



IMF POLICY PAPER

REVIEW OF THE POLICY ON STAFF-MONITORED PROGRAM WITH EXECUTIVE BOARD INVOLVEMENT

February 2024

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

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 7, 2024 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on January 10, 2024 for the Executive Board's consideration on February 7, 2024.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers
are available to the public from
<http://www.imf.org/external/pp/ppindex.aspx>

International Monetary Fund
Washington, D.C.



IMF Executive Board reviews the Staff-Monitored Program with Board Involvement

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) completed the review of the policy on Staff-Monitored Programs with Board Involvement (PMB). This instrument helps member countries to establish a track record to access an IMF-supported program.
- The Executive Board endorsed the proposal to keep the PMB in the Fund's toolkit. As further experience with the PMB is needed, a subsequent review of the instrument is expected in three years.

Washington, DC – February 20, 2024: The IMF Executive Board completed the review of the policy on [Staff-Monitored Program with Board Involvement \(PMB\)](#) on February 7 and endorsed the proposal to keep the PMB in the Fund's toolkit with a subsequent review expected in three years.

In September 2022, the Executive Board amended the policy on SMPs to create PMBs. As with all SMPs, the objective of the PMB is to build or rebuild a track record of policy implementation towards an Upper Credit Tranche (UCT)-quality Fund-supported program. The PMB is carefully circumscribed for member countries under either (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief in support of the member's policy program or (ii) significant outstanding credit under emergency financing (EF) instruments at the time of a new EF request. It allows the Executive Board to opine, at the time of the PMB approval, on the robustness of the member's policies to meet the program's objectives and, in the context of reviews, on whether it agrees with staff that the member is on track to meet those objectives.

The purpose of this review, as envisaged at the time of the inception of the instrument, was to determine whether the PMB remains a valuable addition to the Fund's toolkit. The PMB plays an important niche role in the toolkit supporting members in circumscribed circumstances. Since its inception, three members – Malawi, Ukraine and South Sudan – have implemented PMBs. Given the limited number of cases, further experience would be needed to draw more definitive conclusions in terms of the usefulness of the PMB vis-à-vis alternative instruments and a more parsimonious Fund toolkit. In this context, the Executive Board decided to keep the PMB in the Fund's toolkit. The instrument will be expected to be reviewed in three years.

Executive Board Assessment¹

Executive Directors broadly supported staff's proposal to maintain the Staff-Monitored Program with Executive Board Involvement (PMB) in the Fund's toolkit. They agreed that the PMB can complement the Fund's toolkit in well-circumscribed circumstances, while noting that the limited number of cases thus far prevented drawing firm conclusions. They agreed that the Staff-Monitored Program (SMP) should continue to be the Fund's primary instrument to build or rebuild a track record of policy implementation toward a Fund arrangement that supports an Upper Credit Tranche (UCT)-quality program.

Directors acknowledged the potential benefits of limited Executive Board involvement through the PMB, including enhancing donor coordination, catalyzing additional financial support including in low-income, fragile, and conflict-affected countries, creating an additional safeguard in cases of elevated emergency financing exposure, reflecting the Board's views on policies at an earlier stage, and thereby facilitating the transition to UCT-quality programs. They positively noted the experiences of Ukraine and Malawi in this regard.

However, given the limited set of countries that have used the PMB, Directors emphasized that it is too soon to accurately gauge the pros and cons of PMBs, and that further experience would be needed to draw more definitive conclusions on the usefulness of the PMB vis-à-vis alternative instruments. A few Directors were skeptical about the merits of the PMB relative to the regular SMP.

Directors stressed that access to the PMB should continue to be limited to the two use criteria to prevent encroachment on the use of SMPs. Where the PMB-use criteria are met, the PMB should continue to be encouraged, but the ultimate choice between a PMB or a regular SMP should remain voluntary and continue to rest with the requesting member.

Directors reiterated the importance of mitigating potential challenges associated with the implementation of PMB policy, particularly, potentially blurring the lines between Board endorsed programs and SMPs. Directors underscored the importance of mitigating these risks by maintaining effective communication regarding the nature and purpose of the PMB, and encouraged the next review to include an assessment of risks and challenges that may emerge with more experience with the PMB. To avoid diluting the strength of the signaling effect of the Board endorsement of UCT-quality programs, it would be critical to communicate clearly that responsibility for PMBs rests with staff and management, and the Board has limited involvement and does not endorse a PMB.

Directors agreed to have the review in three years once more experience is gained, while a number of Directors were open to an earlier review if warranted.

¹ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>



January 10, 2024

REVIEW OF THE POLICY ON STAFF-MONITORED PROGRAM WITH EXECUTIVE BOARD INVOLVEMENT

EXECUTIVE SUMMARY

In September 2022, the Executive Board amended the policy on Staff-Monitored Programs (SMPs) to create the Staff-Monitored Program with Executive Board Involvement (PMB). As a subset of SMPs, the purpose of a PMB is to help a member build or rebuild a policy implementation track record towards a Fund arrangement that supports an upper credit tranche (UCT)-quality program. In well-circumscribed circumstances, the PMB allows the Executive Board to opine on the robustness of the member's policies to achieve the stated program objectives, and whether it agrees with staff that the member is on track to achieve those objectives during reviews. The PMB is approved by management and the Executive Board does not endorse the program, which helps avoid undermining the broad-based use of SMPs for track-record building and diluting the "signaling" effect of the Executive Board endorsement.

This paper reviews the PMB, as envisaged at the time of the inception of the instrument, to determine whether it continues to be a valuable addition to the Fund's toolkit. The review comes at a time of heightened economic headwinds and risks, marked by a series of shocks, where recourse to Fund arrangements could be more challenging for some members due to debt sustainability or financing concerns. At the same time, experience with the PMB is limited to three country cases over the past sixteen months. Hence, staff conducted outreach to country teams and Executive Directors to take stock of experience with the PMB and help gauge its value to the IMF toolkit.

On balance, staff suggests keeping the PMB with a subsequent review in three years. The PMB has so far played an important niche role in the toolkit supporting members in circumscribed circumstances, while not supplanting the SMP as the primary tool for building or rebuilding a track record towards a UCT-quality program. Further experience would be needed to draw more definitive conclusions in terms of the value of the tool vis-à-vis alternative instruments and a more parsimonious Fund toolkit.

Approved By
Guillaume Chabert
 (SPR),
Zuzana Murgasova
 (FIN), and
Yan Liu (LEG)

Prepared by the Finance Department, the Legal Department, and the Strategy, Policy, and Review Department. The team comprised Niamh Sheridan, Lukas Kohler, Tomohide Mineyama, Alexander Zaborovskiy, Bilal Tabti, Yinhao Sun, and Toomas Orav (all SPR); Gabriela Rosenberg, Gomiluk Otokwala, Jonathan Swanepoel and Jonathan Pampolina (all LEG); Dalia Hakura, Natalia Aivazova, Beata Jajko, Andrew Swiston, and Nelson Sobrinho (all FIN); Maxwell Kushnir and Holt Williamson (SPR) provided research assistance. Linda Bisman, Alexandra Panagiotakopoulou, and Katarina Varga (SPR) provided administrative support.

CONTENTS

INTRODUCTION AND BACKGROUND	3
MEMBER EXPERIENCES SO FAR AND POTENTIAL USEFULNESS OF THE PMB	5
PMB AND THE IMF TOOLKIT	9
ENTERPRISE RISKS	12
STAFF PROPOSAL	13
ISSUES FOR DISCUSSION	13
BOX	
1. Key Features of the PMB	4
FIGURES	
1. SMP/PMB Approvals (2008—2023)	9
2. Projected Number of Countries with EF Credit Outstanding above Thresholds (2020—2028)	10
3. The Role of the PMB	12
TABLES	
1. Use of PMBs	7
2. Select Modalities of IMF Instruments	11
ANNEX	
I. Non-Financing/Monitoring Instruments	14

INTRODUCTION AND BACKGROUND

1. In September 2022, the Executive Board endorsed an amendment to the policy on Staff-Monitored Programs (SMPs) that allows for SMPs with Executive Board Involvement (PMBs) in well-circumscribed circumstances.¹ The PMB is carefully circumscribed for member countries that, in addition to seeking to build or re-build a track record² for upper credit tranche (UCT)³ use of Fund resources (UFR), would benefit from targeted Executive Board involvement because of either (i) an ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief in support of the member's policy program or (ii) significant outstanding Fund credit under emergency financing (EF) instruments at the time new EF is obtained.⁴ Management approves the PMB and the completion of reviews of the program (Box 1). The Executive Board does not endorse the program and has limited involvement. Under the amended policy, the Executive Board can opine (a) at the time of approval of the PMB by management, on whether the policies under the PMB are robust to meet the program's objectives and (b) in the context of reviews, on whether it agrees with staff that the member is on-track to meet those objectives. In this vein, the PMB's design is intended to avoid undermining the broad-based use of SMPs for track-record building and diluting the strength of the "signaling" effect of the Executive Board endorsement.

2. The PMB, under the broader umbrella of the SMP policy, can provide support to members in challenging circumstances seeking to establish a policy implementation track record. As with all SMPs, the purpose of a PMB is to help a member build or rebuild a policy implementation track record to pave the way for a Fund-supported, UCT-quality program. For members that require UFR but do not qualify for an arrangement due to inadequate financing assurances or debt sustainability issues, Board involvement with a PMB can help coordinate donors and creditors to provide additional financing or debt restructuring. In addition, early Board engagement with a PMB for members with elevated levels of EF that are seeking to build or re-build a track record can help align Executive Board views on policies and facilitate the transition to UCT-UFR. In that sense, the PMB is fundamentally an SMP with additional coordination attributes that can better tailor Fund engagement to country-specific circumstances and allow the Executive Board to be more closely associated with programming and monitoring the economic and financial policy frameworks in pre-UCT and carefully circumscribed situations. Program design and modalities

¹ ["Proposal for a Staff-Monitored Program with Executive Board Involvement,"](#) Policy Paper No. 2022/041.

² Track records for UFR are normally needed to provide adequate safeguards when there are concerns about a member's capacity or commitment to implement a Fund-supported program meeting the UCT quality conditionality standard, including when a Fund-supported program has gone off-track. See Policy Paper No. 2022/048.

³ The UCT-quality standard is understood to refer to a member's policies that are designed to provide a substantial justification that the member's balance of payments problems are being addressed and resolved, and adequate confidence to the Fund that the improvements in resolving such balance of payments difficulties will allow the member to repay Fund resources by the time repayments fall due.

⁴ The assessments of criteria (i) and (ii) are described in paragraph 10, bullet three in the September 2022 PMB Board paper, with criterion (i) implying Board judgement.

of the PMB are guided by the SMP policy and in the 2022 SMP Updated Operational Guidance Note (GN).⁵

Box 1. Key Features of the PMB

Role of the Executive Board: As with the regular SMP, Management approves the PMB and the completion of reviews of the program. The Executive Board can opine in a summing up on whether the policies under the PMB are sufficiently robust to meet the PMB’s objectives. This is done through an Executive Board discussion at the time of management’s approval. In the context of reviews, the Executive Board opines, in a summing up, whether it agrees with staff that the member is on track to achieve the objectives of the PMB, thereby monitoring its implementation. Under the PMB, the Executive Board does not endorse the PMB or set conditionality, as it does for arrangements.

PMB use criteria: A PMB is only available to members that seek to establish or re-establish a track record for UCT-UFR, and either:

- (i) are benefiting from an ongoing concerted international effort by the international community (i.e., creditors or donors) to provide substantial new financing/debt relief in support of the member’s policy program, or;
- (ii) have significant Fund credit outstanding under EF instruments at the time they obtain new EF, to address potential safeguards concerns. This criterion is met if a member received new EF under the RCF or RFI which brings total credit exposure outstanding from EF at or above 100 percent of quota.

Voluntary but encouraged: As a form of technical assistance, the PMB is voluntary for both the Fund and the member, but it is strongly encouraged for those members which are seeking an SMP to build a track-record for UCT-UFR and also meet either criterion (i) or (ii) above. The choice between a PMB or an SMP ultimately remains at the discretion of the member.

Clear Communication to distinguish the PMB both from the traditional SMP and Board-monitored non-financing instruments (the Policy Coordination Instrument, PCI) is critical. In that regard, communications after the Board discussion of the PMB needs to clearly indicate (i) the nature of the PMB, including that it is monitored by staff and approved by Management; and (ii) the limited nature of the Board’s involvement.

⁵ [“Staff-Monitored Programs—Updated Operational Guidance Note,”](#) Policy Paper No. 2022/048

3. Directors agreed to review experience with the PMB policy within one year to determine whether the PMB continues to be a valuable addition to the Fund’s toolkit.⁶ The review of the PMB comes in a context of continuing global economic headwinds and geopolitical strains, marked by series of major shocks. Extreme weather events, tight and volatile global financial conditions, geoeconomic fragmentation, and other external shocks have exacerbated the challenges faced by many countries, including debt sustainability and adequate financing. Hence, the recovery is slow and uneven, medium-term growth prospects are weak, and there is a risk of further divergence across countries. The review of the PMB considers these current circumstances and the role of the instrument in supporting members’ ability to avail themselves of Fund financing in certain circumstances.

4. The review reflects on the early experiences with the PMB and assesses its role in the Fund’s toolkit. The main goal of the review is to consider whether the PMB remains a valuable addition to the Fund’s toolkit. To this end, the review takes stock of experience with the use of—and staff engagement on—the PMB so far. It then revisits the role of the PMB in the Fund’s toolkit, elaborating on the discussion in the [2022 PMB Board Paper](#). Based on the experience to date and outreach with stakeholders, the review suggests that the PMB appears to be a useful tool to support members under specific and narrow circumstances, although the traditional SMP should remain the primary tool for countries aiming at building or rebuilding a track record towards a UCT-quality program. The limited number of cases so far makes any assessment inevitably preliminary, and it should be revisited once there is more experience with the PMB.

MEMBER EXPERIENCES SO FAR AND POTENTIAL USEFULNESS OF THE PMB

5. Usefulness of the PMB is assessed both from countries’ experiences so far over the past sixteen months, as well as staff’s outreach to inform the review. Staff collected views from country teams that used the PMB. However, given this limited experience, staff also conducted discussions with a broader set of country teams as well as with Executive Directors from different constituencies to cover potential, future usefulness of the PMB.

6. To date three members—Malawi, Ukraine, and South Sudan—have implemented PMBs (see Table 1).

- Malawi met both PMB use criteria. In November 2022, the Board approved EF of 50 percent of quota under the Food Shock Window (FSW) of the Rapid Credit Facility (RCF), raising total EF credit outstanding to about 150 percent of quota. Simultaneously, a 12-month PMB was requested to build a track record of policy implementation to pave the way to a UCT-quality program. The PMB also intended to mobilize new financing from donors with the program

⁶ The review is planned to be completed slightly later than staff’s original proposal (by end-September 2023) to take on board insights from recent PMB country cases and allow for sufficient consultation with country teams and Executive Directors.

underpinning the debt restructuring process. The first review was completed in July 2023. In October 2023, the second (and last) review under the PMB was completed with tangible progress in building a track record and securing a debt treatment operation, based on which a 4-year ECF arrangement with access equivalent to SDR132 million or 95 percent of quota was approved on November 15, 2023 to support the ongoing macroeconomic adjustment and catalyze grant financing.⁷

- Ukraine: A PMB for Ukraine was initiated in December 2022 based on both PMB use criteria. Due to two consecutive purchases under the RFI (regular window and then the FSW), Ukraine's EF exposure increased to 100 percent of quota.⁸ The PMB for Ukraine was also aimed to help maintain stability and catalyze donor financing amid very large balance of payments needs and exceptionally high risks. Building on the authorities' strong performance under the PMB, the Board approved a 4-year extended arrangement with access equivalent to SDR 11.6 billion (577 percent of quota or about US\$15.6 billion) in March 2023 as part of a US\$115 billion total support package for Ukraine.
- South Sudan met criterion (ii). The country received a disbursement equivalent to SDR 86.1 million or 35 percent of quota under the FSW of the RCF in March 2023, raising total EF credit outstanding to 100 percent of quota. In line with the "voluntary but encouraged" PMB policy, the FSW was accompanied by a 9-month PMB. The first review under the PMB, which was originally scheduled in June 2023, was postponed due to negative spillovers from the conflict in neighboring Sudan, and a three-month extension was requested in November 2023. In South Sudan's case, the PMB builds on a previous SMP. Despite significant progress under this SMP, the authorities needed more time to build a track record of policy implementation and requested a PMB, which was perceived as having higher visibility given the limited Board involvement.

⁷ The ECF arrangement secures creditor and donor assurances on concessional financing and credible and specific financing assurances from official bilateral creditors, such that the Fund's own contribution to the external financing gap over the program period would be about 11 percent.

⁸ The Ukrainian authorities requested a PMB in the October 2022 Letter of Intent requesting financial assistance under the FSW of the RFI.

Table 1. Use of PMBs

Country	PMB approval	Duration (months)	EF access (percent of quota)	Criteria for PMB	Program review
Malawi	Oct 2022	12	50	concerted effort / EF credit >= 100% of quota	1 st review completed in July 2023; PMB 2 nd review completed in October 2023 and ECF approved in November 2023.
Ukraine	Dec 2022	4	50	concerted effort / EF credit >= 100% of quota	1 st and final review completed in March 2023; EFF approved.
South Sudan	Feb 2023	12	35	EF credit >= 100% of quota	1 st and 2 nd reviews underway; extended by three months, through February 15, 2024.

7. Recent experience illustrates application of the two PMB use criteria endorsed by the Board in September 2022. For Ukraine and Malawi, the PMB was explicitly intended to catalyze donor support to secure sufficient external financing. In all three cases, the PMB provided a robust macroeconomic framework in the context of high emergency financing (EF exposure, including under the FSW of the RFI and RCF).

- **The PMBs of Ukraine and Malawi involved concerted international effort by creditors or donors to provide substantial new financing or debt relief in support of the member's policy program (PMB criterion (i), Box 1).** Both countries required the strong stakeholder engagement secure adequate financing assurances, to mitigate elevated capacity to repay risks, and/or facilitate a necessary debt restructuring process. For example, for Ukraine, the launch of the PMB helped to mobilize near-term concessional financing commitments from the G7, the EU, and other donors. This provided a valuable building block for the extended arrangement approved in March 2023, which required large-scale financing commitments and assurances to underpin the US\$115 billion package (about 75 percent of Ukraine's 2023 GDP).⁹
- **All three PMB cases involved elevated EF exposure (PMB criterion (ii), Box 1).** EF financing does not involve ex post conditionality, so the PMBs allowed for limited and early Board involvement not present under a traditional SMP. Such Board involvement was considered a means to support the transition to UCT-UFR and help address potential safeguard concerns

⁹ The assurances included creditor and donor commitments on debt relief and financing terms and conditions to restore debt sustainability under baseline and downside scenarios, and separate assurances on capacity to repay in view of tail risks beyond the downside scenario, as required under the Fund's financing assurances policies for UCT-financing under exceptionally high uncertainty.

where there is significant EF exposure. In the Summing Up of the relevant Malawi Board meeting, Directors emphasized that the limited Board involvement was essential given Malawi's significant outstanding Fund credit under EF instruments. In South Sudan's PMB, a transparency measure for the use of the funds provided under the EF was incorporated as a structural benchmark of the program.

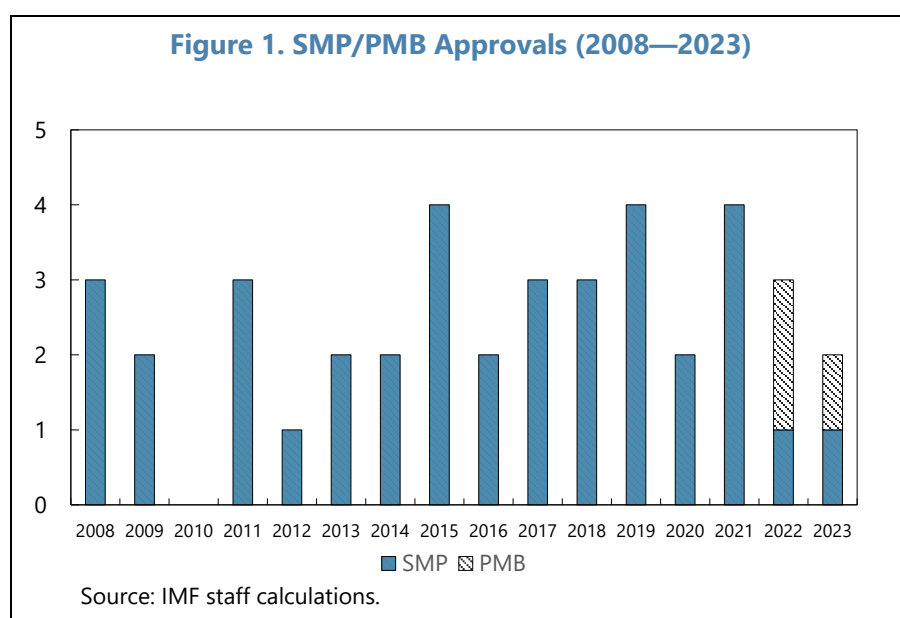
8. In one case of high EF credit outstanding, a country opted to continue with an SMP rather than shift to a PMB despite meeting a use criterion, underlining the inherent flexibility of the SMP instrument. An SMP was approved for Haiti in June 2022. In January 2023, it received a disbursement of 50 percent of quota under the FSW of the RCF to address urgent BoP needs related to acute food insecurity and higher food import costs, raising Haiti's exposure under Fund's EF to 115 percent of quota. After satisfactorily concluding the SMP, the Haitian authorities opted for a successor SMP in June 2023 to sustain and deepen reform implementation in their quest for a track-record, although they were eligible for a PMB (criterion (ii), Box 1). The authorities' decision reflected a preference to maintain the same form of engagement in light of capacity constraints. At the same time, prospects for additional donor support under either a PMB or an SMP were assessed to be limited at the time of the 2023 SMP approval, given the fluid political situation. Although PMB use is voluntary but encouraged if either of the two criteria is met, this example illustrates the voluntary nature of the PMB. It also illustrates the intended flexibility of the SMP instrument and importance of considering country-specific circumstances.

9. Given that the PMB experience is limited to three members so far, staff reached out to a broader set of country teams as well as Executive Directors from different constituencies to help assess the potential usefulness of the PMB in the future. Stakeholders noted that the higher visibility of a PMB given the Board engagement along with earlier Board engagement could be beneficial to coordinate donors and help catalyze resources in the context of unsustainable debt with a complex debt profile. Stakeholders agreed that both the SMP and PMB could be catalytic, but in some circumstances Board engagement can create additional momentum and an organizing forum, which could help the member build or rebuild a track record toward UCT-UFR, including those in post-conflict situations. However, the actual benefits of the PMB, including greater catalytic effects, would depend on the country context, such as risk profile, geopolitical conditions, and donors' current involvement on the ground, which may not be under the authorities' direct control.

PMB AND THE IMF TOOLKIT

10. Several factors should be considered when reviewing the role of the PMB in the Fund toolkit. These include the role of the SMP as the workhorse instrument to build or rebuild a track-record towards UCT-quality programs against the backdrop of the current circumstances, including the challenging global macroeconomic outlook, elevated debt vulnerabilities, and Fund EF credit outstanding after sizable Covid-19-related lending. The Fund’s toolkit should provide appropriate modalities to meet the evolving needs of the membership, including supporting member countries’ ability to quickly access arrangements when appropriate.

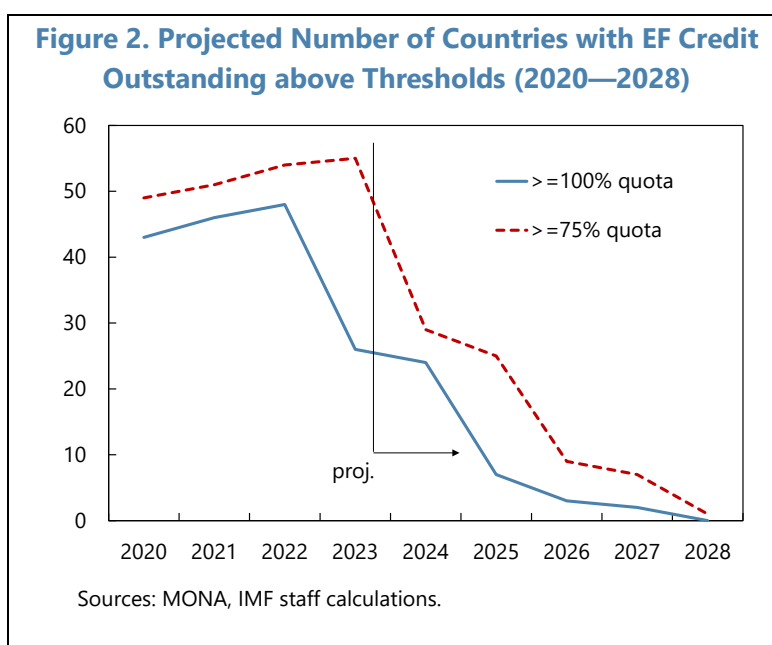
11. The SMP remains the Fund’s workhorse instrument to establish a track record of policy implementation to help pave the way for a Fund arrangement that supports a UCT-quality program. It is important to emphasize that the PMB should not dilute the role of the regular SMP, which has a strong history as the preferred option to establish a track-record towards UCT-UFR (Figure 1). The SMP is available to all members, whereas the applicability of the PMB is circumscribed to two very specific situations. The SMP is an inherently flexible instrument that could be applied in most cases in which establishing a track-record for UCT-UFR is needed. In addition, when the qualification criteria for emergency financing are met, SMPs could be concurrently used with EF to support a credible macroeconomic framework while addressing a member’s urgent BoP needs.¹⁰



12. The PMB plays a niche role in the toolkit, and global trends suggest that there may be potential usefulness for the PMB in the coming years, in line with the two use criteria for the availability of the PMB.

¹⁰ See paragraph 9 of the [2022 Updated SMP Operational Guidance Note](#).

- For criterion (i), the PMB can support a greater catalytic effect and donor coordination than a standard SMP when concerted international efforts are in place, and hence could hasten establishing a track-record for UCT-UFR. In the most complicated cases, the absence of adequate financing assurances may require debt relief operations to restore debt sustainability and ensure that the program is fully financed. The current context suggests a potential use of the PMB by certain members in the future, given elevated debt vulnerabilities, especially among LICs, as a result of increased borrowing and low growth in recent years, exacerbated by the scarring effects of the Covid-19 pandemic and the current tightening of global financial conditions.¹¹
- For criterion (ii), for members with elevated EF, with no ex-post conditionality, the PMB could expand the Board engagement, while at the same time supporting the member to build a track-record and transition to UFR. Members' EF exposure is projected to decline gradually, especially for PRGT-eligible countries, reflecting the longer maturity of the RCF. Consequently, a considerable number of members will have high levels of EF credit outstanding for an extended period (Figure 2). Further, should future urgent BoP needs arise for members qualifying for EF support, levels of EF would remain elevated, increasing the likelihood of additional demand for PMBs.



13. Against this backdrop, on balance, staff's assessment is that PMBs could continue to play a useful role in the toolkit and benefit members in circumscribed situations, when building a track record toward UCT-UFR (Table 2). PMBs can help support donor coordination and build confidence through limited Board involvement, when there is a large financing gap or

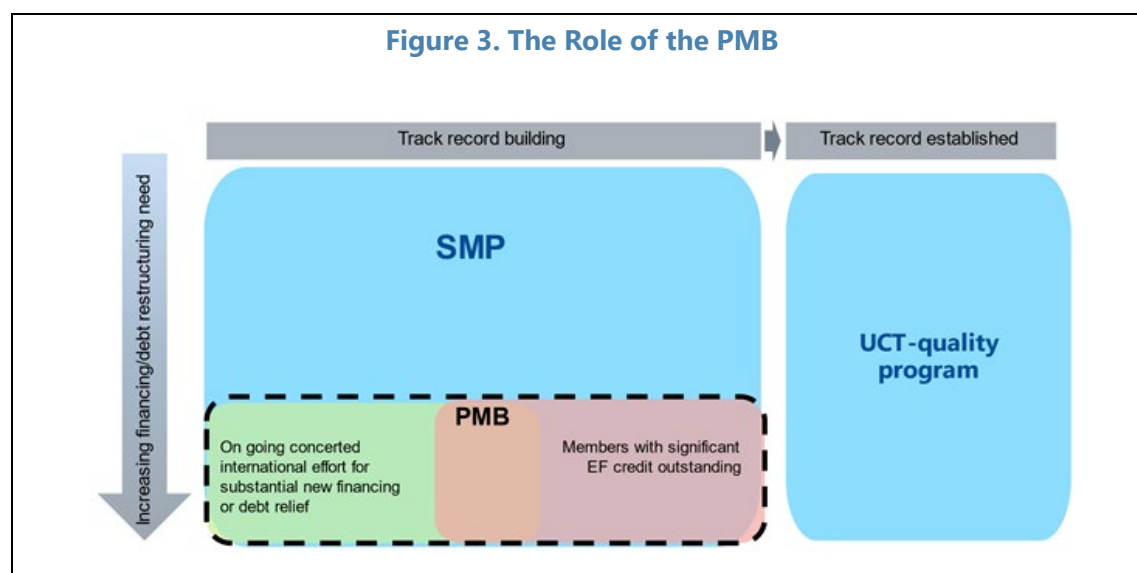
¹¹ See [October 2023 WEO](#).

deeper need for debt restructuring (Figure 3). Also, limited Board engagement under the PMB in cases of high EF use can help smooth the transition to UCT-UFR by reflecting the Board’s policy and safeguard priorities at an earlier stage. Although there are other modalities for Board engagement, the PMB plays a unique and targeted role. The Post Financing Assessment (PFA) is the main monitoring instrument in a post-financing environment for countries that do not have a program supported by a Fund arrangement, an SMP, or a Policy Coordination Instrument (PCI).¹² However, there are important differences relative to a PMB: the PFA does not include ex-post conditionality intended to support an adjustment and establish a track-record for UCT-UFR; and, PFA policy does not foresee concurrent SMP-PMB and PFA.¹³ The PCI is also not a substitute for the PMB, as potential PMB users do not qualify for UCT-quality programs (including PCIs), as they need to establish a track record (see also Annex I).

Toolkit	UCT-quality conditionality standard?	Ex post conditionality?	Financing assurances required?	Debt sustainability/CtR required?	Executive Board Involvement?
SMP					
- without EB Involvement	No	Yes	No	No	No
- with EB Involvement (PMB)	No	Yes	No	No	Yes, limited
EF (RCF/RFI)	No	No	No	Yes	Yes
UCT program, including PCI	Yes	Yes	Yes	Yes	Yes

¹² The PFA provides a framework for closer engagement with members that have substantial outstanding Fund credit but do not have a program relationship and is an important part of the Fund’s safeguards architecture. The PMB differs significantly from the PFA: (i) a PMB’s objective is to help the country build or rebuild a track record before requesting a UCT UFR; (ii) a PMB provides a policy framework and ex post conditionality; and, (iii) the PFA quota-based thresholds are higher than those established for PMB’s criterion (though the MD can recommend PFA for a country with outstanding credit below the thresholds if there are developments that suggest the need for closer monitoring of the member’s capacity to repay). A PFA might not be warranted if a successor arrangement, PCI or SMP is expected within six months of the end of a Fund arrangement. In line with its purpose of building or rebuilding a track record for UCT-UFR, the SMP-PMB has a broader application beyond the presence of IMF exposure.

¹³ Specifically, PFA policy provides for an expectation of PFA engagement where the member has credit outstanding from the Fund exceeding specified thresholds and is not implementing an SMP, among other programs.



14. With the PMB in the toolkit, proper communication remains key to helping avoid diluting the UCT signaling effect of the Executive Board. The PMB does not entail Board endorsement, which is limited to UCT-quality programs, and its use is carefully circumscribed. In this vein, press releases accompanying PMB approvals or reviews should detail (1) the use criteria under which the PMB is employed to (re)establish a track-record toward UCT-UFR; (2) the nature of the PMB, including that it is approved by Management and monitored by staff, and (3) the Board’s limited involvement, reflected in a summing up, specifically, to (i) at management approval, opine on the strength of policies to achieve the stated objectives of the PMB and, (ii) in the context of reviews, to indicate whether it agrees with staff that the member is on track to meet these objectives. The November 22, 2022, press release for Malawi’s PMB and FSW disbursement provides an example of such communication.¹⁴

ENTERPRISE RISKS

15. Adhering to the Fund Enterprise Risk Management (ERM) policy, staff assessed the enterprise risks with and without the PMB. There are potential reputational risks with maintaining the PMB, including those related to credibility and objectivity, if the PMB criteria are not well-understood by members or the instrument is perceived to be tailored to specific cases, raising concerns of lack of evenhandedness. There are also operational risks related to communication given that the unique nature of limited Board involvement in a PMB could be misconstrued as an endorsement of UCT-quality. These risks are managed within the PMB modalities and communication strategies. By maintaining a marginally more complex IMF toolkit, the current proposal could create additional operational risks, but these are mitigated by the circumscribed

¹⁴ <https://www.imf.org/en/News/Articles/2022/11/21/pr22404-malawi-imf-executive-board-approves-emergency-financing-support>

nature of the PMB and the well-established SMP guidance. The Fund would confront enterprise risks in the absence of the PMB, including a member engagement business risk of not offering an appropriate instrument when members not qualifying for a Fund arrangement supporting a UCT-quality program have a need for limited Board involvement. Also, credit risks could increase for the Fund in the absence of monitoring from limited Board involvement of members with significant Fund emergency financing outstanding.

STAFF PROPOSAL

16. On balance, staff proposes to keep the PMB instrument and that the instrument will be reviewed in three years. The PMB can be useful to address situations where the authorities are seeking to build or rebuild a track record for UCT-UFR and where Board assessment of progress in the (re)establishment of a track record would be beneficial either in the context of a concerted international effort to catalyze additional financing or debt relief, or for members with high EF exposures to transition to UCT-UFR. At the same time, experience with the PMB has been limited and further experience would be needed to draw more definitive conclusions in terms of the value of the instrument vis-à-vis alternative instruments and a more parsimonious Fund toolkit. Hence, staff proposes to keep the PMB and conduct a review in three years from the date of Board's completion of the current review. Such review would cover the experience with all PMB cases since the inception of the instrument.

ISSUES FOR DISCUSSION

17. Staff would welcome Executive Directors views and comments on the following issue.

Do Directors agree with the proposal to keep the PMB in the toolkit as a subset of SMPs for members that meet the narrowly circumscribed criteria as set forth in the PMB policy approved by the Board and to conduct a review in three years?

Annex I. Non-Financing/Monitoring Instruments

Under the Fund's current toolkit, there are three non-financing instruments used to monitor member's policies. The Staff-Monitored Program (SMP) is for track-record building, and is staff-monitored and approved by Management. The PCI is a signaling instrument, approved by the Executive Board. Key features are as follows:

Instrument	Purpose	Eligible Members	UCT-Quality	Program Approved by:	BoP Need	Duration
Staff-Monitored Program						
- without Board involvement	Track-Record Building	All	Non-UCT (except for HIPC track record)	Management (Board's endorsement of UCT quality in the context of HIPC)	BoP need may exist but not need to be closed during a program	Generally 9–18 months (longer durations not precluded)
- with Board involvement (PMB)	Track-Record Building	All, but in narrow circumstances*	Non-UCT	Management with limited Board involvement	BoP need may exist but not need to be closed during a program	Generally 9–18 months (longer durations not precluded)
Policy Coordination Instrument	Signaling	All	Yes	Board	No BoP need requiring Fund GRA or PRGT financing at approval of the PCI.	Normally 2–3 years (min. 6 months–4 years)
* Narrow circumstances defined as (i) ongoing concerted international effort by creditors or donors to provide substantial new financing or debt relief in support of the member's policy program or (ii) significant outstanding Fund credit under emergency financing (EF) instruments at the time new EF is obtained.						