

INTERNATIONAL MONETARY FUND

Report on the Incidence of Longer-Term Program Engagement

Prepared by the Policy Development and Review Department

In consultation with the Area Departments

Approved by Mark Allen

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1. During the discussion of the conclusions of the Task Force on Prolonged Use of Fund Resources, the Executive Board established requirements for undertaking ex post assessments (EPAs) for members with a longer-term program engagement.¹ The assessments are intended to provide an analysis of the economic problems facing the member and a critical and frank review of progress during the period of Fund-supported programs, as the basis for a forward-looking assessment and strategy for future Fund engagement, including, where appropriate, an explicit “exit strategy.” A staff paper reviewing experience with ex post assessments and other issues relating to longer-term program engagement has been circulated to Executive Directors for a Board discussion at a date to be determined.
2. The Executive Board asked for a semi-annual report on the incidence of prolonged use (PIN/03/49), which is understood to include all members with a longer-term program engagement. The fourth such report was issued on August 16, 2005 and presented information through June 2005.² This fifth report provides information through March 2006.
3. The criteria for identifying members subject to the EPA requirement are described in Box 1. No member was either added to or removed from the list of members with longer-term program engagement between end-June 2005 and end-March 2006 (Table 1). At end-March 2006, EPAs had already been discussed at the Board for 40 members (Table 2). Seven of the nine EPAs expected to have been prepared for Board consideration in the second half of 2005 were completed. The other two EPAs, Togo and Argentina, are

¹ See “*Conclusions of the Task Force on Prolonged Use of Fund Resources*” (February 4, 2003) and “*Operational Guidance for Assessments of Countries with Longer-Term Program Engagement*” (August 20, 2003).

² See “*Report on the Incidence of Longer-Term Program Engagement*” (August 16, 2005).

expected for 2006, at the time of their respective Article IV discussions.³ Over the six-month period April-September 2006, ex post assessments for six countries are tentatively expected to be discussed by the Board (Table 3).

Box 1. The Criteria for Ex Post Assessments

For members that have received access to Fund financing through the GRA or a blend of GRA and PRGF/ESAF resources, an EPA is to be undertaken when the member has spent at least 7 of the past 10 years under upper credit tranche, stand-by or extended arrangements, including precautionary arrangements, or a mix of GRA and PRGF/ESAF resources. A member would also undergo an EPA when it has had two or more multi-year PRGF/ESAF arrangements.¹ For example, if a member has undergone two or more multi-year PRGF/ESAF arrangements followed by a SBA, it would be subject to an EPA even if it has not yet spent 7 of the past 10 years in Fund arrangements. An EPA would be undertaken prior to any proposed new arrangement, provided that the member continues to meet these criteria.

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

¹ For GRA resources, time spent under an arrangement is counted. For PRGF/ESAF arrangements, the period of the arrangement as approved by the Executive Board is counted, even if it is cancelled prior to expiry.

² See *"The Role of the Fund in Low-Income Member Countries Over the Medium Term-Issues"* (July 21, 2003).

³ An EPA for Argentina is required at the first post-program Article IV discussion. If Argentina had requested a follow-on to their stand-by arrangement, as contemplated last year, an EPA would have been required beforehand.

Table 1. Members with Longer-Term Program Engagement
(As of March 31, 2006)

| PRGF-eligible Members 1/ | | Non-PRGF-eligible Members 2/ | | |
|--------------------------|------------------------|------------------------------|-----------------------|------------------------|
| Current Arrangement | No Current Arrangement | Current arrangement | | No Current Arrangement |
| | | Precautionary | Non-Precautionary | |
| Albania 5/ | Azerbaijan | Bulgaria | Uruguay 4/ | Argentina 4/ |
| Armenia | Cambodia | Croatia | Macedonia, FYR 4/, 6/ | Jordan 4/ |
| Bangladesh | Cote d' Ivoire | Peru | | Ukraine |
| Benin | Ethiopia | Romania | | |
| Bolivia 3/ | Gambia | | | |
| Burkina Faso | Guinea | | | |
| Burundi | Guinea-Bissau | | | |
| Cameroon | Lao People Dem R | | | |
| Chad | Lesotho | | | |
| Congo, Republic of | Madagascar | | | |
| Georgia | Moldova | | | |
| Ghana | Mongolia | | | |
| Guyana | Mauritania | | | |
| Honduras | Pakistan | | | |
| Kenya | Sierra Leone | | | |
| Kyrgyz Republic | Tajikistan | | | |
| Mali | Togo | | | |
| Malawi | Uganda | | | |
| Mozambique | Vietnam | | | |
| Nepal | | | | |
| Nicaragua | | | | |
| Niger | | | | |
| Rwanda | | | | |
| Senegal | | | | |
| Sri Lanka | | | | |
| Tanzania | | | | |

Source: Fund staff.

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

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

3/ Bolivia, has a stand-by arrangement expiring at end-March 2006.

4/ At least part of one arrangement was treated as precautionary.

5/ Albania has an EFF-PRGF blend.

6/ Macedonia, FYR had two ESAF/PRGF arrangements, before becoming non-PRGFeligible in June 2003.

Table 2. Ex Post Assessments Considered by the Board
(As of March 31, 2006)

| Country | Type of discussion | Date |
|------------------------|--------------------------|----------|
| 2003 | | |
| Mozambique | Article IV discussion | 12/10/03 |
| Mali | Article IV discussion | 12/15/03 |
| 2004 | | |
| Armenia | Article IV discussion | 12/01/04 |
| Benin | Article IV discussion | 10/06/04 |
| Bulgaria | Article IV discussion | 06/14/04 |
| Cambodia | Article IV discussion | 09/13/04 |
| Chad | Article IV discussion | 03/19/04 |
| Ethiopia | Article IV discussion | 09/13/04 |
| Georgia | Ex post assessment | 01/21/04 |
| Guinea | Ex post assessment | 08/27/04 |
| Guinea-Bissau | Article IV discussion | 11/19/04 |
| Honduras | PRGF request | 02/18/04 |
| Kazakhstan | Article IV discussion | 07/21/04 |
| Kyrgyz Rep. | Article IV discussion 1/ | 11/19/04 |
| Lesotho | Sixth Review under PRGF | 09/10/04 |
| Macedonia, FYR | Second Review under SBA | 08/04/04 |
| Malawi | Article IV discussion | 10/29/04 |
| Moldova | Article IV discussion | 01/26/04 |
| Niger | Article IV discussion | 06/28/04 |
| Peru | Article IV discussion | 02/23/04 |
| Romania | Ex post assessment | 04/12/04 |
| Vietnam | Article IV discussion | 11/22/04 |
| Zambia | Ex post assessment | 04/07/04 |
| 2005 | | |
| Albania | Article IV discussion | 02/28/05 |
| Azerbaijan | Fifth Review under PRGF | 06/24/05 |
| Bolivia | Ex post assessment | 04/08/05 |
| Cameroon | Article IV discussion | 04/22/05 |
| Gambia | Article IV discussion | 07/18/05 |
| Jordan | Article IV discussion | 11/21/05 |
| Mongolia | Article IV discussion | 09/21/05 |
| Pakistan | Article IV discussion | 11/02/05 |
| Republic of Madagascar | Article IV discussion | 06/01/05 |
| Sierra Leone | Sixth Review under PRGF | 06/01/05 |
| Uganda | Fifth Review under PRGF | 07/08/05 |
| Ukraine | Article IV discussion | 11/09/05 |
| Uruguay | Ex post assessment | 03/18/05 |
| 2006 | | |
| Rwanda | Ex post assessment | 01/25/06 |
| Tajikistan | Sixth Review under PRGF | 02/06/06 |
| Senegal | Ex post assessment | 03/01/06 |
| Lao PDR | Article IV discussion | 03/08/06 |

Source: Fund staff.

1/ And Sixth Review under PRGF.

Table 3: Ex Post Assessments Tentatively Expected for Board Discussion
April-September 2006 1/

Argentina 2/
Burkina Fasso 3/
Guyana 3/
Mauritania
Tanzania 4/
Togo

Source: Fund staff.

- 1/ EPA expected to be discussed in the context of Article IV consultations or combined Article IV program review discussions unless otherwise indicated.
- 2/ EPA expected to be discussed in the context of Article IV consultation, together with an ex-post evaluation of program engagement supported by exceptional access.
- 3/ EPA expected to be discussed in the third quarter of 2006. Member would continue to meet the LTPE definition if the LTPE definition for PRGF users were made the same as the one applying for GRA users.
- 4/ EPA expected to be discussed in the context of fifth program review.