



September 8, 2016

## STAFF GUIDANCE NOTE FOR THE CONDUCT OF EX POST PEER REVIEWED ASSESSMENTS OF MEMBERS WITH LONGER-TERM PROGRAM ENGAGEMENT

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following document has been released and is included in this package:

- The **Staff Report** on Staff Guidance Note for the Conduct of Ex Post Peer Reviewed Assessments of Members with Longer-Term Program Engagement prepared by IMF staff and completed on August 11, 2016.

The staff report was issued to the Executive Board for information.

The policy of publication of staff report allows for the deletion of market-sensitive information.

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



August 11, 2016

## STAFF GUIDANCE NOTE FOR THE CONDUCT OF EX POST PEER REVIEWED ASSESSMENTS OF MEMBERS WITH LONGER-TERM PROGRAM ENGAGEMENT

Approved By  
**Siddharth Tiwari**

Prepared by Strategy, Policy, and Review Department

**1.** This note updates guidance on key operational aspects of the policy on Longer-Term Program Engagement (LTPE). The updated guidance reflects operational changes following the Board's decision on April 30, 2015 to replace Ex Post Assessments (EPAs) for members with LTPEs with succinct ex post peer reviewed assessments (PRAs)<sup>1</sup> to reflect on the lessons from the past for the design of successor arrangements or usage of the Policy Support Instrument (PSI).

### **A. Members Subject to a PRA and Timing of PRAs**

**2.** Members subject to a PRA will be those with LTPE, defined as having in place a Fund arrangement drawing on upper credit tranche GRA resources or PRGT resources, or a blend of both, for at least 7 of the preceding 10 years. Arrangements that remain undrawn shall not count. However, if a member draws upon an arrangement that had been considered precautionary at the time of the approval (e.g., FCL, PLL, SBA/SCF), the entire length of the arrangement will also count toward LTPE for the purpose of the PRA. An outright disbursement under the RCF or RFI, and the usage of PSI, do not count towards LTPE. For canceled arrangements, only the time until their cancellation is counted.

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<sup>1</sup> See paragraphs 29–32, [Selected Streamlining Proposals Under the FY16-FY18 Medium-Term Budget – Implementation Issues](#), 04/09/2015.

**3.** A PRA will only be required if *all* of the following conditions are met: (i) the member has informed staff that a successor arrangement (drawing or precautionary) or a PSI is being contemplated; (ii) the member has LTPE when it informs staff of its intent to engage in a successor arrangement or the member is expected to meet the LTPE definition at the time of the Board consideration of the request for the new arrangement or PSI; and (iii) an EPA or PRA has not been prepared in the five-year period preceding the time of Board consideration of the new Fund arrangement or PSI. When all of these conditions are met, staff should conduct a PRA either at the initiation of discussions with the authorities for a new arrangement or PSI, or in the context of another already planned mission (staff visit or an Article IV consultation), whichever is earlier, so that its lessons can be incorporated in the design of the new Fund-supported program where appropriate.<sup>2</sup> The draft PRA should be prepared in advance and peer-reviewed before circulation to departments as part of the relevant draft policy note.

**4.** Once a PRA is conducted, it should be included in the staff report supporting the request for the new Fund-arrangement or PSI even if the member has ceased to meet the LTPE criteria by that time (for example, due to a rescheduling of the Board meeting, or a delay in bringing the program request to the Executive Board).

## **B. Content of PRA**

**5.** PRAs are intended to serve a similar purpose to EPAs; i.e., to assess the appropriateness of the Fund's overall approach and soundness of its advice in the context of previous Fund arrangements to, for example, help design successor programs but are expected to be much more succinct and focused. Furthermore, the PRA findings should be integrated into the staff report of a successor arrangement or PSI rather than submitted as a stand-alone document. PRAs should, to the extent possible, contain the following elements where appropriate:

- (i) Why has the country had an LTPE with the Fund? What was the rationale for Fund engagement?
- (ii) What were the goals of the programs and to what extent was program implementation in line with expectations? Were the ultimate objectives of the Fund-supported program(s) achieved?
- (iii) To what extent did the member observe or fail to observe conditionality established under the program(s)? Areas in which program conditionality was frequently not met should be discussed, along with relevant justifications, referring also to whether the authorities requested waivers or modification of program conditionality.
- (iv) With the benefit of hindsight, was the choice of Fund arrangement, access, phasing, and program conditionality at the outset appropriate? Were the key assumptions accurate

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<sup>2</sup> For the purpose of the PRA, new or successor program refers to all new Fund arrangements and PSIs.

and risks correctly identified? Was there sufficient contingency planning embedded in the program and did conditionality evolve in response to unforeseen developments?

- (v) What are the lessons learned from this assessment including for program design and future engagement? What are the priorities and risks?
- (vi) The authorities' response to the staff's assessment.

### C. Conducting an EPPRA

**6.** The PRA should be prepared by the relevant area department country team and peer-reviewed by another country team. In preparing PRAs, country teams are encouraged to reach out and consult with donors, outside experts, market participants, previous mission chiefs, and reviewers.

**7.** The country team should prepare a draft PRA in the form of an annex ahead of the relevant Article IV consultation, or new arrangement discussion, to be peer-reviewed by another country team. The latter can be from the same or a different area department and preferably be one working on another LTPE member. As in the past, SPR will continue to establish and post on internal website annually, a list of countries currently meeting the LTPE criteria, which can be drawn on to identify the peer review team. If necessary, SPR will actively assist in identifying a peer review team.

**8.** The peer review team should provide comments on the draft PRA focusing on the extent to which items (i) to (iv) of paragraph 5 above are addressed. The draft PRA addressing the comments from the peer review team should then be included in the draft policy note subsequently sent to departments for review.<sup>3</sup> Departments should review the PRA in conjunction with the policy note, focusing in particular on item (v) of paragraph 5. Members of the peer review team should also attend the Policy Consultation Meeting for the draft policy note. The PRA should subsequently be sent to management for clearance as part of the policy note for the mission, with the cover note succinctly reporting its main conclusions and any dissenting views.

**9.** The draft PRA should be discussed with the authorities during the mission and updated to correct for any factual errors and incorporate the authorities' response to its conclusions. Staff should remain mindful of the prohibition against negotiating with the authorities the analysis and conclusions of the PRA.

**10.** The staff report supporting the request for an arrangement or PSI should integrate the lessons from the PRA. The analysis and conclusions of the PRA should be reflected in the main text and the report's executive summary should include a paragraph summarizing the key findings of the PRA. If necessary, this can be accompanied by an annex not exceeding 1,000 words. When the draft staff report is circulated internally for comments and clearance, any changes to the PRA relative to

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<sup>3</sup> When emergency financing mechanism is invoked, the PRA can be sent for comments to the peer review team at the same time as the policy note is sent to departments for review.

the pre-mission version should be flagged to reviewers, including the peer review team, and to management.

**11.** The Board's views on the PRA will be captured in the summing up of the Board meeting considering the successor arrangement or a PSI and included in the chairman's statement. The publication regime governing the PRA would be the same as that governing the relevant staff report, of which the PRA is an integral part. Accordingly, the views expressed by the Board will be included in the press release as part of the chairman's statement.