

INTERNATIONAL MONETARY FUND

**Ex Post Assessments of Members with a Longer-Term Program
Engagement—Revised Guidance Note**

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1. This note updates guidance on key operational aspects of the policy on Longer-Term Program Engagement (LTPE) and on procedures for the preparation of Ex Post Assessments (EPAs).¹ In addition to the definitional and procedural changes adopted by the Board on May 15, 2006 at the discussion of the paper on the review of EPAs, this note incorporates decisions taken by the Board on August 31, 2009 on easing work pressures.²

A. Members Subject to an EPA and Timing of EPAs

2. An EPA is required for all members considered as having LTPE, defined as having in place a Fund-supported financial arrangement for at least seven of the past ten years.³ Time spent under the Policy Support Instrument (PSI) and precautionary arrangements, including the precautionary use of Flexible Credit Line (FCL) or the precautionary use of the GRA or PRGF-ESF/PRGT resources that remain undrawn throughout the arrangement, does not count towards LTPE. If a member ultimately draws upon an arrangement that had been considered precautionary at the time of approval, the entire length of the arrangement would count towards LTPE. For canceled arrangements, only the time until their cancellation is counted.

3. SPR will establish annually, in consultation with area departments, the list of members with LTPE and the list of members for which an EPA is expected to be considered by the Board during the following one-year period. These lists will be included in the annual report on the incidence of LTPE issued for the information of the Board and published on the Fund's external website.

¹ This note updates an earlier version of the operational guidance note, in light of the Board discussion of *Omnibus Paper on Easing Work Pressures*. The guidance note for ex post evaluations of exceptional access arrangements has also been updated.

² See *Review of Ex Post Assessments and Issues Related to the Policy on Longer-Term Program Engagement*.

³ Fund financial arrangements that qualify for the definition of LTPE are those drawing on upper credit tranche GRA or PRGF-ESF/PRGT resources, or any blend of the two. An outright purchase under the ESF, RAC, RCF, or ENDA/EPCA does not count towards LTPE.

4. For members that have been identified as meeting the LTPE definition and for whom an EPA has not been prepared in the past five years, if a successor arrangement is contemplated, EPAs should be prepared in time to be considered by the Board prior to a request for a new arrangement.⁴ EPAs should preferably be prepared (in draft form) and circulated to departments prior to the policy note for an Article IV consultation when the existing arrangement is substantially complete and before negotiations begin on a successor arrangement.⁵ Where this is not possible, a draft EPA should be prepared prior to the preparation of the policy note for the final review of the existing arrangement. In exceptional cases, where Board discussion of the EPA together with the Article IV or last program review proves not feasible, the EPA could be considered in a stand-alone Board meeting. If no successor arrangement is contemplated, an EPA should be prepared such that it is considered by the Board with the first post-program Article IV consultation. All members that have been identified as meeting the LTPE definition in the annual report on the incidence of LTPE should have an EPA, even if the member has fallen below the seven-out-of-ten year threshold between the expiration of the arrangement and Board consideration of the EPA.

5. As noted in ¶4, for any member that continues to meet the LTPE definition, there should be an interval of at least five years between successive assessments. The recent Omnibus Paper on Easing Work Pressures distinguishes between two types of EPA documents: (i) an “EPA report” prepared for the first time LTPE is assessed for the member; and (ii) a streamlined “EPA update” for subsequent assessments, provided qualifications described in ¶8 below are met. For countries that graduate from Fund-supported programs within the five-year period after completing an EPA, a new EPA is not required. However, if a member remains above the seven-out-of-ten year threshold at the end of the five-year interval, and for whom a successor arrangement is contemplated, then an EPA—in an updated version, if qualified—would need to be completed.

B. Content of EPA Reports

6. EPAs are intended to provide an opportunity for the Fund to step back from continuing program relations with a member country to consider “an analysis of the economic problems facing the country, a critical and frank review of progress during the period of Fund-supported programs, and a forward-looking assessment that takes into account lessons learned, and presents a strategy for future Fund engagement”. EPAs are not expected to provide a comprehensive review of all aspects of the Fund’s program relations

⁴ This timing for the preparation of EPAs applies to all new arrangements, including those precautionary upon approval, and to PSIs.

⁵ In most cases, the EPA should not be initiated at the staff level until the last year of the existing PRGF-ESF/PRGT arrangement and the last six months for an arrangement under the GRA. In a few cases, the timing of the EPA may diverge from these best practice guidelines to take account of special country-specific circumstances, such as when market pressures require a swift Fund response.

with a country—they should be *concise, analytically oriented, and selective*.⁶ They should focus on *a few issues critical for program design and performance, and on the policy priorities for successor programs*. To this end, they should assess the appropriateness of the Fund’s overall approach and soundness of its advice, and discuss the prospects for graduating from Fund programs, including, where appropriate, an explicit exit strategy.

7. The revised policy on EPAs distinguishes between the first EPA for a member (“an EPA report”) and subsequent assessments (“EPA updates”). To this end, among the issues to be considered in an “EPA report” are the following:

Reflecting on the past,

- Why has the country had an LTPE with the Fund? What was the rationale for Fund engagement?
- What were the goals of the programs and to what extent were they achieved?
- Has LTPE interfered with or contributed to (i) building technical capacity; (ii) strengthening domestic institutions; (iii) domestic policy ownership and formulation?
- How accurate were program projections of key assumptions and objectives, and were the risks correctly identified?
- In hindsight, was the macroeconomic and structural policy content of the program appropriate to meet the program’s objectives? Was Fund conditionality appropriately set in terms of addressing critical macroeconomic issues and engendering the appropriate sequencing and speed of reforms? Were economic policies modified in response to exogenous shocks or to other changing circumstances?
- Was program implementation in line with expectations? To the extent that implementation capacity and ownership considerations affected implementation, were these appropriately taken into account in program conditionality and technical assistance?
- How did Bank-Fund collaboration (as well as cooperation with other MDBs and official bilateral creditors) affect the achievement of program objectives?

Looking forward,

- What are the lessons learned from this analysis, including for program design and future engagement?
- What is the rationale for continued program engagement, and what are the risks? How would we judge whether continued program engagement was succeeding or failing?
- What are the future priorities for the program?

⁶ The text of EPA reports should remain below 5,000 words (excluding tables of content, list of acronyms, tables and appendices). This would keep EPA reports in line with a similar limit for regular non-systemic Article IV staff reports as described.

8. The “EPA updates” are expected to be even more streamlined. Such an update is expected to focus concisely on whether staff drew on lessons identified in the first EPA and on macroeconomic performance (including results under a Fund-supported program) since then, as well as priority areas for any future program.⁷ An “EPA report”—akin to the first EPA for a member—would only be needed if, during the period relevant for the update, a program has been canceled or interrupted for more than six months. The Executive Board would need to be informed of the upcoming preparation of a streamlined EPA at the penultimate review of the current arrangement—or at an informal country matters session, if no current arrangement exists—up to six months in advance of the required EPA, affording Directors an opportunity to request a comprehensive EPA on a case-by-case basis.

9. While EPAs are generally expected to cover a single country’s experience, the option is available for staff to undertake multiple-country EPAs where feasible and where a case could be made for significant common characteristics across the countries (e.g., common exports, policy weaknesses or strengths, institutional set-up such as membership to currency union, etc.).

10. *Transitional issues:* Given the crisis-related demands on staff resources, Directors approved on August 31, 2009 (SM/09/213, Supplement 3) a one-year suspension, until August 30, 2010, on the requirement for an EPA update for members with LTPE if the original report was issued more than five years earlier. For members covered by this suspension, staff would be expected to prepare an EPA after the suspension period ends.⁸ If such a country approaches the Board with a request for a successor arrangement during this period, the request would be expected to include a discussion of progress made in meeting the objectives of past arrangements (for instance, as a box in the staff report).

C. Choice of Team Leader and Composition of EPA Team

11. The first EPA for a member should be undertaken by an interdepartmental team and led by a mission chief from a department other than the home area department. The team should include representatives from the area department and one each from SPR and at least one other functional Department (in most cases FAD, FIN, MCM, RES, and/or STA).

12. The team leader is nominated by the home area department. The SPR representative will generally be nominated by the SPR Senior Personnel Manager but should not include the review officer or the economist assigned to the country (unless the assignment has been for less than one year). The other functional department(s) to be included in the team will be selected by the home area department, but the choice of representative will be made by the functional department and will not normally include the department’s review officer or economist assigned to the country unless the assignment has been for less than one year.

⁷ Given their streamlined nature, EPA updates are expected to be not more than half the length of a full report, i.e., around 2,500 words.

⁸ Affected countries include, over 2009 and 2010, Albania, Benin, Cameroon, Chad, Gambia, Kyrgyz Republic, Madagascar, Malawi, and Mauritania—if these members request a successor program.

13. Given the emphasis on reducing demands on staff, an EPA update team is expected to be smaller than that for the first “EPA report.” While staffing requirements for an update team remains flexible, it would be preferable for the team leader to be from a department other than the home area department.⁹ If a successor arrangement is being considered, or if there are significant Fund policy issues involved, SPR participation in the team might be useful.

14. The EPA teams would be expected to consider the views of the resident representative and the World Bank. The resident representative or a World Bank representative is not required to be a full-fledged team member, and the World Bank does not “sign off” on the report. The EPA team could also draw on outside experts, in cases in which this is considered useful by the departments involved or by management, with due regard to safeguarding the confidentiality of information.

15. These assessment reports would normally be prepared at headquarters. EPA teams are encouraged to reach out and consult with donors, outside experts, market participants, and country authorities, taking account of country circumstances and budgetary resources permitting. In this context, consideration could be given to allowing the EPA team leader to visit the country before the report is finalized on an as-needed basis (to collect information from the authorities or to present the preliminary conclusions), especially for the first EPA report.

D. Review and Presentation

16. The first EPA for a member should be contained in a stand-alone report; EPA updates, given their brevity, could be included as an appendix or supplement to another staff report. In cases, however, where a member with LTPE also had exceptional access and an Ex Post Evaluation (EPE) is required, consideration could be given to presenting the EPA together with the EPE in a single document. In that case, care should be taken to ensure that the specific issues that need to be addressed under the two exercises are covered adequately.¹⁰

17. The draft EPA report would be reviewed by departments. Final decisions on the content of the EPA report are the responsibility of the EPA team leader. The report should be sent to management prior to (or at least concurrently with) the policy note for the mission during which the EPA will be discussed. The cover note conveying the EPA report to management is signed by the head of the home area department and the SPR review officer, and should set out the main conclusions and any dissenting views.

18. The draft EPA report is discussed with the authorities. Although its analysis and conclusions should not be subject to negotiation with the authorities, factual corrections and other revisions as appropriate could be made before the report is circulated to the Board,

⁹ In any case, the team leader should not be the current or previous mission chief.

¹⁰As described in footnote 1, guidelines to ex post evaluations have also been updated.

subject to the usual review process. Any change to the draft report would need to be flagged to the area department and SPR and approved by management.

19. The authorities' response to the staff's assessment should be included in the EPA report, preferably as an Annex. In addition, following all EPA discussions, the authorities can provide a statement regarding the EPA staff report and Executive Board Assessment, which may be published together with all related documents.

20. The EPA report would generally be discussed by the Board jointly with either the Article IV consultation or the last program review. In rare cases where that is not possible, a stand-alone Board meeting could be held to discuss the EPA.¹¹

21. After the EPA report has been issued to the Board, and before its publication, any changes should adhere to the transparency policy on corrections and deletions.¹²

22. The publication of the EPA report and its PIN is voluntary but presumed, and the procedure for consent is on a non-objection basis.¹³ Absent such an objection, a PIN would be issued after the Board meeting and the EPA report would be published promptly thereafter.

- a) In cases where the EPA discussion is combined with an Article IV consultation, only one PIN will be issued covering both the Article IV and the EPA discussion. The background section of the PIN will contain one to two paragraphs, preferably at the end of this section, providing background to the EPA. The summing up will include short references to the EPA discussion, mostly on forward-looking policy lessons.
- b) After meetings combining UFR and EPA discussions, both a PIN and a press release containing the chairman's statement are issued. The chairman's statement will refer to the UFR discussion; it will not contain any reference to the EPA discussion. The PIN on the EPA will be concise, with a short background section and the summing up of the discussion focused on the Board's assessment of the country's past policies and the lessons for meeting future challenges.
- c) In the exceptional cases where there is a stand-alone EPA meeting or when multi-country EPAs are prepared, a PIN will be issued, covering the ground as in (b) above. In a multi-country case, consent to publish would be needed from all the concerned members.

¹¹ For instance, in cases where market pressures require a swift consideration by the Board of a member's request for a new Fund-supported program.

¹² See the *Guidance Note on the Fund's Transparency Policy*.

¹³ The non-objection basis comes into effect on March 17, 2010, reflecting the new Transparency Policy Decision of December 2009.

23. In all cases, a brief sentence stating the Board's views on possible future Fund involvement may be included in the PIN, especially if the EPA report itself contains references to a potential successor arrangement. In case of an EPA update that is subsumed in another report, the summing up should usually refer to it, but when the EPA update is part of an Article IV discussion, it is optional to mention the EPA update in the background section of the PIN. When it is part of a UFR discussion, the chairman's statement should not mention the EPA update. If the authorities do not consent to the publication of a PIN, a brief factual statement will be issued to inform the public that the discussion took place and that it included an EPA.