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## STAFF-MONITORED PROGRAMS—UPDATED OPERATIONAL GUIDANCE NOTE

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**International Monetary Fund  
Washington, D.C.**



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## STAFF-MONITORED PROGRAMS—UPDATED OPERATIONAL GUIDANCE NOTE

### EXECUTIVE SUMMARY

This guidance note (GN) provides general direction on the use of Staff-Monitored Programs (SMPs), which are informal agreements between national authorities and Fund staff. Staff-monitored programs are approved by Fund management for monitoring a member's implementation of its economic program to help build a track record of satisfactory performance before requesting Fund financial support. The note is an aid to operationalize an SMP and outlines the underlying principles that separate this instrument from Fund-supported programs approved by the Executive Board. While parameters and best practices are outlined in the GN, any SMP should fit the member's circumstances and be adequate to meet its purpose of building a track record for Fund financial support.

The note updates and replaces the prior guidance on SMPs, provided in 2003, incorporating changes to the Fund's lending strategy, and clarifies some operational issues to better guide staff on the use and design of SMPs, while safeguarding even-handed application. Noteworthy changes include clarity on the role of SMPs, specifying the start and end dates of SMPs, clarifying the expected length of SMPs and track record periods, and extensions of SMPs. While many policies are clarified, the principle of flexibility is maintained.

The note covers the following broad areas and provides additional information or clarification in the annexes:

- Purpose
- Program modalities
- Program design
- Program monitoring and assessment
- Other operational issues

Approved By  
**Guillaume Chabert (SPR),**  
**Yan Liu (LEG), and**  
**Craig Beaumont (FIN)**

Prepared by the lead team Daehaeng Kim (SPR), Gabriella Rosenberg (LEG), Gilda Fernandez (FIN) comprising Lukas Kohler, Martha Woldemichael, Tomohide Mineyama, Souvik Gupta (all SPR), Chanda Delong and David McDonnell (all LEG), and Marta Spinella (FIN), supported by Alexandra Panagiotakopoulou, Chiara Castrovillari and Catherine Koh (all SPR).

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## Abbreviations and Acronyms

|      |   |
|------|---|
| BOP  | Balance of Payments                           |
| CD   | Capacity Development                          |
| CES  | Country Engagement Strategy                   |
| CSN  | Country Strategy Note                         |
| DSA  | Debt Sustainability Analysis                  |
| ECF  | Extended Credit Facility                      |
| EF   | Emergency Financing                           |
| EFF  | Extended Fund Facility                        |
| ESA  | External Sector Assessment                    |
| FCL  | Flexible Credit Line                          |
| FCS  | Fragile and Conflict-affected States          |
| GN   | Guidance Note                                 |
| GRA  | General Resources Account                     |
| HIPC | Heavily Indebted Poor Countries               |
| IMF  | International Monetary Fund                   |
| IT   | Indicative Target                             |
| LIC  | Low-Income Country                            |
| LOI  | Letter of Intent                              |
| LOT  | Lapse of Time                                 |
| MEFP | Memorandum of Economic and Financial Policies |
| PA   | Prior Action                                  |
| PC   | Performance Criterion                         |
| PCI  | Policy Coordination Instrument                |
| PLL  | Precautionary and Liquidity Line              |
| PN   | Policy Note                                   |
| PRGS | Poverty Reduction and Growth Strategy         |
| PRGT | Poverty Reduction and Growth Trust            |
| PSI  | Policy Support Instrument                     |
| QT   | Quantitative Target                           |
| RCF  | Rapid Credit Facility                         |
| RFI  | Rapid Financing Instrument                    |
| RSF  | Resilience and Sustainability Facility        |
| RST  | Resilience and Sustainability Trust           |
| SB   | Structural Benchmark                          |
| SBA  | Stand-By Arrangement                          |
| SCF  | Standby Credit Facility                       |
| SLL  | Short-term Liquidity Line                     |
| SMP  | Staff-Monitored Programs                      |
| SPR  | Strategy Policy and Review                    |
| SR   | Staff Report                                  |
| TA   | Technical Assistance                          |
| TMU  | Technical Memorandum of Understanding         |
| UCT  | Upper Credit Tranche                          |
| UFR  | Use of Fund Resources                         |

## PURPOSE

1. **An SMP is an informal agreement between national authorities and Fund staff to monitor the implementation of the authorities' economic program.**<sup>1</sup> SMPs are approved by Fund management and are considered a form of TA under the Fund's legal framework. Understandings reached under an SMP are informal in nature, unlike a Fund-supported program.<sup>2</sup> Staff-monitored programs are available to all Fund members seeking to establish a track record for UFR.<sup>3</sup>
2. **Staff-monitored programs do not constitute Fund endorsement, which can only be provided by the Executive Board.** Staff should explain the informal nature of the SMP and the absence of Board endorsement to the member, and any public statements by the member or Fund staff on the SMP should not give a contrary impression (see paragraph 28).
3. **The purpose of an SMP is to help a member establish a policy implementation track record to pave the way for UFR.** A track record is normally understood to demonstrate a member's commitment and adequate capacity to implement economic policies, including credible data submission, that are consistent with the stated objectives of the member's economic program as assessed by staff, and thereby provide a good basis to progress to a Fund financial arrangement. Track records for UFR are normally needed to provide adequate safeguards for UFR when there are concerns about a member's capacity or commitment to implement a Fund-supported program meeting the UCT quality conditionality standard,<sup>4</sup> including when a Fund-supported program has gone off-track. An SMP is the preferred option to establish or re-establish a track record prior to moving to, or resuming UFR, while other ways, such as prior actions (PAs), are also possible.<sup>5</sup> In cases of repeat EF to meet urgent BOP needs

<sup>1</sup> Previous guidance includes: *Staff-Monitored Programs—Follow-up and Guidance to the Staff* (EBS/98/201, November 1998) and *Operational Guidance Note for Staff on Staff-Monitored Programs* (SM/03/215, June 2003).

<sup>2</sup> Fund-supported programs could be either financing or non-financing in nature. Fund-supported programs of a financing nature are funded with GRA resources and/or resources in the PRGT or in the newly established RST. For a general overview see <https://www.imf.org/en/About/Factsheets/IMF-Lending>.

<sup>3</sup> Throughout this document, UFR is meant to imply financial support from the Fund, via the GRA or PRGT. RST financing is not encompassed as UFR for the purposes of this GN as SMPs do not qualify for concurrent UCT programs for financing under the RST (see paragraph 39 of SM/22/63).

<sup>4</sup> The UCT-quality standard is understood to mean that the authorities have the commitment and capacity to implement a set of policies to correct external imbalances and enable repayment to the Fund within the specified maturity period. Underpinning this standard is access to sufficient and timely data to adequately monitor the program. Hence, lower policy and statistical capacity could be SMP justifiers. While UCT arrangements under the GRA are designed to resolve the member's BOP problem during the program period, the ECF under the PRGT supports economic programs aimed at making significant progress towards a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth (for more elaboration, see paragraph 7 of [2018 Review of Program Design and Conditionality](#), May 2019).

<sup>5</sup> In the case of off-track programs, the IMF Executive Board "encouraged greater use of SMPs to ensure monitoring of macroeconomic policies while the authorities build support for delayed critical reforms". Directors also called on

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under the RCF or RFI, an SMP is the preferred mode to meet track record requirements. Thus, an SMP may be approved to run concurrently with EF.<sup>6,7</sup> Staff-monitored programs have also had a demonstrable catalytic effect, especially in FCS, likely associated with improved macroeconomic stability and reform credibility as members progress towards UFR.<sup>8</sup> Use of SMPs to establish a track record to move to, or resume, UFR can support macroeconomic stabilization when UCT-UFR engagement is deemed too risky or arrears to the Fund (or other multilateral or official creditors) prevent UFR, or in circumstances in which the member's debt is assessed to be unsustainable. Track records could be sought, for example, in countries with:<sup>9</sup>

- (i) weak capacity, which should also be addressed by coordinated CD (see paragraphs 11 and 13), whether due to structural reasons (e.g., limited institutional capacity, domestic fragility etc.; e.g., [Comoros 2021](#)) or exogenous shocks (e.g., natural disasters) and conflict etc.; e.g., [Haiti 2004](#), [Guinea 2011](#), [Iraq 2015](#));
- (ii) no prior or limited experience with, and/or commitment for, needed policy reforms supported by UFR ([Afghanistan 2004](#));

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staff to promote the use of SMPs for building a track record to facilitate access to Fund resources (see *The Chairman's Summing Up, 2018 Review of Program Design and Conditionality, Executive Board Meeting 19/35*, May 3, 2019, SU/19/62). While an SMP is the preferred option, it is also possible in some cases to rely on other ways (e.g., corrective measures, capacity building) to bring a program back on track, in particular, when near-term corrective actions are expected to meet program objectives, and there are adequate assurances that the member has the capacity and commitment to implement the program.

<sup>6</sup> An RCF or RFI can only be approved where a member has an urgent BOP need and meets other qualification requirements under these instruments, and they should not support continued weak policies nor create moral hazard. Safeguards exist on repeat use: RCF financing may not be approved more than twice in a 12-month period. Moreover, where a member has made an RFI purchase or received an RCF disbursement in the preceding three years, an additional RCF disbursement or RFI purchase can be approved only if the urgent BOP need is caused primarily by an exogenous shock; or the member has established a track record of adequate macroeconomic policies over a period of at least six months immediately prior to the request. A member may also meet track record requirements for a repeat use of the RCF or RFI through monitorable objectives (typically involving QTs and SBs) established at the time of a recent SMP or RCF disbursement (See paragraph 73 of SM/09/160).

<sup>7</sup> See [The IMF Strategy for Fragile and Conflict-Affected States](#) (March 2022) and [2017 Handbook on IMF Facilities for Low-Income Countries](#) (December 2017) (2017 LIC Handbook). Please note that an FCS GN and 2022 LIC Handbook update were under development during the finalization of this GN.

<sup>8</sup> The Fund's engagement, including through CD and policy advice, provides the donor community with a degree of assurance that their financial support would be used effectively, benefiting from a more transparent and sustainable macroeconomic framework. See for e.g., the catalytic effect of SMPs for [Central African Republic \(2021\)](#) and [Papua New Guinea \(2020, 2022\)](#).

<sup>9</sup> An SMP example cited here under any particular category does not necessarily mean that such a category represented the primary focus of that SMP. The examples represent SMPs with favorable staff assessment that were followed by fully completed UCT-quality programs (except for the program following the 2004 SMP for Afghanistan, which did not complete the final review, and the 2015 SMP for Iraq, whose UCT arrangement went off-track). See Annex I for a list of SMPs since 2000.

- (iii) Fund-supported programs that have gone off-track, uncertainty in achieving the stated objectives is elevated, and/or the member needs to secure critical political support for the program (e.g., [Malawi 2004](#), [Kosovo 2011](#), [Afghanistan 2015](#));
- (iv) absence of, or insufficient financing assurances,<sup>10</sup> including where debt operations are needed (e.g., [Togo 2006](#), [The Gambia 2019](#)); and/or
- (v) concerns on adequate safeguards to Fund resources, including those arising from arrears to the Fund and/or risks related to governance weaknesses (e.g., [Tajikistan 2008](#), [Madagascar 2015](#)).

In these situations, an SMP could help establish a track record for proceeding to, or resuming, UFR. Satisfactory performance under an SMP, as assessed by Fund staff, will be an important factor, though not the only one, in the subsequent consideration of a request for UFR.

**4. The scope of an SMP can vary and should be tailored to the underlying objective of the authorities' program and establishing a satisfactory track record.** The content of the SMP must be sufficient for establishing a track record, which could include demonstrating sufficient commitment or developing additional capacity. In this vein, an SMP could be targeted towards key macroeconomic or financial issues, or it could entail a broader program of macroeconomic and financial reforms across sectors. It could also be used in situations where the country has arrears to the Fund to help such members to establish a track record of policies and payments leading to eventual clearance of arrears to the Fund. In principle, an SMP does not meet the UCT standard as there are underlying concerns that the authorities' program or the credibility of their commitment are typically not adequate to warrant Fund financial support, gaps which the SMP is intended to address. Hence, the scope of an SMP can vary depending on a member's capacity and objectives. In most cases, an SMP may not require a breadth of policy adjustment and reform consistent with a UCT-quality arrangement; in others, the economic and financial policy content may be similar to that of a UCT-quality arrangement, although, for example, the requirements under the debt sustainability or financing assurances policies may not be met (see also paragraphs 10 and 15).

**5. Only for establishing a track record under the HIPC Initiative can an SMP be endorsed by the Board.** For a country seeking qualification for debt relief (Decision Point) under HIPC, the Executive Board would need to endorse staff's assessment that the member's policies under an SMP meet the UCT quality conditionality standard.<sup>11</sup> For this process, staff would make its assessment,

<sup>10</sup> Situations involving the absence of financing assurances include, for example, insufficient multilateral and donor support to meet the program's financing needs for a UCT-quality program, or when a restructuring is required under the program in order to restore debt sustainability or ensure the program is fully financed and required assurances that a debt restructuring will take place have not been received, or when the member has external arrears to multilateral creditors and has not yet reached understandings on arrears clearance.

<sup>11</sup> See Section III (2)(c) of the *Instrument to Establish a Trust for Special Poverty and Growth Operations for the Heavily*  
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including an explicit statement in the Staff Assessment, approved by management, which would be submitted for Board endorsement and would be reflected in the Summing Up (e.g., [Liberia 2007](#), [Somalia 2019](#), and [Sudan 2020](#)).

**6. Staff-monitored programs cannot be used for signaling a member's policies to official or private creditors.**<sup>12</sup> As the Board decided to discontinue signaling SMPs, staff should not agree on an SMP if the member expresses no intention to move to UFR or to resume a Fund-supported program that has gone off-track, or if there are no realistic prospects for moving to UFR. For signaling purposes, a member may rely on the signaling role of regular Article IV consultations, an assessment letter, or, subject to qualification requirements, the Fund's precautionary arrangements or non-financial policy support instruments.

## PROGRAM MODALITIES

**7. All Fund members are eligible for an SMP.**<sup>13</sup> A request for an SMP could be made in the context of an Article IV consultation, Fund EF, or on a standalone basis. Importantly, surveillance obligations and requirements for Article IV consultations are not suspended during an SMP, nor does a delayed Article IV consultation necessarily represent an obstacle to initiating SMP discussions. Staff should not agree to an SMP if the member has an on-track Fund-supported program. A member's request for an SMP should be communicated to Fund management or staff in writing. In some cases, the suggestion to initiate an SMP may come from Fund management or staff, but the member should always concur and request the SMP in writing.

**8. The period covered by an SMP should be consistent with the time needed to establish a satisfactory track record of policy implementation.** At a minimum, the period would normally cover a 6-month duration and two test dates.<sup>14</sup> However, subject to expected

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*Indebted Poor Countries Initiative and Interim ECF Subsidy Operations*, Decision No. 11436 (97/10), as amended (the *PRGF-HIPC Trust Instrument*). The IMF Executive Board's agreement with the staff appraisal is recorded in the Acting Chair's Summing Up. See also *Proposals to Modify the PRGT-HIPC Trust Instrument—Further Considerations and Proposed Decisions* (EBS/07/152, December 21, 2007). Post-Decision Point, there is no need for the Executive Board to endorse an SMP as UCT-quality for purposes of establishing a track record once an arrangement has gone off-track.

<sup>12</sup> See *The Acting Chair's Summing Up, Signaling Assessments of Members' Policies*, Executive Board Meeting 3/5, January 29, 2003 (BUFF/03/10, January 31, 2003).

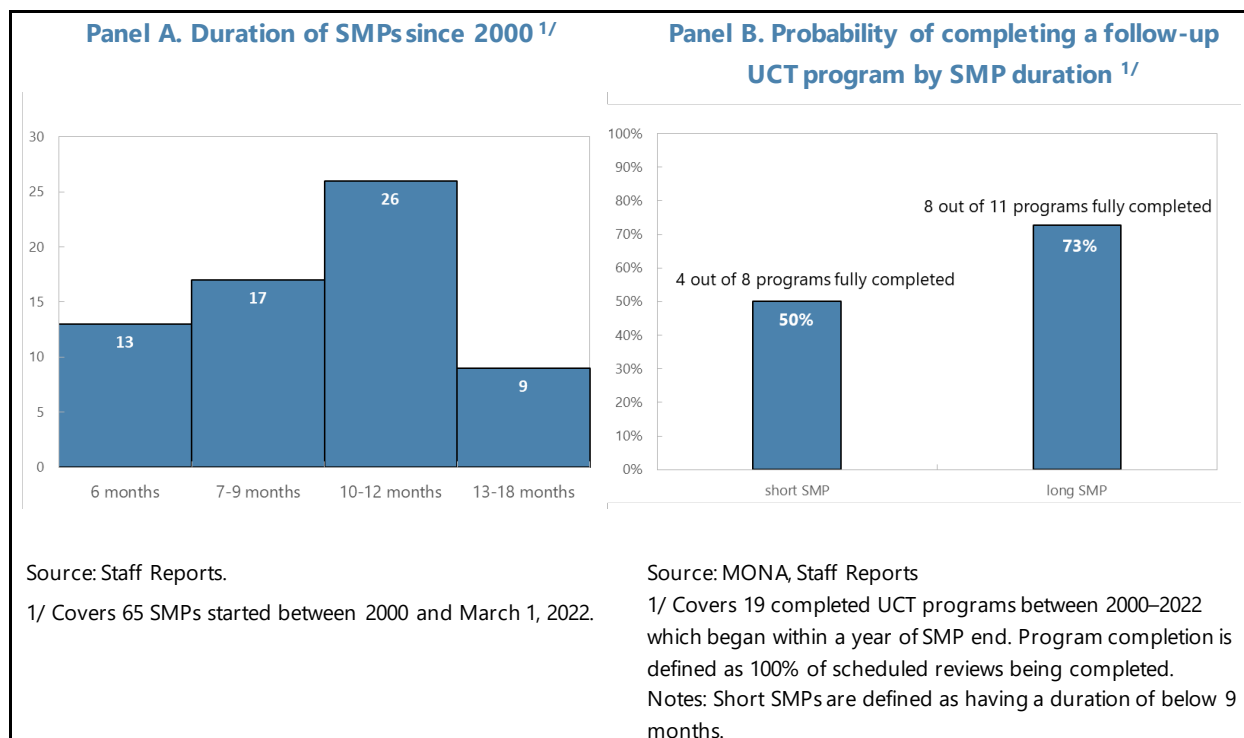
<sup>13</sup> While SMPs with territories of Fund members have also been approved in the past, SMPs for signaling purposes have been discontinued since 2003 (BUFF/03/10) and the current purpose of SMPs is limited to helping members establish or re-establish a policy implementation track record for the member's UFR. In principle, policy and capacity development and monitoring objectives could be achieved by staff employing a form of technical assistance instead, the modalities of which would differ from those of an SMP and would need to be developed.

<sup>14</sup> Under the HIPC Instrument, a minimum of six months of satisfactory performance is required to establish a track-record, which has become more general practice. While the six-month minimum is not set forth in the HIPC Instrument, management, as a matter of established practice, requires a minimum track record of at least such duration under qualifying programs before recommending to the Board that a country reach the decision point. See *Proposals to Modify the PRGT-HIPC Trust Instrument—Further Considerations and Proposed Decisions* (EBS/07/152), A

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durations under relevant policies, the SMP length could vary across recipients and would depend on a member's circumstances, particularly policy commitment, capacity, and the measures needed to establish a track record of policy implementation. Historically, this period has gravitated to near one year for UFR purposes (see figure, panel A). Furthermore, analysis of historical SMPs suggest that longer durations align with a higher success rate in subsequent UCT-quality programs (see figure, panel B).



**9. Hence, the duration of an SMP would generally be expected to be at least 9 months, with at least two reviews and test dates.** The aim is to provide sufficient time to implement meaningful reforms and to establish a track record. This could be accomplished in less time with an SMP of shorter duration, depending on the specific circumstances. Justification for a shorter duration than nine months would be expected to be set forth in the PN. Reasons for such shorter duration could include, for example: (i) the need to get a member's IMF financing arrangement back on-track as soon as possible, subject to addressing obstacles experienced under the IMF arrangement; or (ii) in the case of a follow-on SMP targeting a specific issue revealed by a prior SMP, for which staff could assess track-record under the combined period. Staff monitored programs would not be expected to exceed 18 months, but longer durations are not precluded. If no UCT-UFR is taken up by the authorities in a timely manner after an SMP ends

*New Architecture of Facilities for Low-Income Countries* (SM/09/160, and [2017 LIC Handbook](#)). Also, for repeat use of the RCF and/or RFI, demonstrating a track record should normally cover at least six months immediately prior to the request (Paragraph 3 of the RFI decision No. 15015 (11/112), as amended, and PRGT Trust Instrument, Section II, paragraph 1(d) (2)).

with all reviews completed, then applicability of the established track record would be re-assessed when the UFR request is received, taking into consideration any changed circumstances and policies.

- **Duration.** An SMP's duration is the period between its start and end dates, including any extension. The proposed period of an SMP will be described in the PN and subsequently reflected in the SR requesting the SMP.
- **Start date.** An SMP starts with Fund management's approval of the SR requesting the SMP, which also initiates the period for establishing a track record. A member could start policy implementation ahead of the approval of an SMP, either through implementing measures that are critical for SMP approval (e.g., PAs, as discussed later in paragraphs 14 and 18), if any, or by earlier implementation of the authorities' economic program eventually monitored by the SMP. Such accomplishments, or any other policy measures assessed by staff to be consistent with the objectives of the SMP, should be documented in the PN/SR requesting the SMP, but are not part of the track record period covered by the SMP. Such measures could be considered by staff in determining the period needed to establish a durable track record, particularly if the SMP's duration is less than nine months.
- **Test date.** A test date is a reference to a date for assessment of periodic quantitative conditionality under a program. The approval of an SMP would normally be expected before the first test date. However, on an exceptional basis, SMPs may be approved after the first test date. In such cases, the SR with the signed LOI and MEFP, must be submitted to management before the first test date, and the information on the observance of the program targets for that test date must not be available at that time.<sup>15</sup>
- **End date.** The end date of an SMP should be set after the final test date and should accommodate sufficient time to complete the final review within the duration of the SMP. The length of the period between the final test date and end date would typically depend on staff's understanding of the time needed to reliably receive all information for monitoring and make the assessment of performance. Without an extension, the SMP expires on the end date.
- **Extension.** In the event more time is needed to build a track record or to complete a review given implementation delays, a request for extension must be approved by Fund management ahead of the original end date of the SMP (see Annex II for some illustrative scenarios). Multiple requests for extension are possible, but each request must be approved before the applicable end dates. Extensions would come in two forms:

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<sup>15</sup> The LOI is a document addressed to the Managing Director of the Fund through which a member would make the request for approval of, or completion of a review under, an SMP. The LOI and its attached MEFP serve to describe the member's economic program aimed at building a track record toward UFR. The LOI for an SMP request should mention the duration of the SMP and commit the member to broad measures outlined in the SMP aimed at building a track record. The LOI should contain a commitment to consult with staff ahead of adopting any policy measures that were not discussed earlier with staff or any revisions to the measures outlined in the MEFP. As in UFR, the LOI should avoid language with a contractual connotation. The LOI must be signed by those representatives who can commit the member to the formulation and implementation of policy measures included in the LOI and MEFP.

- One or more extensions for three months or less, not to exceed six months cumulatively, which would be requested informally by the authorities and approved by management, based on a short memorandum or email from staff outlining the justification and context. This option would normally be used when there are delays in completing the final review under the SMP, but completion is expected within a three-month period, or when a transition to a UCT-quality program is envisioned but approval is delayed (i.e., there are no substantive performance issues that would indicate an extension beyond a three-month period will be necessary); and,
- Extensions greater than three months, which would be expected to be accompanied by new quantitative conditionality (possibly also structural) and test date(s) over the extended duration of the program. Such a request could be submitted during an SMP review or on a standalone basis in a short staff paper and would require a brief LOI, MEFP and TMU, which should include a brief description of the context, performance under the SMP, proposed new conditionality, and reasons for extension. An extension should only be requested if there are reasonable prospects for achieving the objectives set forth at SMP approval.
- **Cancellation.** An SMP can be canceled by a member at any time during its duration. The decision to cancel should be communicated to Fund management in writing. Cancellation of an SMP should be reported in any subsequent SR or at a session to brief the Board on country-related matters.
- **Concurrent use.** SMPs can be used concurrently with Fund EF or when a Fund-supported program has gone off-track. For example, in situations where an FCS cannot yet implement a UCT-quality arrangement but faces an urgent BOP financing need, staff could provide policy support through an SMP and recommend approval of financing through an RCF/RFI.<sup>16</sup> However, SMPs cannot be used concurrently with on-track UCT-quality arrangements, whether a disbursing/precautionary Fund arrangement (ECF, EFF, SBA, and SCF), non-financial/signaling instruments (e.g., PCI or PSI), or with Fund arrangements that require ex-ante qualification (e.g., FCL, PLL, SLL). SMPs—even those of UCT quality in the HIPC context—would not be considered as a qualifying UCT-quality program for the purpose of accessing loans from the RSF.
- **Repeated use.** Repeated use of SMPs is permitted.

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<sup>16</sup> In the event of a recurring urgent BOP need for which repeat recourse of EF is envisaged, track record requirements for repeat use of EF would be assessed under the monitorable targets and structural objectives of the SMP. The track record could also be assessed against such targets and structural objectives outlined in the LOI for the first RCF or RFI, with the subsequent SR on the RCF/RFI providing an assessment of past policy performance against these goals (see paragraph 75 of *A new Architecture of Facilities for Low-Income Countries* (June 26, 2009, SM/09/160) for further discussion).

## PROGRAM DESIGN

**10. The design of an SMP should be consistent with the SMP's goal to build a track record of policy implementation.** The design of an SMP would closely resemble that of a Fund-supported program, as an SMP should strive to provide for a smooth transition to UFR. Accordingly, the policies and reforms monitored under an SMP should be broadly consistent with the main priorities of an eventual Fund-supported program and should also address obstacles to the adoption of such a program. For example, if the SMP is intended to re-establish a policy track record when an arrangement has gone off-track, the content of the SMP should focus on the policies needed to restore progress toward the original goals of the program supported by the Fund arrangement, taking into account, where relevant, exogenous shocks that may necessitate a modification of these goals. While it is expected that policies under an SMP would primarily focus on core areas of the Fund's expertise, collaboration with other development partners, including in non-core areas, is not precluded, as the reform program should be tailored to the member's needs. Where the SMP is used to meet track record requirements for a repeat RCF or RFI financing, the monitoring objectives should be aimed at supporting adequate policies to address the urgent BOP needs and, if relevant, facilitate the member's transition to a UCT-quality program.

**11. Reforms included in the SMP should be guided by recent policy engagement with the Fund.** These could be Article IV consultations, CD projects, CES, or UFR discussions. If the SMP is initiated during an Article IV consultation, staff advice on the policy content of the SMP should be guided by its current assessment of the member's economic conditions and policies. If the SMP is initiated between Article IV consultations, staff policy advice should be informed by the Summing Up of the most recent Article IV consultation, if still applicable. The SMP's design should draw on the CD-CSN, which is required for heavy users of Fund CD and encouraged for all members receiving Fund CD.

**12. For LICs, it is expected that the policy package would reflect a national strategy for promoting growth and reducing poverty.** If a national strategy is not available, the member is not required to develop one under an SMP, but staff should make the member aware of the PRGS requirement under a prospective PRGT-supported program.<sup>17</sup> For FCS, the SMP's design should be guided by the 2022 FCS GN and [Board paper](#), and CES, if available.

**13. An SMP's structural reform agenda, as monitored by benchmarks, should consider a member's implementation capacity.** The reform agenda should be integrated into a CD plan/strategy within the program design, or a CES for FCS. An SMP should strongly encourage CD, including with other partners, to strengthen a member's implementation capacity.<sup>18</sup>

<sup>17</sup> See *2018–19 Review of Facilities for Low-Income Countries—Reform proposals* (SM/19/100, May 2019).

<sup>18</sup> See the [Operational Guidelines for Integrating Capacity Development with Surveillance and Lending](#) (April 2014).

**14. Staff should generally refrain from reaching an understanding on an SMP if a consistent policy package is not in place.** In cases where a member's policies are significantly misaligned at the outset, or where there are substantial doubts about a member's commitment to policy reform, appropriate PAs may be required before proceeding with an SMP.<sup>19</sup> The completion of all PAs should be verified by staff before submitting the SR for management's approval, including when the SR is combined with an Article IV consultation. The intention is to ensure that there is sufficient commitment from the authorities and prevent an understanding on an SMP where the member does not take action to correct poor policies.

**15. IMF policies covering debt sustainability, financing assurances, and other safeguards do not fully apply to SMPs.** Most importantly, ex-ante debt sustainability and financing assurances are not needed in an SMP. Thus, an SMP can proceed even when debt is assessed to be unsustainable.<sup>20</sup> In addition, with the exception of Board-endorsed UCT-quality SMPs (see paragraph 5), the Fund's debt limits policy would not necessarily apply to an SMP. However, in cases of elevated debt vulnerabilities, including ex-ante unsustainable cases, measures to restore debt sustainability and/or application of the debt limits policy could be beneficial for a member in establishing a track record and transitioning to UFR. Financing gaps need not be closed during an SMP (and the BOP need typically remains after an SMP which is addressed under a follow-up request for UFR) and the Fund's arrears policies do not apply.<sup>21</sup> While not specifically applicable to the SMP, continuous adherence to exchange system obligations under Article VIII of the Fund's Articles of Agreement is an obligation of all Fund members and compliance should therefore be encouraged at all times.<sup>22</sup> Finally, the Fund's UFR misreporting guidelines for non-complying purchases or disbursements do not apply, but credibility of data is critical for monitoring and should be upheld, including for its contribution to assessing a track record toward UFR. At the same time, credible reporting data to allow appropriate staff monitoring is a necessary condition for UCT-quality engagement, and hence, misreporting would undermine establishing a track record.

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<sup>19</sup> A PA is a critical measure specified as to be completed before the approval of an SMP or completion of an SMP review. Prior actions can be set if upfront implementation of measures is critical to achieving program goals or monitoring implementation.

<sup>20</sup> In contrast, UFR is not permitted, including EF for an urgent BOP need, when debt is unsustainable unless steps are taken by the member to restore debt sustainability, such as debt restructuring or financing from other sources.

<sup>21</sup> However, staff should carefully examine the financing situation, including via the use of a realistic macroeconomic framework, in light of a probable subsequent request for UFR for which these policies would apply, and should encourage no new accumulation of external arrears.

<sup>22</sup> A member is in compliance with its legal obligations under Article VIII, Sections 2 and 3 when exchange restrictions and/or multiple currency practices have been approved by the Fund. Further to the members legal obligations under the Fund's Articles of Agreement, Fund-supported programs include standard continuous PCs that call a member to refrain, for the duration of the program from: (i) imposing or intensifying restrictions on the making of payments and transfers for current international transactions, (ii) introducing or modifying multiple currency practices, or (iv) concluding bilateral payments agreements that are inconsistent with Article VIII. In addition, arrangements also include continuous PCs on non-imposition or intensification of import restrictions for BOP reasons.

## PROGRAM MONITORING AND ASSESSMENT

**16. Monitoring of SMPs would closely resemble the approach for a Fund-supported program.** An SMP should be based on a quantitative macroeconomic framework, including medium-term projections, covering key macroeconomic, fiscal, financial and BOP variables as well as other data needed to assess progress towards the economic program's objectives. The member's objectives and main policies over the SMP period should be specified in an LOI and should be further elaborated in an MEFP. A member should sign the LOI after all PAs are completed. The MEFP should clearly specify the understandings reached between staff and the authorities on program measures, while a TMU should provide necessary clarifications on the definition of quantitative conditionality and the reporting of information necessary for monitoring observance.

**17. Regular assessments of performance will be needed.** Staff is expected to conduct regular assessments of performance typically on a semi-annual basis, while shorter frequencies are not precluded, provided the authorities have implementation capacity. The choice of the frequency of assessments could vary across SMPs, including within a particular SMP, and should be based on case-by-case considerations, including the authorities' implementation capacity. A member would be expected to report data on quantitative and structural variables under the SMP following the specifications of the TMU.

**18. Assessment of performance under an SMP should be made during a review based on the applicable targets.** Each review should be linked to a set of quantitative targets (QTs), similar to the approach taken in a PRGT-supported program. These QTs should be clearly defined and monitorable, with their assessment dates ("test dates") specified. Each review would also assess the level of implementation of reforms deemed critical to achieving an SMP's objectives (structural benchmarks, SBs) by the agreed due dates, and implementation of other critical measures (PAs) if any. The completion of a review is subject to approval by Fund management and based on staff's assessment of adequate progress in implementing the economic program to achieve the SMP's objectives that indicates satisfactory performance. Assessment of reform implementation, when supported by Fund CD, should draw from CD project assessments and results-based management information. Reviews could be combined with an Article IV consultation and/or a request for UFR.

**19. The timing of all reviews and test dates should be determined at the time of SMP approval.** These should be summarized in a PN/SR table and updated as needed in subsequent reviews. Reviews should be scheduled so as to allow for sufficient time to collect necessary data and assess performance at a test date.

- Unless SMP duration is shorter, QTs and indicative targets (ITs) and SBs should normally be set for at least nine months at SMP approval. Indicative targets between SMP review test dates (e.g., quarterly if semi-annual reviews) can also be defined, which would provide

additional information on the forward- and backward-looking elements of the review.<sup>23</sup> Changes to existing and new QTs for subsequent test dates can be proposed for management approval at each SMP review.

- An SMP could also include continuous program targets (quantitative and/or structural) as needed. As in a Fund-supported program, continuous program targets should remain effective throughout the duration of the SMP, as modified.

**20. Requests for modifications to program targets could be made in the context of an SMP review.** Such requests must be justified, and no retroactive modifications will be permitted. The requests must be submitted to Fund management for approval, through the signed LOI and MEFP in the SR, before the relevant test date or SB due date, and the data required to assess the target for that test date must not be available to staff at that time (nor at the time that management approves the request to modify the QT), which is comparable to the policy in the GRA and PRGT (see also paragraph 9 “Test Dates”). In exceptional cases, modifications of conditionality can be approved by management outside the context of a review, provided the authorities and staff have common understandings on appropriate policies through the next review, as documented in a revised or new LOI with an updated QTs table and, where relevant, an updated MEFP/TMU that is submitted for management approval prior to the respective test date.<sup>24</sup>

**21. Satisfactory performance under an SMP should allow for completion of reviews as per the timeline expected at SMP approval.** However, significant delays could lead to the passage of more than one test date, which could lead to one or more SMP reviews being combined, following the PRGT model in which reviews are tied to specific test dates. If delays are extensive and the original program objectives are not achievable within a reasonable time, the SMP would be deemed to have not established the needed track record and a new SMP could be requested with a cancellation of the current SMP.

**22. Staff-monitored programs are generally more flexible relative to Fund-supported programs given their informal nature.** For example, in the case of nonobservance of any QT, unlike in a Fund-supported program, a request for waiver of nonobservance is not required in an SMP. However, in case of nonobservance of QTs, the LOI would need to provide assurance, and staff should assess, that sufficient corrective actions have been taken (or, will be taken ahead of the next review) so that the SMP goals remain achievable.

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<sup>23</sup> The use of QTs in this fashion is analogous to the use of ITs in Fund arrangements, which, while not blocking disbursements when missed, they may also be established in addition to PCs as quantitative indicators to assess the member’s progress in meeting the objectives of a program in the context of a program review.

<sup>24</sup> This is synonymous to current policy under GRA and PRGT-supported programs.

## DOCUMENTATION AND OTHER OPERATIONAL ISSUES

**23. An SMP request or review should be presented in a PN/SR.** The structure of the PN/SR should follow the standard format for UCT-quality programs and should include discussions on economic developments, performance (for SMP reviews), outlook and risks, objectives of the SMP, policy and structural reform program, the quantitative macroeconomic framework, staff appraisal, and standard set of relevant tables. A DSA and/or ESA may also be warranted in some circumstances (see paragraph 25). An LOI, MEFP, and TMU are required at a minimum, with any other attachments that staff deems useful as optional and determined on a case-by-case basis. A substantive assessment of the performance of the program toward establishing a track record of policy implementation and meeting other goals of the SMP must be included in the PN/SR for an SMP review. When an SMP is initiated (or extended) during an Article IV consultation, or when a review takes place concurrently with an Article IV consultation, a combined PN/SR should be prepared and should follow the PN/SR requirements for Article IV consultations. When the SMP request or review is combined with an Article IV consultation, Fund management approval of the SR must be sought and received before the document is circulated to the IMF Executive Board for its consideration of the Article IV consultation.<sup>25</sup> When combined with an Article IV, the cover memo attached to the SR for Board circulation should clarify that the SMP is only included for the information of the Executive Board.

**24. Often, a standalone PN/SR may be needed.** Outside of an Article IV consultation (or request for UFR), an SMP request (or review) should be presented in a standalone PN/SR. In cases where the final SMP review is not combined with the UFR request SR, an LOI outlining the authorities' reform agenda and commitments during the interim period could be considered to help smooth the transition to UFR. The SR must be approved by Fund management before being circulated to the IMF Executive Board for information. For standalone SMP SRs, staff is also encouraged to explore other informal channels for keeping the Executive Directors informed (e.g., area departments' informal briefing on country matters).

**25. Debt sustainability analysis or ESA requirements follow the general surveillance and DSA guidance.**<sup>26</sup> Specifically, in cases of PN/SRs for an SMP request/review combined with an Article IV consultation and/or for an SMP review combined with a request for UFR, the inclusion of a DSA and/or ESA should follow the guidance on Article IV consultations or a request for

<sup>25</sup> Bilateral donors would have access to SMP Staff Reports that are circulated to the IMF Executive Board; transmission to other multilateral institutions would follow the established policy for transmission of Article IV SRs. The [Guidance Note on Information Sharing Between IMF and World Bank Staff](#) (February 2022) would also apply for sharing SMP PNs and SRs with the World Bank.

<sup>26</sup> See the [Guidance Note for Surveillance under Article IV Consultation](#) (June 2022); the [Guidance Note on Bank-Fund Debt Sustainability Framework for Low Income Countries](#) (February 2018); the [Review of the Debt Sustainability Framework for Market Access Countries](#) (January 2021); and the [Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for Market Access Countries](#) (June 2022)



UFR.<sup>27</sup> In a standalone SMP PN/SR, inclusion of these analyses is not expected when there was a recent AIV consultation, and the assessment remains broadly unchanged. However, if there is no recent assessment (i.e., within a 12-month period) or if circumstances warrant a new assessment, the SMP PN/SR should provide an updated DSA and ESA.

**26. For off-track SMPs, a standalone PN/SR is not expected.** However, Fund management should be kept informed by no later than the planned review date or expected date of SMP expiration, whichever is earlier. Any prospective PN/SR, whether or not in the context of the same SMP, including those combined with an Article IV consultation, should report on the off-track SMP and provide a brief description of performance under the SMP. The IMF Executive Board should also be apprised through an informal update by the relevant area department.

**27. The internal review and Fund management clearance process for SMPs is the same as other country reports.** In that regard, staff should prepare a PN, duly reviewed by functional departments and cleared by the SPR Department, ahead of seeking Fund management's approval on the elements of discussion with a member.<sup>28</sup> As with the UFR process, the SMP preparation process should cover program objectives, design and modalities, and monitoring, including choice and setting of QTs and SBs (and any PAs, if applicable). Once a staff mission reaches a staff-level agreement, a SR should be prepared, reviewed by functional departments, cleared by SPR, and sent to Fund management for approval.<sup>29</sup>

**28. Staff reports for SMPs are subject to the same transparency policy as other country reports.** Whether standalone or combined, SMP SRs and their attachments are subject to the Fund's Transparency Policy.<sup>30</sup> Consistent with the policy, a voluntary but presumed publication regime would apply to all SMP SRs, and a stronger presumption would apply when combined with a request for UFR.

- Staff reports for SMPs should follow the principles of preserving the independence of staff views (i.e., no negotiated language), no prior sharing of the SR (except for its LOI, MEFP, and TMU attachments which are the member's documents and should reflect the member's feedback) and no surprises (i.e., all major issues described in the SR have been discussed with the member).

<sup>27</sup> A debt sustainability analysis and an ESA are required in an Article IV SR but their inclusion in a SR for UFR depends on the circumstances. For example, a DSA is required at the approval of UFR.

<sup>28</sup> Given its internal nature, a PN would be expected to be more candid in its assessment and coverage of policy details than a SR.

<sup>29</sup> Ahead of reaching a staff-level agreement, staff should consult with internal departments on any major deviations from the PN and get them cleared by SPR. In case of disagreements, Fund management would adjudicate.

<sup>30</sup> For details, see [Updated Guidance Note on the Fund's Transparency Policy](#), April 2014.

- Staff reports for SMPs are subject to the Transparency Policy. An SMP SR that is combined with a request for UFR and/or an Article IV consultation, and that is sent to the Board for discussion, will normally be published within 14 days after the Board or LOT date. For standalone SMP SRs, standard practice is that they be circulated to the Board at least five working days before publication.
- A press release is expected both at the time of reaching staff-level agreement and Fund management approval of an SMP request or review. Publications, press releases, or any other form of public communication related to SMPs should contain a clear indication that (i) SMPs are informal monitoring agreements, and (ii) do not entail IMF Executive Board endorsement of the member's policy program except in the HIPC cases where the IMF Executive Board agreement with the staff assessment that the program is of UCT quality is required.

## Annex I. Staff-Monitored Programs Since 2000

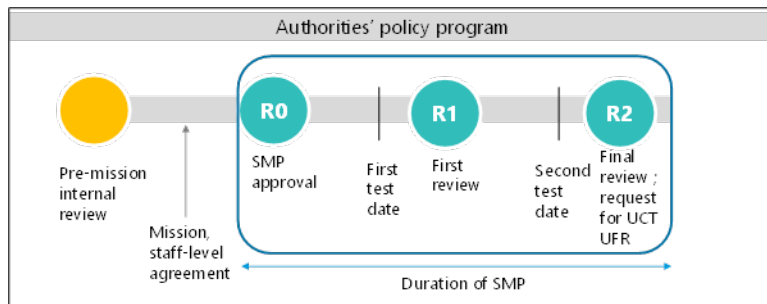
(As of February 28, 2022)

| Country Name                              | SMP approval years 1/   |
|---|---|
| Afghanistan, Islamic Rep. of              | <a href="#">2004</a> , <a href="#">2015</a>   |
| Cameroon                                  | <a href="#">2005</a>  |
| Central African Republic                  | <a href="#">2021</a>  |
| Chad                                      | <a href="#">2009</a> , <a href="#">2013</a>   |
| Comoros, Union of the                     | <a href="#">2001</a> , <a href="#">2005</a> , <a href="#">2016</a> , <a href="#">2021</a>   |
| Congo, Democratic Rep. of                 | <a href="#">2006</a> , <a href="#">2007</a> , <a href="#">2008</a> , <a href="#">2019</a>   |
| Congo, Rep. of                            | <a href="#">2003</a> , <a href="#">2007</a> , <a href="#">2008</a>  |
| Côte d'Ivoire                             | <a href="#">2001</a>  |
| Djibouti                                  | <a href="#">2004</a> , 2005   |
| Equatorial Guinea, Rep. Of                | <a href="#">2018</a>  |
| Gabon                                     | <a href="#">2003</a>  |
| Gambia, The                               | <a href="#">2005</a> , <a href="#">2015</a> , <a href="#">2017</a> , <a href="#">2019</a>   |
| Guinea                                    | <a href="#">2005</a> , <a href="#">2011</a>   |
| Guinea-Bissau                             | <a href="#">2005</a> , <a href="#">2006</a> , <a href="#">2021</a>  |
| Haiti                                     | <a href="#">2000</a> , <a href="#">2003</a> , <a href="#">2004</a> , 2017, 2018   |
| Iraq                                      | <a href="#">2015</a>  |
| Jamaica                                   | <a href="#">2000</a> , <a href="#">2002</a>   |
| Kosovo, Rep. Of                           | <a href="#">2011</a>  |
| Liberia                                   | <a href="#">2000</a> , <a href="#">2006</a> , <a href="#">2007</a>  |
| Madagascar, Rep. Of                       | <a href="#">2015</a>  |
| Malawi                                    | <a href="#">2004</a>  |
| Mauritania, Islamic Rep. of               | <a href="#">2006</a>  |
| Myanmar                                   | <a href="#">2012</a>  |
| Nicaragua                                 | <a href="#">2001</a>  |
| Papua New Guinea                          | <a href="#">2020</a> , <a href="#">2022</a>   |
| Sao Tome and Principe, Democratic Rep. of | <a href="#">2002</a>  |
| Somalia                                   | <a href="#">2016</a> , <a href="#">2017</a> , <a href="#">2018</a> , <a href="#">2019</a>   |
| South Sudan, Rep. of                      | <a href="#">2021</a>  |
| Sudan                                     | <a href="#">2002</a> , <a href="#">2003</a> , <a href="#">2005</a> , <a href="#">2006</a> , <a href="#">2007</a> , <a href="#">2009</a> , <a href="#">2014</a> , <a href="#">2020</a> |
| Eswatini, Kingdom of                      | <a href="#">2011</a>  |
| Tajikistan, Rep. Of                       | <a href="#">2008</a>  |
| Togo                                      | <a href="#">2006</a>  |
| Yemen, Rep. Of                            | <a href="#">2002</a>  |
| Zambia                                    | <a href="#">2003</a>  |
| Zimbabwe                                  | <a href="#">2013</a> , <a href="#">2014</a> , <a href="#">2019</a>  |

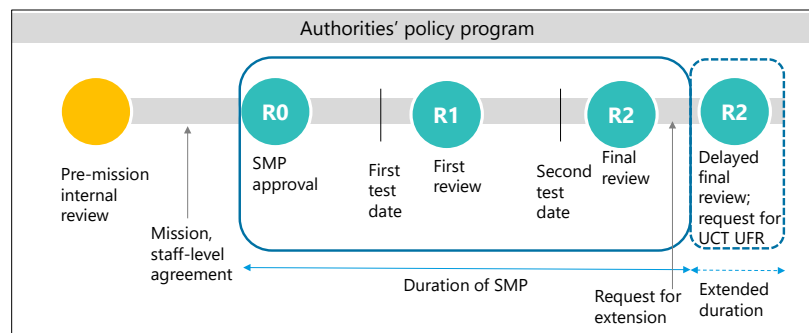
1/ Links to IMF external website for staff reports for SMP approval (or earliest available document) are provided.

## Annex II. Illustrative Scenarios

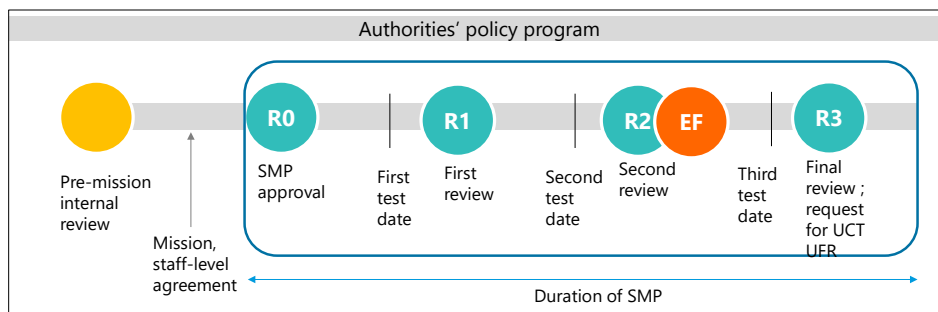
**Scenario 1.** This scenario illustrates a regular timeline with an SMP that meets the recommended minimum duration (two reviews, R1 and R2) and establishes a satisfactory track record to make a request for UFR of UCT quality at the time when the final SMP review is scheduled.



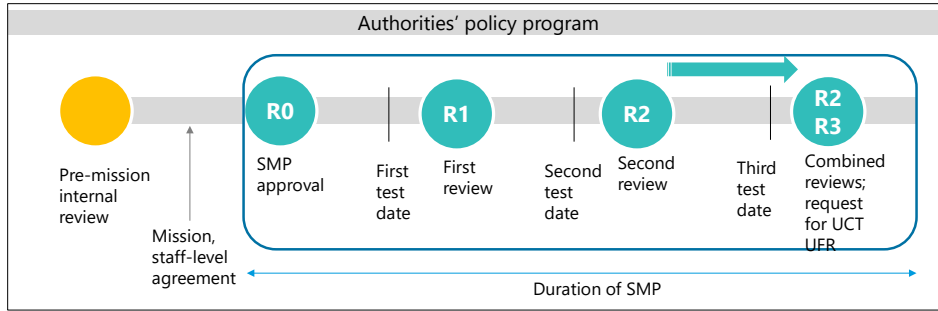
**Scenario 2.** An SMP where the final review is delayed but eventually completed and could move to a request for UFR after the duration of SMP was extended, through either of two established modalities for extending the SMP period.



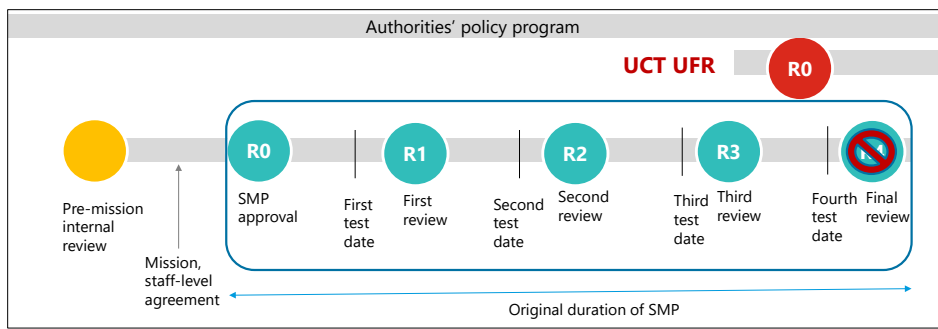
**Scenario 3.** An SMP with more than two reviews but faced with an exogenous shock that leads to a request for EF during the SMP. In this illustrative case, such request coincides with the second review.



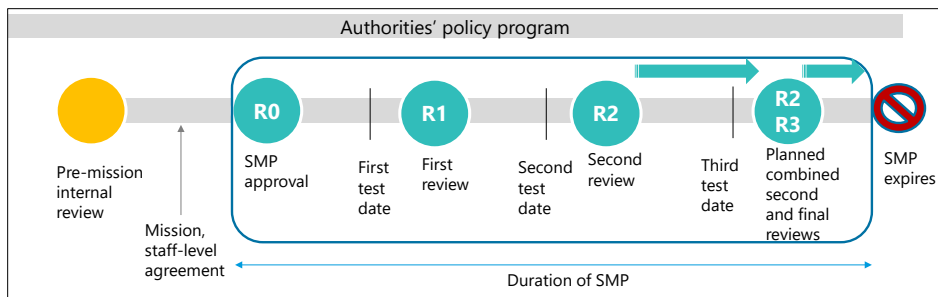
**Scenario 4.** An SMP with a delayed review but was eventually completed after combining with the subsequent review.



**Scenario 5.** An SMP that is considered to have established a track record ahead of its original end-date, leading to its cancellation and request for a Fund-supported program.



**Scenario 6.** An example of an SMP with a delayed review which is not completed within the duration of the SMP and no extension of the SMP is requested. Thus, the SMP expires and fails to establish a track record.



### Annex III. Staff-Monitored Programs with Fund-Supported Programs and Emergency Financing: Snapshots

| Descriptor                 | Staff-monitored programs  | Fund-supported programs and EF  |
|----------------------------|---|---|
| <b>Nature</b>              | TA  | Lending (financing arrangements and EF) and TA (PSI and PCI)  |
| <b>Approving authority</b> | Management with the IMF Executive Board being informed (Board endorsement of UCT-quality required in SMPs for HIPC decision point). | IMF Executive Board.  |
| <b>Eligibility</b>         | Available to all members.   | GRA-supported programs are available to all members while PRGT-supported programs are available to eligible members who are typically LICs. PSI eligibility is limited to PRGT-eligible members. PCI is available to all members.   |
| <b>Purpose</b>             | Build a track record toward UFR; cannot be used only for signaling purposes.  | Help members to resolve their BOP problem or make significant progress towards a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth. Various lending instruments are available for different types of BOP problems. Some Fund-supported programs could be used for precautionary or signaling purposes |
| <b>Financing</b>           | Never.  | Both financing and non-financing, latter primarily for signaling purposes. Type of financing varies depending on the BOP problem (urgent, present, prospective, potential, protracted) and amount of financing is determined on a case-by-case basis as per applicable access policies.   |
| <b>Policy standard</b>     | Not UCT quality except in the case of SMPs supporting qualification (Decision Point) under the HIPC initiative.                     | UCT quality except for EF.  |
| <b>Duration</b>            | Usually 6–18 months.  | EF is outright financing. Fund-supported programs are typically of 1–5 year duration.   |

| <b>Descriptor</b>  | <b>Staff-monitored programs</b>                                       | <b>Fund-supported programs and EF</b>   |
|--|---|---|
| <b>Ex-ante debt sustainability</b>   | Not required except when a review is combined with a request for UFR. | Ex-ante sustainability required.  |
| <b>Debt limits policy</b>  |   | Applicable.   |
| <b>Arrears policies</b>  |   | Applicable.   |
| <b>Financing assurances policies</b>   |   | Applicable.   |
| <b>Conditionality</b>  | Ex-post, but PAs possible.  | No ex-post conditionality in case of EF instruments, but PAs possible ex-post and/or ex-ante (qualification) conditionalities apply in Fund-supported programs. |
| <b>Policy on waiver of nonobservance of quantitative performance criterion</b> | Not applicable.   | Applicable except for EF and for PCI-supported programs   |
| <b>Misreporting Guidelines</b>   | Not applicable.   | Applicable except for EF.   |
| <b>Safeguarding Fund resources</b>   | Clearance of arrears to the Fund, if any, possible.                   | Applicable based on a multi-layered framework.  |