



## INTERNATIONAL MONETARY FUND

### The Policy Support Instrument (PSI)

The Policy Support Instrument (PSI) is a non-financing instrument for low-income countries that do not want—or need—IMF financial assistance. It enables countries to secure IMF advice and support to design programs that deliver signals to donors, multilateral development banks, and markets of the strength of the country’s economic policies.

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| <b>Purpose</b>        | Promote a close policy dialogue between the IMF and an eligible member country, to assist the country in implementing economic policies and reforms aimed at maintaining or consolidating macroeconomic stability and debt sustainability while delivering signals to donors, creditors, and the general public on the strength of these policies.   |
| <b>Eligibility</b>    | All <a href="#">PRGT-eligible countries</a> that have no current or prospective balance of payments need requiring any significant macroeconomic policy adjustment, but that may still benefit from structural reforms supporting poverty reduction and growth, and that have institutions of sufficient quality to support continued good performance   |
| <b>Conditionality</b> | Analogous to <a href="#">ECF</a> and <a href="#">SCE</a> arrangements, PSI-supported programs should include policies to consolidate macroeconomic stability consistent with durable poverty reduction and growth objectives.  |
|                       | For PSIs with an initial duration exceeding two years, a Poverty Reduction and Growth Strategy (PRGS) should be issued to the <a href="#">IMF Executive Board</a> for completion of the second and subsequent reviews. The PRGS describes countries’ macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing. |

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| <b>Review modalities</b>              | Reviews take place on a fixed schedule, normally every six months, to provide regular feedback on program performance and update program design as needed.  |   |
|                                       | In the event that performance is not sufficiently strong a review would not be completed. Bringing a PSI-supported program back on track would require corrective actions and completion of the next scheduled review.  |   |
|                                       | The noncompletion of two consecutive scheduled reviews would signify the lack of Board endorsement of the member's policies, and the PSI would automatically lapse.   |   |
|                                       | The PSI does not involve a review-based monitoring of program targets and waivers for nonobservance must be requested to the Board for missed targets. Waivers of applicability are not possible under a PSI.   |   |
| <b>Use with financial instruments</b> | It can be used in conjunction with the <a href="#">RCF</a> or <a href="#">SCF</a> if short-term financing needs arise, or with a precautionary <a href="#">SCF</a> in periods of increased uncertainty or risk. It cannot be used concurrently with the <a href="#">ECF</a> . |   |
| <b>Terms</b>                          | <b>Duration</b>   | 1-4 years, but can be extended up to a maximum of 5 years.                    |
|                                       | <b>Cost</b>   | No cost.  |
|                                       | <b>Access</b>   | Successive PSIs may be requested as long as the country continues to qualify. |