Guidance Note on the Implementation of Post-Program Monitoring[1]
March 18, 2010

1. **The Executive Board has agreed that post-program monitoring (PPM), with formal involvement of the Board, could be useful in certain cases.** Specifically, the Board has decided that when a member's outstanding credit from the General Resources Account (GRA) of the Fund, or from the Fund as Trustee of the Poverty Reduction and Growth Trust (PRGT), or a combination thereof, exceeds a threshold of 200 percent of quota, and the member no longer has an arrangement or is not implementing a staff-monitored program with reports issued to the Board, there should be a presumption that the member will engage in PPM with the Fund of economic developments and policies after the expiration of the arrangement.

2. **The central objective of PPM is to provide for closer monitoring of the circumstances and policies of members that have substantial Fund credit outstanding following the expiration of their arrangements.** PPM is intended to provide an early warning of policies which could call into question a member's continued progress toward external viability, and thus could eventually imperil GRA or PRGT resources, or at least indicate that such resources were not being used (in the sense of continuing to be used) for their intended purpose. It also provides a mechanism for bringing this to the attention of the authorities and the Board and stimulating action to improve the situation.

3. **Under PPM, members undertake more frequent formal consultation with the Fund than is the case under surveillance, with a particular focus on macroeconomic and structural policies that have a bearing on external viability.** To this end, the member will be expected to discuss with the staff its policies, including a quantified macroeconomic framework. The staff will then report formally to the Board on the member's policies, the consistency of the proposed macroeconomic framework with the objective of medium-term viability, and the implications for the member's capacity to repay the Fund. There will normally be two PPM Board discussions during a twelve-month period. One of these discussions would be expected to coincide with the Article IV consultation,[2] and the other could be based on a short staff report covering recent economic developments and discussions with the authorities on the macroeconomic framework and medium-term prospects. It would be possible—as it is with Article IV consultations—for the Board to conclude a PPM discussion on a lapse-of-time basis, if no major issues had arisen; in such a case, the Board will be deemed to have expressed its agreement with the staff appraisal in the staff report, and the latter will serve as the basis for the Executive Board's assessment in the

[1] This Guidance note replaces the 2005 guidance note. It reflects revisions to the PPM policy that the Executive Board adopted as part of the reforms to the Fund's GRA and LIC facilities in 2009.

[2] There would be large overlap between Article IV issues and PPM discussions with the additional requirement for PPM discussions that there be an explicit focus on the relationship between a member's medium-term prospects and its capacity to repay. Nevertheless, when a PPM discussion coincides with an Article IV consultation, it is important for the staff report to be clear on the dual purpose of the discussion, including through inclusion of "Post-Program Monitoring Discussion" in the title of the report.

Public Information Notice (see paragraph 8). Descriptions of developments between discussions could also be given periodically at country matters meetings if necessary.

4. **Members that meet the criterion set forth in paragraph 1 above will not automatically be subject to PPM.** Rather, the Managing Director would be expected to recommend PPM to the Board, unless in the Managing Director's view the member's circumstances are such that the process would be unwarranted. Examples of circumstances where PPM would not be needed are when a successor arrangement or a staff-monitored program is expected to be in place within six months or where the member's policies and external position were strong. If these circumstances ceased to apply, the Managing Director would be expected to recommend PPM.

5. **There would remain a possibility of requiring PPM of a member that did not meet the criterion for the presumption of PPM set forth in paragraph 1 above.** For example, PPM might be required in cases where outstanding credit was below the threshold, but in the view of the Managing Director and the Board, there were developments which called into question the member's progress toward external viability.

6. **The decision on whether a member should be subject to PPM could be taken at any time, but it would normally be taken at the time of the last review under an arrangement when it is expected that the member's credit outstanding at the end of the arrangement would exceed the threshold of 200 percent of quota.** PPM could also be instituted after the conclusion of the final review of an arrangement, if, upon the Managing Director's recommendation, the Board decides that PPM was necessary although it had not been earlier. When it was approval of outright purchases that took the member's outstanding credit above the threshold, PPM could be instituted from the date of the approval. In cases where the outstanding credit criterion was met, and the arrangement had not expired but had been off track (as indicated by the inability of the member to make purchases from the GRA or borrow from the PRGT) for some time, the Managing Director could recommend PPM beginning at the expiry of the arrangement. A staff paper recommending PPM will contain a proposed draft Board decision to that effect. Whether the first PPM discussions should be conducted in the context of an Article IV consultation should depend on when the next Article IV consultation is scheduled. However, the staff should try to ensure that either a PPM or a combined Article IV and PPM report is discussed by the Board within six months of the initiation of PPM.

7. **In calculating whether the threshold has been reached, all Fund credit in the GRA and outstanding loans from the PRGT will be taken into account.** Arrears cases covered by separate procedures will not be covered by PPM.

8. **When PPM is required on account of a high level of credit outstanding, it will normally cease when the member's outstanding credit falls below the threshold.** However, policy discussions and quantified frameworks should cover full years even if it is foreseen that, reflecting scheduled or expected repurchases and/or repayments, Fund credit would fall below the threshold at some point during the year. In addition, on the occasion of a PPM or other discussion, the Board could agree that PPM should be discontinued because, while the member continues to exceed the threshold of 200 percent of quota, there are other circumstances that indicate that PPM would no longer be necessary (see paragraph 4). When the Managing Director recommends that a member engage in PPM despite it not meeting the criterion on credit outstanding, the Managing Director will normally recommend that PPM continue for a period of one year, at the end of which the decision will be reconsidered. The Board's discussion of a PPM paper would be reflected in a summing up that can form the basis of a Public Information Notice (PIN). The publication of PINs would follow the normal PIN procedures, including the requirement of the member's consent. If a member does not consent to the publication of a PIN, a brief factual statement indicating that the discussion took place will be released instead. Staff reports for PPM discussions are presumed to be published, subject to the member's consent and following the same procedures as for other UFR staff reports under the Transparency Policy Decision (Decision No. 14497-(09/126), December 17, 2009) with the exception of paragraph 2 (c), which does not apply to PPM staff reports.[3]

[3] When a PPM discussion coincides with an Article IV consultation, a single PIN would cover both discussions.