceases to meet the rating threshold under paragraph 21 or otherwise becomes ineligible after acquisition shall be divested within three months, except that corporate bonds which fail to meet the rating threshold under paragraph 21 after acquisition may be divested or continue to be retained in accordance with modalities established by the Managing Director.

Limits on Investment Activities

24. The Managing Director shall establish adequate safeguards against short selling and financial leverage.

25. The exchange rate risk for eligible investments denominated in non-SDR currencies shall be hedged back into SDR basket currencies with the objective to preserve the Fixed-Income

Subaccount's SDR basket composition. Currency hedging may be used for SDR basket replication or for achieving overall currency exposure in line with SDR basket.

26. Derivatives may be used for managing interest rate risk, currency hedging, or reducing costs in the context of portfolio balancing, benchmark replication, and market access.

III. ENDOWMENT SUBACCOUNT INVESTMENT OBJECTIVE

27. The investment objective of the Endowment Subaccount is to achieve a long-term real return target of 3 percent in U.S. dollar terms. This is consistent with the objective of generating investment returns to contribute to the Fund's income, while preserving the long-term real value of these resources. The subaccount's real return shall be calculated by using the deflator that is used for purposes of the Fund's administrative budget, the Global External Deflator (GED), provided that the U.S. consumer price index (U.S. CPI) component of the GED shall be adjusted to use the actual U.S. CPI instead of the projected U.S. CPI.

Strategic Asset Allocation and Investment Strategy

28. The Endowment Subaccount shall be invested pursuant to the following strategic asset allocation (SAA) benchmark: 15 percent in global sovereign bonds; 10 percent in U.S. Treasury Inflation-Protected Securities (US TIPS); 15 percent in global corporate bonds; 25 percent in developed market equities; 10 percent in emerging market equities; 5 percent in infrastructure debt; 10 percent in infrastructure equities; and 10 percent in real estate investment trusts (REITs).

29. Except for the allocation to emerging market equities, which may be managed actively, all Endowment Subaccount assets shall be managed passively.

30. Infrastructure debt investments may be made in private markets.

31. The Managing Director shall establish all parameters for determining eligible investments for the asset classes of the

SAA and the modalities for appropriate investment approaches not otherwise specified herein.

32. The asset allocation benchmark shall not apply to residual cash balances temporarily held uninvested, or in short-term instruments sponsored by the custodian(s) or an affiliate.

Rebalancing

33. Based on modalities established by the Managing Director, assets of the Endowment Subaccount shall be rebalanced at least annually to minimize deviation from the SAA benchmark specified in paragraph 28 above, or more frequently in the event of significant deviation.

Minimum Credit Ratings

34. Except for uninvested cash balances invested in short-term instruments under paragraph 32, fixed-income assets in which the Endowment Subaccount invests are subject to the following minimum credit ratings by a major credit rating agency at the time of acquisition (based on Standard & Poor's long-term rating scale): (a) BBB- for corporate bonds and infrastructure debt, provided that the Managing Director may establish modalities for allowing limited investment in infrastructure debt that is rated below BBB- at time of acquisition; and (b) BBB+ for remaining assets.

35. In cases where an asset is not directly rated, the Managing Director may determine whether a credit rating may be inferred for such asset in a manner that is consistent with market practice.

Divestment

36. Any eligible investment that ceases to meet the rating threshold under paragraph 34 or otherwise becomes ineligible after acquisition shall be divested within three months, except that corporate bonds and infrastructure debt which fail to meet the rating threshold under paragraph 34 after acquisition may be divested or continue to be retained in accordance with modalities established by the Managing Director.

Limits on Investment Activities

37. The Managing Director shall establish adequate safeguards against short selling and financial leverage.

38. The exchange rate risk for fixed-income securities denominated in (a) developed market currencies vis-à-vis the U.S. dollar shall be hedged; and (b) emerging market currencies vis-à-vis the U.S. dollar may be hedged. Currency hedging is not permitted for other passively managed assets.

39. Derivatives may be used for managing interest rate risk, currency hedging operations required or permitted under paragraph 38, or reducing costs in the context of portfolio balancing, benchmark replication, and market access.

The Acting Chair's Summing Up
Review of the Investment Account,
Executive Board Meeting 18/17, March 6, 2018

Executive Directors welcomed the opportunity to review the experience with the Fund's Investment Account, with a focus primarily on the Endowment Subaccount. Directors agreed with the proposed revisions to the Rules and Regulations for the Investment Account which they viewed as a gradual evolution aimed at improving the chances of achieving investment objectives over time.

Directors welcomed that the Endowment had been implemented successfully since its establishment in 2013 and that it had achieved its return objective. Looking ahead, they recognized the challenges facing the Endowment in meeting its 3 percent real return target over an extended time horizon, but cautioned against an excessive reach for yield to meet this target.

Against this background, Directors supported gradual refinements to the Endowment's investment strategy, aimed at improving the portfolio's risk-return tradeoffs. These refinements include a moderate reallocation from Developed Markets Sovereign to Developed Markets Corporate bonds, a reallocation of the Developed Markets Inflation-Linked bonds component entirely to US TIPS, and a reduction in the allocation to Emerging Markets bonds

in favor of a corresponding increase in the allocation of Emerging Market equities. Directors also supported a rules-based approach for investing in corporate bonds as an alternative passive arrangement. In addition, Directors generally supported staff's proposal to explore the potential feasibility and appropriateness of diversifying into private fixed-income investments, and looked forward to further consultation in the future before considering any decisions on such investments. A few Directors questioned whether the Fund is incorporating environmental, social and governance criteria sufficiently into its investment approach.

Directors welcomed the opportunity to discuss a framework for guiding future payouts from the Endowment. Directors generally agreed with staff's proposal to follow an approach of a constant real US dollar payout, with safeguards to protect the real value of the Endowment. Most Directors supported delaying payouts for three years to build up a greater cushion of retained income in the Endowment. Directors looked forward to considering a specific proposal from staff when they meet to discuss the Fund's income disposition in April. More generally, some Directors reiterated a call for a more holistic consideration of the various elements that affect the Fund's income and financial position.

Directors supported the additional, delegation of a limited number of implementation measures to the Managing Director, in line with the guidelines for Trust assets. They agreed that this would enable a more efficient implementation of the Investment Account strategy while preserving the separation of responsibilities and the Board's strategic oversight.

Directors welcomed the opportunity to review conflict of interest policies for the Investment Account. They were satisfied with the assessment by external counsel that the current framework had been effective and could also accommodate the proposed changes in the investment strategy. Directors noted the recommendations by external counsel to strengthen the role of the Designated Officer and to further enhance the Investment Oversight Committee's processes related to the management of perceived conflicts of interest. They looked forward to timely updates on progress in this area.

Directors agreed to review the Rules and Regulations of the Investment Account and relevant conflict of interest policies in five years, or earlier if warranted by developments. Directors looked forward to the annual updates on the activities of the Investment Account, including on the exercise of the Managing Director's delegated authorities. Many Directors asked staff to investigate the scope for more frequent updates to the Board.

SU/18/31,
March 9, 2018

The Acting Chair's Summing Up—Broadening the Fund's Investment Mandate—Additional Considerations, Executive Board Meeting 12/60, June 20, 2012

Executive Directors welcomed the opportunity to continue the discussion on implementing the Fund's expanded investment authority through an endowment funded from the profits of limited gold sales. They broadly supported the proposed investment strategy and governance framework, and generally considered them adequate to reduce the main risks of actual or perceived conflicts of interest. Directors emphasized the need to move expeditiously to complete the remaining implementation issues this year.

Directors underscored that, given the Fund's central role in promoting global financial stability, strong protection against actual or perceived conflicts of interest involving the Fund's investment activities is critical. They agreed that the mitigating factors taken into account in the lead-up to approval of the new income model in 2008, including those identified in the context of an independent external review, remain valid to address conflicts of interest. In particular, Directors supported the proposed clear separation of responsibilities between the Executive Board, management, and external managers, as well as the exclusion of certain investment activities that by their very nature would be more susceptible to the appearance of conflict. They noted that the steps laid out in SM/12/111, including the outsourcing of specific investment decisions to external managers and the largely passive investment strategy, would further help prevent conflicts of interest.

Directors acknowledged that the 3 percent real return target, which had been endorsed by most Directors in the previous discussion, would be difficult to achieve in the near to medium term, given historically low yields on highly-rated government bonds. Nevertheless, and noting the long horizon of the endowment, most Directors considered it appropriate to retain long-term capital market assumptions to guide portfolio design, although a few were of the view that adopting a lower target for real return would be more prudent. Directors continued to support a strategic asset allocation along the lines of the "conservative diversified portfolio." They noted that the return target and the strategic asset allocation could be revisited in the future, with a few calling for more frequent reviews than the envisaged 3-5 years. Differing views were expressed with respect to allocation across asset classes and geographical diversification based on risk-return considerations. On balance, however, most Directors considered that the proposed portfolio provides a reasonable basis for initiating the endowment, and could be adapted over time in light of experience and evolving market developments.

Directors agreed that the endowment's investment program should be phased in over a sufficiently long period of time to mitigate the risk of short-term losses. With a view to building a cushion and preserving the real value of the endowment, Directors also saw merit in a conservative approach to payouts in the early stages of implementing the endowment, and looked forward to further staff work in this area. A number of Directors pointed to the possibility of delaying the initiation of payouts if warranted.

As regards implementation arrangements for the investment strategy, Directors agreed that the endowment should build on the current approach used for the Investment Account. They supported using external managers with a mandate to track widely available benchmarks or, where warranted, appropriately customized benchmarks. Most Directors also supported active management for a very limited portion of the portfolio in cases of clear opportunities to add value, noting that this could also facilitate the evolution of the Fund's investment approach over time. While a few cautioned against taking such an approach at this stage, a few others saw scope for more active investment strategies. In order to ensure that the portfolio remains within the broad risk parameters to be adopted by

the Board, Directors broadly supported a mechanistic, rules-based rebalancing of the portfolio to the strategic asset allocation. Most Directors supported the proposed policy bands that would trigger a portfolio rebalancing, although a few Directors preferred narrower bands and asked that staff revisit the width of the proposed bands.

Directors broadly supported the governance framework proposed in the staff paper, which builds on the current institutional arrangements. They agreed that the Board would continue to focus on strategic aspects of the Investment Account portfolios, determining their overall purpose, the strategic parameters for their operations, and reviewing regular financial reports for the Investment Account. With respect to the endowment portfolio, the Board would also determine its key strategic direction, including by setting its base currency and return target, strategic asset allocation and eligible and ineligible asset classes, and its spending policy. A few Directors called for greater Board engagement in the initial stages. A few Directors also saw merit in creating a Board-level committee to help the Board in the discharge of these duties.

Directors agreed that management would continue to have responsibility for implementing the strategy established by the Executive Board. Most also saw merit in management's establishment of an Investment Oversight Committee, with day-to-day responsibility left to the Investment Unit in the Finance Department. Some Directors encouraged the Fund to draw from the experiences of the Investment Office, which manages the Staff Retirement Plan.

Directors looked forward to staff proposals on the remaining strategic implementation issues, including the base currency of the endowment, the scope for currency hedging, the phasing of initial investments, the payout policy, and a possible minimum credit rating threshold. These and other relevant considerations should be embedded expeditiously into a proposal for new Rules and Regulations for the expanded investment authority of the Investment Account.

BUFF/12/75
June 27, 2012

USE OF GOLD SALES PROFITS IN THE INVESTMENT ACCOUNT

The Executive Board approves the exclusion of gold sales profits from the 1-3 year benchmark applied to the Investment Account, as set out in paragraph 16 of EBS/12/105 (8/7/2012). (EBS/12/105, 08/07/12)

Decision No. 15223-(12/82),
August 14, 2012

Article XII, Section 7

Publication of Reports

2025 Review of the Fund's Transparency Policy

Preamble[1]

Recognizing the importance of transparency, the Fund will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure. This overarching principle is reflected in the specific provisions of the Decision set forth below and of other Fund policies on transparency. The principle respects, and will be applied to ensure, the voluntary nature of publication of documents that pertain to member countries consistent with the need for the Fund to safeguard confidential information and with the provisions of Article XII, Section 8 of the Articles of Agreement concerning publication by the Fund of its views with respect to a member. Further, in allowing for modifications to documents covered by this Decision, the Fund will give due regard to protecting the independence and candor of staff analysis, while recognizing the necessity of modifications under some limited and defined circumstances.

I. General Provisions

1. Coverage. The Managing Director shall arrange for publication by the Fund of Country Documents, Fund Policy Documents and Multi-Country Documents in accordance with the principles set forth in this Decision and the attached Indicative List. Country Documents shall be documents pertaining to individual countries, including documents relating to surveillance, use of Fund resources, the Policy Coordination Instrument (PCI), and certain reports

[1] Ed. Note: The text of this decision, as amended as Decision No. 17848-(24/107), is found as Attachment I of SM/24/257, Sup. 1, 11/08/2024.

arising from Fund technical assistance. Documents pertaining to regional surveillance discussions on common policies of a currency union shall be considered to be Country Documents. Fund Policy Documents shall be documents on general policy issues, including but not limited to, surveillance, use of Fund resources, technical assistance, and Fund administrative matters. Multi-Country Documents shall be documents covering multiple countries as further defined in paragraphs 19 and 20 of this Decision

2. Publication

a. The publication of Country Documents is subject to the consent of the member concerned. The publication of Fund Policy Documents requires the approval of the Executive Board. The publication of Multi-Country Documents requires the consent of the members concerned or the approval of the Executive Board, as the case may be, as set forth in paragraphs 22-28 of this Decision. The publication of documents jointly authored by the Fund and the World Bank requires the authorization of the World Bank. The Fund may publish documents prepared by third parties that are required for Executive Board consideration as set forth in paragraph 37 of this Decision.

b. Under paragraphs 4(c), 16, 23(b), and 26 of this Decision, prompt publication shall mean that a document is expected to be published no later than (a) fourteen calendar days after the Executive Board has considered the document (or the date of adoption of a decision on a lapse-of-time basis. to which the document relates), or (b) twenty-eight calendar days after the document has been issued to the Executive Board, whichever is later.

3. Modifications.

Country Documents, Fund Policy Documents, and Multi-Country Documents submitted for Board consideration or information can be modified prior to publication pursuant to paragraphs 8 through 12, 13(c), 14(g),18, 29, and 30 of this Decision.

II. Country Documents

II.A. Consent to Publication

4. General principle

a. A member's consent to Fund publication of Country Documents shall be voluntary but presumed. This presumption shall mean that the Fund encourages each member to consent to the publication by the Fund of such documents. For the purposes of encouraging members and obtaining their consent to publication, the following procedures shall apply.

Consent to Publication on a Non-Objection Basis

b. Except as otherwise provided in this Decision, consent to publication of a relevant document is deemed to be provided by the member concerned on a non-objection basis unless, prior to the conclusion of the Executive Board meeting at which the document is considered (or the date of adoption of a decision on a lapse-of-time basis to which the document relates), the member concerned notifies the Fund that it (i) objects to the publication of the document, (ii) requires additional time to decide whether to publish, or (iii) consents to publication but subject to reaching agreement with the Fund on deletions to the document.

c. In the absence of a notification referred to in paragraph 4.b above, Country Documents shall be published by the Fund promptly after the relevant Executive Board meeting (or the date of adoption of a decision on a lapse-of-time basis to which the document relates). Where a member provides the Fund with a notification as provided for in paragraph 4(b)(i) above, the relevant document shall not be published unless the member's explicit consent is subsequently received by the Fund.

d. A member that notifies the Fund pursuant to paragraph 4(b)(ii) or (iii) above is expected to communicate to the Fund its decision whether to publish the document within fourteen calendar days of the Executive Board meeting at which the document was considered

(or the date of adoption of a decision on a lapse-of-time basis to which the document relates).

(i) After fourteen calendar days, a member's consent to publication will be deemed to be provided, and the document will be published by the Fund following the resolution of any pending modification requests, unless the member has explicitly objected to publication or notified the Fund that it requires additional time to decide whether to publish the document.

(ii) After twenty-eight calendar days, if the member, that had requested additional time to decide whether to publish the document, has not explicitly objected to publication, the member's consent to publication will be deemed to be provided, and the staff report will be published by the Fund, following the resolution of any pending modification requests.

Opt-Out of Providing Publication Consent on a Non-Objection Basis

e. A member may notify the Fund in writing at any time that it opts out of providing consent to publication for Country Documents pertaining to the member on a non-objection basis as provided for in paragraph 4(b) to (d) above. A member that has opted out is expected to communicate to the Fund its decision whether to publish the document (i) no later than fourteen calendar days from the date of the Executive Board meeting at which the document was considered (or the date of adoption of a decision on a lapse-of-time basis to which the document relates), or (ii) no later than twenty-eight calendar days if there are pending modification requests fourteen calendar days after the Executive Board meeting.

Coverage

f. With respect to Documents 3, 7, 12, 17, 18, the consent procedures set out in paragraphs 4(b) to (d) will only apply if the document has been circulated to the Executive Board in the context of a meeting or a proposal for lapse-of-time approval of a decision. If the document has been circulated for information only, the member's explicit

consent must be provided to the Fund prior to publication and the document may be published immediately after circulation to the Executive Board pursuant to paragraph 33 of this Decision.

g. The consent procedures set out in paragraphs 4(b) to (d) above, will not apply to a Press Release containing a Chairman's Statement for the use of Fund resources (Document 9), a Press Release containing a Chairman's Statement in the context of a PCI (Document 23), a Press Release for an Article IV consultation, a regional surveillance discussion, or a Board consideration of Financial System Stability Assessment (FSSA) report (Document 4). A member's consent to the publication of these documents is governed by paragraphs 13 and 14 of this Decision.

h. In respect of any document that is subject to the consent procedures set out in paragraph 4(b) to (d) above, the Secretary's cover memorandum will indicate that the document will be published promptly after the relevant Executive Board meeting (or the date of adoption of a decision on a lapse-of-time basis to which the document relates), unless the member concerned notifies the Fund as provided for in paragraph 4(b)(i), (ii), or (iii) above, or unless the member has opted out of providing publication consent on a nonobjection basis as provided for in paragraph 4(e) above.

5. a. The Managing Director will generally not recommend that the Executive Board approve a request for (i) access to resources in the General Resources Account, the PRGT or the Resilience and Sustainability Trust, or (ii) access to Fund resources under the HIPC Trust, or (iii) assistance through the PCI, unless the member explicitly consents to the publication of the associated staff report. For purposes of this paragraph 5(a), approval of the use of the Fund's resources includes the completion of a review under an arrangement, and assistance through a PCI includes the completion of a review under a PCI. In the case of the PCI, where a member does not provide consent to publication of an interim performance update, the Managing Director may take this into account when determining whether to recommend that the Executive Board approve the completion of a subsequent review of the member's PCI.

b. The Managing Director will not recommend that the Executive Board approve (i) an arrangement under the Poverty Reduction and Growth Trust (PRGT) or the completion of a review under such arrangement, or (ii) a Heavily Indebted Poor Countries (HIPC) decision point or completion point decision, if the member concerned does not explicitly consent to the publication of its Interim Poverty Reduction Strategy Paper (I-PRSP), Poverty Reduction Strategy Paper (PRSP), PRSP preparation status report, PRSP annual progress report (APR), or Poverty Reduction and Growth Strategy (PRGS) (Document 12).

c. The Executive Board's decision to approve a Short-Term Liquidity Line (SLL) arrangement for a member shall be conditioned on receipt of the member's consent to publication at the time the member sends a written communication to the Fund confirming that the member wishes to avail itself of the SLL arrangement. The associated staff report and the authorities' written communication would be expected to be published by the Fund no later than fourteen calendar days after the member's SLL arrangement becomes effective.

6. Except as provided in paragraphs 13 and 14 of this Decision, a member's explicit consent shall, for the purposes of this Decision, be communicated to the Fund in writing. Such consent may be communicated by the Executive Director elected or designated by the member.

II.B. Member's Statement Regarding Fund Staff Reports

7. If a Fund staff report (Documents 1, 5, 8, 18, and 22) on a member is to be published under this Decision, the member concerned shall be given the opportunity to provide a statement regarding the staff report and the Executive Board assessment. Such a statement shall be communicated to the Fund and published together with the staff report.

II.C. Modifications to Country Documents

II.C.1 Deletions

8. a. For purposes of publication, deletions may be made to Country Documents, except for country policy intention documents on

poverty reduction strategies (Document 12), in accordance with paragraph 9 of this Decision. Deletions should be limited to (i) highly market-sensitive material, mainly on the outlook for exchange rates, interest rates, the financial sector, and assessments of sovereign liquidity and solvency; and (ii) material not in the public domain, on a policy the country authorities intend to implement, where premature disclosure of the operational details of the policy would, in itself, seriously undermine the ability of the member to implement those policy intentions. For purposes of this Decision, highly-market sensitive material shall mean material that (a) is not in the public domain, (b) is market relevant within the near term, and (c) is sufficiently specific to create a clear risk of triggering a disruptive market reaction if disclosed. Politically sensitive material shall not be deleted unless the material satisfies (i) or (ii) above. Information relating to any performance criterion or structural benchmark (Documents 1, 8, and 13-14), or to any quantitative targets or structural benchmark (Documents 17-18), or to any quantitative targets or reform targets (Documents 1, 20-22), may not be deleted, unless the information is of such character that would have enabled it to be communicated to the Fund in a side letter pursuant to Decision No. 12067 (99/108), September 22, 1999, as amended.

b. If the Managing Director determines that the requested deletions satisfy criteria (i) or (ii) in paragraph 8(a), the Managing Director may decide that the deletions shall be accompanied by minor rephrasing of text, whenever such rephrasing would help retain maximum candor or minimize the risks of misinterpretation.

9. a. Requests for deletions to a Country Document, except for country policy intentions documents on poverty reduction strategies (Documents 12) may be made by the member concerned. Except as otherwise provided in this paragraph 9, other members may also request deletions to Documents 1-3, 8, 18, and 22, if (i) the text to be deleted relates to that other member, (ii) the member to whom the document relates consents to the deletion, and (iii) the criteria set out in paragraph 8 are met. Criterion (ii) in paragraph 9(a) shall not apply to staff reports for Article IV consultation and regional surveillance discussions (Documents 1 and 2).

b. Deletions shall be requested in writing. Such requests are expected to be communicated to the Fund no later than two business days before the Executive Board meeting at which the document is discussed (or the date of the adoption of a decision on a lapse-of-time basis to which the document relates). In any event, requests for deletions shall normally be made no later than (a) seven calendar days after the Executive Board has considered the document, or (b) twenty-one calendar days after the document was issued to the Executive Board, whichever is later. Requests for deletions made after twenty-eight calendar days from Executive Board consideration will not be considered.

c. Once approved by the Managing Director, deletions and related rephrasing shall be circulated to the Executive Board in redlined form. The modified document circulated to the Executive Board shall include the justification for each modification made.

II.C.2 Corrections

10. Corrections to Country Documents covered under this Decision shall be limited to the correction of (i) typographical errors, (ii) data and other factual mistakes, (iii) mischaracterization of views expressed by the authorities concerned, and (iv) evident ambiguity. Corrections shall normally take the form of substitution of text in existing sentences rather than the addition or deletion of entire sentences.

11. Corrections to a Country Document are expected to be requested no later than two business days before the conclusion of the Executive Board's consideration of the document (or the date of the adoption of a decision on a lapse-of-time basis to which the document relates). In any event, requests for corrections shall normally be made no later than (a) seven calendar days after the Executive Board has considered the document, or (b) twenty-one calendar days after the document was issued to the Executive Board, whichever is later. Requests for corrections made after twenty-eight calendar days from the Executive Board consideration will not be considered. Except for corrections of typographical errors and data and other factual mistakes, corrections made after Executive Board consideration

shall be limited to (i) cases where the correction request is brought to the attention of the Executive Board before the conclusion of the Executive Board's consideration of the document, or (ii) cases where the failure to make the correction would undermine the overall value of publication. Corrections shall be circulated to the Executive Board in redlined form. Those corrections with significant implications for the substance of the document shall be discussed and justified in a supplementary staff report or in a corrections memorandum issued to the Executive Board.

Additions to Authorities' Views

12. Further to paragraphs 8-11 of this Decision, additions may be made to the authorities' views in staff reports for Article IV consultations, regional surveillance discussions, and Financial System Stability Assessment Reports, (Documents 1, 3). Such additions shall be allowed with respect to views on main issues and policy recommendations covered in the staff report on which no authorities' views were included when the report was issued to the Executive Board. Any such additions shall be parsimonious and can only refer to information available to staff and the authorities at the time of the consultation discussions. Additions to the authorities' views under this paragraph 12 may be requested by the member to whom the document pertains and shall be issued to the Executive Board no later than two business days before the Executive Board meeting at which the document will be discussed (or the date of the adoption of a decision on a lapse-of-time basis to which the document relates).

II.D. Press Releases in Respect of Use of Fund Resources or the Policy Coordination Instrument

13. a. 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), (ii) adopts a decision approving a PCI, or conducts a review under a PCI, (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, APR, or PRGS in the context of the use of Fund resources,, a Press Release, which will contain a brief background section and

a Chairman's statement on the discussion, emphasizing the key points made by Executive Directors, will be issued to the public. A Press Release containing a Chairman's statement on the discussion, emphasizing the key points made by Executive Directors, will also be issued to the public after an SLL arrangement becomes effective.

b. 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, APR, or PRGS in the context of use of Fund resources. 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 24), will be mentioned in the Press Release or in a factual statement issued in lieu of a Chairman's statement as provided for in paragraph 15(b) of this Decision.

c. Consent to publication of a Press Release is deemed to be provided by the member concerned on a non-objection basis unless, prior to the conclusion of the relevant Executive Board meeting (or the date of adoption of a decision on a lapse-of-time basis) on the matter to which the Press Release pertains, the member notifies the Fund that it (i) objects to the publication of the Press Release or (ii) requires additional time to decide whether to publish the Press Release. A member can opt out of providing consent to publication of a Press Release on a non-objection basis pursuant to the procedures set forth in paragraph 4(e) of this Decision. If a member opts out, the publication by the Fund of a Press Release pertaining to that member will require the explicit consent of the member. Before a Press Release is issued, 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 or designated by the member concerned will have the opportunity to review the Press Release and to propose minor revisions if any, immediately after the Executive Board meeting, or, in the case of the SLL, immediately after the SLL arrangement becomes effective.

d. Notwithstanding the above, no Press Release published under this paragraph shall contain any reference to a discussion or

decision pertaining to a member's overdue financial obligations to the Fund, where a Press Release following an Executive Board decision to limit the member's use of Fund resources because of the overdue financial obligations has not yet been issued. In the case of an Executive Board meeting pertaining solely to a discussion or decision with respect to a member's overdue financial obligations, no Chairman's statement will be published.

II.E. Press Releases for Article IV Consultations, Regional Surveillance Discussions, or Stand-alone Executive Board Consideration of Financial System Stability Assessment Reports

14. a. Following the completion of an Article IV consultation for a member, a regional surveillance discussion, or a stand-alone Board consideration of an FSSA report, the Fund may issue a Press Release reporting on the results of the consultation or regional surveillance discussion (Document 1), or stand-alone Board consideration of an FSSA report (Document 3). A Press Release will be in accordance with the following terms:

b. The Press Release will be brief and will consist of the following sections: (i) a background section, a draft of which should be attached to the staff report whenever possible, with (a) in the case of an Article IV consultation or a regional surveillance discussion, factual information on the economy of a member and a table of economic indicators, and (b) in the case of a standalone Board consideration of an FSSA report, factual information on the member's financial system; (ii) the Fund's assessment of (a) the member's prospects and policies in the case of an Article IV consultation or a regional surveillance discussion, and (b) the stability of the financial system in the case of a standalone Board consideration of an FSSA report. This section will correspond closely to the Chairman's summing up of the Executive Board discussion; (iii) any press release published separately from the related staff report shall indicate a member's publication intentions for the related staff report.

c. Consent to publication of a Press Release is deemed to be provided by a member on a non-objection basis unless, prior to the conclusion of the relevant Executive Board meeting (or the date of

the adoption of a decision on a lapse-of-time basis) on the matter to which the Press Release pertains, the member notifies the Fund that it (i) objects to the publication of the Press Release or (ii) requires additional time to decide whether to publish. A member may opt out of providing consent to publication of a Press Release on a non-objection basis as provided for in paragraph 4(e) of this Decision. If a member opts out, the publication of a Press Release pertaining to that member by the Fund will require the member's explicit consent.

d. Such Press Releases are expected to be published no later than two business days after the Executive Board has considered the relevant document (or the date of the adoption of a decision on a lapse-of-time basis on the matter to which the press release pertains).

e. If a member has consented to the publication of an Article IV consultation, regional surveillance discussions (Document 1) or a stand-alone Board consideration of the FSSA report (Document 3), the Executive Director for the member concerned may request that the Press Release be published within seven calendar days following the Executive Board's consideration of the document (or the date of the adoption of a decision on a lapse-of-time basis to which the Press Release pertains), to allow time for the finalization of the staff report.

f. If a member has consented to the publication of Documents 1 or 3, such publication will be made along with the publication of the related Press Release. Publication of the staff report will require that the member also consents to the publication of the related Press Release.

g. The Executive Director for the member concerned will have the opportunity to review the draft Press Release prior to its issuance to propose, with respect to the background section, any necessary corrections, deletions, and related rephrasing. The Executive Director may also propose additions and revisions to the background section of the Press Release beyond the above-mentioned modifications to better reflect the wording used in the related staff report and associated documents submitted for

Executive Board consideration, and to include other background information discussed during Board consideration and not included in the above-referenced documents. These additions and revisions should be parsimonious and be notified to the Board prior to the issuance of the Press Release.

h. In a case of a combined Board consideration of an Article IV consultation with use of Fund resources a PCI, or the discussion of a PMB, as the case may be, a single Press Release covering these matters will normally be issued immediately after the Board consideration. In any event, a Press Release under this paragraph will not be issued before the circulation of the summing up as a Fund document.

i. Issuance of Press Releases shall not affect the summing up process for Article IV consultations, regional surveillance discussions, or FSSA Board discussions. In particular, the Chairman's summing up will continue to be provided to the Executive Director concerned for review following the Executive Board meeting, and the possibility of issuing Press Releases shall not affect in any way the staff's reporting to the Executive Board on discussions with members.

II.F. Non-publication of Country Documents—Issuance by the Fund of

Factual Statements in Lieu

15. A brief factual statement will be issued in the circumstances and within the time frames set forth in paragraph 15.

a. With respect to the Executive Board's consideration of an Article IV consultation, a regional surveillance discussion, or an FSSA report:

(i) Factual statement in lieu of Press Releases. If a Press Release pertaining to the Board consideration of a document is not published (a) after two business days from the relevant Board consideration (or the adoption of a decision on a lapse-of-time basis) to which the document relates, or (b) after seven calendar days from the relevant

Board meeting (or the adoption of a decision on a lapse-of-time basis to which the document relates) as provided for in paragraph 14(e) of this Decision, the Fund will issue a brief factual statement stating the fact of the Board's consideration of the matter and indicating the member's publication intention with respect to the relevant staff report.

(ii) Factual statement in lieu of staff reports. If, after fourteen calendar days from the relevant Board consideration (or the adoption of a decision on a lapse-of-time basis to which the document relates) the member that made a request pursuant to paragraph 4 (b)(ii) or (iii) of this Decision regarding its consent, objects to the publication of the staff report, a brief factual statement will be issued immediately stating the fact of the Board's consideration of the matter and that the member has not consented to the publication of the staff report. If, within fourteen calendar days from the Board consideration (or after the adoption of a decision on a lapse-of-time basis to which the document relates), a member has requested more time to decide on publication and subsequently objects to publication, a brief factual statement will be issued after twenty-eight calendar days from the Board consideration (or the adoption of a decision on a lapse-of-time basis) indicating the members' decision not to publish the staff report.

(iii) Factual statement in lieu of staff report for members that have opted out of non-objection procedure. If a member has opted out of providing consent to publication of the staff report on a non-objection basis, and, after fourteen calendar days from the relevant Board consideration (or the date of the adoption of a decision on a lapse-of-time basis to which the document relates), has not consented to its publication, a brief factual statement will be issued stating that the member has taken no publication decision with respect to the staff report. No factual statement will be issued at such time if there are pending modification requests. In this latter case and, if, after twenty-eight calendar days from the relevant Board consideration (or the adoption of a decision on a lapse-of-time basis to which the document relates), a member has not communicated to the Fund its decision on publication, a brief factual statement will be issued, stating that the member has taken no publication decision with respect to the staff report.

b. With respect to the Executive Board's consideration of use of Fund resources, a PCI, a brief factual statement shall be issued in accordance with the following provisions:

(i) Factual statement in lieu of Press Releases. If a member does not consent to the publication of a Press Release containing a Chairman's statement (Documents 9 and 23) under paragraph 13 of this Decision 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 will be issued immediately after the Board consideration. The factual statement will describe the Executive Board's decision relating to (a) that member's use of Fund resources (including HIPC initiative decisions (Document 10), waivers (Document 24), and consideration of PRSP documents, and PRGSs (Document 12), when relevant), or (b) the approval of a PCI for that member, or the conduct of a review under that member's PCI.

(ii) Factual statement in lieu of staff reports. If, after fourteen calendar days from the relevant Board consideration (or the adoption of a decision on a lapse-of-time basis to which the document relates), the member objects to the publication of the staff report, a brief factual statement will be issued immediately stating the fact of the Board's consideration of the matter and that the member has not consented to the publication of the staff report. If, within fourteen calendar days from the Board consideration (or after the adoption of a decision on a lapse-of-time basis to which the document relates), a member has requested more time to decide on publication and subsequently objects to publication, a brief factual statement will be issued immediately after twenty-eight calendar days from the Board consideration indicating the members' decision not to publish the staff report.

(iii) Factual statement in lieu of staff report for members that have opted out of non-objection procedure. If a member has opted out of providing consent to the publication of staff reports on a non-objection basis, and, after fourteen calendar days from the relevant Board consideration (or the date of the adoption of a decision on a lapse-of-time basis to which the document relates), has not

consented to its publication, a brief factual statement will be issued stating that the member has taken no publication decision with respect to the staff report. No factual statement will be issued at such time if there are pending modification requests. In this latter case and, if, after twenty-eight calendar days from the relevant Board consideration (or the date of the adoption of a decision on a lapse-of-time basis to which the document relates), a member has not communicated to the Fund its decision on publication, a brief factual statement will be issued, stating that the member has taken no publication decision with respect to the staff report.

(iv) Factual statements in lieu of SLL staff report. With respect to the consent provisions set forth in paragraph 5(c) of this Decision, paragraphs 15(b)(ii) and 15(b)(iii) above shall apply, except that the deadlines will be calculated from the effective date of an SLL arrangement and the brief factual statement will state the fact of the effectiveness of an SLL arrangement for a member and clarifying the authorities' publication intention with respect to the staff report.

c. With respect to the Executive Board's consideration of a stand-alone post-financing assessment, or an ex-post evaluation, if after twenty-eight calendar days from the relevant Board consideration, a member does not consent to the publication of a Press Release pertaining to the Board consideration, a brief factual statement will be issued stating the fact of the Board's consideration of the matter. d. Factual statement in lieu of staff report. With respect to the Executive Board's consideration of a staff report not mentioned under paragraph 15(a) to (c) above, a brief factual statement will be issued in accordance with the provisions set forth in paragraphs 15(a)(ii) and 15(a)(iii) above.

III. Fund Policy Documents

III.A. Authorization

16. After the Executive Board meets on Fund policy issues in a formal Board meeting or informal session, or adopts a decision on a lapse-of-time basis, it shall be presumed that the staff report under consideration (Document 25) and/or a Press Release (Document 27)

pertaining to the consideration will be published. This presumption will, inter alia, apply to matters upon which deliberation is ongoing, but it is recognized that the risk of undermining the Fund's decision-making process may constitute a reason not to publish immediately in such cases. The presumption will not apply to policy issues dealing with the administrative matters of the Fund (except with respect to matters pertaining to the Fund's income, financing or budget matters that do not involve market sensitive information) and other documents on the Indicative List of Documents Covered by the Decision and Not Presumed to be Published (Appendix I to this Decision). Publication of a policy paper or Press Release will require a decision of the Executive Board. Staff is expected to set out a recommendation on publication of a Board policy paper and/or its related Press Release in the Secretary's cover memorandum of the relevant document and, where publication is not recommended, to explain why. Except as specified in paragraph 18 of this Decision, whenever publication is approved, the paper and/or Press Release will normally be published promptly after an Executive Board meeting or an informal session, or date of adoption of a lapse-of-time decision to which the documents relate. Whenever publication is proposed of a paper or Press Release prepared for an informal Executive Board session, publication will be deemed to have been approved by the Board unless an Executive Director objects by the date set forth in the Secretary's cover memorandum. III.B. Press Releases on Fund Policy Issues

17. A Press Release pertaining to Board consideration of Fund policy issues will be based on the decision adopted by the Executive Board and/or the Chairman's summing-up, or the Chairman's Concluding Remarks, as the case may be. It will also include a short section setting out background information. In a case where a policy staff report is not expected to be published within seven calendar days of the Board consideration, a Press Release will be issued shortly after the Board consideration.

III.C. Corrections, Deletions and Related Rephrasing with Respect to Fund Policy Staff Reports

18. Prior to the publication of a Fund policy staff report, the Managing Director may make necessary factual corrections, deletions, and

related rephrasing with respect to the report (including of highly market-sensitive material and country-specific references). However, following Board consideration, staff's proposals in the report shall not be modified prior to its publication. In cases where confusion might arise from differences between staff's proposals in the report and the Executive Board's conclusions regarding those proposals as reflected in the Press Release pertaining to the Executive Board consideration, it would be clearly indicated in the published version of the report which staff proposals the Executive Board did not endorse.

IV. Multi-Country Documents

IV.A. Coverage

19. Multi-Country Documents comprise (i) Multilateral Policy Issues Documents, (ii) Country Background Pages, and (iii) Cluster Documents. Multilateral Policy Issues Documents address multilateral global economic issues. Country Background Pages are characterized by specific information pertaining to individual countries and to individual country data but the analysis of respective individual countries and individual country data is not integrated. Cluster Documents are documents that include analysis of issues affecting a group of countries where each individual country analysis is integrated into the broader analysis.

20. Multi-Country Documents pertain to both individual documents and material sections within individual documents. Material sections shall mean whole chapters or appendices. A single Multi Country Document may comprise (i) a Multilateral Policy Issues Document, (ii) a Country Background Pages, (iii) a Cluster Document, or (iv) some combination of the above.

21. For Multi-Country Documents, the Secretary's cover memorandum will indicate the publication rules governing the document.

IV.B. Multilateral Policy Issues Documents

The provisions applicable to the publication of Fund policy staff reports and Press Releases pertaining thereto set forth in paragraphs

16-17 of this Decision shall apply to Multilateral Policy Issues Documents and Press Releases for Multilateral Policy Issues Documents. Paragraph 18 of this Decision regarding modification rules for Fund policy staff reports shall apply to all Multilateral Policy Issues Documents, except for the World Economic Outlook (WEO), the Global Financial Stability Report (GFSR), and the Fiscal Monitor (FM). In accordance with established practice, staff may modify the WEO, GFSR, and FM prior to publication in order to, inter alia, take into account views expressed at the relevant Executive Board meeting.

IV.C. Country Background Pages

23. For the purpose of publishing Country Background Pages, the following provisions shall apply:

a. The consent of the member to which a document or a material section of a document pertains (the "member concerned") is required to publish such a document or section.

b. Fund publication of a Country Background Pages or material sections within such a document will occur, unless, prior to the conclusion of the Executive Board meeting at which that document is considered (or the date of adoption of a decision on a lapse-of-time basis to which the document relates), a member concerned notifies the Fund that it has opted out of providing consent to publication on a non-objection basis or that it (i) objects to publication, (ii) requires additional time to decide whether or not to publish, or (iii) consents to publication but subject to reaching agreement with the Fund on deletions. If no member concerned provides such a notification, the document or section shall be published by the Fund promptly after the relevant Executive Board meeting or the date of adoption of a decision on a lapse-of-time basis.

c. In a case where one or more members concerned object to publication of information pertaining to it, the Managing Director may (i) decide to publish the Country Background Pages without the information pertaining to the objecting member(s), or (ii) recommend to the Executive Board not to publish the Country

Background Pages and/or, as the case may be, the associated Multilateral Policy Issues Document or Cluster Document, if non-publication would substantially undermine the overall analysis and substance of the document.

24. For the purpose of deletions and corrections, the member concerned has the right to request deletions or corrections to information pertaining to it in accordance with the criteria and procedures applicable to Country Documents as set forth in paragraphs 8-11 of this Decision.

IV.D. Cluster Documents

25. The consent of each member to which a Cluster Document pertains (the "members concerned") is required for publication of the report and a Press Release pertaining to the report. In a case where one or more members concerned object to publication, the document will not be published. If the members concerned have consented to the publication of the report, such publication will be made along with the publication of a Press Release.

26. The publication of a Cluster Document would occur promptly after the relevant Executive Board meeting (or the date of the adoption of a decision on a lapse-of-time basis), unless, prior to the conclusion of the Executive Board meeting at which the document is considered (or the date of adoption of a decision on a lapse-of-time basis to which that document relates), one or more members concerned notify the Fund regarding their consent to publication as provided for in paragraph 4(b) to (e) of this Decision. In such case, the publication of the Cluster Document will follow the procedure set forth in these provisions.

27. For the purpose of deletions and corrections, each member concerned has the right to request deletions or corrections to Cluster Documents in accordance with the criteria and procedures applicable to Country Documents as set forth in paragraphs 8-11 of this Decision and to Press Releases pursuant to the procedures set in paragraph 14(g) of this Decision, subject to the considerations set forth in paragraph 32(c) of this Decision.

28. a. A Press Release pertaining to a Cluster Document is expected to be published no later than two business days after the Executive Board has considered the document (or after the adoption of a decision on a lapse-of-time basis to which the document relates), if the members concerned consent to publication of the Press Release. For the purpose of providing a member's consent to the publication of a Press Release pertaining to a Cluster Document, procedures set forth in paragraph 14(c) of this Decision apply. If the members concerned have consented to the publication of a Cluster Document, the Executive Director(s) for one or more members concerned may request that the Press Release be published within seven calendar days after the Executive Board's consideration of the document (or after the date of the adoption of a decision on a lapse of-time basis to which the document relates), to allow time for the finalization of the Cluster Document. Any Press Release published ahead of a Cluster Document will indicate the members' publication intentions for such document. In any event, a Press Release pertaining to a Cluster Document will not be issued before the circulation of the summing up as a Fund document.

b. The Fund will issue a brief factual statement stating the fact of the Board's consideration of the Cluster Report and clarifying the publication intention of the members concerned with respect to that report, in the circumstances and within the time periods specified in paragraph 15(a) of this Decision.

V. Other Matters

V.A. Administrative Errors

29. a. The rectification of administrative errors in Country Documents, Fund Policy Documents, or Multi-Country Documents shall be limited to the following cases: (i) the document issued to the Executive Board does not correspond to the version approved by management, or (ii) key elements necessary for the Executive Board's consideration of the document or the adoption of a decision on a lapse-of-time basis to which the document relates are missing or incomplete.

b. The rectification of administrative errors shall be made before the Executive Board's consideration of the document or the deadline

to request a Board meeting for a decision proposed on a lapse-of-time basis to which the document relates. The administrative error should be rectified at least two business days before the Executive Board's consideration of the corrected document or the deadline to request a Board meeting for a decision proposed on a lapse-of-time basis to which the corrected document relates.

V.B. Other Changes to Documents

30. a. Before a document is published, the following shall be removed: (i) references to unpublished Fund documents, (ii) references to certain internal processes that are not disclosed to the public under existing policies, including inquiries regarding possible misreporting and breaches of members' obligations, and (iii) any discussion of a breach of obligation under Article VIII, Section 5 of the Articles of Agreement or misreporting under applicable Fund policies that the Managing Director has proposed be treated as de minimis in nature as defined in paragraph 1 of Decision No. 13849-(06/108), December 20, 2006, and (iv) confidential information provided by a member or a third party. Removal of confidential information requires approval by the Managing Director.

b. For Country Documents that include debt sustainability assessments (DSA) under the debt sustainability framework for market access countries, the following items shall be removed before publication, if included in the DSA issued to the Executive Board: (i) the results of the near-term sovereign risk assessment, (ii) the mechanical signal for debt sustainability, (iii) any mention of whether debt is sustainable "with high probability" or sustainable "but not with high probability," for Article IV consultations or for Fund arrangements where this qualification is not required for use of Fund resources under such arrangements, and (iv) the near-term risk analysis table, chart, and commentary.

V.C. Post-Publication Modifications

31. As a general principle, after publication, Country Documents, Fund Policy Documents and Multi-Country Documents shall not

be modified except in the following exceptional circumstances: (i) the published document does not correspond to the version that was considered by the Executive Board in material ways or does not contain elements considered integral to the publication, or (ii) the published document, or part thereof, poses significant legal, reputational, or operational risks for the Fund.

V.D. Dispute Resolution[1]

32. a. Procedures for resolving disputes arising from modification requests are set forth below: In the case of a serious disagreement between the Managing Director and a member regarding that member's request for modification pursuant to paragraphs 8 through 12, 13(c), 14(g), .and 30(a)(iv) of this Decision, the Managing Director, or the Executive Director elected or designated by that member, may refer the matter to the Executive Board.

b. In the case of staff reports for Article IV consultations and regional surveillance discussions (Documents 1 and 2), if the Managing Director approves deletions requested by other members, and the member to whom the document relates disagrees with the assessment of the Managing Director, the Managing Director, or the Executive Director elected or designated by that member, may refer the matter to the Executive Board.

c. In the case of a serious disagreement amongst the members concerned regarding requests for deletions to a Cluster Document, the Managing Director shall propose a solution to the members concerned. If a commonly acceptable solution cannot be found, then the Managing Director, or Executive Directors elected or designated by the members concerned, may refer the matter to the Executive Board. d. If the Managing Director is of the view that the requested deletions would result in a document that, if published, would undermine the overall assessment and credibility of the

[1] Ed. Note: [A]ny dispute resolution on modifications to documents covered by the Transparency Policy will continue to be guided by the procedures under Decision 15420-(13/61) in effect at the time of the adoption of this decision and the new procedures set forth in paragraph 32 shall become effective on May 15, 2025. (SM/24/257, Sup. 1, 11/08/24)

Fund, the Managing Director shall recommend to the Executive Board that the document not be published.

V.E. Timing and Means of Fund Publication

33. Documents may be published under this Decision only after their consideration by the Executive Board, except for documents that are circulated for information only including (i) I-PRSPs, PRSPs, and PRGSs; and (ii) Reports on Observance of Standards and Codes (ROSCs) and Assessment of Financial Sector Supervision and Regulation (AFSSR) Reports, which may be published immediately after circulation to the Executive Board.

34. Publication by the Fund under this Decision shall normally mean publication on its website but may include publication through other media.

V.F. Article XII, Section 8

35. Nothing in this Decision shall be construed to be inconsistent with the power of the Fund to decide under Article XII, Section 8 of the Articles of Agreement, by a 70 percent majority of the total voting power, to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members.

V.G. Non-Members

36. In the case of a document pertaining to a country which is not a member of the Fund: (i) all references to "member" in this Decision shall be taken to mean "country"; and (ii) all references to "Executive Director elected or designated by that member" shall be taken to refer to the appropriate authorities of the country concerned.

V.H. Documents Prepared by Other Institutions

37. Documents prepared by other institutions and required for Executive Board consideration will be published together with the related staff report in the version considered by the Executive Board,

provided the related staff report is published, there is no objection to publication from the institution that produced the documents, and the Executive Board has not decided against publication of the specific category of documents. These documents do not require the member's consent to publication and are not subject to the modification rules set forth in this Decision. Notwithstanding the provisions of this Decision, such documents may not be modified after Executive Board consideration.

V.I. Review

38. This Decision is expected to be reviewed in light of experience in five years or more, as needed.

Appendix I. Documents Covered by the Decision

The Transparency Policy covers Country Documents, Fund Policy Documents and Multi-Country Documents. When a document is covered by the policy both the publication and modification rules of the policy apply, unless otherwise specified in the decision.

This appendix provides the updated indicative list of documents covered by the Transparency Policy. The appendix also provides an indicative sub-list of Board documents covered by the policy that deal with the administrative matters of the Fund and, under the policy, are not presumed to be published (the "negative" list). While the presumption of publication does not apply to such documents, they can however be published on a case-by-case basis on approval by the Executive Board.

The lists presented here are indicative and are not intended to be exhaustive. Country Documents, Fund Policy Documents, and Multi-Country Documents that may be created in between reviews of the Transparency Policy will be subject to the Transparency Policy Decision, unless the Executive Board decides otherwise on a case-by-case basis.

Indicative List of Documents Covered by the Decision

I. Country Documents

A. Surveillance and Combined Documents

1.Staff Reports for Article IV consultations, Combined Article IV consultations/Use of Fund Resources, Combined Article IV consultations/PCI, Combined Article IV consultations/SMP, Combined Article IV consultations/PMB, and regional surveillance discussions

2.Selected Issues Papers

3.Reports on Observance of Standards and Codes (ROSCs), Financial System Stability Assessment (FSSA) Reports, and Assessment of Financial Sector Supervision and Regulation (AFSSR) Reports

4.Press Releases following Article IV consultations, regional surveillance discussions, and stand-alone Board consideration of FSSA reports

5.Stand-alone Debt Sustainability Analysis reports[1]

6.Documents prepared for informal Board briefings for countries with excessively delayed Article IV consultations or mandatory financial stability assessments

B. Use of Fund Resources Documents

7.Joint Fund/World Bank Staff Advisory Notes (JSANs) on Interim Poverty Reduction Strategy Papers (I-PRSPs), Poverty Reduction Strategy Papers (PRSPs), PRSP Preparation Status Reports, RSP Annual Progress Reports (APRs), and Poverty Reduction Growth Strategy Papers (PRGS)

8.Staff Reports for Use of Fund Resources, Post-Financing Assessments, Ex-Post Peer-Reviewed Assessments (PRAs), and Ex-Post Evaluations of exceptional access arrangements (excluding staff reports dealing solely with a member's overdue financial obligations to the Fund)

9.Press Releases containing a Chairman's Statement for Use of Fund Resources

[1] The sharing of a stand-alone DSA with the Executive Board can also be done in a UFR context.

10.Preliminary, decision point, and completion point documents under the Heavily Indebted Poor Countries Initiative

11.Press Releases following Executive Board discussions on Post-Financing Assessment, PRAs or Ex-Post Evaluations of exceptional access arrangements (excluding staff reports dealing solely with a member's overdue financial obligations to the Fund)

12.I-PRSPs, PRSPs, PRSP Preparation Status Reports and APRs and PRGSs.

13.Letters of Intent (LOIs), Written Communications from authorities, and Memoranda of Economic and Financial Policies (MEFPs)

14.Technical Memoranda of Understanding (TMUs)

15.Staff Notes on preliminary evaluation of high and/or exceptional access

16.Overdue Financial Obligations Documents

C. Staff Monitored Program (SMP) and Program Monitoring with Board Involvement (PMBs) Documents

17.LOIs/MEFPs for SMPs and Program Monitoring with Board Involvement (PMBs)

18.Stand-alone Staff Reports on SMPs and PMBs

19.Press Releases following Executive Board discussions on PMBs

D. Policy Coordination Instrument (PCI) Documents

20.Program Statements for PCIs

21.Technical Memoranda of Understanding (TMUs)

22.Staff Reports for PCIs

23.Press Releases containing a Chairman's Statement for PCIs

E. Statements on Fund Decisions

24. Statements on Fund decisions on waivers of applicability, or for nonobservance, of performance criteria, and any other matter as may be decided by the Executive Board from time-to time

II. Fund Policy Documents

25.Fund Policy Issues Papers

26.Background papers to Fund Policy Papers

27.Press Releases following Executive Board consideration of policy issues

28.Internal Fund Administrative Documents

29.Stand-alone Enterprise Risk Assessments (ERA)

III. Multi-Country Documents

30.Multilateral Policy Issues Documents such as the World Economic Outlook, the Global Financial Stability Report, the Fiscal Monitor[1]

31.Other Multilateral Policy Issues Documents such as External Sector Reports and Spillover Reports

32.Press Releases following Executive Board consideration of Multilateral Policy Issues

33.Country Background Pages

34.Press Releases following Executive Board consideration of Country Background Pages

35.Cluster Documents

36.Press Releases following Executive Board consideration of Cluster Documents

Indicative List of Documents Covered by the Decision and Not Presumed to be Published ("Negative List")

1.Internal Fund Administrative Documents

2.Documents prepared for informal Board briefings for countries with excessively delayed Article IV consultations or mandatory financial stability assessments

[1] Under the Decision, these documents are not subject to the policy's standard modification rules.

3.Staff Notes on preliminary evaluation of high and/or exceptional access

4.Overdue Financial Obligations Documents

5.Stand-alone Enterprise Risk Assessments (ERA)

Decision No. 15420-(13/61), June 24, 2013,
as amended by Decision No.15805-(15/62, June 22, 2015,
16231-(17/62), July 14, 2017,
16519-(19/42), May 24, 2019, and
Decision D in 16747-(20/43), April 15, 2020
17231-(22/37), April 13, 2022,
17291-(22/62), June 29, 2022, and
17848-(24/107),
November 15, 2024

WEB POSTING OF POVERTY REDUCTION STRATEGY PAPERS

Web posting of Poverty Reduction Strategy Papers (PRSPs), Interim PRSPs, Annual Progress Reports of PRSPs, PRSP Preparation Status reports, Economic Development Documents and Poverty Reduction and Growth Strategies in accordance with the procedures outlined in SM/06/359 (10/25/06) shall be taken to constitute issuance of such documents to the Executive Board for the purposes of (1) Section II, paragraph 1(b)(3) and paragraph 1(c)(4) of the Instrument to Establish the Poverty Reduction and Growth Trust, Annex to Decision No. 8759-(87/176), adopted December 18, 1987, as amended; (2) Section III, paragraph 2(c) of the Instrument to Establish a Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations, Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended; and (3) paragraph 8 of the Policy Support Instrument-Framework, Decision No. 13561-(05/85), adopted October 5, 2005, as amended. (SM/19/100, Sup. 2, 05/21/19)

Decision No. 13816-(06/98),
November 15, 2006,
as amended by Decision No. 16520-(19/42),
May 24, 2019

PUBLICITY UPON SUSPENSION OF VOTING RIGHTS AND TERMINATION OF SUSPENSION

The Fund shall issue a press release upon its decision to suspend the voting rights of a member and thereafter upon termination of suspension and shall also include the information contained in such press releases, where pertinent, in the Annual Report for the year concerned.

Decision No. 10305-(93/32),
March 10, 1993

Concluding Remarks by the Acting Chairman—
Strengthening the Application of the
Guidelines on Misreporting,
Executive Board Meeting 00/77, July 27, 2000[1]

…

Directors also reviewed the current policy on publication of cases of misreporting and decided to retain the current policy, which requires that after the Board makes its determination that misreporting occurred, the Fund proceed to make relevant information public in every case, with Board review of the text for publication. A number of Directors suggested that we think about introducing the concept of the material importance of an instance of misreporting as affecting the decision on whether to publish. The staff will reflect on this issue and consider whether, in the light of recent and further experience, workable proposals can be presented in the forthcoming paper for Board discussion in October.

…

BUFF/00/129
August 4, 2000

Summing Up by the Acting Chairman—
Transparency and Use of Fund Resources,
Executive Board Meeting 99/135, December 20, 1999

1 Ed. Note: In the context of PRGF operations, subparagraph 3(d) of the Annex to Decision No. 11436-(97/10) states that "[t]he Fund shall issue press releases on its decisions regarding the circumstances of the misreporting and the applicable remedies."

Executive Directors welcomed the opportunity to revisit transparency-related issues, including the questions of the release of use of Fund resources (UFR) staff reports and whether there should be UFR summings up/Public Information Notices (PINs) following Board discussion of a request for the use of Fund resources.

…

Concerning the release of UFR staff reports, a clear majority of the Board agreed with the staff's proposal to complete the reviews of the recent UFR transparency initiatives and the Article IV pilot project that are scheduled for June and August, 2000, before proceeding to a decision on the possible publication of UFR staff reports.

…

In considering the question of whether there should be UFR summings up and PINs, Directors agreed with the proposal to continue publishing Chairman's statements, emphasizing the key points made by the Board in approving or reviewing the program. …Directors considered that the current procedures for the timely publication of Chairman's statements worked well and should not be modified in advance of the June 2000 review. However, it was agreed that, in view of the clarification of the legal situation relating to such statements, the Executive Director for the country concerned would have, separately, an opportunity to review the Chairman's statement, and would need to give a decision on its publication, subject to very minor revisions, if any, within a very short time of the Board meeting. In the event that the Executive Director did not agree to publication of the Chairman's statement, the Fund would release publicly a short factual statement indicating that the Board meeting had been held and that resources were being provided. The Executive Director for the country concerned would inform the Board of the reasons why publication of the Chairman's statement had not been accepted.

Several Directors expressed the view that, for internal purposes, the Chairman should present a summing up at the end of UFR Board discussions, and the Board agreed to institute this practice.

The Board will review the experience with the transparency initiatives under way in June and August 2000, and will return to

the issue of the release of UFR staff reports in the context of the August 2000 review of the pilot project on the voluntary release of Article IV staff reports.

BUFF/99/157
December 28, 1999

SUMMINGS UP FOR INTERNAL PURPOSES ON USE OF FUND RESOURCES

Following any Executive Board meeting on the use of Fund resources by a member combined with an Article IV consultation, summings up for internal purposes on the use of Fund resources shall no longer be prepared. Instead, a paragraph or paragraphs concerning Executive Directors' views regarding the member's Fund-supported program shall be attached to the summing up of the Board discussion of the Article IV consultation. Such paragraph(s) shall not be published with any Public Information Notice following the meeting.

Decision No. 12663-(02/6),
January 22, 2002

Article XIV

Restrictions on Payments and Transfers: Withdrawal

Meaning of "In Exceptional Circumstances" in Article XIV, Section 4

The following language in Article XIV, Section 4[1] of the Fund Agreement:

> "The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement."

(a) applies at any time after the entry into force of the Fund Agreement and

(b) gives to the Fund the power to determine what is meant by "in exceptional circumstances."

Decision No. 117-1,
January 6, 1947

[1] Ed. Note: Corresponds to Article XIV, Section 1 of the Articles of Agreement after the Second Amendment.

Article XV, Section 2

Valuation of the Special Drawing Right

Review of the Method of Valuation of the SDR—Amendment to Rule O-1

Effective August 1, 2022, Rule O-1, which specifies the amounts of the currencies in the SDR valuation basket, shall be amended to read as follows:

"Rule O-1. The value of the SDR shall be the sum of the values of the following amounts of the following currencies:

U.S. dollar	0.57813
Euro	0.57813
Chinese yuan	1.0993
Japanese yen	13.452
Pound sterling	0.080870"

(SM/15/278, Sup. 5, 09/30/16)

Decision No. 17312-(22/73),
July 29, 2022

The Acting Chair's Summing Up—
Review of the Method of Valuation of the SDR,
Executive Board Meeting 22/44, May 11, 2022

Executive Directors concluded the quinquennial review of the method of valuation of the Special Drawing Rights (SDR). They supported maintaining the current method of valuation of the SDR, including the selection criteria for inclusion in the basket and the methodologies for determining the currency weights and currency amounts in the basket, while formalizing the current practice and accepted statistical method of dealing with data gaps. Directors agreed to maintain the current composition of the SDR currency and interest rate baskets and approved their updated weights in the baskets.

Directors concurred that the export criterion and the freely usable criterion should continue to guide decisions on inclusion of currencies in the basket. They also agreed to maintain the methodology introduced in the 2015 review for determining currency weights and amounts in the SDR basket. Directors encouraged future reviews to include further analysis of the weights used in the formula to ensure that it continues to adequately capture the role of currencies in global trade and financial markets. They agreed that data gaps for indicators used in the SDR valuation review should be addressed by using available data within the relevant five-year period consistent with past practice, while continuing to explore availability of alternative variables to minimize data gaps.

Directors noted that based on developments in trade and financial markets over the period 2017-2021, the updated weights in the SDR basket maintain the same ranking of the initial weights set in the 2015 review, with slightly higher weights for the U.S. dollar and the Chinese renminbi and, accordingly, somewhat lower weights for the British pound, the euro, and the Japanese yen. Directors concurred that neither the COVID-19 pandemic nor advances in Fintech have had any major impact on the relative role of currencies in the SDR basket so far. They called for continuous monitoring of implications for the SDR valuation framework from fintech and other developments, including potential economic and financial fragmentation and high inflation. A few Directors also called for monitoring implications of economic sanctions on the valuation framework.

Directors welcomed the update on operational issues raised in previous reviews through a survey of SDR users and the finding that most users do not experience significant operational challenges using SDRs or operating in the five SDR basket currencies' markets. They noted however that the survey identified some remaining operational challenges for the currencies in the basket. In this context, Directors broadly acknowledged the progress made on financial market reforms in China, while calling for additional efforts to further open and deepen the onshore renminbi market, with some Directors also stressing the need to further enhance data transparency. Directors agreed with the Managing Director's

proposal for the next SDR review to take place on a five-year basis, to be concluded before end-July 2027.

SU/22/68,
May 14, 2022

REVIEW OF THE METHOD OF VALUATION OF THE SDR—METHOD OF SDR VALUATION AND AMENDMENT OF RULE T-1(C)

A. Method of SDR Valuation

1. The value of the special drawing right shall be determined on the basis of the five currencies issued by Fund members, or by monetary unions that include Fund members ("monetary unions"), whose exports of goods, services, and income credits ("Exports") had the largest value during the five-year period ending December 31, 2014, or for any subsequent revision, during the most recent five calendar-year period for which the required Exports data are readily available, and which have been determined by the Fund to be freely usable currencies in accordance with Article XXX(f) of the Articles of Agreement. In the case of a monetary union, the determination of the value of Exports shall exclude trade among members that are part of the union. In the case of a member with more than one currency, the determination of the value of Exports shall be based, for each currency, on trade by the member's economic region for which the currency is legal tender.

2. The percentage weight of each currency selected in accordance with paragraph 1 above for the SDR basket composition[1] shall be equal to the sum of:

(a) One half of the share of the member or monetary union issuing that currency in the total exports of the members or monetary unions issuing the currencies as calculated in accordance with paragraph 1 above; and

[1] Ed. Note: Decision No. 16979-(21/25), adopted March 5, 2021, provides: "Notwithstanding Paragraphs 2 and 4 of Executive Board Decision No. 15891-(15/109), adopted November 30, 2015, the SDR valuation basket determined under Executive Board Decisions No. 15891-(15/109), adopted November 30, 2015 (as amended), and No. 16061-(16/91), adopted September 30, 2016, shall remain in effect through July 31, 2022. (EBS/21/11, 02/25/21)

(b) One sixth of the share of that currency in the total value of balances of the currencies selected in accordance with paragraph 1 above, held by monetary authorities that are not issuers of the relevant currency, and in the case of the currency of a monetary union, by the monetary authorities of members other than those forming part of the monetary union, at the end of each year of the five-year period ending December 31, 2014, and thereafter at the end of each year of the relevant five-year period referred to in paragraph 1 above;

(c) One sixth of the share of that currency in the total value of foreign exchange market turnover of the currencies selected in accordance with paragraph 1 above, during the five-year period ending December 31, 2014, and thereafter during each relevant five-year period referred to in paragraph 1 above; and

(d) One sixth of the share of that currency in the total value of international banking liabilities and international debt securities denominated in the currencies selected in accordance with paragraph 1 above, at the end of each year of the five-year period ending December 31, 2014, and thereafter at the end of each year of the relevant five-year period referred to in paragraph 1 above. In the case of a monetary union, international banking liabilities and international debt securities shall be determined on the basis of the monetary union as one economic region. In the case of a member with more than one currency, these indicators shall be determined on the basis of the economic region of the member for which the currency in question is legal tender.

3. In the event that the data needed to assess the variables set out in Paragraphs 2(a) to 2(d) is not readily available for one or several of the currencies for the period under consideration, the data gaps shall be addressed consistent with accepted statistical methods as follows:

(a) in cases where year-end data for a calendar year of the relevant five year period is not available, the latest available data for a currency for that same year would be used; and

(b) in cases where data for a currency for one or more calendar years of the relevant five-year period is not available, the data available in that five-year period would be used for that currency.

4. In accordance with the principles set forth in paragraphs 1 and 2 above, effective October 1, 2016, the value of one special drawing right shall be the sum of the values of specified amounts of the five currencies listed below. These amounts shall be determined on September 30, 2016 in a manner that will ensure that, at the average exchange rates for the three-month period ending on that date, the shares of each of the five currencies in the value of the special drawing right correspond to the weights specified below.[1]

Currency	Weight (in percent)
U.S. dollar	41.73
Euro	30.93
Chinese renminbi	10.92
Japanese yen	8.33
Pound sterling	8.09

5. The list of the currencies that determine the value of the special drawing right, and the amounts of these currencies, shall be revised with effect on August 1, 2027 and thereafter on the first day of each subsequent period of five years, in accordance with the following principles, unless the Fund decides otherwise in connection with a revision:

(a) The currencies determining the value of the special drawing right shall be determined in accordance with paragraph 1 above, provided that a currency shall not replace another currency included in the list at the time of the determination unless the value of Exports of the member or monetary union, whose currency is not included in the list, during the relevant period exceeds by at least one percent that of a member or a monetary union issuing a currency included in the list.

(b) The amount of the five currencies referred to in (a) above shall be determined on the last working day preceding the effective date of the relevant revision in a manner that will ensure that, at

[1] Ed. Note: See the immediately following Decision No. 17247-(22/44), May 11, 2022, for currency weights with effect from August 1, 2022.

the average exchange rates for the three-month period ending on that date, the shares of these currencies in the value of the special drawing right correspond to percentage weights for these currencies, which shall be established for each currency in accordance with (c) below.

(c) The percentage weights shall be established in accordance with paragraph 2 above. The percentage weights shall be rounded to the nearest 1 percent or as may be convenient. Adjustments to currency weights resulting from the above formula shall be made, if necessary to ensure that the rounded currency weights sum to one hundred percent, in a manner that has the least impact on relative weights.

6. The amounts of the currencies under paragraphs 4 and 5 above shall be determined in a manner that will ensure that the value of the special drawing right in terms of currencies on the last working day preceding the five-year period for which the determination is made will be the same under the valuation in effect before and after revision ("same value"), and shall be calculated in accordance with the following guidelines:

(a) The currency amounts calculated for the new basket will be rounded to five significant digits based on the sixth significant digit. If necessary to achieve the same value, an adjustment will be made to the amount of the currency against which the values of the other SDR basket currencies are determined in accordance with Rule O-2.

(b) If the calculations under (a) do not yield the same value in five significant digits, the calculations shall be made by applying the same guidelines but rounding currency amounts to six significant digits based on the seventh significant digit.

B. Amendment of Rule T-1(c)

Effective October 1, 2016, Rule T-1(c) of the Fund's Rules and Regulations shall be amended by inserting "Chinese renminbi: Three-month benchmark yield for China Treasury bonds as published daily by the China Central Depository and Clearing Co., Ltd." after "Euro: Three month spot rate for euro area central

government bonds with a rating of AA and above published by the ECB". (SM/15/278, Sup. 2, 11/25/15)

Decision No. 15891-(15/109),
November 30, 2015,
as amended by Decision No. 16033-(16/17), July 20, 2016, and
17247-(22/44),
May 11, 2022

REVIEW OF THE METHOD OF VALUATION OF THE SDR

1. Decision No. 15891-(15/109), adopted November 30, 2015, as amended, on the method of valuation of the Special Drawing Right (the "Decision"), shall be further amended as follows:

… [1]

2. The Executive Board, having reviewed the list and the weights of the currencies that determine the value of the special drawing right (SDR) in accordance with Decision No. 15891-(15/109), adopted November 30, 2015 as amended, decides that, with effect from August 01, 2022, the list of the currencies in the SDR valuation basket shall remain the same, and the weight of each of these currencies to be used to calculate the amount of each of these currencies in the basket will be as follows:

Currency Weight (in percent)

U.S. dollar	43.38
Euro	29.31
Chinese RMB	12.28
Japanese yen	7.59
Pound sterling	7.44

(EBS/22/27, Sup. 1, 05/09/22)

Decision No. 17247-(22/44),
May 11, 2022

1 Ed. Note: The amendments referred to in paragraph 1 are incorporated into the immediately preceding document (Decision No. 15891-(15/109), November 30, 2015, as amended).

The Chairman's Summing Up—
Review of the Method of Valuation of the SDR,
Executive Board Meeting 15/109, November 30, 2015

Executive Directors concluded the quinquennial review of the method of valuation of the Special Drawing Right (SDR). They reaffirmed the existing criteria for currency selection for the SDR basket—the export criterion and the freely usable criterion—and applied these two criteria in the review.

Directors noted that the ranking of the largest exporters remains broadly unchanged since the last review. They observed that China, as the third-largest exporter, continues to meet the export criterion for SDR basket inclusion, and noted the narrow margin separating Japan and the United Kingdom, the fourth- and fifth-largest exporters, respectively. Recognizing that the demand for a currency as a reserve asset reflects principally the economic position of the area where a currency is issued, Directors agreed that the currency-based approach already applied to monetary unions should be used for all currencies when assessing the export criterion.

Directors noted the substantial increase in the international use and trading of the renminbi (RMB) since the last review, across all the indicators used to inform the assessment. They agreed that the RMB can now be considered "in fact, widely used to make payments for international transactions" and "widely traded in the principal exchange markets."

Directors commended the Chinese authorities for implementing substantial reforms that have supported the internationalization of the RMB and would facilitate its use in Fund operations. They recognized some remaining operational challenges but expected their impact to be mitigated by a number of factors, including the unencumbered access of Fund members and SDR users to both onshore and offshore markets. Directors stressed the importance of continuing and deepening the recent reforms and addressing any operational issues that may arise.

In light of the above considerations, Directors agreed that, effective October 1, 2016, the RMB is determined by the Fund to be freely

usable. Directors further agreed that upon the effectiveness of this determination, the RMB will meet both criteria for SDR inclusion and will be added as a fifth currency in the SDR basket, in addition to the U.S. dollar, euro, Japanese yen, and pound sterling. Directors considered that expanding the basket to five currencies is appropriate, given that the relative rankings of the export shares of Japan and the United Kingdom have switched over time. They also viewed the administrative burden of expanding the basket by one currency as manageable. Authorities of all currencies represented in the SDR basket, which would now include the Chinese authorities, are expected to maintain a policy framework that facilitates operations for the Fund, its membership and other SDR users in their currencies.

Directors agreed that in order for the SDR basket to reflect the characteristics of currencies rather than members, the currency-based approach applied since 2000 to monetary unions should be applied to all currencies when determining currency weights. They welcomed the weighting formula proposals as they address issues recognized in previous reviews, in particular by increasing the share of financial variables relative to exports, broadening the scope of the financial variables to cover private sector transactions, and setting fixed weights for exports and financial variables.

Specifically, Directors supported a formula consisting of equal weights on exports and a financial variable, with the latter comprising in equal shares official holdings of foreign exchange, foreign exchange turnover, and the sum of international bank liabilities and international debt securities. They viewed this formula as simple and transparent, while preserving broad stability in the composition of the basket and continuity in the method of valuation. Directors agreed that where data for any variable in the weighting formula are not available from uniform sources or for each year of the relevant valuation period, appropriate alternative data sources shall be used and the average values of available data shall be calculated as inputs. They underscored the importance of making efforts to address remaining data gaps, including in the currency coverage of the COFER database, ahead of the next SDR review.

Directors considered that the financial instruments representing the current four currencies used in determining the SDR interest rate remain appropriate. For the RMB, they regarded the three-month benchmark yield for China Treasury bonds as broadly reflecting conditions in the onshore money market while having a credit risk profile of the highest quality. Accordingly, Directors agreed that it is the most appropriate RMB-denominated instrument and meets the established characteristics for instruments in the SDR interest rate basket, and thus decided to add it to the basket.

Directors noted that when the new SDR currency basket comes into effect, the SDR interest rate is likely to be affected, as on past occasions. They looked forward to a comprehensive discussion of the implications of any such changes in the SDR interest rate in the context of the next review of the Fund's income position in April 2016. This would allow any relevant policy decisions to be taken well in advance of the effectiveness of the new SDR basket.

Directors acknowledged the lead time necessary for the Fund, its members, and other SDR users to adjust to today's decisions. They thus agreed that all of the above changes would take effect as of October 1, 2016.

Directors agreed that the SDR basket be established for five years, consistent with past practice. Accordingly, following their earlier decision to extend the current SDR basket through September 2016, Directors agreed that the next review of the method of valuation of the SDR should take place by September 30, 2021, unless developments in the interim justify an earlier review.

BUFF/15/105
November 30, 2015

REVIEW OF THE METHOD OF VALUATION OF THE SDR—FREELY USABLE CURRENCY—RENMINBI

Pursuant to Article XXX(f), and after consultation with the People's Republic of China, the Fund determines that, effective October 1, 2016, and until further notice, the Chinese renminbi is a freely usable currency. (SM/15/278, Sup. 2, 11/25/15)

Decision No. 15890-(15/109),
November 30, 2015

METHOD OF COLLECTING EXCHANGE RATES FOR THE CALCULATION OF THE VALUE OF THE SDR FOR THE PURPOSES OF RULE O-2(A)

1. For the purpose of determining the value of the United States dollar in terms of the special drawing right pursuant to Rule O-2(a), the equivalents in United States dollars of the amounts of currencies specified in Rule O-1 shall be based on spot exchange rates against the United States dollar. For each currency the exchange rate shall be the mid-market rate, as provided to the Fund by the Bank of England, based on spot exchange rates observed at around noon London time.

2. If the exchange rate for any currency cannot be obtained as described in paragraph 1 above, the rate shall be the mid-market rate, as provided to the Fund by the Federal Reserve Bank of New York, based on spot exchange rates observed at around noon London time or, if not available, the mid-market rate based on spot exchange rates observed at around noon New York time.

3. If the exchange rate for any currency cannot be obtained as described in paragraph 1 or 2 above, the rate shall be the mid-market rate, as provided to the Fund by the European Central Bank based on spot exchange rates observed at around noon London time or, if not available, the market exchange rates observed at 2:15 p.m. Central European Time.

4. If the rate for any currency against the United States dollar cannot be obtained directly in any of these markets, the rate shall be calculated indirectly by use of a cross rate against another currency specified in Rule O-1.

5. If on any day the exchange rate for a currency cannot be obtained in accordance with paragraph 1, 2, 3, or 4 above, the rate for that day shall be the latest rate determined in accordance with paragraph 1, 2, 3, or 4 above, provided that after the second business day the Fund shall determine the rate. (EBS/16/100, 10/19/16)

Decision No. 6709-(80/189) S,
December 19, 1980,
as amended by Decision Nos. 12157-(00/24) S, March 9, 2000, and
16069-(16/95),
October 26, 2016

Article XVII, Section 3

Special Drawing Rights: Other Holders

SPECIAL DRAWING RIGHTS: OTHER HOLDERS

The terms and conditions on which other holders prescribed by the Fund may accept, hold or use SDRs are as follows:

1. Acceptance, Holding, and Use by Prescribed Holders

(a) Acceptance and use

A prescribed holder may accept or use special drawing rights (i) in exchange for an equivalent amount of a monetary asset other than gold in a transaction entered into by agreement with a participant, or another prescribed holder, or (ii) in an operation entered into by agreement with a participant or another prescribed holder in accordance with and on the same terms and conditions established at that time for participants by decisions of the .Fund under Article XIX, Section 2(c).

(b) Holding

A prescribed holder may hold special drawing rights, subject to the provisions of this decision, accepted in accordance with (a) above or received as interest paid on its holdings of special drawing rights in accordance with Article XX, Section 1.

2. Acceptance and Use by Participants in Transactions and Operations with Prescribed Holders

Participants may enter into transactions and operations by agreement with a prescribed holder in accordance with the prescriptions in paragraph 1(a) of this decision.

3. Application of General Provisions

The holding of special drawing rights and the acceptance and use of them in transactions and operations by a prescribed

holder shall be governed by the provisions of the Articles, By-Laws, Rules and Regulations, and decisions of the Fund that apply from time to time to all holders of special drawing rights.

4. Exchange Rates

The Rules and Regulations and decisions of the Fund that determine the exchange rates applicable at the time of each use or acceptance of special drawing rights by a participant shall apply to each use or acceptance of them by a prescribed holder. A prescribed holder shall not levy any charge or commission in respect of a transaction involving special drawing rights.

5. Information and Recording

The Fund shall inform prescribed holders of matters relevant to the acceptance, holding, and use of special drawing rights by them. A prescribed holder shall inform the Fund promptly of the facts necessary to record any transactions or operations in which a prescribed holder accepts or uses special drawing rights.

6. Consultation and Review

(a) Consultation between the Fund and a prescribed holder shall be held at the request of the Fund or the prescribed holder with respect to the application of this decision or the decision prescribing the holder or with respect to transactions or operations entered into involving special drawing rights.

(b) The Executive Board shall review periodically this decision and decisions prescribing holders.

7. General Undertaking

Each prescribed holder shall collaborate with the Fund, participants, and other prescribed holders with respect to its acceptance, holding, and use of special drawing rights in order to facilitate the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with the Articles and the terms and conditions prescribed by the Fund now or in the future for the acceptance, holding, and use of special drawing rights by prescribed holders.

8. Suspension

During any period in which a suspension is in effect under Article XXIII, Section 1 with respect to participants, the suspension shall apply to the same extent to prescribed holders.

9. Termination

(a) The prescription of a holder of special drawing rights may be terminated by the Fund by a decision of the Executive Board or by a notice from the prescribed holder in writing to the Fund at its principal office. Termination shall become effective on the date specified in the decision of the Executive Board but not earlier than the date of the decision, or when notice from the prescribed holder is received by the Fund at its principal office.

(b) A prescribed holder whose status as such has been terminated may continue to hold the special drawing rights it held on termination and to receive special drawing rights as interest on its holdings and may continue to use special drawing rights to dispose of them in transactions or operations in accordance with paragraph 1(a) above. A prescribed holder whose status has been terminated shall make arrangements, with the concurrence of the Fund, to dispose of its holdings of special drawing rights as expeditiously as possible, and shall exchange special drawing rights for a freely usable currency selected by the prescribed holder when requested by the Fund.

Decision No. 6467-(80/71) S,
April 14, 1980

BANK FOR INTERNATIONAL SETTLEMENTS (BIS)—CHANGE IN TERMS AND CONDITIONS OF PRESCRIPTION AS HOLDER OF SDRS

The Bank for International Settlements is authorized to accept, hold, and use special drawing rights in transactions and operations in accordance with and on the terms and conditions specified in the decision "Terms and Conditions for the Acceptance, Holding, and Use of Special Drawing Rights by Other Holders Prescribed under Article XVII, Section 3," Decision No. 6467-(80/71) S, adopted April 14, 1980. These terms and conditions shall replace

those set forth in Board of Governors Resolution No. 29-1, dated January 21, 1974.[1] (EBS/80/86, 4/15/80)

Decision No. 6484-(80/77) S,
April 18, 1980

ANDEAN RESERVE FUND—HOLDER OF SDRS

1. Prescription as a Holder

The Andean Reserve Fund is prescribed, in accordance with Article XVII, Section 3(i) of the Articles of Agreement, as a holder of special drawing rights.

2. Terms and Conditions for Acceptance, Holding, and Use of Special Drawing Rights

The Andean Reserve Fund is authorized to accept, hold, and use special drawing rights in transactions and operations in accordance with and on the terms and conditions specified in the decision "Terms and Conditions for the Acceptance, Holding, and Use of Special Drawing Rights by Other Holders Prescribed under Article XVII, Section 3," Decision No. 6467-(80/71) S, adopted April 14, 1980. (EBS/80/86, 4/15/80)

Decision No. 6486-(80/77) S,[2]
April 18, 1980

[1] Ed. Note: The BIS was prescribed as a holder of SDRs by Board of Governors Resolution No. 29–1, effective January 21, 1974.

[2] Ed. Note: Similar decisions were taken for the following entities as holders of SDRs: East Caribbean Currency Authority—Decision No. 6487-(80/77) S, April 18, 1980; Nordic Investment Bank—Decision No. 6488-(80/77) S, April 18, 1980; International Fund for Agricultural Development—Decision No. 6489-(80/77) S, April 18, 1980; Arab Monetary Fund—Decision No. 6609-(80/126) S, August 8, 1980, effective August 26, 1980; International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—Decision No. 6718-(81/1) S, December 23, 1980; Central Bank of West African States—Decision No. 6908-(81/101) S, June 29, 1981; Bank of Central African States—Decision No. 7064-(82/26) S, February 26, 1982; Islamic Development Bank—Decision No. 7086-(82/42) S, April 5, 1982; Asian Development Bank—Decision No. 7229-(82/136) S, October 15, 1982; East African Development Bank—Decision No. 7582-(83/174) S, December 15, 1983; Eastern Caribbean Central Bank—Decision No. 7707-(84/79) S, May 17, 1984; African Development Bank and the African Development Fund—Decision No. 8318-(86/104) S, June 25, 1986; and European Central Bank—Decision No. 12329-00/113), November 15, 2000.

The Acting Chair's Summing Up—
Use of SDRs in the Acquisition of
Hybrid Capital Instruments of the Prescribed Holders,
Executive Board Meeting 24/46, May 10, 2024

Executive Directors approved the decision to expand permitted use of SDRs by authorizing the use of SDRs in the acquisition of hybrid capital issued by prescribed holders, adding to the seven currently authorized financial operations which are (i) the settlement of obligations, (ii) loans, (iii) pledges, (iv) transfers as a security for performance of financial obligations, (v) swaps, (vi) forward operations, and (vii) donations.

Most Directors agreed that the authorization could help broaden the use of SDRs and increase the attractiveness of the SDR as a reserve asset. However, a number of Directors did not share this assessment and some would have preferred a broader principles-based review to have taken place before taking any decisions. Most Directors agreed that the proposed use of SDRs is consistent with the Articles of Agreement, as well as with the policy motivations of previous authorizations of SDR uses. Many Directors, however, raised varying reservations about the use of SDRs as hybrid capital, with a number of Directors having remaining questions about consistency of the proposal with the intended purpose of SDRs and the role of the IMF.

Directors also emphasized that while the decision creates an option for members to use their SDRs to acquire hybrid capital instruments of prescribed holders, it is the sole decision of individual members whether to use their SDRs in this way. They also noted that many members will not in practice be able to channel SDRs in this manner due to domestic constraints.

Directors agreed that the expansion of permitted use, in the form of a general decision, should be subject to ex-ante risk mitigation measures. In this context, they supported the proposal that authorization be subject to a cumulative limit of SDR 15 billion on the use of SDRs for hybrid capital acquisition, with the limit designed to minimize any possible liquidity risks while providing room for participants in the SDR Department to channel SDRs to

multilateral development banks (MDBs) by acquiring hybrid capital instruments issued by these banks. A number of Directors expressed evenhandedness concerns from the "first come, first served" basis implicit in the limit for any prescribed holder wishing to channel SDRs into hybrid capital instruments.

Directors supported the proposal to conduct a review of the proposed use when cumulative hybrid capital contributions surpass SDR 10 billion or two years after the authorization, whichever comes first. This review would assess experience with the proposed SDR use and encompass the other already authorized uses, thereby providing the Executive Board with an opportunity to discuss the scope of SDR operations by prescribed holders in a holistic manner.

To address concerns over SDR market liquidity risks and equitable burden sharing of potential SDR exchanges into currencies in the VTA market, Directors expressed the strong expectation that participants availing themselves of the new use participate in the Voluntary Trading Arrangements (VTAs). However, a few Directors would have preferred a requirement for an explicit commitment to participate in the VTA market.

Directors called on staff to closely monitor the operations related to the use of SDRs for the acquisition of hybrid capital instruments and to bring any issues that could affect the functioning of the SDR Department to the attention of the Executive Board. They also called for a careful communication strategy concerning the new authorized SDR use that appropriately manages external expectations.

SU/24/69
May 14, 2024

USE OF SDRS IN THE ACQUISITION OF HYBRID CAPITAL INSTRUMENTS OF THE PRESCRIBED HOLDERS

A. In accordance with Article XVII, Section 3 of the Articles of Agreement, the Fund prescribes that:

1. A participant may use SDRs to acquire a Hybrid Capital Instrument issued by a prescribed holder which may accept these

SDRs in exchange for its Hybrid Capital Instrument, provided however that the amount of SDRs used for acquiring Hybrid Capital Instruments for all operations under this prescription shall not exceed SDR 15 billion on a cumulative basis. For the purposes of this prescription, a Hybrid Capital Instrument issued by a prescribed holder means a financial instrument with perpetual maturity that is junior to other types of debt issued by the prescribed holder and may be written off against losses experienced by the prescribed holder in accordance with the terms of the instrument.

2. The denomination, value and repayment of the contribution by a participant to a prescribed holder through the acquisition of a Hybrid Capital Instrument issued by the prescribed holder shall be subject to the following requirements:

a. the contribution is denominated in:

(i) SDRs; or

(ii) The currency of a member; or

(iii) The currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2; and

b. the amount of SDRs to be used in a contribution referred to in (a)(ii) or (a)(iii) above is equal in value, in terms of the SDR, at the time of contribution, to the amount of the contribution; and

c. for part or all of the contribution (or its remaining value) to be repaid by the prescribed holder to the contributing party in accordance with the terms of the Hybrid Capital Instrument, the prescribed holder has undertaken the following obligations:

(i) if the contribution is denominated in SDRs, to repay with the same amount of SDRs, or the equivalent, at the time of repayment, in the currency of a member on the basis of Article XIX, Section 7(a) and Rule O-2,

or in the currency of a nonmember or another unit of account under 2 (a)(iii) above in accordance with the arrangements for valuation referred to therein; or

(ii) if the contribution is denominated in the currency of a member and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, on the basis of Article XIX, Section 7(a) and Rule O-2; or

(iii) if the contribution is under (a)(iii) above and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, in accordance with the arrangements for valuation referred to in (a)(iii) above.

3. The calculations under 2(b) and 2(c) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

4. A participant and a prescribed holder intending to use SDRs under this prescription shall provide the Fund with a copy of the Hybrid Capital Instrument and any amendment thereof and inform the Fund of the denomination and amount of the contribution, the value date of the contribution, and the reduction in the value of the contribution as a result of any write-off against losses under A.1 above. As required by Rule P-7, the parties shall declare that the intended use of SDRs will be in accordance with this prescription. 5. Transfers of SDRs under this prescription shall be made only upon receipt by the Fund of instructions from the relevant participant and prescribed holder.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision when the amount of SDRs used for acquiring Hybrid Capital Instruments in accordance with this decision exceeds SDR 10 billion on cumulative basis, or two years after the approval of this decision, whichever is earlier. (EBS/24/10, Rev. 1, 04/15/24)

Decision No. 17711-(24/46),
May 10, 2024

USE OF SDRs IN PAYMENT OF TRUST FUND OBLIGATIONS

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. A participant, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to the prescribed holder in repayment of Trust Fund loans, in payment of interest on Trust Fund loans and in payment of special charges in respect of overdue repayments and interest of Trust Fund loans.

2. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 8642-(87/101) S/TR,
July 9, 1987

USE OF SDRs IN PAYMENT OF SUBSIDY

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. SDRs to the participant in discharge of subsidy payable from the Supplementary Financing Facility Subsidy Account, at the instruction of the Fund as Trustee of that Account.

2. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 8186-(86/9) SBS/S,
January 15, 1986

USE OF SDRs IN OPERATIONS UNDER THE STRUCTURAL ADJUSTMENT FACILITY

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. A prescribed holder, by agreement with a participant and at the instruction of the Fund, may transfer SDRs to the participant in disbursement of a loan payable from the Structural Adjustment Facility within the Special Disbursement Account ("the Facility").

2. A participant, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to the prescribed holder in repayment of loans, and/or payment of interest on loans, under the Facility.

3. The Fund shall record operations pursuant to these prescriptions in accordance with Rule P-9.

Decision No. 8239-(86/56) SAF/S,
March 26, 1986

USE OF SDRS IN FINANCIAL OPERATIONS UNDER THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST OR UNDER AN ADMINISTERED ACCOUNT

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. A participant or prescribed holder, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to that prescribed holder in effecting a payment due to the Fund in connection with financial operations under the Enhanced Structural Adjustment Facility Trust or under an administered account established for the benefit of the Enhanced Structural Adjustment Facility Trust.

2. A prescribed holder, by agreement with a participant or another prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or other prescribed holder in effecting a payment due from the Fund in connection with financial operations under the Enhanced Structural Adjustment Facility Trust or under an administered account established for the benefit of the Enhanced Structural Adjustment Facility Trust.

3. The Fund shall record operations pursuant to these prescriptions in accordance with Rule P-9. (EBS/88/150, 7/27/88)

Decision No. 8937-(88/118) ESAF/S,
July 28, 1988

Use of SDRs in Financial Operations Under the PRGF-HIPC Trustor Under an Administered Account

In accordance with Article XVII, Section 3, the Fund prescribes that (i) a participant or a prescribed holder, by agreement with a participant or a prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or prescribed holder in effecting a transfer to or from the Post-SCA-2 Administered Account or in effecting a payment due to or by the Fund in connection with financial operations under the PRGF-HIPC Trust or under an administered account established for the benefit of the PRGF-HIPC Trust; (ii) operations pursuant to these prescriptions shall be recorded in accordance with Rule P-9. (EBS/99/215, 11/29/99)

Decision No. 12062-(99/130),
December 8, 1999.

Prescription of SDR Operations–Resilience and Sustainability Trust

In accordance with Article XVII, Section 3, the Fund prescribes that:

1. A participant or prescribed holder, by agreement with a prescribed holder and at the instruction of the Fund, may transfer SDRs to that prescribed holder in effecting a payment due to the Fund, as Trustee, in connection with financial operations under the Resilience and Sustainability Trust.

2. A prescribed holder, by agreement with a participant or another prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or other prescribed holder in effecting a payment due from the Fund, as Trustee, in connection with financial operations under the Resilience and Sustainability Trust.

3. The Fund shall record operations pursuant to these prescriptions in accordance with Rule P-9. (EBS/22/70, 07/28/22)

Decision No. 17317-(22/74),
August 24, 2022

Article XVIII, Section 2

Allocation of Special Drawing Rights

Allocation of Special Drawing Rights for the Eleventh Basic Period—Executive Board Decision and Managing Director Report to the Board of Governors

1. The Executive Board concurs in the proposal by the Managing Director for an allocation of Special Drawing Rights for the Eleventh Basic Period, which, together with a proposed Board of Governors' Resolution, is set forth in the Report attached to this decision entitled "Proposal by the Managing Director of the International Monetary Fund for an Allocation of Special Drawing Rights for the Eleventh Basic Period."

2. Pursuant to Article XVIII, Section 2(d), a member that has become a participant in the Special Drawing Rights Department between January 1, 2017 and the day prior to the date of the allocation proposed pursuant to paragraph 1 of this decision, and has informed the Fund that it wishes to receive such allocation, shall receive an allocation in accordance with the proposed Resolution of the Board of Governors approving the allocation.

3. The Secretary is authorized and directed to send to each member of the Fund by rapid means of communication the Report and the proposed Resolution referred to in paragraph 1 of this decision.

4. The Board of Governors is requested, pursuant to Section 13 of the By-Laws, to vote on the proposed Resolution without meeting. To be valid, votes must be cast by Governors or Alternate Governors by rapid means of communication and must be received at the seat of the Fund before 6:00 p.m., Washington time, on or before August 2, 2021. Votes received after that time will not be counted.

5. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect

thereto shall be confidential until the Executive Board determines the result of the vote.

6. The effective date of the Resolution of the Board of Governors shall be the last day allowed for voting.

7. The Secretary is authorized to take such further action as he shall deem necessary or appropriate in order to carry out the purposes of this decision. (SM/21/124, 07/01/21)

Decision No. 17078-(21/70),
July 8, 2021

Resolution 76-1

Allocation of Special Drawing Rights for the Eleventh Basic Period

Whereas the Managing Director has submitted a proposal for the allocation of Special Drawing Rights pursuant to Article XVIII, Section 4(c) of the Articles of Agreement of the International Monetary Fund;

Whereas in the Report containing her proposal, the Managing Director has declared that, before making the proposal, she had satisfied herself that the proposal would be consistent with the provisions of Article XVIII, Section 1(a), and that, after consultation, she has ascertained that there is broad support among participants for the proposal; and Whereas the Executive Board, in accordance with Article XVIII, Section 4(a), has concurred in the proposal of the Managing Director. Now, therefore, the Board of Governors, being satisfied that the proposal of the Managing Director meets the principles governing the allocation of special drawing rights set forth in Article XVIII, Section 1(a), hereby resolves that:

1.The Fund shall make an allocation of Special Drawing Rights to participants in the Special Drawing Rights Department that are eligible, in accordance with the Articles of Agreement, to receive allocations during the Eleventh Basic Period.

2.The allocation shall be made on the twenty-first day following the date on which this resolution becomes effective.

3.The rate for the allocation shall be 95.8455025357 percent of the quota of each eligible participant on the date on which this resolution becomes effective.

Article XIX, Section 2

Special Drawing Rights: Additional Uses

USE OF SDRs IN SETTLEMENT OF FINANCIAL OBLIGATIONS

A. In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may use SDRs to settle a financial obligation to the other participant, if

(a) the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2; and

(b) the amount of SDRs to be used in the settlement of an obligation referred to in (a)(ii) or (a)(iii) above is equal in value, in terms of the SDR, at the time of settlement, to the amount of the obligation.

2. The calculations under 1(b) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Participants intending to use or acquire SDRs under 1(a) above shall inform the Fund of the denomination and amount of the obligation and the intended value date of the operation. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.

4. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6000-(79/1) S,
December 28, 1978,
as amended by Decision No. 6438-(80/37) S,
March 5, 1980

USE OF SDRS IN LOANS

A. In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may make a loan of SDRs to the other participant, if:

(a) the principal amount of the loan is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2; and

(b) the amount of SDRs used in a loan referred to in (a)(ii) or (a)(iii) above is equal in value, in terms of the SDR, at the time of the use, to the amount of the loan; and

(c) the borrower has undertaken the following obligations under the loan agreement:

(i) if the loan is denominated in SDRs, to repay with the same amount of SDRs, or the equivalent, at the time of

repayment, in the currency of a member on the basis of Article XIX, Section 7(a) and Rule O-2, or in the currency of a nonmember or another unit of account under (a)(iii) above in accordance with the arrangements for valuation referred to therein;

(ii) if the loan is denominated in the currency of a member and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, on the basis of Article XIX, Section 7(a) and Rule O-2;

(iii) if the loan is under (a)(iii) above and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, in accordance with the arrangements for valuation referred to in (a)(iii) above.

2. The calculations under 1(b) and (c) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Repayment and the payment of interest with SDRs shall be made in accordance with the prescription of the use of SDRs in the settlement of financial obligations.

4. Participants intending to lend or borrow SDRs under this prescription shall inform the Fund of the amount and value date of the loan, the denomination, rate of interest, maturity, and means of repayment agreed between the parties. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.

5. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6001-(79/1) S,
December 28, 1978

USE OF SDRS IN PLEDGES

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may pledge SDRs to secure the performance of a financial obligation to the other participant, if the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2.

2. Participants intending to engage in an operation involving the pledge of SDRs as pledge or pledgee shall inform the Fund of the terms of the pledge relating to the amount and denomination of the obligation to be secured by the pledge, the amount of SDRs to be pledged, the effective date of the pledge, and the party or other entity designated by the parties to the operation to give instructions to the Fund to terminate the pledge in whole or in part or to transfer the pledged SDRs to the pledgee. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a pledge of SDRs under this prescription only upon receipt by the Fund of instructions from the parties to the operation. A change in the terms of the pledge referred to in 2 above, if consistent with this prescription, shall take

effect upon receipt by the Fund of instructions from the parties to the operation. The amount of SDRs to be pledged shall be set aside and shall not be used during the period of the pledge except in accordance with instructions authorized by the terms of the pledge or in order to discharge an obligation of the pledgor under the Articles of Agreement.

4. The amount of SDRs to be transferred to the pledgee in accordance with instructions authorized by the terms of the pledge in satisfaction of the secured obligation shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the transfer. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before pledged SDRs are to be transferred

(a) in accordance with the terms of the pledge; or

(b) in order to discharge an obligation of the pledgor under the Articles of Agreement.

6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of pledged SDRs, or in which the pledge of SDRs could be restored.

7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6053-(79/34) S,
February 26, 1979,
as amended by Decision No. 6438-(80/37) S,
March 5, 1980

USE OF SDRS IN TRANSFERS AS SECURITY FOR THE PERFORMANCE OF FINANCIAL OBLIGATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may transfer SDRs to the other participant in order to secure the performance of a financial obligation to the other participant, if the obligation is denominated in

(i) SDRs, or

(ii) the currency of a member, or

(iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2.

2. Participants intending to engage, as transferor or transferee, in an operation involving the transfer of SDRs as security shall inform the Fund of the terms of the security arrangement relating to the amount and denomination of the obligation to be secured, the amount of SDRs to be transferred, the effective date of the transfer, any agreement by the parties regarding SDRs received from the Fund as interest in respect of the transferred SDRs, and the party or other entity designated by the parties to the operation to give instructions to the Fund for the retransfer. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a transfer of SDRs under this prescription upon the receipt by the Fund of instructions from the parties to the operation. A change in the terms of the security arrangement referred to in 2 above, if consistent with this prescription, shall take effect upon receipt by the Fund of instructions from the parties to the arrangement. At the request of the parties, the amount of SDRs

transferred as security shall be set aside and shall not be used during the period of the security arrangement except in accordance with instructions authorized by the terms of the arrangement or in order to discharge an obligation of the transferee under the Articles of Agreement.

4. The amount of SDRs transferred as security shall be retransferred in accordance with instructions authorized by the terms of the security arrangement, or retained in the absence of such instructions. The amount of SDRs retained shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the retention. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of retention or of the second business day preceding the date of retention if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before the amount of SDRs held by the transferee as security are to be

(a) retransferred in accordance with the terms of the arrangement; or

(b) reduced in order to discharge an obligation of the transferee under the Articles of Agreement.

6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of the SDRs held as security, or in which these holdings could be restored.

7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

Decision No. 6054-(79/34) S,
February 26, 1979,
as amended by Decision No. 6438-(80/37) S,
March 5, 1980

USE OF SDRS IN SWAP OPERATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may engage in an operation by which (a) one of the parties transfers to the other party SDRs in exchange for an equivalent amount of currency or another monetary asset, other than gold, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2, and (b) the parties undertake to reverse the exchange within a period and at an exchange rate agreed by them.

2. Calculations for the purpose of 1(a) above shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed by the parties.

3. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.

4. The parties may agree on the payment of compensation in the event that, for any reason, the reversal of the transfer in accordance with 1(b) above is not carried out.

5. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of

(a) the amount of SDRs and the period of the operation;

(b) the monetary asset, the exchange rate and the value date for the exchange under 1(a) above;

(c) the monetary asset, the exchange rate and the value date for the reversal of the exchange;

(d) any agreement for the payment of interest, or compensation in accordance with 4 above; and

(e) any modification of these terms.

6. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

7. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

8. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

9. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6336-(79/178) S,
November 28, 1979

USE OF SDRS IN FORWARD OPERATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, in agreement with another participant, may engage in an operation by which the participant undertakes to transfer to the other participant SDRs at a specified future date more than three business days after the date of the agreement, in exchange for an agreed amount of currency or another monetary asset, other than gold.

2. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.

3. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of

(a) the amount of SDRs and the period of the operation;

(b) the monetary asset, the exchange rate and the value date for the exchange; and

(c) any modification of these terms.

4. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

5. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

6. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

7. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6337-(79/178) S,
November 28, 1979

USE OF SDRS IN DONATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may donate SDRs to the other participant.

2. Participants intending to donate or receive SDRs pursuant to this prescription shall inform the Fund of the amount of SDRs and the value date for the transfer.

3. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

4. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

5. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

Decision No. 6437-(80/37) S,
March 5, 1980

The Chairman's Summing Up—
Considerations on the Role of the SDR,
Executive Board Meeting 18/27, March 30, 2018

Executive Directors welcomed the opportunity to discuss whether the SDR could play a broader role in contributing to the smooth functioning and the stability of the international monetary system (IMS). Many Directors noted that the IMS had shown considerable resilience and strength, including during the global financial crisis (GFC), and a few noted that it had been further strengthened after the GFC. Directors noted, however, that the IMS continues to face several important challenges, mainly related to external adjustment mechanisms, gaps in official provision of international liquidity, and systemic side-effects of large-scale reserve accumulation. In this context, Directors reflected on whether an enhanced role for the SDR could help in mitigating the observed weaknesses of the IMS and complement other efforts such as global policy coordination, enhanced surveillance, and a strengthened global financial safety net (GFSN), alongside countries' own efforts to increase resilience through sound domestic macroeconomic policies and strong policy frameworks. Most Directors were uncertain or unconvinced that there is a role for the SDR in addressing the weaknesses of the IMS. A number of Directors, however, considered that there is a potential for the SDR to address these gaps and saw merit in continuing to explore its future role.

Directors discussed whether an expanded role of official SDRs (O-SDRs) could help smooth external adjustment, augment the supply of safe global assets, and reduce incentives for precautionary reserve accumulation. In this context, while a number of Directors saw a potential for additional O-SDR allocations to help foster greater IMS stability, most were not convinced that it could be effective in addressing the IMS gaps. Many Directors noted that the 2009 SDR allocation played an important role in mitigating the impact of the GFC. Nevertheless, many Directors also cautioned that such allocations could raise moral hazard concerns, including reluctance in some recipient countries to enact needed policy adjustments, although a few felt that such concerns might be overstated and could be mitigated through increased transparency and

effective surveillance. Some Directors also doubted whether voluntary trading participants would be willing to support high volumes of O-SDRs. A number of Directors expressed skepticism regarding alternative targeting mechanisms for SDR allocations, such as allocations contingent on global conditions or meeting policy criteria, noting that it would blur the distinction between conditionality-based Fund lending and the role of the SDR as reserves. Many Directors noted that such alternatives would require amending the Articles of Agreement and resolving a number of operational considerations, such as the allocation of credit risk.

Most Directors saw limited scope for market based-SDRs (M-SDR) and SDRs as a unit of account (U-SDR) to contribute to systemic stability. Despite the benefits of diversification and stability of payments and receipts, uptake would be hard to achieve even with official sector support to reduce transaction costs and develop market liquidity and infrastructure. A number of Directors, however, saw merit in exploring these issues further, and a few called for a more active role for the Fund to contribute to the development of SDR market infrastructure.

Directors welcomed a preliminary discussion of economic and technological transitions, such as a potential move toward a multipolar global economy and adoption of financial technologies, and their impact on the IMS. Most supported further analysis of how these developments could reshape the IMS in the future, noting that the role of the SDR either should not be the central question in this analysis or need not be explored at all. It was also suggested that staff should focus more on issues such as exchange rate adjustment, excess reserve accumulation, and global rebalancing.

SU/18/47
April 6, 2018

Article XIX, Section 5

Designation of Participants to Provide Currency

Review of Rules for Designation and Method of Calculating Designation Amounts

The Executive Directors approve the summary and conclusions set out in SM/79/183 (7/9/79) on the understanding that if during the first year after a participant receives an allocation for the first time, designation would bring the participant close to the acceptance limit, the staff will take steps to moderate the rate at which the limit is approached.[1]

Decision No. 6209-(79/124) S,
July 24, 1979

SM/79/183

Summary and Conclusions

1. The designation system has a key role in guaranteeing the usability of the SDR. However, provided that the SDR is regarded as an attractive reserve asset, participants may make less use of their SDR holdings in transactions with designation and may rely more on transactions and operations by agreement between participants, as well as payments to the Fund. The volume of transactions with designation would then depend mainly on the extent to which the Fund transfers SDRs to purchasing members that use the SDRs to obtain foreign exchange in transactions with designation.

2. The general structure of the more important provisions relating to designation is as follows:

(a) The major principles of designation are contained in Article XIX, Section 5. A participant whose balance of payments and gross reserve position is sufficiently strong shall be subject to

[1] Ed. Note: See also Decision No. 6273-(79/158) G/S, September 14, 1979, p. 512.

designation; and the Fund shall designate these participants "in such manner as will promote over time a balanced distribution of holdings of special drawing rights among them." These principles can be supplemented by other principles that the Fund may adopt at any time.

(b) To promote a balanced distribution of SDR holdings, the Fund implements the rules for designation in Schedule F. These rules embody the so-called "excess holdings" principle, which aims to promote over time equality in participants' "excess holding ratios," i.e., their holdings of SDRs in excess of their net cumulative allocations as a proportion of their gold and foreign exchange holdings. The rules for designation can be reviewed at any time and changed, if necessary, by a decision of the Executive Board taken by a majority of votes cast.[1]

3. The following conclusions are suggested as regards the principles on which the calculation of the designation amounts is based.

(a) The choice of "excess holdings" rather than total holdings of SDRs tends to concentrate designation on net users of SDRs to restore their holdings to the level of their allocations. The alternative "holdings" principle would tend to shift the incidence of designation away from participants that have used SDRs to those that have relatively large holdings of gold and foreign exchange. The latter approach may become more suitable as the attractiveness of the SDR increases, but it is not recommended at this time.

(b) Participants' gold and foreign exchange holdings are used as a basis for harmonizing excess holdings of SDRs, consistent with the approach that the staff has suggested for preparing the operational budgets. An alternative technique would be to distribute amounts of designation on the basis of participants' unused acceptance obligations in relation to their allocations. It would seem preferable, however, not to divorce the designation amounts from participants' reserve holdings as these are considered to be the best available measure of the ability of participants to provide currency when designated by the Fund.

[1] Ed. Note: For revised designation rules, see Decision No. 11976-(99/59) S, p. 777.

(c) The speed at which the harmonization of ratios proceeds depends importantly on the particular method adopted for calculating designation amounts for individual participants. The present method has promoted harmonization at a moderate pace, striking a balance between the objective of restoring the holdings of net users of SDRs and the desire to maintain a fairly broad list of participants for designation. The method has the advantage of flexibility and has been adjusted successfully from time to time to meet changing circumstances.

4. Under the Articles of Agreement, the amount of SDRs a participant can be required to accept in designation is restricted to the point where its excess holdings are twice its allocation, i.e., the acceptance limit. For certain participants, this limit is reached rather more rapidly than for others because their reserves are very large in relation to their SDR allocations. While it would be possible to conceive of arrangements that would slow down the approach to the acceptance limit, the staff's view is that such action is neither necessary nor desirable.

5. The method of executing designation plans is established for each quarterly period at the time the plan is adopted by the Executive Board. It is proposed that this procedure be continued. The approach generally followed in the execution of designation plans has been to designate participants in broad proportion to the maximum amounts for which they are included in the plan, while avoiding undue fragmentation of individual transactions. From time to time exceptions may be proposed, such as have been agreed by the Executive Board in the past when circumstances warranted. If during the quarterly period covered by a designation plan a proposal is pending with the Executive Board for the exclusion of a participant from designation, further designation of the participant concerned would be avoided to the extent practicable.

6. Over more than nine years of actual experience, the designation mechanism has functioned satisfactorily. Actual designations have borne out the general emphasis that was expected to result from the "excess holdings" principle. About four fifths of total designation has been directed to participants whose holdings of SDRs

were below their allocations as a result of prior uses. At the same time, a wide range of both developed and less developed countries has been called upon to provide currency in the designation process.

7. The major volume of transactions with designation over the last two and a half years has resulted from transfers of SDRs to participants making purchases from the General Resources Account; these participants have generally used the SDRs in transactions with designation, although a not insignificant proportion has been retained by the recipients, mainly to meet the reconstitution obligation or to make payments to the Fund.

8. In the future, the attractiveness of the SDR, and the increasing scope for transactions and operations by agreement, may reduce the use of SDRs from participants' own holdings in transactions with designation. However, with the Fund receiving approximately SDR 5 billion as a result of quota increases under the Seventh Review, there is likely to be a continuing volume of transactions with designation as a result of transfers of SDRs by the Fund to members making purchases, as a way of channeling SDRs back into participants' reserves.

9. In the light of the generally satisfactory experience with the designation system, the staff does not feel it necessary to propose any changes in the present principles and procedures for designation.

Rules for Designation Revision

Pursuant to Article XIX, Section 5(*c*), the rules for designation in the SDR Department are revised as follows:

(a) Participants subject to designation under Article XIX, Section 5(*a*)(i) shall be designated for such amounts as will promote over time equality in the ratios of the participants' holdings of special drawing rights in excess of their net cumulative allocations to their existing Fund quotas.

(b) The formula to give effect to (a) above shall be such that participants subject to designation shall be designated:

(i) in proportion to their existing Fund quotas when the ratios described in (a) above are equal; and

(ii) in such manner as gradually to reduce the difference between the ratios described in (a) above that are low and the ratios that are high.

Decision No. 11976-(99/59) S,
June 3, 1999

Article XIX, Section 6

Reconstitution

Abrogation of Rules for Reconstitution

The Executive Board, having reviewed the rules for reconstitution in accordance with Article XIX, Section 6(b), decides to abrogate with effect from April 30, 1981:

1. The rules for reconstitution under Schedule G, paragraph 1(a); and

2. Rules R-1 through 6 of the Fund's Rules and Regulations; Decision No. 5699-(78/38) G/S (adopted March 22, 1978, effective April 1, 1978); Decision No. 5936-(78/168) S (adopted October 25, 1978, effective December 11, 1978); and Decision No. 6063-(79/43) S (March 14, 1979).

Decision No. 6832-(81/65) S,
April 22, 1981

Charges

PAYMENT OF NET CHARGES AND ASSESSMENT IN THE SDR DEPARTMENT FOR THE FINANCIAL YEAR ENDED APRIL 30, 1982

The Executive Board notes the course of action set out in EBS/82/80.

Decision No. 7116-(82/68) S,
May 7, 1982

EBS/82/80

The problems arising out of these participants' failure to hold adequate SDRs or to acquire them from other participants or the Fund, to meet net charges and assessments have been dealt with as follows:

(i) Since [members] had sufficient SDRs to pay assessments, these amounts were collected first by debiting their respective SDR accounts. The balance of their SDR holdings was applied toward the payment of net charges.

(ii) [Member], not having any SDRs, was not in a position to pay its assessment of SDR 4,669. This amount will be carried as a receivable in the General Resources Account until such time as it can be collected.

(iii) The unpaid balance of net charges, SDR 15,419,868 will be shown separately in the balance sheet of the Special Drawing Rights Department under the caption "Charges due but not paid." This item will appear below "Net cumulative allocations of SDRs to participants" and the total of the two items will correspond to the total in the balance sheet of holdings of SDRs by participants.

(iv) When these participants acquire sufficient SDRs to pay the charges due, the entry will be cancelled in accordance with Article XX, Section 5 which states, in part that "special drawing rights acquired by a participant after the date for payment shall be applied against its unpaid charges and cancelled."

…

The course of action outlined above follows from the application of the Articles of Agreement and was adopted in 1978 when one participant did not hold sufficient special drawing rights to pay the assessment and charges due with respect to the financial year ending April 30, 1978. While the procedure has already been adopted by the Executive Board for the situation described, it is considered appropriate that the Executive Board again note the course of action taken.

Article XX, Section 4

Assessments

Review of the Fund's Income Position for FY 2023 and FY 2024—Assessment Under Article XX, Section 4 for FY 2023

Pursuant to Article XVI, Section 2 and Article XX, Section 4 of the Articles of Agreement and Rule T-2 of the Fund's Rules and Regulations, it is decided that:

(i) The General Department shall be reimbursed for the expenses of conducting the business of the SDR Department for the period of May 1, 2022 through April 30, 2023; and

(ii) An assessment shall be levied on all participants in the SDR Department. The special drawing right holdings accounts of participants shall be debited on April 30, 2023 with an amount equal to 0.00131269 percent of their net cumulative allocations of special drawing rights. The total assessment shall be paid into the General Department. (EBS/23/38, 04/07/23)

Decision No. 17449-(23/32),
April 27, 2023

Article XXVI

Remedial Measures on Overdue Financial Obligations to the Fund

The Chairman's Summing Up at the Conclusion of the Discussion on Overdue Payments to the Fund: Experience and Procedures, Executive Board Meeting 84/54, together with relevant remarks at Meeting 84/55 - April 5, 1984

The sense of the meeting is to approve the approach suggested by the staff in EBS/84/46, and I shall only mention a few major points that have been the subject of discussion.

…

The position described in paragraphs 5 and 6 on page 16 of EBS/84/46 was supported by the majority of the Executive Board. The Executive Board clearly does not wish to open the way for rescheduling of obligations. The staff arguments on the point were clearly found convincing and were supported by the Board. This does not mean that the relevant Articles, and particularly Article V, Section 7(g) cannot be resorted to in exceptional cases if the Board so decides. But while the Board would have to satisfy itself that discharge on the due date would result in exceptional hardship, the burden of proof that such hardship would result must be on the country, and I did not sense much support in the Board for the use of this provision. There is a very strong sentiment against the idea that the Fund should match the rescheduling operations of the Paris Club or any other group, and it is useful that the Board was so clear on this point. The Fund could certainly not adopt such a course.

…

Excerpt from the Main Text of EBS/84/46

IV. Policies and Practices on the Postponement of Obligation

Some member countries with overdue obligations have asked whether a particular repurchase obligation could be rescheduled to a later date within the outside limit of the installment schedule established under the policy under which the purchase was made, or even beyond that outside limit.[1]

Under the relevant decisions of the Fund, repurchases are to be made in regular quarterly or semiannual installments unless the Executive Board decides otherwise.[2] An important reason for introducing a standard schedule of repurchases after the Second Amendment of the Articles in 1978 was the intent to facilitate the reduction in indebtedness to the Fund by distributing repurchases in relatively frequent and equal installments over the specified repurchase period.[3]

Within the period applicable to the policy under which the purchase was made, repurchase obligations can be rescheduled by a decision of the Executive Board requiring a simple majority of

[1] The question of postponing the payment of charges has also arisen. However, the Fund's Articles provide no authority for the postponement of the payment of charges on the Fund's holdings of a member's currency.

[2] The periods vary according to the facility under which purchases were made. Holdings resulting from purchases in the credit tranches financed from ordinary resources or under the compensatory financing or buffer stock decisions are to be repurchased in eight quarterly installments beginning three years and ending not later than five years after the purchase (Executive Board Decision No. 5703-(78/39) as amended by Decision No. 6862-(81/81)). Purchases financed with borrowed funds under the SFF and EAR decisions are to be repurchased in eight semiannual installments beginning three and one half years after the purchase and ending no later than seven years after the purchase (Executive Board Decision Nos. 5508(77/127) and 6783-(81/40)). Those made under an il extended arrangement and financed by ordinary resources are to be repurchased in 12 semiannual installments beginning four years and ending not later than ten years after the purchase (Executive Board Decision, No. 4377-(74/114) as amended by Decisions No. 6339-(79/179) and No. 6830-(81/65)).

[3] A small part of holdings of currencies subject to repurchase, amounting to SDR 131.6 million, relate to purchases made before the Second Amendment and remain subject to the then applicable repurchase policies.

votes cast.[1] However, postponement of an installment means an accumulation of position has improved adequately in the interim. Postponement of purchases financed from borrowed resources which the Fund has to repay to its creditors could also lead to a substitution of ordinary for borrowed resources, because the Fund is obliged to repay its lenders whether or not the drawing for which the Fund borrowed is repurchased. These considerations suggest that postponement of repurchases would be rare and only in cases where it is clear that the member would be in a better position to discharge the obligation on the new due date. The three cases for which repurchases have been postponed with respect to purchases made since the Second Amendment came into effect (...) did not result in discharged of obligations at the rescheduled due dates. In neither of these cases was the postponement accompanied by policies which resulted in a solution of balance of payments difficulties.

Another consideration arguing against postponement is the evident need for the member to take steps to improve its balance of payments when it experiences difficulties in meeting repurchase obligations as they mature. The postponement of repurchases when they fall due is equivalent, in economic terms, to making additional credit available to the member. Unless accompanied by adjustment policies, a postponement is likely to be no more than a temporary palliative. In these circumstances, Fund assistance would best be associated with further programs of adjustment under new arrangements.[2] A postponement of repurchase obligations related to purchases made after the Second Amendment of the Articles has therefore not been recommended to the Executive Board except in very rare cases.[3]

[1] Rescheduling of repurchases beyond the appropriate repurchase period is possible only if discharge on the due date would result in exceptional hardship for the member. The longer period must be consistent with the temporary use of the general resources of the Fund; and the decision must be taken by 70 per cent of the total voting power (Article V, Section 7(g)).

[2] This question has been discussed in more detail in "Review of the Policy on Access to the Fund's Resources--General Considerations" (EBS/83/132, 61271831, and will be considered further in a forthcoming paper on prolonged use of the Fund's resources.

[3] There have been only three such recommendations, and these have been for brief periods. …

The question has also arisen whether rescheduling of foreign debt to official sources should be accompanied by a rescheduling of debt owed to the Fund. In view of the central role of the Fund in the international monetary system and the special character of Fund assistance supporting members' adjustments programs, it is essential that lending by the Fund and the associated repurchase obligations not be included in the multilateral rescheduling of indebtedness to official institutions under the auspices of the Paris Club, and that indebtedness to the Fund continue to be repaid in accordance with the schedules established by the Fund under the policies on the use of its resources. An appropriate contribution by the Fund in connection with Paris Club reschedulings would consist of technical advice and arranging a new stand-by or extended arrangement in support of the adjustment policies adopted by the member concerned, and requires that all the conditions necessary for Fund support are met.

….

Paragraphs 5 and 6 from Summary and Conclusions of EBS/84/46

5. The question has arisen whether the Fund should reschedule repurchase obligations if a member represents difficulty in meeting financial obligations to the Fund within the normal repayment periods, or even stretching repurchases beyond these periods. Such postponements are unlikely materially to facilitate repayments to the Fund, or to contribute to the adoption of adjustment policies required to solve underlying balance of payments problems. In fact, postponement could result in a ballooning of repurchase obligations at the end of the normal repayment periods and, in the absence of adjustment, exacerbate difficulties at a later stage.

6. Repurchase obligations to the Fund have not been postponed when a member sought rescheduling of indebtedness to official institutions under the aegis of the Paris Club. The Fund's contribution in this connection is best rendered in the form of technical advice and by way of new stand-by or extended arrangements in support of adjustment policies that normally are a precondition for multilateral rescheduling of indebtedness to official creditors.

EBM 84/55
April 5, 1984

Overdue Payments to the Fund—Experience and Procedures, Executive Board Meeting 84/54, April 5, 1984

The Executive Board unanimously reaffirmed the existing practices…that management will not submit to the Board any requests for the use of Fund resources under a stand- by or extended arrangement as long as the member concerned has overdue payments to the Fund.

There was more debate whether the Fund should engage in discussions or resume discussions on the use of Fund resources with a member that is in arrears to the Fund. On the whole, the practice of not entering into discussion in those circumstances was confirmed.

This does not mean that we are not going to continue discussions…with members with overdue payments; but… discussions [are] confined quite precisely to assisting the members to organize their affairs in order to permit the payment of the overdue obligations… Far from cutting our lines of communication, we should do what we can to keep them open. But we should direct the discussions toward enabling the country to make repayments.

BUFF/84/56
April 12, 1984

The Chairman's Summing Up at the Conclusion of the Discussion on Overdue Financial Obligations to the Fund, Executive Board Meeting 85/170, November 25, 1985

… [M]ember countries in arrears should be induced to give priority to actions that are designed specifically to enable them to repay the Fund. In addition, they should introduce corrective measures at an early stage to improve their economic policies and to avoid the emergence and further accumulation of arrears to the Fund.

… [T]he Fund should keep open its channels of communication with countries in arrears in order to help them formulate adjustment policies and to catalyze external assistance so that these concerted efforts can ultimately be supported by Fund assistance and lead prior to the Fund's formal commitment to providing such assistance to settlement of the arrears.

… [I]ntervals between Board reviews should be put to good use; they should never be seen as grace periods or as periods in which a member is excused from making every effort to settle its arrears to the Fund. …

A majority of Directors favor reducing the period between the emergence of arrears and the first substantive consideration of a complaint. These Directors felt that the present five-month period was too long, as it has tended to coincide with a buildup of arrears that has made it more difficult to tackle the matter; earlier involvement by the Board would have been helpful. Although some Directors favor taking a flexible approach to this period, a majority clearly supports limiting the period to three months. Issuing the complaint two months after arrears have arisen instead of three months would certainly be consistent with today's discussion. The review period following the first substantive consideration would remain three months, but the three months would be considered an outer limit: the decision on the actual timing in each case should take into account the particular circumstances and the performance of the member…

A majority of Directors felt that once a member has been declared ineligible to use the Fund's resources the Board should not wait as long as the next Article IV consultation to discuss the member's arrears situation. The majority of Directors would like to review the member's situation every six months.

BUFF/85/206
December 6, 1985

The Acting Chairman's Summing Up at the Conclusion of the Discussion on Overdue Financial Obligations—Six-Monthly Report, Executive Board Meeting 88/19, February 10, 1988

…

Second, Directors also agreed that the present practice, whereby the general policies and procedures relating to overdue financial obligations to the Fund are not applied to overdue maintenance of value adjustments, should be continued. Again, it was emphasized that prompt settlement of these adjustments constitutes an essential element of members' financial obligations to the Fund, and the staff was encouraged to follow up actively in cases of overdue valuation adjustments in order to achieve a more speedy settlement and to report periodically to the Board in the context of staff papers on individual members.

BUFF/88/21
February 3, 1988

Procedures for Dealing with Members with Overdue Financial Obligations to the General Department and the SDR Department, Executive Board Meeting 89/101, July 27, 1989

The Fund, as a cooperative institution, relies on the mutually supportive actions of its membership in all areas of its endeavors. Overdue financial obligations are a breach of obligations to the Fund and are demonstrably a noncooperative action, which imposes financial cost on the Fund's membership, impairs its capacity to assist members, and more generally weakens the Fund's ability to perform its broader responsibilities in the international financial system.

As the experience with arrears demonstrates, countries which accumulate arrears to the Fund also damage themselves, in part through the deterioration which inevitably follows in their financial relations with other creditors. When arrears exist the Fund is not able to provide its own assistance and its effectiveness is

diminished as a catalyst for helping the country restore regular financial relations with other creditors.

This statement outlines procedures aimed at preventing the emergence of overdue financial obligations to the Fund and the elimination of existing overdues, including protracted arrears. The need for flexibility in the implementation of the Fund's policies dealing with overdues has been stressed in the past; flexibility must continue to be exercised in order to take account of the specific circumstances of the member. Nonetheless, a balance must be struck between the need for appropriate flexibility and the need for clear and credible procedures that act as a deterrent to members against incurring arrears and to encourage members with overdues to become current.

Arrears prevention

The importance of preventing new cases of arrears has been stressed by the Executive Board. As noted in the past, our best safeguard is the quality of Fund arrangements and we will continue to direct our efforts to ensure that arrangements of the highest quality are placed before the Board. These efforts would include assisting members to design strong and comprehensive economic programs, careful attention to access levels and phasing, explicit assessment of a member's capacity and willingness to repay the Fund, and adequate assurances regarding external financing during the period of the Fund arrangement. Special understandings with creditors and donors may also need to be sought in certain cases to help assure progress toward external viability. In some cases, specific financial or administrative arrangements designed to ensure that forthcoming obligations to the Fund are settled on time will be used to increase the assurance that the Fund's resources will be repaid on time. Moreover, the importance of members remaining current on obligations falling due and observing the Fund's preferred creditor status will continue to be stressed.

The Fund's response to overdue obligations

The Fund has developed a set of procedures for dealing with members with overdue financial obligations which are designed to bring about a reduction and the eventual elimination of these overdue obligations. In addition to the procedures set out below,

the Fund makes an effort to assist members willing to cooperate to eliminate their arrears through the design and implementation of appropriate policies as well as to help members adopting these policies to secure the necessary financial support.

The procedures initiated immediately after a member falls into arrears provide for a sequence of actions by management, the staff, and the Executive Board.

—Whenever a member fails to settle an obligation on time, the staff immediately sends a cable urging the member to make the payment promptly; this communication is followed up through the office of the Executive Director concerned.

—When an obligation has been outstanding for two weeks, management sends a communication to the Governor for that member stressing the seriousness of the failure to meet obligations to the Fund and urging full and prompt settlement. The Executive Board understands that the Governor will bring this communication and the circumstances that gave rise to it to the attention of his authorities at the highest level. The communication to the Governor would also note that unless payment is received in due course, the Managing Director would intend to raise with the Executive Board the possibility of communicating with Governors of the Fund concerning the situation. The Managing Director has on occasion raised the matter of overdue financial obligations to the Fund directly with the head of government of the member concerned, and he would intend to continue to do so in those cases where he believes it would be a useful procedure.

—The Managing Director notifies the Executive Board normally one month after an obligation has become overdue.

—When the longest overdue obligation has been outstanding for six weeks, the Managing Director informs the member concerned that unless the overdue obligations are settled a complaint will be issued to the Executive Board in two weeks' time.

The Managing Director would in each case recommend to the Executive Board whether a communication should be sent to a selected set of Fund Governors, or to all Fund Governors. If it were considered that it should be sent to a selected set of Fund

Governors, an informal meeting of Executive Directors would be held, some six weeks after the emergence of overdues, to consider the thrust of the communication. Alternatively, if it were considered that the communication should be sent to all Fund Governors, a formal Board meeting would be held to consider a draft text and the preferred timing. A sample text for a communication to all Fund Governors is set out in Attachment I.

—A complaint by the Managing Director is issued two months after an obligation has become overdue, and is given substantive consideration by the Executive Board one month later. At that stage, the Executive Board has usually decided to limit the member's use of the general resources, and if the member has overdue obligations in the SDR Department, to suspend its right to use SDRs, and has provided for a subsequent review of the decision. This and subsequent review periods would normally not exceed three months. It would be understood that the Managing Director may recommend advancing the Executive Board's consideration of the complaint regarding the member's overdues.

When a member has overdue financial obligations outstanding for more than three months, a brief factual statement noting the existence and the amount of such arrears will be posted on the member's country-specific page on the Fund's external website. The statement will be updated as necessary. It will also indicate that the member's access to the Fund, including PRGF, RST and HIPC resources, has been and will remain suspended for as long as arrears remain outstanding.

A press release will be issued following the Executive Board's decision to limit the member's use of the general resources or, if the member has overdue obligations in the SDR Department, to suspend its right to use SDRs. A similar press release will be issued following a decision to lift such limitation or suspension.

—The Annual Report and the financial statements identify those members with overdue obligations outstanding for more than six months.

Beyond these procedures, the Executive Board has expressed its intention to provide that a member must first discharge

its overdue financial obligations to the General Resources Account before it would be permitted to pay for an increase in its quota under the Ninth General Review, and that, in the event the quota payment were not made within a prescribed period, the proposal for an increase in the member's quota would lapse.

Another measure being considered by the staff relates to the possibility of withholding SDR allocations for members with arrears in the General Department. This measure would require an amendment of the Articles and will be examined further in the next Six-Monthly Report on Overdue Financial Obligations.

Declaration of ineligibility

—If a member persists in its failure to settle its overdue obligations to the Fund, the Executive Board declares the member ineligible to use the general resources of the Fund. The timing of the declaration of ineligibility would vary according to the Board's assessment of the specific circumstances and of the efforts being made by the member to fulfill its financial obligations to the Fund. The procedures for dealing with members with protracted arrears that have been declared ineligible include further reviews at intervals of not more than six months. Such reviews may be postponed for periods of up to one year however in exceptional circumstances where the Managing Director judges that there is no basis for an earlier evaluation of the member's cooperation with the Fund.[1]

—For members with protracted arrears willing to cooperate with the Fund in settling those overdues, the Fund has adopted an intensified collaborative approach, which incorporates exceptional efforts by the international financial community.

—For members that are judged not to be cooperating actively with the Fund, remedial measures would be applied.

—Members not showing a clear willingness to cooperate with the Fund have been informed that in these circumstances the provision of technical assistance would be inappropriate, but

[1] Ed. Note: This sentence was added by Decision No. 15225-(12/83), August 27, 2012.

the Fund would reconsider providing technical assistance once the member has resumed active cooperation. The Managing Director may also limit technical assistance provided to a member, if in his judgment that assistance was not contributing adequately to the resolution of the problems associated with overdues to the Fund.

—A further remedial measure in cases of protracted arrears would be communications with all Governors of the Fund and with heads of certain international financial institutions. Use of such communications would normally be raised for the Executive Board's consideration at the time of the first post-ineligibility review of the member's arrears. At that time the staff would prepare a draft text of a communication along the lines set out in Attachment II to this statement. It should be noted that the Fund's communication to certain other international financial institutions, such as the three main regional development banks (Asian Development Bank, African Development Bank, Inter-American Development Bank), like its communication to the Governors, would not request the addressee to take specific actions and would leave any action to the institution's discretion. This does not preclude informal contacts with other international financial institutions. The staff would intend to propose to send this latter type of communication on the occasion of the next post-ineligibility review for members that at present have arrears that have been outstanding for a protracted period, in the event the Executive Board judges that the member concerned is not cooperating actively with the Fund in efforts to resolve the problem of its overdue financial obligations to the Fund.

Censure or declaration of noncooperation

—A declaration of censure or noncooperation would come as an intermediate step between a declaration of ineligibility and a resolution on compulsory withdrawal The decision as to whether to issue such a declaration would be based on an assessment of the member's performance in the settlement of its arrears to the Fund and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Three related tests would be germane to this decision regarding (i) the member's performance in meeting its financial obligations to the Fund taking account of exogenous factors that may have affected the member's

performance; (ii) whether the member had made payments to other creditors while continuing to be in arrears to the Fund; and (iii) the preparedness of the member to adopt comprehensive adjustment policies. The declaration would follow any communication to Governors after ineligibility and would be considered at a subsequent post-ineligibility review. The period between such communications and the declaration could be about six months, but this time period would be determined on a case-by-case basis.

Upon a declaration of noncooperation, technical assistance to the member will be suspended unless the Executive Board decides otherwise. (EBS/01/122, 7/13/01)

A draft of the declaration is set out in Attachment III. The actual declaration would be based on this draft text taking account of the circumstances of the individual case. The declaration would be adopted by the Executive Board and published.

Other remedial measures

—On suspension of membership, Directors noted the necessity of amending the Fund's Articles of Agreement to provide for suspension of membership. Some Directors showed an interest in introducing a provision into the Articles of Agreement under which the voting rights of a member that has been declared ineligible to use the Fund's general resources could be suspended. However, most Directors felt that it would not be advisable to propose an amendment of the Fund's Articles of Agreement at this time, but that this matter could be reconsidered in the future.

—Finally, Directors noted the availability to the Fund of procedures under Section 22 of the By-Laws on compulsory withdrawal. These procedures would only be pursued once the Fund has exhausted all other possible avenues to redress the problem of overdue financial obligations and, despite a declaration of noncooperation, the member has not exhibited a willingness to cooperate with the Fund. The Articles of Agreement and the By-Laws provide for procedures for settling claims by the Fund on a member in the event that it withdraws from the Fund. If the procedures were initiated, the staff would prepare an analysis of the effect of the member's withdrawal on the Fund's financial position.

Attachment I

Draft First Letter to All Governors

Dear:

The Executive Board has considered the complaint which was recently issued regarding [member]'s overdue financial obligations to the Fund. In considering this complaint the Executive Board has agreed that I write to all Governors of the Fund to draw their attention to this development. Prompt and effective actions now by [member] and the international community would avoid a further deterioration of this situation including the possibility of declaring [member] ineligible to use the general resources of the Fund, would permit these overdues to be cleared before their magnitude makes the problem more intractable, and before they place a financial burden on other members.

[Paragraph on background circumstances of member leading to the emergence of arrears, the views of the member regarding its overdue obligations, and the member's intended approach for addressing the problem of its overdue obligations. This paragraph would be tailored to the specific circumstances of the member concerned.]

The Executive Board is very concerned about these developments which have serious potential implications both for the [member] and for the Fund as a whole, if the problem is not resolved early. The existence of these overdue financial obligations to the Fund precludes the Fund from extending financial assistance to the member. In addition, experience to date indicates that when a country incurs arrears to the Fund its financial relations with other creditors are also likely to deteriorate. These arrears also have an adverse impact on the Fund as an international financial cooperative, which is the central monetary institution in the international monetary system. As you are aware, overdue obligations, if they are not settled, place a financial burden on other members: on the Fund's debtor members in the form of higher charges and the Fund's creditors in the form of reduced remuneration.

The Fund would greatly appreciate any assistance in urging the member to effect the full and prompt settlement of its overdue obligations to the Fund.

Sincerely yours,

Michel Camdessus
Managing Director and
Chairman of the Executive Board

Attachment II

Draft Second Letter to All Governors and Certain International Financial Institutions

Dear:

The Executive Board has reviewed the overdue financial obligations of [member] and its circumstances. In this context it agreed that I write to all Governors of the Fund to seek their assistance in resolving the problem of [member]'s overdue financial obligations to the Fund [and that I inform at the same time the heads of [names of certain international financial institutions].

As you know, [member] was declared ineligible to use the general resources of the Fund on [date], as it had failed to meet its financial obligations to the Fund. As of [date], [member]'s overdue financial obligations to the Fund amounted to SDR[ ] million and the longest overdue obligation had been outstanding for [ ] months. As you are aware, these overdue obligations reduce Fund resources available to help other members and place a financial burden on debtor members in the form of higher charges and on creditor members in the form of reduced remuneration.

[Paragraph on background circumstances of member leading to the emergence of arrears, the views of the member regarding its overdue obligations, and the member's intended approach for addressing the problem of its overdue obligations. This paragraph would be tailored to the specific circumstances of the member concerned.]

The Fund has developed a set of procedures, including the intensified collaborative approach, for dealing, as appropriate, with

members that have overdue financial obligations outstanding for a protracted period. The application of the procedures for members in arrears up to now has not resulted in [member] taking steps that could be expected to resolve promptly the problem of its arrears to the Fund. If, in the period prior to the next review of [member]'s arrears, [member] does not take action to demonstrate its willingness to resume active cooperation with the Fund toward the resolution of the problem of its arrears, [member] may be subject to a declaration of noncooperation. This would be a most serious step that would involve the publication of this declaration, which would refer, inter alia, to the availability to the Fund of procedures under Section 22 of the By-Laws on compulsory withdrawal of [member] from the Fund. The Fund's Executive Board has emphasized the critical stage that has been reached with respect to [member]'s arrears and has stressed its sincere hope that the consideration of further steps will be unnecessary. The Fund would appreciate your [Government/institution] taking whatever actions it considers appropriate to help bring about an early resolution of this situation.

The Executive Board will review again the position of [member] with regard to its arrears to the Fund not later than [date].

Sincerely yours,

Michel Camdessus
Managing Director and
Chairman of the Executive Board

Attachment III

Draft Declaration on Censure or Noncooperation

The Fund notes that, since the declaration of ineligibility of [date], the member has remained in arrears in its financial obligations to the Fund, thus persisting in its failure to fulfill its obligations under the Articles, and that the level of its arrears has not decreased (or has increased);

[notes that the member has made payments to other creditors while not discharging its financial obligations to the Fund (or not to the same extent), thus ignoring the preferred creditor status that members are expected to give to the Fund;]

finds that the member is not cooperating with the Fund toward the discharge of its financial obligations to the Fund;

urges the member to discharge its financial obligations to the Fund promptly and to cooperate with the Fund;

reminds the member that arrears to the Fund, which is a cooperative institution, are detrimental to the whole membership of the Fund in that they hamper the proper performance by the Fund of its function of assisting members facing balance of payments difficulties;

reminds the member that members in breach of their obligations to the Fund may be subject to the procedures under Section 22 of the By-Laws leading to compulsory withdrawal.

EBM/89/100 and 89/101,
July 27, 1989,
as amended by Decision No. 12546-(01/84), August 22, 2001, and
17231-(22/37),
April 13, 2022

Other remedial measures

Statement by the Managing Director on the
Strengthened Cooperative Strategy on
Overdue Financial Obligations to the Fund,
Executive Board Meeting 90/38, March 16, 1990

…

2. Measures of deterrence

Measures of deterrence are a second key element of the cooperative strategy that need to be strengthened further. The Fund recently adopted important new procedures in this area and communications to all Fund Governors and selected heads of multilateral financial institutions have been sent in three cases and have borne some fruit.

Executive Directors have agreed that it would be appropriate to widen the scope and strengthen the application of deterrent measures to underscore the Fund's firm resolve to deal with the arrears problem. There is general support for the proposition that a clear timetable and sequence for the implementation of such measures, from the emergence of arrears to the final step of initiation

of procedures for compulsory withdrawal, would help remove any misperceptions about the actions to be taken by the Fund when a member falls into arrears or about the consequences of noncooperation. The presumption would be that this timetable would be followed in all cases unless in the Board's judgment a different approach were justified in an individual case.

As compared with the procedures contained in my statement at (EBM/89/101, 7/27/89), the main changes suggested relate to the (i) periodic reviews by the Executive Board of decisions limiting the use of the general resources by the member in arrears which, if the overdue obligations are not settled, leads to a declaration of ineligibility; and (ii) timing and content of measures taken after a declaration of ineligibility. Previously, the Executive Board has held as many as five reviews of its decision to limit a member's use of the general resources before a declaration of ineligibility was adopted; the total length of time between these two actions has been as long as thirteen months, and the period between the emergence of arrears and a declaration of ineligibility has been as long as two years. Many Directors have expressed the view that the number of reviews before a declaration of ineligibility should in general be limited. As regards the post-ineligibility period, in the event a member continues in its failure to fulfill its financial obligations, present procedures call for communications to be sent to all Governors within six months. It is proposed to shorten that period, and also to make explicit the timing of a declaration of noncooperation and of the initiation of the procedure for compulsory withdrawal.

I believe that there is wide support for new procedures under which a member in arrears to the Fund would be declared ineligible to use the general resources no later than twelve months after the emergence of arrears, with the exact timing depending on the Executive Board's assessment of the specific circumstances and of the efforts being made by the member to fulfill its obligations to the Fund. The sending of communications to all Fund Governors and the heads of selected international financial institutions regarding the member's continued failure to fulfill its financial obligations to the Fund would be considered within three months after the declaration of ineligibility. At present, these communications may be followed by a public declaration of noncooperation if the member continues

to fail to cooperate. The Executive Board would be asked to consider such a declaration not later than four months after the dispatch of these communications (i.e., within nineteen months of the emergence of arrears), unless the Executive Board were to conclude that there had been a decisive improvement in the member's cooperation with the Fund.

A declaration of noncooperation is an intermediate step before compulsory withdrawal. At present, such a declaration of noncooperation would note the availability to the Fund of procedures on compulsory withdrawal. This procedure should be strengthened by the initiation by the Executive Board of procedures for compulsory withdrawal within five months of the declaration of noncooperation (i.e., within two years of the emergence of arrears), if the member continues to fail to comply with its obligations and to cooperate actively with the Fund toward clearance of its arrears. A recommendation of compulsory withdrawal can be made by the Executive Board by a simple majority, although withdrawal can be required only by a majority of Governors having 85 percent of the total voting power.

In our discussion of financing in relation to the arrears strategy we have had a preliminary review of financial and legal aspects of compulsory withdrawal, and I believe that the general provisions on the basis of which we would need to proceed are understood. In such circumstances, the Executive Board might need to consider the appropriate means to rebuild the Fund's precautionary balances, which would normally imply increasing the Fund's operating income or supplementing it by other exceptional means. In this connection, it has been noted that as a last resort, the sale of part of the Fund's gold could help restore the Fund's financial position.

The timetable proposed would help to make clear to members the need to prevent arrears and to act expeditiously to deal with them if they arose, as well as the consequences of not doing so. It would also provide sufficient time for such members to adopt the adjustment measures needed to move toward restoring domestic and external economic balance. Such a timetable is not to be understood as a period of grace, and the Executive Board would need to be prepared to accelerate action when appropriate, particularly in

the early stages prior to a declaration of ineligibility. For the eleven members with protracted arrears, some Executive Directors have stressed that it would be appropriate to apply the new schedule with a degree of flexibility. This is reasonable, but we will need also to keep in mind that these members have already been given a great deal of time to demonstrate their cooperation with the Fund.

In all cases, there is a need for tangible and continuous support for the Fund from the international financial community. In cases of members that were not cooperating, the Fund would expect bilateral creditors and other multilateral agencies to initiate an intensive dialogue with the member in arrears to persuade it to respect the preferred creditor status of the Fund, and to consider reducing and, if necessary, suspending assistance to members that are not cooperating with the Fund. There is a need to convince creditors and donors that persistent financing of a member's inadequate policies is detrimental to the interests of creditors, donors, and debtors alike. The Fund will also ask other official creditors to follow the practice of Paris Club creditors and not engage in rescheduling in the absence of a Fund arrangement or a Fund-monitored program. Furthermore, I believe Executive Directors have supported the proposition that creditors receiving payments from members in arrears to the Fund should be requested, at the least, to urge such members to direct payments to the Fund.

The Board has agreed that a member must first discharge its overdue obligations to the General Resources Account before it can be permitted to consent or to pay for an increase in its quota in connection with the Ninth General Review; and if a member had not increased its quota within the prescribed period, the proposal for an increase in quota should lapse. The Board's consideration of an extension of the period for consent or payment would take into account the situation of members with overdue obligations that are cooperating with the Fund to resolve their arrears problem in the context of a Fund-monitored program.

The measures of prevention and deterrence described above, if applied firmly in the day-to-day operations of the Fund, can provide a powerful mechanism to prevent the emergency of new arrears cases, lead to their rapid elimination if problems do

develop, and, jointly with the measures of support suggested in the next section, offer to noncooperating members a last opportunity to move with no further delay onto a more collaborative path. I believe that we should adopt these measures immediately.

At the same time we should pursue expeditiously the necessary work on an amendment of the Articles to introduce into the Fund's Articles a provision similar in some respects to those already existing in other multilateral financial institutions, notably the World Bank i.e., a provision to suspend voting and related rights for cases of continuing breach of obligations to the Fund. Such an amendment would provide an additional instrument of deterrence. The staff will prepare a paper for Executive Board consideration in April which will focus on the substantive issues related to an amendment of the Articles of Agreement. In particular, the following matters would need to be discussed: the scope of suspension; the conditions for suspension; the relationship of suspension to other deterrent measures; the decision making procedures; and the majority required. I continue to believe that the qualified majority for suspension should be set at 70 percent of the total voting power. The staff paper would elaborate on these matters, examining the consequences of different approaches and exploring the modalities of an amendment.

…

Attachment

Measures for Prevention/Deterrence of Overdue Financial Obligations to the Fund—Strengthened Timetable of Procedures[1]

Time after Emergence of Arrears	Action
Immediately	Staff sends a cable urging the member to make the payment promptly; this communication is followed up through the office of the concerned Executive Director. The member is not permitted any use of the Fund's resources nor is any request for the use of Fund resources placed before the Executive Board until the arrears are cleared.

2 weeks	Management sends a communication to the Governor for the member stressing the seriousness of the failure to meet obligations and urging full and prompt settlement.
1 month	The Managing Director notifies the Executive Board that an obligation is overdue.
6 weeks	The Managing Director notifies the member that unless the overdue obligations are settled promptly a complaint will be issued to the Executive Board. The Managing Director would also consult with and recommend to the Executive Board that a communication concerning the member's situation should be sent to selected Fund Governors or to all Fund Governors in the event that the member has not improved its cooperation with the Fund.
2 months	A complaint regarding the member's overdue obligations is issued by the Managing Director to the Executive Board.
3 months	A brief factual statement noting the existence and amount of arrears is posted on the Fund's external website, and will be updated as necessary. It also indicates that the member's access to Fund resources, including Trust resources, has been and will remain suspended for as long as arrears remain outstanding. The complaint is given substantive consideration by the Executive Board. The Board has usually decided to limit the member's use of the general resources and, if overdue SDR obligations are involved, suspend its right to use SDRs. A press release is issued following the Board's decision to limit the member's use of the general resources or, if the member has overdue obligations in the SDR Department, to suspend its right to use SDRs. A similar press release will be issued following a decision to lift such limitation or suspension.
6–12 months	The Executive Board will review its decision on limitation within three months, with the possibility of a second review if warranted. Depending on the Executive Board's assessment of the specific circumstances and of the efforts being made by the member to fulfill its obligations to the Fund, a declaration of ineligibility be considered to take effect not more than twelve months after the emergence of arrears. The sending of communications to all Fund Governors and the heads of selected international financial institutions regarding the member's continued failure to fulfill its financial obligations to the Fund is to be considered at the same time as the declaration of ineligibility.

Up to 15 months	A declaration of noncooperation will be considered within three months after the dispatch of the communications. Upon a declaration of noncooperation, technical assistance to the member will be suspended unless the Executive Board decides otherwise.
Up to 18 months	A decision on suspension of voting and representation rights will be considered within three months after the declaration of noncooperation.
Up to 24 months	The procedure on compulsory withdrawal will be initiated within six months after the decision on suspension.

[1] Based on the procedures for dealing with members with overdue financial obligations to the Fund adopted by the Executive Board on August 17, 1989, as amended by Decision No. 12546-(01/84), adopted on August 22, 2001.

Summing Up by the Chairman—Operational Modalities of the Rights Approach, Executive Board Meeting 90/97, June 20, 1990

This has been an important discussion, following the guidance of the Interim Committee at its meeting in May 1990, to establish broad guidelines for the application of the "rights" approach and "rights accumulation programs," as we shall now call them. Drawing on our earlier discussions, Executive Directors have endorsed the main features of rights accumulation programs and of the financing of rights as set out in the staff paper for this meeting, while emphasizing the need for flexibility in the different and difficult circumstances that we may face. It is intended that this summing up provide a description of the key characteristics of the rights approach for reference in the decisions that are to be taken on the gold pledge and extended burden sharing.

Under the rights approach, a member in arrears to the Fund will be able to earn rights, conditioned on satisfactory performance under an adjustment program monitored by the Fund, toward a disbursement from the Fund once the member's overdue obligations have been cleared and upon approval of a successor arrangement by the Fund. Utilization of the rights approach will be limited to the eleven members that had financial obligations to the Fund overdue for six months or more at the end of 1989. I would note here that it is not expected that all of these members would make use of the rights approach; indeed, two of them

are likely to settle their arrears shortly without recourse to the rights approach. It is intended that utilization of the rights approach would be further limited to those of the eleven members that adopt a comprehensive economic program that can be endorsed by the Executive Board as a rights accumulation program by the time of the Spring 1991 meeting of the Interim Committee. I have noted the view of some Directors that a longer time might need to be envisaged, but that this is not the view of the majority. If there were to be a compelling reason, we would be able to return to the question as we approach the Spring 1991 meeting.

Executive Directors considered a three-year period to be appropriate as a norm for a rights accumulation program, but with scope for variation in either direction. The member would be expected, with support as appropriate from other sources, to make maximum efforts to reduce overdue obligations to the Fund during the period of the rights accumulation program, so as to minimize the necessary recourse to rights. We will seek to incorporate a reduction of arrears to the Fund into programs and to introduce appropriate contingency provisions for additional payments to the Fund where developments are more favorable than expected. The magnitude of rights to be accumulated will clearly require case-by-case judgments by the Executive Board. But it is understood that, in cases where it appears unavoidable, rights may accumulate up to the amount of arrears outstanding at the beginning of the rights accumulation program. Some Directors noted that special action might have to be considered in highly exceptional circumstances, but it is not necessary to revisit the understanding placed in the record on this subject during the course of our deliberations prior to the recent meeting of the Interim Committee.

The member would be expected to generate the financing needed to meet the requirements of its economic program under the rights approach and, and at minimum, to remain current with respect to obligations to the Fund and the World Bank falling due during the period of the rights accumulation program. In this effort, it would be envisaged that the member would be assisted by creditors and donors through support groups, consultative groups, and/or other arrangements as appropriate. Resources that become available pursuant to the proposal for voluntary contributions originally made…which has been warmly welcomed by the Interim

Committee and is expected to be discussed by the Executive Board in July, would complement these efforts.

Executive Directors agreed that rights accumulation programs should adhere to macroeconomic and structural policy standards associated with programs supported by arrangements under the extended Fund and enhanced structural adjustment facilities and that the Fund would draw, as appropriate, on Fund policies and guidelines associated with the use of such facilities. In particular, rights accumulation programs would need to help create the conditions for sustained growth and substantial progress toward external viability.

There was a preference among Directors for even phasing of the accumulation of rights within annual programs, based on quarterly monitoring. Executive Directors did not, however, rule out the possibility of some front-loading of rights within the first annual program if warranted by special circumstances. With respect to performance tests, the Fund's policies on waivers and modifications would be applied so as to allow for continuation of the program and rights accumulation if performance criteria were not observed but performance had been brought back on track. If waivers or modifications were not granted, Executive Directors considered it reasonable to permit the member to retain its previously accumulated rights for six months before they would lapse. Several Directors indicated that they would prefer that rights lapse in their entirety after six months, but most others considered that such a rule would be too rigid. On balance, we will plan that normally rights would lapse at a rate of 25 percent of accumulated rights per quarter; but that this rate could be more or less rapid depending on the circumstances, including, inter alia, the period of satisfactory performance under the rights program before it went off track and the reasons for the nonobservance of performance criteria. Again, the Executive Board will need to consider these questions on a case-by-case basis. If, after rights had begun to lapse, a new rights accumulation program were endorsed by the Executive Board, the member would resume accumulation of rights and the program period would normally be extended to permit the member to accumulate the rights needed to help clear its arrears.

Accumulated rights would be financed by a Fund disbursement upon approval of a successor arrangement with the Fund,

following satisfactory performance under the rights accumulation program and once the member's overdue financial obligations to the Fund had been cleared. For SAF-eligible members, the mix of financing between the resources of the structural adjustment and enhanced structural adjustment facilities (SAF/ESAF) and the resources of the Fund's General Resources Account (GRA) would be approved as part of the successor arrangements, although some tentative indication of an anticipated mix could be given earlier. I would not intend to propose approval of a commitment to use ESAF Trust resources for the financing of rights before the decision on the gold pledge for the use of ESAF Trust resources for the financing of rights has been adopted.

Where a blend of General Resources Account and SAF/ESAF resources was considered appropriate, use of General Resources Account resources would normally be under an extended arrangement, and in such cases, the extended and SAF/ESAF arrangements would operate concurrently. Total access to the resources of the enhanced structural adjustment facility by a member would in all cases be in accordance with the access limits of that facility. I have taken note of the proposal made concerning the attribution of payments to the SAF/ESAF which would also make possible the application of all of the Fund's deterrent measures should arrears emerge; I suggest that we consider this proposal in connection with the forthcoming review of those facilities.

Our discussion has provided guidance that will enable us to proceed with concrete planning for rights accumulation programs in individual cases and with what we all hope will be a definitive phase in resolution of the arrears problem. Other issues will no doubt emerge as specific programs are developed, and these will need to be addressed case by case as they arise.

BUFF/90/130
June 22, 1990

Summing Up by the Chairman—Overdue Financial Obligations to the Fund—Six-Monthly Review; Progress Under the Strengthened Cooperative Strategy; and Special Charges—Annual Review, Executive Board Meeting 91/42, March 25, 1991

Executive Directors acknowledged the progress made over the past year in dealing with overdue financial obligations to the Fund and urged the active pursuit of all elements of the strengthened cooperative strategy—by the members in arrears, the Fund, and the membership at large—in order to consolidate and extend recent positive developments.

…

Because the process of formulating necessary adjustment policies securing the requisite financing has been more time consuming than anticipated, it has not been possible to bring rights accumulation programs … to the Executive Board by the end of April 1991. Given the progress under way in some cases, Directors agreed on a one-year extension of the deadline established last year for members in protracted arrears to enter into a rights accumulation program. Several Directors wondered whether a shorter extension might not have sufficed and sent a stronger signal regarding the urgency of rapid progress in outstanding cases. Some Directors also emphasized that they would not be willing to consider a further extension beyond the Spring of 1992. A few other Directors questioned whether a one-year extension would suffice in the most difficult cases.

BUFF/91/62
April 1, 1991

Summing Up by the Acting Chairman—
Overdue Financial Obligations to the Fund—Six-Monthly Review;
Further Progress Under the Strengthened Cooperative Strategy,
Executive Board Meeting 92/58, April 17, 1992

…

Directors considered that the strengthened timetable of procedures for applying remedial measures remained appropriate and had been implemented in accordance with the Executive Board's judgment regarding the degree of a member's cooperation with the Fund in terms of implementation of policies and record of payments as well as the timing and actions appropriate to the particular circumstances of each member.

Directors considered the questions of the criteria and timing for reversing the actions specified in the strengthened timetable of procedures. They noted that for some actions the issue of reversibility did not arise, while other actions were automatically terminated or withdrawn upon full settlement of overdue obligations to the Fund. Directors broadly endorsed the established practices of terminating a declaration of ineligibility immediately following full settlement of arrears to the Fund and publicizing the restoration of eligibility by issuing a press release and sending communications to all Fund Governors.

With respect to the lifting of a declaration of noncooperation, it was generally agreed that the same criteria were relevant in coming to a judgment on the degree of a member's cooperation as were applied in deciding whether to issue such a declaration. A member's cooperation would be reviewed on the occasion of the periodic reviews of the member's arrears. Directors felt that the timing of consideration of the withdrawal of a declaration depended on the implementation of the necessary adjustment policies and the member's payments record to the Fund; it would not be feasible to specify in advance a timetable for consideration of the lifting of a declaration of noncooperation. Directors agreed that, as in the case of the issuance of a declaration of noncooperation, the withdrawal of a declaration of noncooperation should be publicized by issuing a press release.

…

As regards the rights approach, the Executive Board decided on a one-year extension of the deadline established last year for eligible members so as to provide time for them to adopt a comprehensive economic program that could be endorsed by the Executive Board as a rights accumulation program.

BUFF/92/89
April 21, 1989

The Acting Chairman's Summing Up—Overdue Financial Obligations—De-Escalation of Remedial Measures Under the Strengthened Cooperative Strategy—Further Considerations, Executive Board Meeting 99/79, July 22, 1999

In the follow-up to their discussion on March 19, 1999, Executive Directors further considered issues concerning the de-escalation of remedial measures under the Fund's Strengthened Cooperative Strategy. Directors agreed that it was appropriate to establish clear understandings regarding how de-escalation would proceed, so as to further strengthen incentives for members to cooperate with the Fund in solving the problem of their overdue obligations to the Fund. An effective de-escalation process should serve to encourage the member to quickly initiate efforts to reform its economy and establish a solid record of payments to the Fund, with the ultimate objective of full clearance of arrears and regaining access to the Fund's financial resources. A number of Directors emphasized that the de-escalation strategy should be viewed in a broader context that encompasses the clearance of arrears, including, when necessary and appropriate, a rights accumulation program (UP) or some other program aimed at clearing all arrears to the Fund.

In this regard, Directors agreed that, from a legal and practical point of view, until such time as the member cleared its overdue obligations to the Fund in full, it would be appropriate to consider lifting only a declaration of noncooperation and a suspension of voting rights, as opposed to other remedial measures in the timetable.

Directors agreed that the starting point for de-escalation would be a determination by the Executive Board that a member had credibly begun, or adequately strengthened, its cooperation with the Fund, as evidenced by a sustained track record of performance regarding economic policies and payments to the Fund, with prospects of its continuation. With regard to policies, Directors agreed that there should be reasonable assurance that the member's satisfactory policies were likely to be sustained, so as to give confidence that they would lead to a resolution of the arrears problem. As regards payments to the Fund, it would be expected that the member had been making substantial payments for a sustained period, at least equivalent to newly maturing obligations. In this regard, some Directors called for flexibility, especially in difficult cases of post-conflict countries, recalling the recent Board decision to judge the level of payments needed to sustain cooperation in post-conflict cases on a case-by-case basis. Directors agreed that for members already cooperating with the Fund, as a transitional feature, the Executive Board could take into account a member's record of

cooperation and prospects for continued cooperation on a case-by-case basis, in determining the starting point for de-escalation.

Directors agreed that, once a determination had been made that the member had credibly begun to cooperate with the Fund, it would be desirable to establish an evaluation period to assess the member's commitment to resuming a normal relationship with the Fund and to test whether the member's cooperation is sustainable. Directors agreed that, at the outset of the evaluation period, it would be open to the Executive Board to formulate a program of actions and measures that a member would be expected to implement before the lifting of remedial measures would be considered, and to specify the beginning and approximate length of the evaluation period. During the evaluation period, the Board would not proceed, nor recommend proceeding, to the next remedial measure, provided that the member's performance with respect to policies and payments to the Fund remained satisfactory. Moreover, it would be expected that the member's cooperation on policies and payments would strengthen progressively as a basis for reversal of remedial measures.

Directors agreed with the general principle that the time period between the starting point and the lifting of a remedial measure would be set in proportion to the severity of the measure to be lifted. A case-by-case approach would be appropriate, with cooperation assessed in the context of a staff-monitored or other program, In the case where a member's voting and related rights had been suspended, an evaluation period of about two years' duration would be considered as a guideline before the Board would consider lifting (by a 70 percent majority of the total voting power) the suspension of the member's voting and related rights in the Fund. Depending on the circumstances of the case, a somewhat longer or shorter evaluation period could be appropriate. This evaluation period would be needed to establish a substantial and convincing track record of cooperation and to reduce the chance of having to reimpose this sanction. Directors were of the view that, since the lifting of a declaration of noncooperation has no legal or procedural effect under the Fund's Articles, consideration could be given to removing a declaration of noncooperation before voting rights were restored, to provide a positive signal. However, successful completion of about one year of the evaluation period would be required

before the Board would consider the lifting of this measure by a simple majority vote, although the period could be shortened where performance warranted. A similar evaluation period would apply in cases in which a declaration of noncooperation had been issued but the member's voting rights had not been suspended. Many Directors stressed that the timetable suggested by the staff would serve as a guideline and not a rigid rule. A number of Directors were of the view that the resumption of technical assistance and restoration of a resident representative to the country at an early stage could, in some cases, be highly beneficial in strengthening cooperation.

Following the removal of one or more remedial measures, most Directors agreed that, if a member subsequently failed to sustain its cooperation with the Fund, remedial measures could be introduced again at a more accelerated pace than that called for under the timetable of remedial measures, taking into account the sequencing of measures required by the Fund's Articles.

BUFF/99/90
August 30, 1999

Review of the Fund's Strategy on Overdue Financial Obligations

The Fund has reviewed progress under the strengthened cooperative strategy with respect to overdue financial obligations to the Fund, as described in EBS/17/80. The Fund reaffirms its support for the strengthened cooperative strategy and agrees to extend the availability of the rights approach until end-August 2022. (EBS/17/80, 07/20/17)

Decision No. 16247-(17/69),
July 27, 2017

Review of the Fund's Strategy on Overdue Financial Obligations—Flexibility Under the De-Escalation Policy for Members Hit by a Qualifying Catastrophic Disaster

The Fund approves the proposal set forth in paragraph 18 of EBS/10/156. (EBS/10/156, 08/17/10)

Decision No. 14725-(10/84),
August 31, 2010

Attachment

Paragraph 18 of EBS/10/156

18. **It is proposed that flexibility also be applied under the de-escalation policy with respect to payments to the Fund by members in protracted arrears that have been hit by a Qualifying Catastrophic Disaster as defined under the PCDR Trust**. Specifically, in assessing such members' cooperation on payments under the de-escalation policy, the Fund would exercise flexibility in accepting significantly reduced payments particularly during the first two years following such a catastrophic disaster. A draft decision regarding this flexibility is proposed in the next section.

Article XXX(*c*)

Calculation of Reserve Tranche: Exclusion of Purchases and Holdings

Exclusion of Purchases in the Credit Tranches and Under Extended Fund Facility

1. Purchases in the credit tranches or under extended arrangements (Decision No. 4377-(74/114), September 13, 1974, as amended), and holdings resulting from such purchases, shall be excluded pursuant to Article XXX(c)(iii) for the purpose of the definition of "reserve tranche purchase."

…

5. The Fund will review this decision before April 30, 1984.

Decision No. 6830-(81/65),
April 22, 1981,
effective May 1, 1981

Balances Held in Administrative Account

The balances held in the administrative accounts of the Fund, to the extent that they are not in excess of 0.1 percent of a member's quota, shall not be considered as part of the Fund's holdings of a member's currency for the purpose of determining a member's reserve tranche position in the Fund and for the calculation of holdings for the purposes of charges (Article V, Section 8(b)(ii)); remuneration (Article V, Section 9(a)); and the determination of a member's entitlement to appoint an Executive Director (Article XII, Section 3(c)). (SM/82/18, 1/26/82)

Decision No. 7060-(82/23),
February 22,1982

Article XXX(*f*)

Freely Usable Currencies

FREELY USABLE CURRENCIES

Pursuant to Article XXX(*f*), and after consultation with the members concerned, the Fund determines that, effective January 1, 1999 and until further notice, the euro, Japanese yen, pound sterling, and U.S. dollar are freely usable currencies.[1]

Decision No. 11857-(98/130),
December 17, 1998

[1] Ed. Note: In Decision No. 15890–(15/109), November 30, 2015, "the Fund determines that, effective October 1, 2016, and until further notice, the Chinese renminbi is a fully usable currency."

Trust Fund

Trust Fund: Means of Payment of Interest by Members on Their Indebtedness Under Loan Agreements

Payments of interest on members' indebtedness under their loan agreements with the Fund as Trustee of the Trust Fund shall be made with U.S. dollars. (TR/79/51, 12/13/79)

Such payments may be made also in SDRs in accordance with Decision No. 8642-(87/101) S/TR, adopted July 9, 1987.

Decision No. 6358-(79/188) TR,[1]
December 19, 1979,
as amended by Decision No. 8640-(87/101) S/TR,
July 9, 1987

Trust Fund: Means of Repayment by Members on Their Indebtedness Under Loan Agreements

Repayment of members' indebtedness under their loan agreements with the Fund as Trustee of the Trust Fund shall be made with U.S. dollars. (TR/81/1, 6/14/82)

Such repayment may be made also in SDRs in accordance with Decision No. 8642-(87/101) S/TR, adopted July 9, 1987.

Decision No. 7142-(82/85) TR,
June 18, 1982,
as amended by Decision No. 8640-(87/101) S/TR,
July 9, 1987

[1] Interest due in 1977, 1978, and on June 30, 1979, for example, was paid in U.S. dollars pursuant to decisions adopted in 1977, 1978, and on June 18, 1979.

Other Selected Resolutions and Related Documents

A. Request for Interpretation of the Articles of Agreement as to the Authority of the Fund to Use Its Resources

RESOLVED:

That the Executive Directors of the International Monetary Fund are invited, at the request of the Governor for the United States of America, to interpret the Articles of Agreement, pursuant to Article XVIII[1] (*a*), as to whether the authority of the Fund to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions, and whether the Fund has authority to use its resources to provide facilities for relief, reconstruction, or armaments, or to meet a large or sustained outflow of capital on the part of any member.[2]

Resolution No. IM-6,
March 18, 1946

[1] Ed. Note: Corresponds to Article XXIX of the Articles of Agreement after the Second Amendment.

[2] Ed. Note: See Interpretation by the Executive Board pursuant to Decision No. 71-2, adopted September 26, 1946, and Decision No. 1238-(61/43), adopted July 28, 1961, p. 375.

B. Resolution of the United Nations General Assembly 377(V) Entitled "Uniting for Peace"

RESOLVED:

WHEREAS THE General Assembly of the United Nations on November 3, 1950, adopted Resolution entitled "Uniting for Peace";

NOW, THEREFORE, the Board of Governors, taking note of said Resolution, hereby resolves:

THAT the Fund, in the conduct of its activities shall have due regard for recommendations of the General Assembly made pursuant to the said Resolution for the maintenance or restoration of international peace and security.

Resolution No. 6-8,
September 13, 1951

Composite Resolution

C. Composite Resolution on the Work of the Ad Hoc Committee on Reform of the International Monetary System and Related Issues and on a Program of Immediate Action

The Board of Governors having noted:

That the ad hoc Committee on Reform of the International Monetary System and Related Issues, which was established at the Board's 1972 Annual Meeting to advise and report with respect to all aspects of reform of the international monetary system, has now concluded its work; and

That the Chairman of the ad hoc Committee has transmitted its final report ("Report to the Board of Governors of the International Monetary Fund by the Committee on Reform of the International Monetary System and Related Issues") accompanied by an "Outline of Reform" (hereinafter referred to as the Outline), consisting of Part I ("The Reformed System"), which records the outcome of the Committee's discussions and indicates the general direction in which the Committee believes the system could evolve, and Part II ("Immediate Steps"), which sets out the steps that the Committee agrees should be taken immediately; and

That the Executive Directors have been studying various aspects of the international monetary system and in accordance with the Committee's recommendations on immediate steps in the Report and Outline have adopted certain decisions;

Now, THEREFORE, the Board of Governors hereby takes the following actions:

Resolution Nos. 29-7, 29-8, 29-9, 29-10,
October 2, 1974

First Resolution (No. 29-7):

Final Report of the Ad Hoc Committee on Reform of the International Monetary System and Related Issues

The Board of Governors hereby resolves as follows:

1. The Board of Governors notes the report of the ad hoc Committee on Reform of the International Monetary System and Related Issues.

2. The Board expresses its deep appreciation to the Committee and its Chairman, to the Deputies and their Chairman, and to the Bureau upon the conclusion of their work on international monetary reform for the valuable contribution that they have made both in indicating the general direction in which the international monetary system could evolve in the future and in proposing immediate steps and other measures on which members could collaborate in an evolutionary process of reform.

3. The Committee shall cease to exist on October 2, 1974.

Resolution No. 29-7,
October 2, 1974

Second Resolution (No. 29-8):[1]

Resolution No. 54-9[2]

Transformation of the Interim Committee of the Board of Governors on the International Monetary System into the International Monetary and Financial Committee of the Board of Governors

WHEREAS the Board of Governors of the International Monetary Fund recognizes the need, pending the possible establishment of the Council, to strengthen and transform the Interim Committee of the Board of Governors on the International Monetary System established by Resolution No. 29-8, and

WHEREAS this strengthening and transformation should be reflected in the name of the Committee and its terms of reference to further its role as an advisory committee of the Board of Governors;

Now, THEREFORE, the Board of Governors hereby RESOLVES as follows:

1. Composition of the International Monetary and Financial Committee

(a) The Interim Committee shall be transformed into the International Monetary and Financial Committee of the Board of Governors. The members of the Committee shall be governors of the Fund, ministers, or others of comparable rank. Each member of the Fund that appoints an executive director and each member or group of members of the Fund that elected an executive director on or after the date on which the last regular election took place shall appoint:

(i) one member of the Committee, and not more than

(ii) seven associates.

[1] Ed. Note: Repealed by Resolution 54-9.

[2] Ed. Note: Adopted September 30, 1999.

(b) Members of the Committee, associates, and executive directors or in their absence their alternates, shall be entitled to attend meetings of the Committee, unless the Committee decides to hold a more restricted session. Each member of the Fund that appoints an executive director and each group of members of the Fund referred to in (a) above may designate an alternate to participate in the place of the member of the Committee at any meeting when he is not present. Participation in respect of each item on the agenda of a meeting shall be limited to one person, who shall be a member of the Committee, an associate, or an executive director.

(c) The Committee shall select a Chairman, who shall serve for such period as the Committee determines.

(d) The Managing Director shall be entitled to participate in all meetings of the Committee, and may designate a representative to participate in his place at any meeting when he is not present. The Managing Director or his representative may be accompanied normally by not more than two members of the staff, unless the Committee decides to hold a restricted session.

(e) A member of the Fund whose voting rights are suspended pursuant to Article XXVI, Section 2(*b*) shall not appoint, or participate in the appointment of, a member of the Committee and his associates. When the voting rights of a member are suspended, the rules in Schedule L, paragraph 3(c) on the termination of office and replacement of executive directors shall apply to the member of the Committee and associates appointed by the member or in whose appointment the member has participated.

2. Representation of Members Not Entitled to Appoint a Member of the Committee

A member of the Fund not entitled to appoint a member of the Committee may send a representative to participate in any meeting of the Committee when a request made by, or a matter particularly affecting, that member is under consideration. The Committee shall determine, upon request by the member, whether a matter under consideration particularly affects the member.

3. Terms of Reference

The Committee shall advise and report to the Board of Governors with respect to the functions of the Board of Governors in:

(i) supervising the management and adaptation of the international monetary and financial system, including the continuing operation of the adjustment process, and in this connection reviewing developments in global liquidity and the transfer of real resources to developing countries;

(ii) considering proposals by the Executive Directors to amend the Articles of Agreement; and

(iii) dealing with sudden disturbances that might threaten the system.

In addition, the Committee shall advise and report to the Board of Governors on any other matters on which the Board of Governors may seek the advice of the Committee.

In performing its duties, the Committee shall take account of the work of other bodies having specialized responsibilities in related fields.

4. Procedures

(a) The Committee shall meet ordinarily twice a year. The Chairman may call meetings after consulting the members of the Committee, and shall consult the members of the Committee on calling a meeting if so requested by any member of the Committee. Normally, the Chairman, in consultation with the members of the Committee, will call a preparatory meeting of their representatives ("Deputies").

(b) A quorum for any meeting of the Committee shall be two thirds of the members of the Committee.

(c) Meetings of the Committee shall be held within the metropolitan area in which the Fund has its principal office, or at such other places as the Committee may provide or, in the absence of such provision, as the Chairman shall determine after consulting the members of the Committee.

(d) Appropriate arrangements shall be made for the effective coordination of the work of the Committee and of the Executive Directors. The Secretary of the Fund shall serve as the Secretary of the Committee.

(e) In reporting any recommendations or views of the Committee, the Chairman shall seek to establish a sense of the meeting. In the event of a failure to reach a unanimous view, all views shall be reported, and the members holding such views shall be identified. Reports of the Committee shall be made available to the Executive Directors.

(f) The Committee may invite observers to attend during the discussion of an item on the agenda of a meeting, and may determine any aspect of its procedure that is not established by this Resolution.

5. Termination of Resolution of 29-8

Resolution No. 29-8, adopted October 2, 1974 is hereby repealed.

Resolution No. 54-9,
September 30, 1999

Third Resolution (No. 29-9):[1]

Establishment of Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

WHEREAS the Committee of the Board of Governors of the International Monetary Fund on Reform of the International Monetary System has recommended the establishment of a joint ministerial committee of the Boards of Governors of the International Monetary Fund (the Fund) and the International Bank for Reconstruction and Development (the Bank) to carry forward the study of the broad question of the transfer of real resources to developing countries and to recommend measures to be adopted in order to implement its conclusions;

WHEREAS it is desirable to consider the question of the transfer of real resources to developing countries in relation to existing or prospective arrangements among countries, including those involving international trade and payments, the flow of capital, investment, and official development assistance;

WHEREAS the said Committee has invited the Managing Director of the Fund to discuss with the President of the Bank the preparation of appropriate parallel draft resolutions on the establishment of such a joint ministerial committee for adoption by the respective Boards of Governors of the Fund and Bank;

WHEREAS pursuant to such discussions the President of the Bank and the Managing Director of the Fund have proposed to the Executive Directors of the Bank and Fund, respectively, and the Executive Directors of the Fund have approved the submission of this Draft Resolution to the Board of Governors of the Fund and the Executive Directors of the Bank have approved the submission of a parallel Draft Resolution to the Board of Governors of the Bank;

[1] Ed. Note: As amended by Resolution No. 48-4, adopted effective April 23, 1993, and Resolution 67-2, adopted effective May 18, 2012.

WHEREAS the Committee as envisaged would be helpful in providing a focal point in the structure of international economic cooperation for formation of a comprehensive overview of diverse international activities in the development area, for efficient and prompt consideration of development issues, and for coordination of international efforts to deal with problems of financing development; and

WHEREAS the Board of Governors of the Bank is considering the said parallel resolution;

NOW, THEREFORE, the Board of Governors hereby RESOLVES:

1. *Establishment and Composition of Joint Ministerial Committee*

(a) There is established a Joint Ministerial Committee of the Boards of Governors of the Bank and Fund on the Transfer of Real Resources to Developing Countries (hereinafter called the Development Committee).

(b) The members of the Development Committee shall be governors of the Bank, governors of the Fund, ministers, or others of comparable rank.

(c) The members of the Development Committee shall be appointed for successive periods of two years by the members of the Bank or the members of the Fund, with the appointments to be made by the members of the institution that has the larger number of executive directors or, if the number of executive directors at the Bank and the Fund is the same, by the members of the institution that did not appoint the previous members of the Development Committee.

The members of the Development Committee shall be appointed in turn for successive periods of two years by the members of the Bank and the members of the Fund. The members of the Bank shall appoint the members of the Committee for the first period of two years, which shall run from the date of the adoption of this Resolution until the date of the regular election of executive directors in 1976.

(d) Each member government of the Bank or the Fund, as the case may be, that appoints or elects an executive director and each group of member governments of the Bank or of the Fund, as the case may be, that elects an executive director shall appoint one member of the Development Committee and up to seven associates, and, for any meeting when the member of the Committee is not present, may appoint an alternate with full power to act for the member at such meeting.

(e) Each member and associate shall serve until a new appointment is made by the member government or member governments of the Bank or the Fund, as the case may be, that are entitled to make the appointment or until the next succeeding regular election of executive directors, whichever is earlier.

(f) During the periods when appointments are made by members of the Bank, a member of the Bank whose membership has been suspended pursuant to Article VI, Section 2 of the Articles of Agreement of the Bank shall not appoint or participate in the appointment of a member of the Committee, his alternate and associates. When the membership of a member of the Bank is suspended, and when a suspended member is restored to good standing, the consequences on the Executive Director of the Bank appointed or elected by such member, or in whose election such member participated, shall apply to the member of the Committee, his alternate and associates appointed by that member of the Bank, or in whose appointment such member participated.

(g) During the periods when appointments are made by members of the Fund, a member of the Fund whose voting rights are suspended pursuant to Article XXVI, Section 2(*b*) of the Articles of Agreement of the Fund shall not appoint, or participate in the appointment of, a member of the Committee, his alternate and associates. When the voting rights of a member of the Fund are suspended, the rules in Schedule L, paragraph 3(c) of the Articles of Agreement of the Fund on the termination of office and replacement of executive directors shall apply to the member of the Committee, his alternate and associates appointed by that member of the Fund, or in whose appointment such member participated.

2. *Chairman*

The Development Committee shall select a Chairman from among its members, who shall serve for such period as the Committee determines. The Chairman of the Boards of Governors of the Bank and the Fund, or a governor designated by him shall convene the first meeting of the Committee and shall preside over it until the Chairman has been selected.

3. *Meetings*

(a) Members of the Development Committee, associates, and the executive directors of the Bank and the Fund, or in their absence their alternates, shall be entitled to participate in meetings of the Committee, unless the Committee decides to hold a session restricted to members, the President of the Bank, and the Managing Director of the Fund. Participation in respect of each item on the agenda of a meeting shall be limited to one person in respect of each member government or group of member governments that appoint a member of the Committee.

(b) The President of the Bank and the Managing Director of the Fund shall be entitled to participate in all meetings of the Development Committee, and each may designate a representative to participate in his place at any meeting when he is not present. Each may be accompanied normally by two members of his staff, at any unrestricted session of the Committee.

(c) The Development Committee shall invite the heads of other international financial or economic organizations, as well as other persons, to attend or participate in meetings of the Committee relating to their areas of responsibility.

4. *Terms of Reference*

(a) The Development Committee shall maintain an overview of the development process and shall advise and report to the Boards of Governors of the Bank and the Fund on all aspects of the broad question of the transfer of real resources to developing countries,

and shall make suggestions for consideration by those concerned regarding the implementation of its conclusions. The Committee shall review, on a continuing basis, the progress made in fulfillment of its suggestions.

(b) The Development Committee shall establish a detailed program of work, taking account of the topics listed in Annex 10 of the Outline of Reform. The Committee in carrying out its work shall bear in mind the need for coordination with other international bodies.

(c) The Development Committee shall give urgent attention to the problems of (i) the least developed countries and (ii) those developing countries most seriously affected by balance of payments difficulties in the current situation.

5. *Procedures*

(a) The Development Committee shall meet at the time of the annual meetings of the Boards of Governors of the Bank and the Fund and, in addition, as often as required. The Chairman may call meetings after consulting the members of the Committee and shall consult them on calling a meeting if so requested by any member of the Committee.

(b) A quorum for any meeting of the Development Committee shall be two thirds of the members of the Committee.

(c) The Development Committee may establish subcommittees or working groups from time to time.

(d) The Committee shall appoint an Executive Secretary who shall be entitled to participate in all Committee meetings. The Executive Secretary, supported by a small staff as necessary, and drawing on the staffs of the Bank and the Fund to the maximum extent feasible, shall be responsible to the Committee for carrying out the work directed by the Committee.

(e) Appropriate arrangements shall be made for the coordination of the work of the Development Committee and the work of the Executive Directors of the Bank and the Fund.

(f) The President of the Bank and the Managing Director of the Fund shall arrange to carry out technical work requested by the Committee and provide administrative support for the Committee within the competence of their organizations.

(g) The Committee may request assistance from international organizations or other bodies or individuals in connection with the preparation of its work.

(h) In reporting any suggestions or views of the Development Committee, the Chairman shall seek to establish a sense of the meeting. In the event of a failure to reach a unanimous view, all views shall be reported, and the members holding such views shall be identified.

(i) The Development Committee shall report not less than once a year to the Boards of Governors on the progress of its work and may publish such other reports as it deems desirable to carry out its purposes.

(j) The Development Committee may determine any aspect of its procedure that is not established by this Resolution.

6. *Administrative Costs*

The Bank and the Fund shall make such financial appropriations, in proportions as determined jointly by the President of the Bank and the Managing Director of the Fund from time to time, as are necessary for carrying out the work of the Development Committee.

7. *Review*

At the end of two years from the effective date of this Resolution, the Boards of Governors of the Fund and the Bank shall review the performance of the Committee, and shall take such action as they deem appropriate.

Resolution No. 29-9,
October 2, 1974,
as amended by Resolution 67-2,
effective May 18, 2012

Fourth Resolution (No. 29-10):

Other Immediate Steps

The Board of Governors hereby RESOLVES as follows:

1. *Need for Immediate Steps*

The Board of Governors notes the view of the Committee on Reform of the International Monetary System and Related Issues (hereinafter referred to as the Committee) that it will be some time before a reformed system can be finally agreed and fully implemented, and it endorses the Committee's proposal that, in the interim period, the Fund and its members should pursue the general objectives set out in paragraph 1 of the Outline adopted by the Committee and should observe, so far as they are applicable, the principles contained in Part I of the Outline. The Board notes that in Part II of the Outline the Committee proposes that a number of steps should be taken immediately to begin an evolutionary process of reform and to help meet the current problems facing both developed and developing members. The Board of Governors endorses the proposals of the Committee and the Committee's calls upon members to collaborate with the Fund and with each other to give effect to those proposals.

2. *The Adjustment Process*

The Board of Governors notes that the Committee has recognized that in the interim period, with the prospect of significant changes in the structure of balances of payments in the world, there is need for close international consultation and for surveillance of the adjustment process. The Board endorses the Committee's recommendation that members should be guided in their adjustment action by the general principles set out in paragraph 4 of the Outline. The Board endorses the Committee's call to members to cooperate with one another and with international institutions, during the current period of exceptional and widespread payments imbalances, to find orderly means to deal with these imbalances without adopting policies that would aggravate the problems of other members, and to promote equilibrating capital flows. In this connection, the Board

of Governors welcomes Decision No. 4241-(74/67), adopted by the Executive Directors on June 13, 1974, to establish a facility in the Fund to assist members in meeting the initial impact of the increase in the cost of oil imports.

The Fund shall exercise surveillance of the adjustment process through the Council when established (and, for the time being, the Interim Committee on the International Monetary System) and the Executive Directors, on the lines of the procedures set out in paragraphs 5–10 of the Outline, and subject for the time being to the following provisos, namely that:

(a) the Fund shall seek to gain further experience in the use of the objective indicators, including reserve indicators, on an experimental basis, as an aid in assessing the need for adjustment, but shall not use such indicators to establish any presumptive or automatic application of pressures;

(b) determination of what is a disproportionate movement in reserves shall be made in the light of the broad objectives of members for the development of their reserves over a period ahead, as discussed with the Fund; and

(c) the pressures that may be applied to members in large and persistent imbalance shall continue to be those at present available to the Fund.

3. *Exchange Rates*

The Board of Governors notes that the Committee has stressed that, during the interim period, exchange rates will continue to be a matter for international concern and consultation, and has attached particular importance to the avoidance of competitive depreciation or undervaluation. The Board endorses these views and notes with satisfaction that in accordance with the Committee's recommendation the Executive Directors have taken Decision No. 4232-(74/67), adopted June 13, 1974, on guidelines for the management of floating exchange rates during the present period of widespread floating.

4. *Controls*

The Board of Governors endorses the Committee's recommendation that, during the interim period, countries should be guided by the principles set out in paragraphs 14–17 of the Outline in relation to Composite Resolution" controls and to cooperative action to limit disequilibrating capital flows. The Board endorses the Committee's view that particular importance must be attached to avoiding the escalation of restrictions on trade and payments for balance of payments purposes during the interim period. The Board endorses the invitation to members to subscribe on a voluntary basis to the Declaration concerning trade and other current account measures for balance of payments purposes attached to the Committee's final communiqué, and requests members to consider subscribing to the Declaration if they have not already done so. The Board notes with satisfaction that the Executive Directors are developing the necessary procedures in connection with the Declaration, and are making arrangements for continuing close cooperation with the Contracting Parties to the General Agreement on Tariffs and Trade.

5. *Global Liquidity*

The Board of Governors endorses the Committee's call to members to cooperate with the Fund during the interim period in seeking to promote the principle of better management in global liquidity as set out in paragraph 2(d) of the Outline. In accordance with the Committee's recommendation, the Fund shall assess global reserves and take decisions on the allocation and cancellation of special drawing rights consistently with paragraph 25 of the Outline. The Fund shall periodically review the aggregate volume of official currency holdings in accordance with paragraph 19 of the Outline and, if they are judged to show an excessive increase, the Fund shall consider with the members concerned what steps might be taken to secure an orderly reduction.

In accordance with the Committee's recommendation, the Fund shall give consideration to substitution arrangements.

In accordance with the Committee's recommendation, the Fund shall give further study to arrangements for gold in the light of the agreed objectives of reform.

6. *Valuation of the Special Drawing Right*

The Board of Governors notes with satisfaction that, following the Committee's recommendation concerning the interim valuation and interest rate of the special drawing right, the Executive Directors have taken the following decisions on these questions: No. 4233(74/67) S,[1] adopted June 13, 1974; No. 4234-(74/67) S,[2] adopted June 13, 1974; No. 4236-(74/67) S,[3] adopted June 13, 1974; No. 4257-(74/76), adopted June 28, 1974; and No. 4261-(74/78) S, adopted July 1, 1974. These decisions provide for an interim valuation of the special drawing right without prejudice to the method of valuation to be adopted in a reformed system.

7. The Special Interests of Developing Countries

The Committee has recognized the serious difficulties that are facing many developing members, and has agreed that their needs for financial resources will be greatly increased. It has urged all members with available resources to make every effort to supply these needs on appropriate terms. To this end, the Committee has called upon members with available resources and upon development finance institutions to make arrangements to increase the flow of concessionary funds, and to give consideration to various measures including the redistribution of aid effort in favor of members in greatest need, interest subsidies, and short-term debt relief on official loans in the special circumstances of members without access to financial markets. The Board of Governors notes with satisfaction that, following the Committee's recommendation, the Executive Directors have taken Decision No. 4377-(74/114), adopted September 13, 1974, to establish a new facility in the Fund under which developing members in particular are likely to receive balance of payments finance for longer periods and in amounts larger in relation to quota than has been the practice under existing tranche policies. The Board notes that the Committee is not unanimous on the question of establishing a link between development

[1] Ed. Note: See the Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1974, pp. 116-18, 119.

[2] Ed. Note: See footnote 1.

[3] Ed. Note: See footnote 1.

assistance and the allocation of special drawing rights and invites the Interim Committee established by the Second Resolution to consider the possibility and modalities of establishing such a link simultaneously with the preparation by the Executive Directors of draft amendments of the Articles of Agreement, which it is envisaged would be presented for the approval of the Board by February 1975.

8. General Review of Quotas

The Board of Governors endorses the Committee's request to the Executive Directors to complete, as soon as possible, their work on the current general review of quotas, and in doing so to bear in mind the general purposes of the reform.

9. Amendments to the Articles of Agreement

The Board of Governors notes that certain of the immediate steps recommended in Part II of the Outline require amendment of the Articles of Agreement, and that, following the Committee's recommendation in paragraph 41 of the Outline, the Executive Directors have begun their consideration of draft amendments of the Articles of Agreement to give effect to this part of the Outline or as otherwise desired.

The Board requests the Executive Directors to transmit any draft amendments that they prepare pursuant to paragraph 41 of the Outline to the Interim Committee for consideration in accordance with paragraph 3(ii) of the Second Resolution and, if agreed, for presentation to the Board of Governors for its approval.

Resolution No. 29-10,
October 2, 1974

Interim Committee: Rules of Procedure

1. *Committee Members, Associates, and Alternates*

The Secretary of the Fund shall be informed of the appointment of all members of the Committee and their associates and of the designation of alternates. The Secretary shall notify periodically all Governors and members of the Committee of these appointments and shall notify all members of the Committee of these designations.

2. *Meetings*

(a) Except in special circumstances, the Chairman shall cause all members of the Committee and their associates to be notified at least ten days in advance of any meeting.

(b) Persons invited by the Committee to attend during the discussion of an item on the agenda of a meeting may submit documents on that item and join in the discussion.

3. *Agenda*

A provisional agenda to be adopted by the Committee shall be prepared for each meeting by the Chairman after consulting the members of the Committee and the Managing Director of the Fund, and shall be distributed as far in advance of the meeting as possible. Any member of the Committee may propose the addition of an item to the provisional agenda.

Adopted by the Interim Committee
October 3, 1974

Development Committee: Rules of Procedure

1. *Committee Members, Associates, and Alternates*

The Executive Secretary of the Committee shall be informed of the appointment of all members of the Committee and their associates and of the appointment of alternates. The Executive Secretary shall notify periodically all Governors and members of the Committee of these appointments.

2. *Meetings*

(a) Except in special circumstances, the Chairman shall, after consultation with the members, cause all members of the Committee and their associates to be notified at least 30 days in advance of any meeting, and documents shall be distributed at least 30 days in advance of the meeting, if possible.

(b) Persons invited by the Committee to attend during the discussion of an item on the agenda of a meeting may submit documents on that item and join in the discussion.

3. *Agenda*

A provisional agenda to be adopted by the Committee shall be prepared for each meeting by the Chairman after consulting the members of the Committee, the President of the Bank and the Managing Director of the Fund, and shall be distributed as far in advance of the meeting as possible. Any member of the Committee may propose the addition of an item to the provisional agenda.

Adopted by the Development Committee
January 17, 1975

Development Committee: Changes in the Organization of Work and Structure of the Secretariat Function

1. The Development Committee would be continued as a Joint Bank/Fund Committee with its present broad mandate to consider all matters relating to the transfer of real resources.

2. The Development Committee's main function would be that of a discussion forum, including its use as a "reserve forum" for the discussions of issues relating to the operations of the institutions when circumstances warrant it.

3. The Chairman of the Development Committee, the Managing Director of the Fund, and the President of the Bank would be jointly responsible for organizing the work of the Development Committee with a view to more effective performance.

4. The independence of the Development Committee would be reflected in the ability to present ideas freely to members of the Committee—the work of the Committee would not be bound by a narrow definition of the responsibilities of the Bank and the Fund.

5. The Boards of the Bank and the Fund would be used as preparatory bodies for the work of the Development Committee including its agenda and work program, as well as reviewing and sharpening issues in papers prepared for Committee consideration.

6. To assure that proposals and views expressed by the Executive Directors are fully reflected in the papers, agenda and work program, when they meet on Development Committee matters, they will do so as Committees of the Whole of the Executive Boards.

7. Senior officials would not be part of the institutional framework. However, Ministerial Deputies could meet on an ad hoc basis, when appropriate, to consider special issues. Since they would be Deputies to Ministers, the decision to convene them would be one for the Ministers.

8. The Secretariat would be reduced to a senior official who would serve as Executive Secretary. He would assist the Chairman, Managing Director and President in ensuring the effectiveness of the Development Committee's work. The Secretariat service required by the Development Committee would be provided by Bank/Fund staff.

9. The Working Group would be abolished. Task Forces—with a specific limited task and duration—might be used for certain issues with approval of the Development Committee.

10. Studies and papers for the Committee would normally be prepared by regular Fund/Bank staff, but consultants or other agencies may be asked by the Committee to contribute work under certain circumstances.

Adopted by the Development Committee
April 1, 1979

Selected Documents Relating to the Fund, the United Nations, and Other International Organizations

United Nations Convention

A. Agreement Between the United Nations and the International Monetary Fund[1]

Article I

GENERAL

1. This agreement, which is entered into by the United Nations pursuant to the provisions of Article 63 of its Charter, and by the International Monetary Fund (hereinafter called the Fund), pursuant to the provisions of Article X of its Articles of Agreement, is intended to define the terms on which the United Nations and the Fund shall be brought into relationship.

2. The Fund is a specialized agency established by agreement among its member governments and having wide international responsibilities, as defined in its Articles of Agreement, in economic and related fields within the meaning of Article 57 of the Charter of the United Nations. By reason of the nature of its international responsibilities and the terms of its Articles of Agreement, the Fund is, and is required to function as, an independent international organization.

3. The United Nations and the Fund are subject to certain necessary limitations for the safeguarding of confidential material furnished to them by their members or others, and nothing in this agreement shall be construed to require either of them to furnish any information the furnishing of which would, in its judgment, constitute a violation of the confidence of any of its members or anyone from whom it shall have received such information, or which would otherwise interfere with the orderly conduct of its operations.

[1] Ed. Note: The Agreement was approved by the Board of Governors of the Fund on September 17, 1947 and by the General Assembly of the United Nations on November 15, 1947, and it came into force on November 15, 1947.

Article II

RECIPROCAL REPRESENTATION

1. Representatives of the United Nations shall be entitled to attend, and to participate without vote in, meetings of the Board of Governors of the Fund. Representatives of the United Nations shall be invited to participate without vote in meetings especially called by the Fund for the particular purpose of considering the United Nations point of view in matters of concern to the United Nations.

2. Representatives of the Fund shall be entitled to attend meetings of the General Assembly of the United Nations for purposes of consultation.

3. Representatives of the Fund shall be entitled to attend, and to participate without vote in, meetings of the committees of the General Assembly, meetings of the Economic and Social Council, of the Trusteeship Council and of their respective subsidiary bodies, dealing with matters in which the Fund has an interest.

4. Sufficient advance notice of these meetings and their agenda shall be given so that, in consultation, arrangements can be made for adequate representation.

Article III

PROPOSAL OF AGENDA ITEMS

In preparing the agenda for meetings of the Board of Governors, the Fund will give due consideration to the inclusion in the agenda of items proposed by the United Nations. Similarly, the Council and its commissions and the Trusteeship Council will give due consideration to the inclusion in their agenda of items proposed by the Fund.

Article IV

CONSULTATION AND RECOMMENDATIONS

1. The United Nations and the Fund shall consult together and exchange views on matters of mutual interest.

2. Neither organization, nor any of their subsidiary bodies, will present any formal recommendations to the other without reasonable prior consultation with regard thereto. Any formal recommendations made by either organization after such consultation will be considered as soon as possible by the appropriate organ of the other.

Article V

EXCHANGE OF INFORMATION

The United Nations and the Fund will, to the fullest extent practicable and subject to paragraph 3 of Article I, arrange for the current exchange of information and publications of mutual interest, and the furnishing of special reports and studies upon request.

Article VI

SECURITY COUNCIL

1. The Fund takes note of the obligation assumed, under paragraph 2 of Article 48 of the United Nations Charter, by such of its members as are also Members of the United Nations, to carry out the decisions of the Security Council through their action in the appropriate specialized agencies of which they are members, and will, in the conduct of its activities, have due regard for decisions of the Security Council under Articles 41 and 42 of the United Nations Charter.

2. The Fund agrees to assist the Security Council by furnishing to it information in accordance with the provisions of Article V of this agreement.

Article VII

ASSISTANCE TO THE TRUSTEESHIP COUNCIL

The Fund agrees to cooperate with the Trusteeship Council in the carrying out of its functions by furnishing information and technical assistance upon request, and in such other similar ways as may be consistent with the Articles of Agreement of the Fund.

Article VIII

INTERNATIONAL COURT OF JUSTICE

The General Assembly of the United Nations hereby authorizes the Fund to request advisory opinions of the International Court of Justice on any legal questions arising within the scope of the Fund's activities other than questions relating to the relationship between the Fund and the United Nations or any specialized agency. Whenever the Fund shall request the Court for an advisory opinion, the Fund will inform the Economic and Social Council of the request.

Article IX

STATISTICAL SERVICES

1. In the interests of efficiency and for the purpose of reducing the burden on national Governments and other organizations, the United Nations and the Fund agree to co-operate in eliminating unnecessary duplication in the collection, analysis, publication and dissemination of statistical information.

2. The Fund recognizes the United Nations as the central agency for the collection, analysis, publication, standardization and improvement of statistics serving the general purposes of international organizations, without prejudice to the right of the Fund to concern itself with any statistics so far as they may be essential for its own purposes.

3. The United Nations recognizes the Fund as the appropriate agency for the collection, analysis, publication, standardization and improvement of statistics within its special sphere, without prejudice to the right of the United Nations to concern itself with any statistics so far as they may be essential for its own purposes.

4. (a) In its statistical activities the Fund agrees to give full consideration to the requirements of the United Nations and of the specialized agencies.

(b) In its statistical activities the United Nations agrees to give full consideration to the requirements of the Fund.

5. The United Nations and the Fund agree to furnish each other promptly with all their non-confidential statistical information.

Article X

ADMINISTRATIVE RELATIONSHIPS

1. The United Nations and the Fund will consult from time to time concerning personnel and other administrative matters of mutual interest, with a view to securing as much uniformity in these matters as they shall find practicable and to assuring the most efficient use of the services and facilities of the two organizations. These consultations shall include determination of the most equitable manner in which special services furnished by one organization to the other should be financed.

2. To the extent consistent with the provisions of this agreement, the Fund will participate in the work of the Coordination Committee and its subsidiary bodies.

3. The Fund will furnish to the United Nations copies of the Annual Report and the quarterly financial statements prepared by the Fund pursuant to Section 7(*a*) of Article XII of its Articles of Agreement. The United Nations agrees that, in the interpretation of paragraph 3 of Article 17 of the United Nations Charter it will take into consideration that the Fund does not rely for its annual budget upon contributions from its members, and that the appropriate authorities of the Fund enjoy full autonomy in deciding the form and content of such budget.

4. The officials of the Fund shall have the right to use the *laissez-passer* of the United Nations in accordance with special arrangements to be negotiated between the Secretary-General of the United Nations and the competent authorities of the Fund.

Article XI

AGREEMENTS WITH OTHER ORGANIZATIONS

The Fund will inform the Economic and Social Council of any formal agreement which the Fund shall enter into with any

specialized agency, and in particular agrees to inform the Council of the nature and scope of any such agreement before it is concluded.

Article XII

LIAISON

1. The United Nations and the Fund agree to the foregoing provisions in the belief that they will contribute to the maintenance of effective cooperation between the two organizations. Each agrees that it will establish within its own organization such administrative machinery as may be necessary to make the liaison, as provided for in this agreement, fully effective.

2. The arrangements provided for in the foregoing articles of this agreement shall apply, as far as is appropriate, to relations between such branch or regional offices as may be established by the two organizations, as well as between their central machinery.

Article XIII

MISCELLANEOUS

1. The Secretary-General of the United Nations and the Managing Director of the Fund are authorized to make such supplementary arrangements as they shall deem necessary or proper to carry fully into effect the purposes of this agreement.

2. This agreement shall be subject to revision by agreement between the United Nations and the Fund from the date of its entry into force.

3. This agreement may be terminated by either party thereto on six months' written notice to the other party, and thereupon all rights and obligations of both parties hereunder shall cease.

4. This agreement shall come into force when it shall have been approved by the General Assembly of the United Nations and the Board of Governors of the Fund.

B. United Nations Convention on the Privileges and Immunities of the Specialized Agencies and Annex V[1]

WHEREAS the General Assembly of the United Nations adopted on 13 February 1946 a resolution contemplating the unification as far as possible of the privileges and immunities enjoyed by the United Nations and by the various specialized agencies; and

WHEREAS consultations concerning the implementation of the aforesaid resolution have taken place between the United Nations and the specialized agencies;

CONSEQUENTLY, by resolution 179(II) adopted on 21 November 1947, the General Assembly has approved the following Convention, which is submitted to the specialized agencies for acceptance and to every Member of the United Nations and to every other State member of one or more of the specialized agencies for accession.

Article I

DEFINITION AND SCOPE

Section 1

In this Convention:

(i) The words "standard clauses" refer to the provisions of Articles II to IX.

(ii) The words "specialized agencies" mean:

(a) The International Labour Organisation;

(b) The Food and Agriculture Organization of the United Nations;

(c) The United Nations Educational, Scientific and Cultural Organization;

[1] Ed. Note: The Convention was adopted by the United Nations General Assembly on November 21, 1947. The Executive Directors of the Fund accepted the standard clauses of the Convention and approved Annex V with respect to the Fund on April 11, 1949. The Annex became effective on May 9, 1949, when it was received by the United Nations.

(d) The International Civil Aviation Organization;

(e) The International Monetary Fund;

(f) The International Bank for Reconstruction and Development;

(g) The World Health Organization;

(h) The Universal Postal Union;

(i) The International Telecommunication Union; and

(j) Any other agency in relationship with the United Nations in accordance with Articles 57 and 63 of the Charter.

(iii) The word "Convention" means, in relation to any particular specialized agency, the standard clauses as modified by the final (or revised) text of the annex transmitted by that agency in accordance with Sections 36 and 38.

(iv) For the purposes of Article III, the words "property and assets" shall also include property and funds administered by a specialized agency in furtherance of its constitutional functions.

(v) For the purposes of Articles V and VII, the expression "representatives of members" shall be deemed to include all representatives, alternates, advisers, technical experts and secretaries of delegations.

(vi) In Sections 13, 14, 15 and 25, the expression "meetings convened by a specialized agency" means meetings: (1) of its assembly and of its executive body (however designated), and (2) of any commission provided for in its constitution; (3) of any international conference convened by it; and (4) of any committee of any of these bodies.

(vii) The term "executive head" means the principal executive official of the specialized agency in question, whether designated "Director-General" or otherwise.

Section 2

Each State party to this Convention in respect of any specialized agency to which this Convention has become applicable in accordance with Section 37 shall accord to, or in connexion with, that agency the privileges and immunities set forth in the standard clauses on the conditions specified therein, subject to any modification of those clauses contained in the provisions of the final (or revised) annex relating to that agency and transmitted in accordance with Sections 36 or 38.

Article II

Juridical Personality

Section 3

The specialized agencies shall possess juridical personality. They shall have the capacity (a) to contract, (b) to acquire and dispose of immovable and movable property, (c) to institute legal proceedings.

Article III

Property, Funds and Assets

Section 4

The specialized agencies, their property and assets, wherever located and by whomsoever held, shall enjoy immunity from every form of legal process except in so far as in any particular case they have expressly waived their immunity. It is, however, understood that no waiver of immunity shall extend to any measure of execution.

Section 5

The premises of the specialized agencies shall be inviolable. The property and assets of the specialized agencies, wherever located and by whomsoever held, shall be immune from search, requisition,

confiscation, expropriation and any other form of interference, whether by executive, administrative, judicial or legislative action.

Section 6

The archives of the specialized agencies, and in general all documents belonging to them or held by them, shall be inviolable, wherever located.

Section 7

Without being restricted by financial controls, regulations or moratoria of any kind:

(a) The specialized agencies may hold funds, gold or currency of any kind and operate accounts in any currency;

(b) The specialized agencies may freely transfer their funds, gold or currency from one country to another or within any country and convert any currency held by them into any other currency.

Section 8

Each specialized agency shall, in exercising its rights under Section 7 above, pay due regard to any representations made by the Government of any State party to this Convention in so far as it is considered that effect can be given to such representations without detriment to the interests of the agency.

Section 9

The specialized agencies, their assets, income and other property shall be:

(a) Exempt from all direct taxes; it is understood, however, that the specialized agencies will not claim exemption from taxes which are, in fact, no more than charges for public utility services;

(b) Exempt from customs duties and prohibitions and restrictions on imports and exports in respect of articles imported

or exported by the specialized agencies for their official use; it is understood, however, that articles imported under such exemption will not be sold in the country into which they were imported except under conditions agreed to with the Government of that country;

(c) Exempt from duties and prohibitions and restrictions on imports and exports in respect of their publications.

Section 10

While the specialized agencies will not, as a general rule, claim exemption from excise duties and from taxes on the sale of movable and immovable property which forms part of the price to be paid, nevertheless when the specialized agencies are making important purchases for official use of property on which such duties and taxes have been charged or are chargeable, States parties to this Convention will, whenever possible, make appropriate administrative arrangements for the remission or return of the amount of duty or tax.

Article IV

FACILITIES IN RESPECT OF COMMUNICATIONS

Section 11

Each specialized agency shall enjoy, in the territory of each State party to this Convention in respect of that agency, for its official communications, treatment not less favorable than that accorded by the Government of such State to any other Government, including the latter's diplomatic mission, in the matter of priorities, rates and taxes on mails, cables, telegrams, radiograms, telephotos, telephone and other communications, and press rates for information to the press and radio.

Section 12

No censorship shall be applied to the official correspondence and other official communications of the specialized agencies.

The specialized agencies shall have the right to use codes and to dispatch and receive correspondence by courier or in sealed bags, which shall have the same immunities and privileges as diplomatic couriers and bags.

Nothing in this section shall be construed to preclude the adoption of appropriate security precautions to be determined by agreement between a State party to this Convention and a specialized agency.

Article V

REPRESENTATIVES OF MEMBERS

Section 13

Representatives of members at meetings convened by a specialized agency shall, while exercising their functions and during their journeys to and from the place of meeting, enjoy the following privileges and immunities:

(a) Immunity from personal arrest or detention and from seizure of their personal baggage, and in respect of words spoken or written and all acts done by them in their official capacity, immunity from legal process of every kind;

(b) Inviolability for all papers and documents;

(c) The right to use codes and to receive papers or correspondence by courier or in sealed bags;

(d) Exemption in respect of themselves and their spouses from immigration restrictions, aliens' registration or national service obligations in the State which they are visiting or through which they are passing in the exercise of their functions;

(e) The same facilities in respect of currency or exchange restrictions as are accorded to representatives of foreign Governments on temporary official missions;

(f) The same immunities and facilities in respect of their personal baggage as are accorded to members of comparable rank of diplomatic missions.

Section 14

In order to secure for the representatives of members of the specialized agencies at meetings convened by them complete freedom of speech and complete independence in the discharge of their duties, the immunity from legal process in respect of words spoken or written and all acts done by them in discharging their duties shall continue to be accorded, notwithstanding that the persons concerned are no longer engaged in the discharge of such duties.

Section 15

Where the incidence of any form of taxation depends upon residence, periods during which the representatives of members of the specialized agencies at meetings convened by them are present in a member State for the discharge of their duties shall not be considered as periods of residence.

Section 16

Privileges and immunities are accorded to the representatives of members, not for the personal benefit of the individuals themselves, but in order to safeguard the independent exercise of their functions in connexion with the specialized agencies. Consequently, a member not only has the right but is under a duty to waive the immunity of its representatives in any case where, in the opinion of the member, the immunity would impede the course of justice, and where it can be waived without prejudice to the purpose for which the immunity is accorded.

Section 17

The provisions of Sections 13, 14 and 15 are not applicable in relation to the authorities of a State of which the person is a national or of which he is or has been a representative.

Article VI

OFFICIALS

Section 18

Each specialized agency will specify the categories of officials to which the provisions of this Article and of Article VIII shall apply. It shall communicate them to the Governments of all States parties to this Convention in respect of that agency and to the Secretary-General of the United Nations. The names of the officials included in these categories shall from time to time be made known to the above-mentioned Governments.

Section 19

Officials of the specialized agencies shall:

(a) Be immune from legal process in respect of words spoken or written and all acts performed by them in their official capacity;

(b) Enjoy the same exemptions from taxation in respect of the salaries and emoluments paid to them by the specialized agencies and on the same conditions as are enjoyed by officials of the United Nations;

(c) Be immune, together with their spouses and relatives dependent on them, from immigration restrictions and alien registration;

(d) Be accorded the same privileges in respect of exchange facilities as are accorded to officials of comparable rank of diplomatic missions;

(e) Be given, together with their spouses and relatives dependent on them, the same repatriation facilities in time of international crises as officials of comparable rank of diplomatic missions;

(f) Have the right to import free of duty their furniture and effects at the time of first taking up their post in the country in question.

Section 20

The officials of the specialized agencies shall be exempt from national service obligations, provided that in relation to the States of which they are nationals, such exemption shall be confined to officials of the specialized agencies whose names have, by reason of their duties, been placed upon a list compiled by the executive head of the specialized agency and approved by the State concerned.

Should other officials of specialized agencies be called up for national service, the State concerned shall, at the request of the specialized agency concerned, grant such temporary deferments in the call-up of such officials as may be necessary to avoid interruption in the continuation of essential work.

Section 21

In addition to the immunities and privileges specified in Sections 19 and 20, the executive head of each specialized agency, including any official acting on his behalf during his absence from duty, shall be accorded in respect of himself, his spouse and minor children, the privileges and immunities, exemptions and facilities accorded to diplomatic envoys, in accordance with international law.

Section 22

Privileges and immunities are granted to officials in the interests of the specialized agencies only and not for personal benefit of the individuals themselves. Each specialized agency shall have the right and the duty to waive immunity of any official in any case where, in its opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the specialized agency.

Section 23

Each specialized agency shall co-operate at all times with the appropriate authorities of member States to facilitate the proper administration of justice, secure the observance of police regulations and prevent the occurrence of any abuses in connexion with the privileges, immunities and facilities mentioned in this article.

Article VII

ABUSES OF PRIVILEGE

Section 24

If any State party to this Convention considers that there has been an abuse of a privilege or immunity conferred by this Convention, consultations shall be held between that State and the specialized agency concerned to determine whether any such abuse has occurred and, if so, to attempt to ensure that no repetition occurs. If such consultations fail to achieve a result satisfactory to the State and the specialized agency concerned, the question whether an abuse of a privilege or immunity has occurred shall be submitted to the International Court of Justice in accordance with Section 32. If the International Court of Justice finds that such an abuse has occurred, the State party to this Convention affected by such abuse shall have the right, after notification to the specialized agency in question, to withhold from the specialized agency concerned the benefits of the privilege or immunity so abused.

Section 25

1. Representatives of members at meetings convened by specialized agencies, while exercising their functions and during their journeys to and from the place of meeting, and officials within the meaning of Section 18, shall not be required by the territorial authorities to leave the country in which they are performing their functions on account of any activities by them in their official capacity. In the case, however, of abuse of privileges of residence committed by any such person in activities in that country outside his official functions, he may be required to leave by the Government of that country provided that:

2. (I) Representatives of members, or persons who are entitled to diplomatic immunity under Section 21, shall not be required to leave the country otherwise than in accordance with the diplomatic procedure applicable to diplomatic envoys accredited to that country.

(II) In the case of an official to whom Section 21 is not applicable, no order to leave the country shall be issued other than

with the approval of the Foreign Minister of the country in question, and such approval shall be given only after consultation with the executive head of the specialized agency concerned; and, if expulsion proceedings are taken against an official, the executive head of the specialized agency shall have the right to appear in such proceedings on behalf of the person against whom they are instituted.

Article VIII

LAISSEZ-PASSER

Section 26

Officials of the specialized agencies shall be entitled to use the United Nations *laissez-passer* in conformity with administrative arrangements to be concluded between the Secretary-General of the United Nations and the competent authorities of the specialized agencies, to which agencies special powers to issue *laissez-passer* may be delegated. The Secretary-General of the United Nations shall notify each State party to this Convention of each administrative arrangement so concluded.

Section 27

States parties to this Convention shall recognize and accept the United Nations *laissez-passer* issued to officials of the specialized agencies as valid travel documents.

Section 28

Applications for visas, where required, from officials of specialized agencies holding United Nations *laissez-passer* when accompanied by a certificate that they are traveling on the business of a specialized agency, shall be dealt with as speedily as possible. In addition, such persons shall be granted facilities for speedy travel.

Section 29

Similar facilities to those specified in Section 28 shall be accorded to experts and other persons who, though not the holders

of United Nations *laissez-passer*, have a certificate that they are traveling on the business of a specialized agency.

Section 30

The executive heads, assistant executive heads, heads of departments and other officials of a rank not lower than head of department of the specialized agencies, traveling on United Nations *laissez-passer* on the business of the specialized agencies, shall be granted the same facilities for travel as are accorded to officials of comparable rank in diplomatic missions.

Article IX

SETTLEMENT OF DISPUTES

Section 31

Each specialized agency shall make provision for appropriate modes of settlement of:

(a) Disputes arising out of contracts or other disputes of private character to which the specialized agency is a party;

(b) Disputes involving any official of a specialized agency who by reason of his official position enjoys immunity, if immunity has not been waived in accordance with the provisions of Section 22.

Section 32

All differences arising out of the interpretation or application of the present Convention shall be referred to the International Court of Justice unless in any case it is agreed by the parties to have recourse to another mode of settlement. If a difference arises between one of the specialized agencies on the one hand, and a member on the other hand, a request shall be made for an advisory opinion on any legal question involved in accordance with Article 96 of the Charter and Article 65 of the Statute of the Court and the relevant provisions of the agreements concluded between the United Nations and the specialized agency concerned.

The opinion given by the Court shall be accepted as decisive by the parties.

Article X

ANNEXES AND APPLICATION TO INDIVIDUAL SPECIALIZED AGENCIES

Section 33

In their application to each specialized agency, the standard clauses shall operate subject to any modifications set forth in the final (or revised) text of the annex relating to that agency, as provided in Sections 36 and 38.

Section 34

The provisions of the Convention in relation to any specialized agency must be interpreted in the light of the functions with which that agency is entrusted by its constitutional instrument.

Section 35

Draft annexes I to IX are recommended to the specialized agencies named therein. In the case of any specialized agency not mentioned by name in Section 1, the Secretary-General of the United Nations shall transmit to the agency a draft annex recommended by the Economic and Social Council.

Section 36

The final text of each annex shall be that approved by the specialized agency in question in accordance with its constitutional procedure. A copy of the annex as approved by each specialized agency shall be transmitted by the agency in question to the Secretary-General of the United Nations and shall thereupon replace the draft referred to in Section 35.

Section 37

The present Convention becomes applicable to each specialized agency when it has transmitted to the Secretary-General of the

United Nations the final text of the relevant annex and has informed him that it accepts the standard clauses, as modified by this annex, and undertakes to give effect to Sections 8, 18, 22, 23, 24, 31, 32, 42 and 45 (subject to any modification of Section 32 which may be found necessary in order to make the final text of the annex consonant with the constitutional instrument of the agency) and any provisions of the annex placing obligations on the agency. The Secretary-General shall communicate to all Members of the United Nations and to other States members of the specialized agencies certified copies of all annexes transmitted to him under this section and of revised annexes transmitted under Section 38.

Section 38

If, after the transmission of a final annex under Section 36, any specialized agency approves any amendments thereto in accordance with its constitutional procedure, a revised annex shall be transmitted by it to the Secretary-General of the United Nations.

Section 39

The provisions of this Convention shall in no way limit or prejudice the privileges and immunities which have been, or may hereafter be, accorded by any State to any specialized agency by reason of the location in the territory of that State of its headquarters or regional offices. This Convention shall not be deemed to prevent the conclusion between any State party thereto and any specialized agency of supplemental agreements adjusting the provisions of this Convention or extending or curtailing the privileges and immunities thereby granted.

Section 40

It is understood that the standard clauses, as modified by the final text of an annex sent by a specialized agency to the Secretary-General of the United Nations under Section 36 (or any revised annex sent under Section 38), will be consistent with the provisions of the constitutional instrument then in force of the agency in question, and that if any amendment to that instrument is necessary for the purpose of making the constitutional instrument so consistent, such amendment will have been brought into force in accordance with

the constitutional procedure of that agency before the final (or revised) annex is transmitted.

The Convention shall not itself operate so as to abrogate, or derogate from, any provisions of the constitutional instrument of any specialized agency or any rights or obligations which the agency may otherwise have, acquire, or assume.

Article XI

FINAL PROVISIONS

Section 41

Accession to this Convention by a Member of the United Nations and (subject to Section 42) by any State member of a specialized agency shall be effected by deposit with the Secretary-General of the United Nations of an instrument of accession which shall take effect on the date of its deposit.

Section 42

Each specialized agency concerned shall communicate the text of this Convention together with the relevant annexes to those of its members which are not Members of the United Nations and shall invite them to accede thereto in respect of that agency by depositing an instrument of accession to this Convention in respect thereof either with the Secretary-General of the United Nations or with the executive head of the specialized agency.

Section 43

Each State party to this Convention shall indicate in its instrument of accession the specialized agency or agencies in respect of which it undertakes to apply the provisions of this Convention. Each State party to this Convention may by subsequent written notification to the Secretary-General of the United Nations undertake to apply the provisions of this Convention to one or more further specialized agencies. This notification shall take effect on the date of its receipt by the Secretary-General.

Section 44

This Convention shall enter into force for each State party to this Convention in respect of a specialized agency when it has become applicable to that agency in accordance with Section 37 and the State party has undertaken to apply the provisions of the Convention to that agency in accordance with Section 43.

Section 45

The Secretary-General of the United Nations shall inform all Members of the United Nations, as well as all members of the specialized agencies, and executive heads of the specialized agencies, of the deposit of each instrument of accession received under Section 41 and of subsequent notifications received under Section 43. The executive head of a specialized agency shall inform the Secretary-General of the United Nations and the members of the agency concerned of the deposit of any instrument of accession deposited with him under Section 42.

Section 46

It is understood that, when an instrument of accession or a subsequent notification is deposited on behalf of any State, this State will be in a position under its own law to give effect to the terms of this Convention, as modified by the final texts of any annexes relating to the agencies covered by such accessions or notifications.

Section 47

1. Subject to the provisions of paragraphs 2 and 3 of this section, each State party to this Convention undertakes to apply this Convention in respect of each specialized agency covered by its accession or subsequent notification, until such time as a revised convention or annex shall have become applicable to that agency and the said State shall have accepted the revised convention or annex. In the case of a revised annex, the acceptance of States shall be by a notification addressed to the Secretary-General of the United Nations, which shall take effect on the date of its receipt by the Secretary-General.

2. Each State party to this Convention, however, which is not, or has ceased to be, a member of a specialized agency, may address a written notification to the Secretary-General of the United Nations and the executive head of the agency concerned to the effect that it intends to withhold from that agency the benefits of this Convention as from a specified date, which shall not be earlier than three months from the date of receipt of the notification.

3. Each State party to this Convention may withhold the benefit of this Convention from any specialized agency which ceases to be in relationship with the United Nations.

4. The Secretary-General of the United Nations shall inform all member States parties to this Convention of any notification transmitted to him under the provisions of this section.

Section 48

At the request of one-third of the States parties to this Convention, the Secretary-General of the United Nations will convene a conference with a view to its revision.

Section 49

The Secretary-General of the United Nations shall transmit copies of this Convention to each specialized agency and to the Government of each Member of the United Nations.

Annex V

International Monetary Fund

In its application to the International Monetary Fund (hereinafter called "the Fund"), the Convention (including this annex) shall operate subject to the following provisions:

1. Section 32 of the standard clauses shall only apply to differences arising out of the interpretation or application of privileges and immunities which are derived by the Fund solely

from this Convention and are not included in those which it can claim under its Articles of Agreement or otherwise.

2. The provisions of the Convention (including this annex) do not modify or amend or require the modification or amendment of the Articles of Agreement of the Fund or impair or limit any of the rights, immunities, privileges or exemptions conferred upon the Fund or any of its members, Governors, Executive Directors, alternates, officers or employees by the Articles of Agreement of the Fund, or by any statute, law or regulation of any member of the Fund or any political subdivision of any such member, or otherwise.

Participants to the UN Convention on Privileges and Immunities of the Specialized Agencies that Have Undertaken to Apply the Convention to the IMF as of July 16, 2023[1]

Participant	**Application**
Albania	15 Dec 2003
Algeria	25 Mar 1964
Angola	9 May 2012
Argentina	10 Oct 1963
Armenia	16 May 2022
Australia	9 May 1986
Austria	21 Jul 1950
Bahrain	17 Sep 1992
Barbados	19 Nov 1971
Belarus	27 Aug 1992
Belgium	14 Mar 1962
Bosnia and Herzegovina	1 Sep 1993
Botswana	5 Apr 1983
Brazil	22 Mar 1963
Brunei Darussalam	1 Feb 2017

[1] Ed. Note: The participants'declarations and reservations may be found in https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=III-2-5&chapter=3&clang=_en

Participant	Application
Bulgaria	24 Jan 2000
Burkina Faso	6 Apr 1962
Cameroon	30 Apr 1992
Chile	21 Sep 1951
China	30 Jun 1981
Côte d'Ivoire	4 Jun 1962
Croatia	12 Oct 1992
Czech Republic	22 Feb 1993
Democratic Republic of Congo	8 Dec 1964
Denmark	25 Jan 1950
Dominica	24 Jun 1988
Ecuador	7 Jul 1953
Egypt	28 Sep 1954
El Salvador	24 Sep 2012
Estonia	8 Oct 1997
Fiji	1 Nov 2021
Finland	31 Jul 1958
France	2 Aug 2000
Gabon	30 Nov 1982
Gambia	1 Aug 1966
Georgia	18 July 2007
Germany	10 Oct 1957
Ghana	9 Sep 1958
Greece	21 Jun 1977
Guatemala	30 Jun 1951
Guinea	29 Mar 1968
Guyana	13 Sep 1973
Haiti	16 Apr 1952
Honduras	16 Aug 2012
Hungary	19 Aug 1982
Iceland	17 Jan 2006

Participant	Application
India	19 Oct 1949
Indonesia	8 Mar 1972
Iran (Islamic Republic of)	16 May 1974
Iraq	9 Jul 1954
Ireland	10 May 1967
Italy	30 Aug 1985
Japan	4 Nov 1963
Kenya	1 Jul 1965
Kuwait	7 Feb 1963
Lao People's Democratic Republic	9 Aug 1960
Latvia	19 Dec 2005
Lesotho	26 Nov 1969
Libya	30 Apr 1958
Lithuania	10 Feb 1997
Luxembourg	20 Sep 1950
Madagascar	3 Jan 1966
Malawi	2 Aug 1965
Mali	24 Jun 1968
Malta	13 Feb 1969
Montenegro	23 Oct 2006
Morocco	3 Nov 1976
Mozambique	6 Oct 2011
Nepal	28 Sep 1965
Netherlands	21 Jul 1949
Nicaragua	6 Apr 1959
Niger	15 May 1968
North Macedonia	11 Mar 1996
Norway	25 Jan 1950
Oman	19 Oct 2023
Pakistan	7 Nov 1951

Participant	Application
Paraguay	13 Jan 2006
Philippines	20 Mar 1950
Poland	11 Jun 1990
Portugal	8 Nov 2012
Qatar	20 Jan 2014
Republic of Korea	13 May 1977
Republic of Moldova	2 Sep 2011
Romania	23 Aug 1974
Russian Federation	29 Jun 1994
Rwanda	23 Jun 1964
San Marino	21 Feb 2013
Senegal	2 Mar 1966
Serbia	12 Mar 2001
Seychelles	24 Jul 1985
Slovakia	28 May 1993
Slovenia	6 Jul 1992
South Africa	30 Aug 2002
Spain	26 Sep 1974
St. Lucia	2 Sep 1986
Sweden	12 Sep 1951
Switzerland	25 Sept 2012
Thailand	19 Jun 1961
Trinidad and Tobago	19 Oct 1965
Tunisia	3 Dec 1957
Uganda	11 Aug 1983
Ukraine	25 Feb 1993
United Arab Emirates	11 Dec 2003
United Republic of Tanzania	10 Apr 1963
Uruguay	29 Dec 1977

Participant	Application
Uzbekistan	18 Feb 1977
Vanuatu	2 Jan 2008
Zimbabwe	5 Mar 1991

FUND-WTO AGREEMENT

C. The International Monetary Fund and the World Trade Organization

RELATIONS WITH WORLD TRADE ORGANIZATION (WTO)—FUND-WTO COOPERATION AGREEMENT

The Executive Board approves the proposed Agreement Between the International Monetary Fund and the World Trade Organization as set forth in EBD/96/85 (7/5/96) on the understanding that decisions taken by either party for the implementation of this Agreement will not prevent the effective application of this Agreement in accordance with its provisions.

Decision No. 11381-(96/105),
November 25, 1996

DECISION ADOPTED BY THE GENERAL COUNCIL CONCERNING AGREEMENTS BETWEEN THE WTO AND THE IMF AND THE WORLD BANK AT ITS MEETING ON 7, 8, AND 13 NOVEMBER 1996 (WT/L/194, 18 NOVEMBER 1996)

Recalling the increasing linkages between the various aspects of economic policymaking that fall within the respective mandates of the World Trade Organization ("WTO"), the International Monetary Fund ("IMF") and the International Bank for Reconstruction and Development ("World Bank"), the call for greater coherence among economic policies contained in the Marrakesh Agreement Establishing the World Trade Organization, and the invitation of Ministers for the Director-General of the WTO to review with the Managing Director of the International Monetary Fund and the President of the World Bank the implications of the WTO's responsibilities for its cooperation with the Bretton Woods institutions, as well as the forms such cooperation might take, with a view to achieving greater coherence in global economic policymaking;

Recognizing the close collaborative relationship existing over the past several decades between the CONTRACTING PARTIES

to the General Agreement on Tariffs and Trade and the IMF and the World Bank, the importance of continuing and strengthening those relationships, and the negotiating mandate contained in the General Council Decision on the Relationship between the WTO and the IMF and World Bank (document WT/GC/M/5);

Taking note of the statement by the Director-General on Consultations and Coherence (WT/L/194/Add.1), and of the budgetary implications of the Agreements (WT/L/194/Add.2);

The General Council hereby *decides*:

(1) The proposed Agreement between the International Monetary Fund and the World Trade Organization ("IMF Agreement") as contained in Annex 1 of WT/GC/W/43 and the proposed Agreement between the International Bank for Reconstruction and Development and the World Trade Organization ("World Bank Agreement") as contained in Annex II of WT/GC/W/43 (collectively the "Agreements") are hereby approved. The Director-General is authorized to sign these Agreements on behalf of the World Trade Organization and to implement the Agreements in accordance with the provisions of this Decision and any subsequent decisions that may be taken by the General Council.

(2) The Director-General shall inform Members and consult with them regularly as to matters relating to the implementation of the Agreements. To this effect, the Director-General shall, inter alia, hold consultations with Members under the auspices of the Chairman of the General Council, as appropriate but at least two times per year. These consultations shall include reports on the coherence consultations between the Director-General and the Managing Director of the IMF and the President of the World Bank, WTO observership in IMF and World Bank bodies, any IMF or World Bank observership in the Dispute Settlement Body (DSB), any written communications between the organizations pursuant to the Agreement, any joint research or technical cooperation projects undertaken pursuant to the Agreements, and the general scope of contacts with the IMF pursuant to paragraph 10 of the IMF Agreement and with the World Bank pursuant to paragraph 8 of the World Bank Agreement.

(3) The Director-General is invited to build on the Agreements that have been concluded and thus to pursue the consultations on Coherence provided for in paragraph 2 of each Agreement, with a view to meeting the provision established in Article III:5 of the Marrakesh Agreement Establishing the World Trade Organization and the mandate contained in the Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking. Any conclusions reached as a result of such consultations shall be submitted to the General Council for approval.

(4) In respect of the implementation and interpretation of these Agreements, it is decided that:

(a) The procedures for granting IMF observership in the DSB pursuant to paragraph 6 of the IMF Agreement shall be implemented as follows: the Director-General shall convey the invitation of the DSB to the IMF to send a member of its staff as an observer to meetings of the DSB where matters of jurisdictional relevance to the IMF are to be considered. For other meetings of the DSB, the Director-General may propose to the Chairman of the DSB that a member of the IMF's staff be admitted as an observer to a particular meeting, or in respect of particular agenda items proposed for a meeting, of the DSB.

For meetings of other WTO bodies for which attendance is not specifically provided for or excluded in the Agreements or in the above sub-paragraph, the Director-General may propose to the Chairman of a WTO body that a member of the IMF's staff be admitted as an observer to a meeting where particular matters of common interest to the WTO and the IMF will be under discussion; similarly, the Director-General may propose to the Chairman of a WTO body that a member of the World Bank staff be admitted as an observer to a meeting where particular matters of common interest to the WTO and the World Bank will be under discussion.

(b) In light of Articles III:5 and V:1 of the Marrakesh Agreement Establishing the World Trade Organization,

Article XV of the General Agreement on Tariffs and Trade 1994 (and, in particular, Article XV:2) and Articles XI and XII of the General Agreement on Trade in Services, the General Council considers it appropriate that whenever the IMF wishes to submit its views to a panel on whether an exchange measure within its jurisdiction is consistent with the IMF's Articles of Agreement, it shall submit these views by directing a letter containing those views to the Chairman of the DSB. The Chairman of the DSB shall inform the chairman of the panel of the availability of this communication which, unless the panel decides otherwise, shall remain confidential to the panel and to the parties to the dispute.

Nothing in this Decision nor in the Agreements shall affect the rights and obligations of Members under the Dispute Settlement Understanding, including those provided for in Art3icle 13 thereof.

(c) In the Agreements, each reference to the *WTO*, to the *Fund* or to the *World Bank* as such (and not explicitly to the WTO *Secretariat*, the Fund's *staff* or the World Bank's *staff*), or to the *institution* or the *organization*, is understood to refer to the decision making bodies of the WTO, the IMF and the World Bank, respectively.

(d) In respect of the work of dispute-settlement panels, documentation to be provided to the IMF and the World Bank does not include documents submitted or prepared in the course of the work of panels, but only the panels' final reports to the DSB.

(e) The established competences and practices in budgetary matters will be preserved. In accordance with these competences and practices, the Secretariat will keep the Committee on Budget, Finance and Administration duly informed of the budgetary consequences of the Agreements.

(5) The General Council reaffirms the importance of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative

Effects of the Reform Programme on Least-Developed and Net Food Importing Developing Countries. In its view, the improved cooperation between the WTO and the IMF and the World Bank provided for in these Agreements should enhance the possibilities for governments to respond effectively to the issues addressed in that Decision.

D. Agreement Between the International Monetary Fund and the World Trade Organization

Preamble

CONSIDERING the growing interactions between economic policies pursued by individual countries arising from the globalization of markets;

RECOGNIZING the increasing linkages between the various aspects of economic policymaking that fall within the respective mandates of the International Monetary Fund ("Fund") and the World Trade Organization ("WTO"), and the call in the Marrakesh Agreement for greater coherence among economic policies internationally;

RECOGNIZING the close collaborative relationship existing over the past several decades between the Fund and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade, and the importance of continuing and strengthening such a relationship between the Fund and the WTO;

HAVING REGARD to Article X of the Fund's Articles of Agreement, which provides that "the Fund shall cooperate within the terms of this Agreement with any general international organization and with public international organizations having specialized responsibility in related fields";

HAVING REGARD to Article III.5 of the Marrakesh Agreement Establishing the World Trade Organization, which provides that "with a view to achieving greater coherence in global economic

policymaking, the WTO shall cooperate, as appropriate, with the International Monetary Fund";

HAVING REGARD to the Declarations in the Marrakesh Agreement on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking and on the Relationship of the WTO with the Fund, and to the provisions of Article XV:1, XV:2, XV:3 and Articles XII and XVIII of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and of Articles XI, XII, and XXVI of the General Agreement on Trade in Services (GATS) concerning cooperation and consultation, including on exchange and trade matters;

The Fund and the WTO agree as follows:

Paragraph 1

The Fund and the WTO shall cooperate in the discharge of their respective mandates in accordance with the provisions of this Agreement.

Paragraph 2

The Fund and the WTO shall consult with each other with a view to achieving greater coherence in global economic policymaking.

Paragraph 3

The Fund shall inform the WTO of any decisions approving restrictions on the making of payments or transfers for current international transactions, decisions approving discriminatory currency arrangements or multiple currency practices, and decisions requesting a Fund member to exercise controls to prevent a large or sustained outflow of capital.

Paragraph 4

The Fund agrees to participate in consultations carried out by the WTO Committee on Balance-of-Payments Restrictions on measures taken by a WTO member to safeguard its balance of payments. For these

consultations, existing procedures for Fund participation shall continue and may be adapted as appropriate in accordance with paragraph 14 below.

Paragraph 5

The Fund shall invite the WTO Secretariat to send an observer to the ordinary meetings of the Executive Board of the Fund on general and regional trade policy issues, including the formulation of Fund policies on trade matters, and to discussions of the *World Economic Outlook* (WEO) when there is a significant trade content. In addition, when consultations between the Fund's staff and the WTO Secretariat lead to the conclusion that matters of particular common interest to both organizations will be under discussion at other meetings of the Executive Board, including country-specific matters, or at meetings of the Committee on Liaison with the WTO, the Managing Director shall recommend that the WTO Secretariat be invited to send an observer to such meetings.

Paragraph 6

The WTO shall invite the Fund to send a member of its staff as an observer to the meetings of the Ministerial Conference, General Council, Trade Policy Review Body, the three sectoral councils, Committee on Trade and Development, Committee on Regional Trade Agreements, Committee on Trade-Related Investment Measures, and Committee on Trade and the Environment and their subsidiary bodies (excluding the Committee on Budget, Finance and Administration, the Dispute Settlement Body, and dispute settlement panels). The WTO shall invite the Fund to send a member of its staff as an observer to meetings of the WTO Dispute Settlement Body where matters of jurisdictional relevance to the Fund are to be considered. The WTO shall also invite the Fund to send a member of its staff to other meetings of the Dispute Settlement Body as well as of other WTO bodies for which attendance is not provided above (excluding the Committee on Budget, Finance and Administration, and dispute settlement panels), when the WTO, after consultation between the WTO Secretariat and the staff of the Fund, finds that such a presence would be of particular common interest to both organizations.

Paragraph 7

The Fund and the WTO shall make available to each other in advance the agendas, and relevant documents, for the meetings to which they are invited pursuant to the terms of this Agreement. In addition, the Fund shall make available to the WTO Secretariat the agendas of the Executive Board meetings at the time of their circulation in the Fund, and the WTO shall make available to the Fund the agendas of the Dispute Settlement Body at the time of their circulation in the WTO.

Paragraph 8

Each organization may communicate its views in writing on matters of mutual interest to the other organization or any of its organs or bodies (excluding the WTO's dispute settlement panels) and such views shall become part of the official record of such organs and bodies. The Fund shall inform in writing the relevant WTO body (including dispute settlement panels) considering exchange measures within the Fund's jurisdiction whether such measures are consistent with the Articles of Agreement of the Fund.

Paragraph 9

For the purpose of this Agreement, the Director-General of the WTO and the Managing Director of the Fund shall ensure cooperation between the staffs of the two institutions and, to that end, shall agree on appropriate procedures for collaboration, including access to databases, and exchanges of views on jurisdictional and policy issues.

Paragraph 10

The Fund's staff shall consult with the WTO Secretariat on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the WTO Agreement. The WTO Secretariat shall consult with the Fund's staff on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the Fund's Articles of Agreement.

Paragraph 11

The Fund shall provide the WTO, promptly after circulation to the Executive Board, for the confidential use of its Secretariat, with staff reports and related background staff papers on Article IV consultations and on use of Fund resources on common members and on Fund members seeking accession to the WTO, subject to the consent of the member.

Paragraph 12

The WTO shall provide the Fund, for the confidential use of its management and staff, with Trade Policy Review Reports, summary records and reports of Councils, Bodies and Committees, and reports of WTO Members to these organs.

Paragraph 13

Each party to this Agreement shall ensure that any information communicated under this Agreement shall be used only within the limits specified by the other party.

Paragraph 14

The Director-General of the WTO and the Managing Director of the Fund shall be responsible for the implementation of this Agreement and, to that effect, shall make such arrangements as they deem appropriate.

Paragraph 15

This Agreement shall be reviewed upon the request of either party and may be amended by mutual agreement.

Paragraph 16

This Agreement may be terminated by either party by written notice to the other and, unless otherwise agreed by the parties, shall terminate six months after receipt of such notice.

Paragraph 17

Following approval by the General Council of the WTO and the Executive Board of the Fund, this Agreement shall enter into force on the date of its signature.

To be added at time of signature:

Signed at Singapore on 9 December 1996 in duplicate.

For the World Trade Organization,	For the International Monetary Fund,
Director-General	Managing Director

Adopted by Decision No. 11381-(96/105), November 25, 1996

PUBLIC DISCLOSURE OF FUND STATEMENTS FOR THE WORLD TRADE ORGANIZATION

The Executive Board approves the proposed method of approving publication of Fund documents transmitted to the World Trade Organization for Balance of Payments consultations as set forth in paragraph 9 of SM/16/298. (SM/16/298, 10/24/16)

Decision No. 16072-(16/96), October 28, 2016

Paragraph 9 of SM/16/298

9. In order to align the WTO's policy on the disclosure of Fund statements and Fund staff statements with the Fund's policies, Fund staff discussed with staff of the WTO Secretariat each organization's respective policies and positions. Based on these discussions, it is proposed that the following actions be undertaken:

Fund statements: Prior to transmitting Fund statements to the WTO, Fund staff will seek the consent of the relevant member to publication of Fund statements by the WTO. As Board authorization is required to publish Board documents, staff proposes that the Board establish a general policy authorizing disclosure of

Fund statements by the WTO, subject to the member's consent. The Secretary's memorandum transmitting a Fund statement for Board consideration would indicate: (i) the status of the member's consent for the WTO to make the Fund statement publicly available, and (ii) a presumption that the Board authorizes publication by the WTO, and subsequently by the Fund, unless the Board specifically objects to such publication. While the Fund has not generally published Fund statements in the past, where authorization to publish has been granted to the WTO, going forward, staff will normally also publish the statement on the Fund's website in the interest of transparency. Once the Board decides on the proposals, Fund staff will then inform the WTO Secretariat of the decision. If the member and the Fund consent to publication, the Fund will inform the WTO Secretariat of this decision while making it clear that, under the Fund's legal framework, a member country can withdraw its consent to publication at any time before actual publication. If either the member or the Fund does not consent to publication, staff will inform the WTO that the document may not be made publicly available, but the Fund will transmit the statement to the WTO nonetheless in accordance with the Cooperation Agreement.

Fund staff statements: Fund staff statements will be made publicly available by the WTO only when the publication of the related Fund statement has been authorized by the Fund and the member. In addition, Fund staff members who have given statements will continue to be given adequate opportunity to review the draft minutes to verify the accuracy of the minutes.

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