

INTERNATIONAL MONETARY FUND

Report on the Incidence of a Longer-Term Program Engagement

Prepared by the Policy Development and Review Department

In consultation with the Area Departments

Approved by Mark Allen

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1. During the discussion of the conclusions of the Task Force on Prolonged Use of Fund Resources (SM/03/46), the Executive Board established requirements for undertaking ex post assessments (EPAs) for members with a longer-term program engagement.¹ The assessments are intended to provide an analysis of the economic problems facing the country and a critical and frank review of progress during the period of Fund-supported programs, as the basis for a forward-looking assessment and strategy for future Fund engagement, including, where appropriate, an explicit “exit strategy.” The Executive Board asked for a semi-annual report on the incidence of prolonged use (BUFF/03/51), defined broadly to include all members with a longer-term program engagement. The second such report was issued on July 8, 2004 and presented information through June 2004 (SM/04/230). This third report provides information through December 2004.

2. The criteria for identifying members subject to the EPA requirement are described in Box 1. Countries with longer-term program engagement as of end-June 2004 are shown on Table 1. In comparison with the second report, Croatia and the Republic of Congo have been added to the list, and Kazakhstan has been dropped. Table 2 shows the 23 members for which EPAs have already been discussed at the Board. Six of the 18 EPAs expected to have been prepared for Board consideration in the second half of 2004 have not yet been done, mainly due to delays in the completion of the Article IV discussions or program reviews.²

¹ Operational guidance for assessments of countries with longer-term program engagement is contained in SM/03/233, Revision 1.

² Bolivia, Cameroon, Madagascar, Sierra Leone, Tajikistan and Uruguay. Due to staffing constraints, the EPA for Uruguay was considered on March 18 in a stand-alone Board discussion prior to consideration of any proposal for a successor arrangement. The EPA for Tajikistan is now expected for Board discussion during the second half of 2005, concurrent with the staff report for the last review of the current PRGF arrangement.

These pending EPAs are expected to be discussed during 2005. Over the coming six months, ex post assessments are tentatively expected for ten countries (Table 3).

3. A general review of ex post assessments is planned for the second half of 2005.

Box 1. The Criteria for Ex Post Assessments

For members that have received access to Fund financing through the GRA or a blend of GRA and PRGF/ESAF resources, an EPA is to be undertaken when the member has spent at least seven of the past ten years in arrangements, including precautionary arrangements. A member supported by concessional resources would undergo such an assessment when it has had two or more multi-year arrangements.¹ For countries that switch from one category to the other, an assessment should be undertaken if required under either of these criteria. For example, if a country has undergone two ESAF/PRGFs followed by a SBA, it should be subject to an EPA even if it has not yet spent seven of the past ten years in Fund arrangements. An assessment would be undertaken prior to any proposed new arrangement, provided that the country continues to meet these criteria.

In establishing these criteria for determining which members are subject to EPAs, the Executive Directors recognized that in some cases, longer-term financial engagement can be beneficial. In low-income countries in particular, the Directors generally accepted a longer-term role for the Fund, given the protracted nature of their balance of payments problems.² Directors also underscored that longer-term program engagement may be beneficial in transition and emerging market countries with institution-building issues. Moreover, it was recognized that precautionary arrangements do not normally involve direct use of Fund resources, although they do provide access to those resources and put the Fund's reputation at stake; precautionary arrangements may be an effective device for facilitating the transition from sustained reliance on Fund resources. On balance, the Board decided that EPAs would be undertaken for all members with longer-term program engagement as defined above, given the desirability of reflecting on its program relations with a member country in such cases. The contents of the assessments themselves would distinguish those cases in which a longer-term engagement had been and remains beneficial from those in which it largely reflected a persistent failure to achieve program objectives.

¹ For arrangements with members using GRA resources, the duration of the use of Fund resources is measured by the period of time covered by the Fund arrangement. For PRGF arrangements, all are counted even if they are cancelled prematurely.

² See "Role of the Fund in Low-Income Member Countries Over the Medium Term-Issues" (SM/03/257).

Table 1. Members with Longer-Term Program Engagement
(As at December 31, 2004)

PRGF-eligible Members 1/		Non-PRGF-eligible Members 2/		
Current Arrangements	No Current Arrangement	Current arrangement		No Current Arrangement
		Precautionary	Non-Precautionary	
Albania	Benin	Bulgaria	Argentina 4/	Jordan
Armenia	Cambodia	Croatia	Uruguay 4/	
Azerbaijan	Cameroon	Peru		
Bangladesh	Chad	Romania		
Bolivia 3/	Ethiopia	Ukraine		
Burkina Faso	Guinea			
Burundi	Guinea-Bissau			
Congo, Republic of	Lesotho			
Cote d' Ivoire	Macedonia, FYR			
Gambia	Malawi			
Georgia	Mauritania			
Ghana	Niger			
Guyana	Pakistan			
Honduras	Vietnam			
Kenya				
Kyrgyz Republic				
Lao PDR				
Madagascar				
Mali				
Mongolia				
Mozambique				
Nepal				
Nicaragua				
Rwanda				
Senegal				
Sierra Leone				
Sri Lanka				
Tajikistan				
Tanzania				
Uganda				
Zambia				

Source: Fund staff.

1/ Countries that have had at least two ESAF/PRGF arrangements.

2/ Countries that have had at least seven years of Fund arrangements in the last ten years.

3/ Bolivia has a stand-by arrangement.

4/ During the 7 years of Fund engagement, at least part of one arrangement was treated as precautionary.

Table 2. Ex-Post Assessments Considered by the Board

(As of December 31, 2004)

Country	Type of discussion	Date	Board paper
1 Mozambique	Article IV discussion	10-Dec-03	SM/03/375
2 Mali	Article IV discussion	15-Dec-03	SM/03/380
3 Georgia	Ex-post assessment	21-Jan-04	SM/03/407
4 Moldova	Article IV discussion	26-Jan-04	SM/04/03
5 Honduras	PRGF request	18-Feb-04	SM/04/24
6 Peru	Article IV discussion	23-Feb-04	SM/04/37
7 Chad	Article IV discussion	19-Mar-04	SM/04/47
8 Romania	Ex-post assessment	12-Apr-04	SM/04/101
9 Zambia	Article IV discussion	7-Apr-04	SM/04/97
10 Bulgaria	Article IV discussion	14-Jun-04	SM/04/169
11 Niger	Article IV discussion	28-Jun-04	SM/04/188
12 Kazakstan	Article IV discussion	21-Jul-04	SM/04/206
13 Macedonia	Program Review	2-Aug-04	SM/04/263
14 Guinea	Article IV discussion	27-Aug-04	SM/04/272
15 Lesotho	Program Review	10-Sep-04	SM/04/259
16 Cambodia	Article IV discussion	13-Sep-04	SM/04/324
17 Ethiopia	Article IV discussion	13-Sep-04	SM/04/291
18 Benin	Article IV discussion	6-Oct-04	SM/04/313
19 Malawi	Article IV discussion	29-Oct-04	SM/04/355
20 Guinea-Bissau	Article IV discussion	19-Nov-04	SM/04/360
21 Kyrgyz Republic	Article IV discussion	19-Nov-04	SM/04/377
22 Vietnam	Article IV discussion	22-Nov-04	SM/04/376
23 Armenia	Article IV discussion	1-Dec-04	SM/04/386

Source: Fund staff.

Table 3: Ex-post Assessments Tentatively Expected for Board Discussion,
January - June 2005 1/

Albania
Azerbaijan 2/
Bolivia
Cameroon
The Gambia
Madagascar
Sierra Leone 2/
Togo
Uganda
Uruguay 3/

Source: Fund staff.

- 1/ EPA expected to be discussed in the context of Article IV consultations or combined Article IV/program review discussions unless otherwise indicated.
2/ EPA expected to be discussed in the context of final program review.
3/ EPA expected to be discussed in a stand-alone Board meeting.