



SUPPLEMENT

SELECTED DECISIONS

and Selected Documents
of the International Monetary

January 31, 2024

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and Selected Documents
of the International Monetary Fund

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PREFACE

The Fund's Legal Department has produced this Supplement to *Selected Decisions and Selected Documents of the IMF*, 43rd Issue, with the aim of making available in convenient form selected policy decisions and documents issued after the publication of the 43rd Issue but before the issuance of the forthcoming 44th Issue. The Supplement will be published in PDF format on the external website of the Fund (www.imf.org).

In this Supplement, stand-alone policy decisions and documents are reproduced in full. In the case of decisions amending other decisions, amendments generally are incorporated in the amended decisions. However, where a relatively short amendment pertains to a relatively long document, the amending decision is included as a stand-alone document. The order of documents in the Supplement follows the order of the Articles in the Fund's Articles of Agreement.

RHODA WEEKS-BROWN
The General Counsel
Director of the Legal Department

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Contents

PREFACE

[iii](#)

Selected Decisions and Selected Documents of the IMF

ARTICLE V, SECTION 2(b)

Technical and Financial Services

Technical Services

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

[1](#)

Financial Services

Poverty Reduction and Growth Trust

Interim Review of Access Limits Under the Poverty Reduction and Growth Trust and Initial Considerations for Access Limits Under the General Resources Account—Amendment to the PRGT Instrument

[3](#)

Interim Review of Access Limits Under the Poverty Reduction and Growth Trust and Initial Considerations for Access Limits Under the General Resources Account—Amendment to the Decision on Blended Access to Financing Under the PRGT and the GRA

[4](#)

The Chair’s Summing Up—Interim Review of Access Limits Under the Poverty Reduction and Growth Trust and Initial Considerations for Access Limits Under the General Resources Account, Executive Board Meeting 23/94, December 7, 2023

[4](#)

Modification of the Poverty Reduction and Growth Trust Cumulative Borrowing limit and Proposed Amendments to the PRGT Instrument—Amendments to the Poverty Reduction and Growth Trust (PRGT) Instrument

[6](#)

ARTICLE V, 3(a), (b), AND (c)

Use of Fund Resources

Credit Tranche Policies and Facilities

Establishment of the Short-Term Liquidity Line

[8](#)

Flexible Credit Line (FCL) Arrangements

[12](#)

The Fund’s Financing Role—Reform Proposals on Liquidity and Emergency Assistance—Precautionary and Liquidity Line (PLL) Arrangements

[17](#)

SELECTED DECISIONS AND SELECTED DOCUMENTS

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	24
Review of the Flexible Credit Line, the Short-Term Liquidity Line, and the Precautionary and Liquidity Line, and Proposals for Reform—Publication of Reports	27
Adequacy of the Global Financial Safety Net—New Policy Coordination Instrument—Framework	29
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	36
Review of the Policy Coordination Instrument and Proposal to Eliminate the Policy Support Instrument—Elimination of the Policy Support Instrument	38
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	38
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	40

ARTICLE VIII AND ARTICLE XIV

Payments Policies

Review of the Fund’s Policy on Multiple Currency Practices—Extension of the Effective Date	42
--	--------------------

ARTICLE VIII, SECTION 5

Furnishing of Information

Review of the Framework for Data Adequacy Assessment for Surveillance	43
The Acting Chair’s Summing Up—Review of Data Provision to the Fund for Surveillance Purposes, Executive Board Meeting 24/33, April 1, 2024	43

Article V, Section 2(b)

Technical and Financial Services

Technical Services

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 issues under the current principles of engagement and deepen its coverage in an evenhanded manner, commensurate with the risks faced by members, on a mandatory basis when these issues are macro-critical 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

Financial Services

Poverty Reduction and Growth Trust

INTERIM REVIEW OF ACCESS LIMITS UNDER THE POVERTY
REDUCTION AND GROWTH TRUST AND INITIAL CONSIDERATIONS
FOR ACCESS LIMITS UNDER THE GENERAL RESOURCES
ACCOUNT—AMENDMENT TO THE PRGT INSTRUMENT

Section II, paragraph 2(a) of the Instrument to Establish the Poverty Reduction and Growth Trust (PRGT Instrument), Annex to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, shall be further amended to read as follows:

1. A new paragraph 2(a)(B)(iii)(I) shall be added to read as follows:

“(a)(B)(iii)(I) During the period from December 7, 2023 to December 31, 2024, the overall access of each eligible member to the resources of the Trust under all facilities of the Trust 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.”

2. A new paragraph 2(a)(B)(iii)(II) shall be added to read as follows:

“(a)(B)(iii)(II) The expiration of the temporary increase in access limits set forth in Section II, paragraph 2(a)(B)(iii)(I) above shall not cause members to be subject to the observance of the criteria for

exceptional access to the PRGT after December 31, 2024 if they were not subject to such criteria as of that date, unless following December 31, 2024, the Executive Board approves access to PRGT resources 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 disbursement 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. (SM/23/237, 11/15/23)”

*Decision No. 17599-(23/94),
December 7, 2023*

INTERIM REVIEW OF ACCESS LIMITS UNDER THE POVERTY REDUCTION AND GROWTH TRUST AND INITIAL CONSIDERATIONS FOR ACCESS LIMITS UNDER THE GENERAL RESOURCES ACCOUNT—AMENDMENT TO THE DECISION ON BLENDED ACCESS TO FINANCING UNDER THE PRGT AND THE GRA

A new paragraph 3 shall be added to Decision No. 17082-(21/71), adopted July 14, 2021, to read as follows:

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. (SM/23/237, 11/15/23)

*Decision No. 17600-(23/94),
December 7, 2023*

*The Chair’s Summing Up—Interim Review of
Access Limits Under the Poverty Reduction and
Growth Trust and Initial Considerations for Access
Limits Under the General Resources Account,
Executive Board Meeting 23/94, December 7, 2023*

Executive Directors welcomed reaching the milestone of SDR 2.3 billion first-stage target for PRGT subsidy resources agreed in 2021. The Board approved the proposal to raise, on a temporary basis until end-2024, the annual and cumulative access limits under the Poverty

Reduction and Growth Trust (PRGT), as well as the per arrangement cap on the PRGT resources under the blending policy until end-2024. Directors noted that low-income countries (LICs) are facing persistent headwinds and an uncertain global economic environment, while having diminished policy buffers and facing tight financing conditions. In this context, LICs are likely to have an increased need to access the Fund's concessional financial support as they undertake the necessary macroeconomic adjustments.

Against this background, most Directors supported a temporary increase in the annual access limit under the PRGT from 145 percent of quota to 200 percent of quota and a temporary increase in the cumulative access limit from 435 percent of quota to 600 percent of quota until end-2024. Some Directors considered that the alignment of PRGT and GRA access limits is important for evenhanded treatment of members. A few other Directors stressed that the PRGT and GRA are separate and access limits do not need to align. A few Directors pointed out that many of the LICs with a high need for PRGT resources can already access the PRGT above normal access limits subject to safeguards. A number of Directors stressed the importance of maintaining the catalytic role of Fund financing. Most Directors also agreed that PRGT access norms, which provide general guidance on access to PRGT facilities, will be raised from 145 percent of quota to 200 percent of quota (for any three-year Extended Credit Facility arrangement, prorated for longer duration arrangements; for any 18-month Stand-by Credit Facility arrangement, prorated for different arrangement duration)—although a few Directors felt that this particular proposal had not been sufficiently justified. Most Directors also concurred that the per arrangement cap on the PRGT resources under the blending policy will also be raised from 145 percent of quota to 200 percent of quota until end-2024. In this context, Directors noted that access limits and norms are neither ceilings nor determinants of program access. Rather, access for individual cases should be carefully evaluated on their merits according to standard criteria, including the strength of policies under the program, the level of access sought, and debt sustainability.

Directors acknowledged that the temporary modifications of the PRGT access limits, norms, and the PRGT access cap for blended arrangements are likely to increase the volume of PRGT financing, and many Directors stressed that PRGT funding remains a concern

that needs to be addressed comprehensively to reach a self-sustained PRGT. Against this background, Directors highlighted the critical importance of the comprehensive Review of the Fund’s Concessional Facilities and Financing planned for 2024. In this context, Directors provided various suggestions to guide staff’s review and ensure a thorough analysis and a comprehensive evaluation of options.

Most Directors noted that the increase in access limits raises the thresholds for triggering the application of higher scrutiny under the PRGT exceptional access policy and welcomed staff proposals to keep unchanged the triggers for enhanced safeguards and for high access procedures to mitigate risks. They concurred with the proposed transitional rules in case access limits were to revert to lower levels after 2024. Directors agreed that strong safeguards will help in mitigating risks arising from the temporary access limits increase in a context of pressure on PRGT resources and elevated debt vulnerabilities among LICs.

Directors discussed staff’s preliminary considerations on extending the temporarily higher GRA access limits through end-2024 to allow sufficient time for staff to develop a comprehensive review of access limits that could become effective together with any quota increase that may be approved by the Board of Governors under the Sixteenth General Review of Quotas. Most Directors looked forward to staff’s proposal early next year underpinned by a thorough analysis. Some Directors stressed that an extension of the temporarily higher GRA access limits should be assessed on its own merits.

SU/23/172

December 14, 2023

MODIFICATION OF THE POVERTY REDUCTION AND GROWTH TRUST
CUMULATIVE BORROWING LIMIT AND PROPOSED AMENDMENTS
TO THE PRGT INSTRUMENT—AMENDMENTS TO THE POVERTY
REDUCTION AND GROWTH TRUST (PRGT) INSTRUMENT

The Instrument to establish the Poverty Reduction and Growth Trust (PRGT Instrument) annexed to Decision No. 8759-(87/176) ESAF, as amended, is revised as follows:

TECHNICAL AND FINANCIAL SERVICES

(a) In Section II, paragraph 1 (e)(2), December 31, 2024 shall be replaced with December 31, 2029.

(b) In Section III, paragraph 3, third sentence, December 31, 2029 shall be replaced with December 31, 2034.

(c) In Section III, paragraph 4(c), June 30, 2029 shall be replaced with June 30, 2034. (EBS/24/7, 01/22/24)

*Decision No. 17667-(24/11),
January 29, 2024*

Article V, 3(a), (b), and (c)

Use of Fund Resources

Credit Tranche Policies and Facilities

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

USE OF FUND RESOURCES

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 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) 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.

USE OF FUND RESOURCES

(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.

SELECTED DECISIONS AND SELECTED DOCUMENTS

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*

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 (which shall be supplemented by a very positive assessment by staff in an Article IV Consultation report where a review pursuant to paragraph 5(b) occurs concurrently with an Article IV consultation), 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

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)”

USE OF FUND RESOURCES

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) 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.

(c) The Fund will stand ready to consider a member's request to make additional amounts available under any FCL arrangement. Such requests for augmentation shall be considered by the Executive Board (i) in the context of a scheduled review specified in paragraph 5(a) above or (ii) on another date within the period of the arrangement. A decision to approve a request for an augmentation of access under (i) or (ii) will be subject to confirmation by the Executive Board of the member's adherence to the qualification criteria specified in paragraph 2 of this Decision. An Executive Board decision not to approve an augmentation request shall not affect (i) the member's right to make one or more purchases under the arrangement for up to the amount of the approved access in accordance with this Decision, or (ii) the date of the mid-term review in two-year FCL arrangements pursuant to paragraph 5(a) 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, provided that such consultation will not be required for a successor FCL arrangement 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 within three months of the expiration of the term of a prior FCL arrangement under paragraph 5(b)(i); (2) no purchases were made under such prior FCL arrangement; (3) all reviews pursuant to paragraph 5(a) in such prior FCL arrangement were completed; (4) management has decided that the member's economic circumstances (including

USE OF FUND RESOURCES

economic fundamentals and institutional policy frameworks) and external risks have not changed significantly since the last completed review in such prior FCL arrangement; and (5) the amount of requested access under the successor FCL arrangement is not greater than the approved access under such prior FCL arrangement. For the purpose of the consultation at the informal meeting set forth in this paragraph, 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) a rigorous assessment of the member's actual or potential need for Fund resources and repayment capacity, and (II) an assessment of the impact of the arrangement on Fund liquidity in cases where it is contemplated that access would exceed 575 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 assessment for Fund arrangements, provided that in cases where purchases under an FCL arrangement will be used for budget financing, an appropriate framework between the central bank and the state treasury will be in place for timely servicing of the member's

financial obligations to the Fund, in line with BUFF/10/115. 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. (SM/23/211, 09/20/23)

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, and
Decision 17559-(23/76),
October 2, 2023²*

¹ Ed. Note: Decision No. 14714-(10/83), August 20, 2010, Paragraph 10.

² Ed. Note: Decision No. 17557-(23/76), October 2, 2023, provides that: "The next review of the decision on FCL Arrangements and the decision on PLL Arrangements

USE OF FUND RESOURCES

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

shall take place in five years or more, or on an as-needed basis, in accordance with the decision on streamlining of policy reviews (Decision No. 15764-(15/39), adopted April 23, 2015), or whenever the aggregated outstanding credit and commitments under the FCL, PLL and SLL reach SDR 150 billion.

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

USE OF FUND RESOURCES

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

USE OF FUND RESOURCES

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 within three months of the expiration of the term of a prior PLL arrangement under paragraph 5(a)(i); (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

USE OF FUND RESOURCES

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, and
17558-(23/76),
October 2, 2023*

*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 draw-downs 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

REVIEW OF THE FLEXIBLE CREDIT LINE, THE SHORT-TERM LIQUIDITY
LINE, AND THE PRECAUTIONARY AND LIQUIDITY LINE, AND
PROPOSALS FOR REFORM—PUBLICATION OF REPORTS

Decision No. 15420-(13/61), adopted June 24, 2013, as amended, will be further amended as follows:

1. Paragraph 4.c. shall be amended to read as follows:

“4.c. The Executive Board’s decision to approve a Short-Term Liquidity Line (SLL) arrangement under paragraph 6(a)(iv) of the decision on Short-Term Liquidity Line Arrangements, Decision No. 16747-(20/43), adopted April 15, 2020, as amended (“SLL Decision”), 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.”

2. Paragraph 11 shall be further amended to read as follows:

“11. 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), or (ii) adopts a decision approving a PSI or a PCI, or conducts a review under a PSI or a PCI, or (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, EDD, or PRGS in the context of the use of Fund resources or a PSI, a Press Release, which will contain 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 under Paragraph 6(a)(iv) of the SLL Decision becomes effective. 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, EDD or PRGS in the context of use of Fund resources or a PSI. 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 21), and waivers for nonobservance of assessment criteria, and any other matter as may be decided by the Executive Board from time-to-time (Document 22), will be mentioned in the factual statement section of the Press Release or in a factual statement issued in lieu of a Chairman’s statement as provided for in paragraph 13(b). Before a Press Release is issued, it will, if any

USE OF FUND RESOURCES

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, appointed, or designated by the member concerned will have the opportunity to review the Chairman's statement, to propose minor revisions, if any, and to consent to its publication immediately after the Executive Board meeting, or, in the case of the SLL arrangement approved under Paragraph 6(a)(iv) of the SLL Decision, immediately after the SLL arrangement becomes effective. 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."

3. Paragraph 13.b.(iii) shall be amended to read as follows:

"(iii) With respect to the consent provisions set forth in paragraph 4(c), if, after twenty-eight calendar days from the effective date of an SLL arrangement approved under Paragraph 6(a)(iv) of the SLL Decision, the staff report has not been published, a brief factual statement will be issued stating the fact of the effectiveness of an SLL arrangement for a member and clarifying the authorities' publication intention with respect to the staff report." (SM/23/211, 09/20/23)

*Decision No. 17561-(23/76),
October 2, 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 (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

USE OF FUND RESOURCES

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

USE OF FUND RESOURCES

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

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—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

USE OF FUND RESOURCES

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 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

USE OF FUND RESOURCES

(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

Article VIII and Article XIV

Payments Policies

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*

Article VIII, Section 5

Furnishing of Information

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 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 macro financial 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

FURNISHING OF INFORMATION

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



PUBLICATIONS

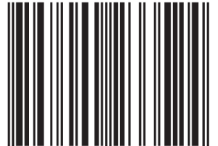
SUPPLEMENT

SELECTED DECISIONS

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