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POLICY COORDINATION INSTRUMENT—UPDATED OPERATIONAL GUIDANCE NOTE

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POLICY COORDINATION INSTRUMENT—UPDATED OPERATIONAL GUIDANCE NOTE

EXECUTIVE SUMMARY

This note provides general guidance on the use of the Policy Coordination Instrument (PCI), a non-financing instrument designed for countries that are seeking to unlock financing from multiple sources and/or to demonstrate a commitment to a reform agenda. Operational issues are grouped into the following areas:

- Purpose, objectives, and eligibility;
- Modalities including duration, extension, cancellation, repeated use, and rules for its concurrent use;
- The applicability of use of Fund resources (UFR)-related policies, such as financing assurances, arrears, and safeguards;
- The design of a PCI program;
- The conditionality framework, including the review-based approach to monitoring and the related misreporting framework;
- The PCI review cycle, including details on the fixed review schedule and noncompletion of reviews;
- The applicability of other relevant policies, such as post financing assessments or Article IV consultations; and
- Annexes comparing the PCI with other instruments and corresponding nomenclature, and on documentation and the review process.

The note is an aid to the implementation of the PCI policy and its underlying principles as set forth in relevant Board decisions, summings up, and Board papers. If a provision of this guidance note or its implementation conflicts with the PCI policy, the PCI policy shall prevail.

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Acronyms and Abbreviations

BoP	Balance of Payments
CD	Capacity Development
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EFF	Extended Fund Facility
ESA	External Sector Assessment
FCL	Flexible Credit Line
GFSN	Global Financial Safety Net
GRA	General Resources Account
IPU	Interim Performance Update
IT	Indicative Target
LIC	Low-income country
LIA	Lending Into Arrears
LIOA	Lending Into Official Arrears
LOI	Letter of Intent
MEFP	Memorandum of Economic and Financial Policies
PA	Prior Action
PC	Performance Criterion
PCI	Policy Coordination Instrument
PCM	Policy Consultation Meeting
PLL	Precautionary and Liquidity Line
PMB	Program Monitoring with Board involvement
PN	Policy Note
PRS	Poverty Reduction Strategy
PS	Program Statement
PSI	Policy Support Instrument
PRGS	Poverty Reduction and Growth Strategy
PRGT	Poverty Reduction and Growth Trust
QPC	Quantitative Performance Criterion
QT	Quantitative Target
RCF	Rapid Credit Facility
RFI	Rapid Financing Instrument
RFA	Regional Financing Arrangement
RSF	Resilience and Sustainability Facility
RST	Resilience and Sustainability Trust
RT	Reform Target
SB	Structural Benchmark
SBA	Stand-By Arrangement

SCF	Stand-by Credit Facility
SLA	Staff-Level Agreement
SLL	Short-term Liquidity Line
SMP	Staff-Monitored Program
SRDSF	Sovereign Risk and Debt Sustainability Framework
TA	Technical Assistance
TMU	Technical Memorandum of Understanding
UCT	Upper-Credit Tranche
UFR	Use of Fund Resources

OBJECTIVES AND ELIGIBILITY

A. Objectives and Purpose

1. **Objective.** The PCI was established in 2017 with the overall objective of supporting countries in designing and implementing policies through a fully-fledged macroeconomic program to (i) prevent crises and build buffers, (ii) enhance macroeconomic stability, or (iii) address macroeconomic imbalances.
2. **Purpose.** The PCI is a non-financial instrument designed for countries seeking to unlock financing from multiple sources and/or to demonstrate a commitment to a reform agenda.¹ As such, the PCI can enable closer dialogue with countries and regular monitoring of economic developments and policies, including Board endorsement of those policies.
3. **Application.** There are three broad cases under which the PCI is most appropriate:
 - Countries facing external difficulties²— where the commitment to a PCI program can help secure adequate market access or access to other layers of the Global Financial Safety Net (GFSN) (e.g., Regional Financing Arrangements (RFAs) or bilateral swap arrangements) or other sources (e.g., multilateral development banks, bilateral creditors, or donors).
 - Countries that want to signal strong policies, such as when graduating from a Fund financial instrument or when a new government institutes or announces policy changes.
 - Countries that want to underpin a broader macro-structural reform agenda but do not have a BoP problem, and for which the PCI can serve as a familiar organizing framework and a commitment device.
 - The PCI may thus be a more appropriate instrument than low-access arrangements treated as precautionary,³ especially in cases where such arrangements are used to tap RFA resources and/or other layers of the GFSN. Annex 1 provides a comparison of the PCI with alternative instruments.

¹ For further details, see [Adequacy of the Global Financial Safety Net—Proposal for a New Policy Coordination Instrument](#) and [Review of the Policy Coordination Instrument and Proposal to Eliminate the Policy Support Instrument](#).

² Despite facing external difficulties, the country should not require nor seek Fund financing under the GRA and/or PRGT at the time of the PCI request, see ¶15 for a comprehensive discussion on eligibility.

³ There is no legal definition of a low-access program. The latter is generally understood as a token level of access to sustain program engagement.

4. Legal basis. The legal basis of the PCI is the Board decision No. 16230-(17/62) adopted on July 14, 2017, which was amended on October 4, 2023 (the PCI Decision).⁴ As a non-financial instrument, the PCI is legally considered to be technical assistance (TA) by the Fund, that is voluntary for the member and the Fund.

B. Eligibility and Qualification

5. Eligibility. The PCI is available to all Fund members, except (i) those with overdue obligations to the Fund under the General Resources Account (GRA), the Poverty Reduction and Growth Trust (PRGT), or the Resilience and Sustainability Trust (RST) and (ii) those who require or seek financial assistance from the GRA and/or PRGT at the time of the PCI request, owing to a present, potential, or prospective balance of payments (BoP) need.⁵ In other words, a country can have an actual BoP need and qualify for the PCI, as long as covering this need does not require Fund financing. Instead, financial assistance could be from other official creditors, such as RFAs, multilateral development banks, bilateral creditors or donors.⁶ Countries with short-term financing and adjustment needs could instead be supported by arrangements under the Standby Credit Facility (SCF)/Standby Arrangement (SBA) or, where the BoP needs are urgent and subject to other applicable qualification requirements, under the Rapid Credit Facility (RCF)/Rapid Financing Instrument (RFI). Countries that face a protracted BoP problem could be supported by an arrangement under the Extended Credit Facility (ECF), and countries with a medium-term BoP problem could be supported by an Extended Fund Facility (EFF) arrangement.⁷

6. Upper-credit tranche (UCT) standard. Programs supported under the PCI must meet the UCT-quality standard (see ¶1). While the PCI has no qualification criteria, the requesting country would have to credibly commit, as well as have the capacity, to implement policies strong enough to constitute the basis for a Fund-supported program (i.e., UCT policies).⁸

⁴ See also the Board summings up, in [Press Release 17/299](#) on July 26, 2017 and [Press Release 23/341](#) on October 4, 2023.

The Board Papers are found here: [Adequacy of the Global Financial Safety Net—Proposal for a New Policy Coordination Instrument and Review of the Policy Coordination Instrument and Proposal to Eliminate the Policy Support Instrument](#).

⁵ The PCI is available to members who request financial assistance from the RST, including at the time of a request for a PCI provided there are no overdue obligations to the Fund under the GRA, PRGT, or RST and all other policy requirements are met.

⁶ That is, a country with a BoP need covered by other sources (e.g., RFAs or bilateral creditors) is eligible for a PCI.

⁷ A protracted BoP problem for which the ECF may be appropriate exists when the resolution of macroeconomic imbalances is expected to extend over three years or more. Countries with a protracted BoP problem may experience a combination of present, prospective, and potential needs. Similarly, the EFF is intended for circumstances in which it would be difficult for a member to achieve satisfactory BoP adjustment within a three- to five-year period, such as economies suffering serious payments imbalances relating to structural maladjustments in production and trade and where prices and cost distortions have been widespread or economies characterized by slow growth and inherently weak BoP positions (see Decision No. 4377-(74/114), September 13, 1974, as amended).

⁸ In the context of Fund financial support, the term UCT financing refers to an arrangement that meets two conditions under the Fund's legal and policy frameworks. First, a program would need to be designed to solve the

MODALITIES

A. Duration, Extension, Termination/Cancellation, and Review

- 7. Duration.** A PCI is expected to have a duration of two to three years. However, there is flexibility to meet the varying needs of countries' reform agendas. In this regard, a PCI can be approved for a duration of six months to four years. PCIs of less than one year require at least one scheduled review.
- 8. Extension.** A PCI can be extended up to an overall maximum period of four years. Extensions must be requested by the member and approved by the Board before the current PCI expires.
- 9. Termination/Cancellation.** The PCI can be cancelled by the authorities at any time, including when the country experiences financing or adjustment needs that are expected to extend beyond the short term or have impacted the authorities' objectives or their capacity or commitment to implement the PCI program. The PCI will be automatically terminated if: (i) no scheduled review is completed within 15 months after Board approval of the PCI request or of the scheduled review date of the last completed review (for a PCI with semi-annual reviews),^{9, 10, 11} (ii) the relevant member incurs overdue financial obligations to the GRA, PRGT, or RST; or (iii) approval of Fund financing other than through the SBA/SCF, Resilience and Sustainability Facility (RSF), or RFI/RCF.
- 10. Repeated use.** There is no limit on the number of successor PCIs.

B. Concurrent Use and Relationship to UFR Instruments

General

11. Concurrent use of the PCI with UFR instruments.

- Simultaneous *requests* for approval of a PCI and of financial assistance under the GRA and/or PRGT—precautionary or otherwise—are not permissible as a country cannot require or seek Fund financial assistance from the GRA and/or PRGT at the time of the PCI request. Similarly, a request for a PCI while a Fund instrument is already in place is not possible (¶15). However, the PCI could be requested jointly with an RSF arrangement when the member faces risks to

member's BoP problem and achieve medium-term external viability; and second, adequate safeguards would need to be in place for the Fund's lending, including capacity to repay the Fund (see [Changes to the Fund's Financing Assurances Policy in the Context of Fund Upper Credit Tranche Financing Under Exceptionally High Uncertainty](#)).

⁹ A PCI has a fixed review schedule and review-based assessment of conditionality (see ¶46 and ¶39).

¹⁰ For PCI programs with a more frequent review schedule, the automatic termination period will be reduced proportionally but will not be shorter than 12 months (¶52).

¹¹ A grace period of 30 days can be added to the 15 months if member is transitioning from a PCI to a Fund arrangement in limited circumstances (¶53).

prospective BoP stability from qualifying longer-term structural challenges and commits to a strong package of reforms aimed to address these challenges (¶21), its debt is sustainable, and capacity to repay is adequate.

- The PCI could be used concurrently with (i) an SBA and/or SCF arrangement— precautionary or disbursing—when a short-term BoP need emerges after the PCI approval, requiring Fund financial assistance under the GRA and/or PRGT (¶16); (ii) an RSF arrangement, (¶20); or (iii) emergency financing instruments (RFI and/or RCF, ¶15).
- However, the PCI cannot be combined with an EFF and/or ECF arrangement. As noted in ¶9, approval of an EFF arrangement and/or ECF arrangement will cause in any event an automatic termination of the PCI. A concurrent PCI is incongruent with significant structural challenges and medium- to long-term financing needs requiring deeper adjustment. Additionally, the PCI cannot be used concurrently with any other Fund instruments, including the FCL, PLL, SLL, and SMP (including PMB).¹²

12. Concurrent *versus* sequential use of the PCI.

- While the requests for Fund financing under concurrent use (that is, by a member that is using a PCI) should go through the regular processes for requesting Fund financial assistance subject to all relevant Fund policies on UFR, the path towards a concurrent RFI/RCF or SBA/SCF for countries with an on-track PCI that experience a BoP need is expected to be rapid and smooth (¶18). Modification of the PCI (e.g., specific targets) may be warranted when the changed circumstances prevent meeting the program objectives. In case the PCI program is off track, the approval of the concurrent instrument (SBA/SCF, RSF) would typically occur when appropriate corrective actions (or sufficient commitments to that end) have been taken. Such corrective actions (or sufficient commitments) would also apply, where appropriate, for the approval of a concurrent RCF/RFI.
- For requests for a stand-alone use of financing instruments by members that had been (but are no longer) using the PCI (“sequential use”), the prior support under an on-track PCI could reduce the time normally required to design and agree on a financing program where the broad objectives of the UFR-supported program carry over from the PCI and there is a clear understanding of what concepts, variables, and measures should be subject to conditionality. If sequential use is considered in a situation where the PCI program is off track and the country decides to simultaneously cancel the PCI and request financing under a Fund instrument (e.g., SBA/SCF, EFF/ECF, RFI/RCF), the country would be expected to take corrective actions for slippages under the PCI program, such as PAs for approval of the new request for financing under the Fund instrument, if such measures remain critical under such financial instrument.

¹² The FCL, SLL, and PLL are for countries with very strong or sound policies and institutional policy frameworks (ex-ante qualification) and carry no/limited ex post conditionality. The SMP and PMB do not meet the UCT quality conditionality standard and their primary objective is to establish policy implementation track record.

The same applies to EFF/ECF arrangements that follow a PCI program automatically terminated by virtue of the approval of these arrangements.

13. Exceptional access. Requests from PCI users for Fund arrangement involving exceptional access are generally discouraged. The need for exceptional access usually signals a fundamental change in the country's economic situation, which weakens the continuity argument underpinning concurrent use. If the country's economic circumstances call for exceptional access, the typical course of action would be to cancel the PCI when the country requests the Fund arrangement.

14. Blending. Where countries that meet the criteria for presumed blending experience a BoP need during a PCI program, they are expected to receive financial assistance from the PRGT only in combination with financing from the GRA. Practically, such arrangements combining three separate instruments—including for countries that are not presumed blenders but supplement PRGT resources with GRA resources¹³— or even four instruments under concurrent financial assistance from the RST, may be too cumbersome and are therefore generally discouraged (see also ¶119).

Concurrent Use with the RFI and/or RCF

15. Concurrent use of the PCI with Fund emergency financing. Should a country with an on-track PCI experience an urgent BoP need, the member could request an RFI and/or RCF, without the need to cancel the PCI. The RFI and/or RCF request would typically be on a standalone basis but could also be combined with a PCI review. Assurances should also be given that the country has the capacity to repay the Fund through (i) discussion in PCI program documents, (ii) medium-term projections of the BoP and (iii) the standard table on indicators of the capacity to repay the Fund.¹⁴ Subsequent PCI reviews would follow up on any policy commitments made under the RFI and/or RCF request.

Concurrent Use with the SBA and/or SCF

16. Rationale. Should a country with an on-track PCI experience a BoP need, it could receive financial support under the SBA and/or SCF arrangement(s) without canceling the PCI.¹⁵ The SBA and/or SCF would be expected to focus on the policy response to the short-term BoP gap, while the PCI would ensure the continuity of policy cooperation and maintain the focus on the broader medium-term agenda.

17. Duration. Concurrent use of the PCI with the SBA/SCF could be considered in cases where the BoP need is assessed to be short-term, i.e., spanning 6-12 months, although longer durations are not precluded. The duration of the concurrent SBA and/or SCF arrangement(s) would depend on

¹³ PRGT-eligible countries typically use either fully concessional or blended resources, rather than GRA-only financing, although they remain eligible for access to the GRA on the same conditions as any other Fund member if the relevant policies are met.

¹⁴ See also ¶154 in case of Post Financing Assessments.

¹⁵ The concurrent SBA and/or SCF arrangement could be disbursing at approval if the country has an actual BoP need or could be treated as precautionary if the country faces a potential BoP need.

the length of financing and adjustment needs and would not necessarily be tied to the duration of the PCI. As such, the SBA/SCF could extend beyond the end of the existing PCI, which could be particularly relevant in instances where the BoP need arises once the PCI is well underway (Figure 1, Scenario 3). For SBA/SCF arrangements treated as precautionary, this also acknowledges the need for continued insurance in times of heightened uncertainty that could extend beyond the PCI end date.¹⁶

18. Modalities. The modalities for the concurrent use of the PCI with an SBA and/or SCF arrangement normally represent a hybrid between the modalities of the two instruments. For all practical purposes, for the duration of the concurrent use, the engagement will be identical to an SBA/SCF arrangement in conjunction with the PCI's fixed review schedule, which is required to ensure the PCI delivers on its signaling/coordination function. Specifically:

- Reviews under the SBA and/or SCF arrangement(s) must coincide with the PCI's fixed review schedule. If staff and the authorities agree that a flexible review is preferable (e.g., because of unusually large uncertainties envisaged relating to certain policy measures under the revised program), the PCI should be cancelled as part of the SBA/SCF request. Likewise, the SBA/SCF review cycles must coincide with that of the existing PCI (e.g., an SBA with quarterly reviews will not be feasible when the country already has a PCI with semi-annual reviews).
- Quantitative targets (QTs) under the PCI must normally be established for the same test dates and must apply to the same variables and measures as quantitative performance criteria (QPCs) under the SBA/SCF arrangement. While new QPCs can be introduced under the SBA/SCF arrangement, likely to address the causes of the short-term BoP gap that has materialized, they will automatically also become QTs under the PCI.¹⁷ Monitoring of quantitative conditionality under the SBA/SCF reviews is not review-based.¹⁸ Modification of forward-looking QPCs always requires explicit Board approval. Strict adherence to the fixed PCI schedule should ensure that reviews under the PCI and the SBA/SCF arrangement are always based on the same test date, even if one review (the maximum allowed under a semi-annual review schedule; ¶46) is not completed. Should the test dates under the two instruments nevertheless become desynchronized,¹⁹ the natural course would be to discontinue concurrent use by cancelling the PCI, while maintaining the SBA/SCF arrangement.

¹⁶ With respect to successive PCIs, if the concurrent SBA/SCF arrangement ends after the PCI, approval of a new PCI can take place only after the expiration or cancellation of the SBA/SCF arrangement, since the PCI requires the absence of a BoP need warranting Fund financial assistance at the time of approval (Figure 1, Scenario 4).

¹⁷ This prevents situations where a program could be on track under one instrument, but off track under the other, with resulting conflicting signals.

¹⁸ For instance, in cases where staff recommends completing a review despite corresponding QPCs not being met, requests for waivers of non-observance are required under the SBA/SCF.

¹⁹ Desynchronization of test dates could arise from delays as reviews under the SCF and PCI are tied to a test date while the latest QPCs are "controlling" under the SBA.

- Structural benchmarks (SBs) under the SBA/SCF arrangement and reform targets (RTs) under the PCI are established for the same test dates and apply to the same measures. Prior actions (PAs) under the PCI are also established for the SBA/SCF arrangement. If structural measures are tied to reviews, rather than test dates, the fixed PCI review dates must be used.

19. Tradeoffs. Concurrent use of the PCI with the SBA and/or SCF could involve tradeoffs, which require a country-specific approach. Country teams are encouraged to reach out to SPR early on to discuss involved tradeoffs and options.

- Concurrent use offers several benefits: (i) countries with precautionary SBA/SCF arrangement approved while maintaining the PCI would enjoy immediate access to Fund financing should an actual BoP need materialize;²⁰ (ii) retaining the PCI could avoid the negative signals that would otherwise arise from the termination of the PCI upon SBA/SCF approval and accommodate PCI users' preference to maintain an instrument they are familiar with; and (iii) preserving the continuity of the RSF arrangement for those members that have the PCI as a concurrent UCT-quality instrument to the RSF arrangement.²¹
- However, concurrent use could also give rise to operational and conceptual issues: (i) when the same program is supported concurrently by two (or three under blending, see ¶14) different instruments, duplication of conditionality can make it difficult in practice to differentiate the focus of the SBA/SCF (short-term) and the PCI (medium/long-term); (ii) for presumed blenders and countries that supplement PRGT resources with GRA resources, the PCI could potentially be used concurrently with a blended SBA-SCF arrangement, and the RSF arrangement, thus resulting in the combination of four instruments (¶14 and ¶19), which could increase the risk of desynchronized test dates in the event of delays and potentially dilute signaling to donors and market participants; and (iii) the reduced flexibility arising from a fixed review schedule—compared to a standalone SBA or SCF arrangement—may be viewed as undesirable by some authorities, and would need to be well-understood and factored in when contemplating concurrent use of the PCI with an SBA/SCF arrangement.

20. Documentation.

- For countries with a PCI in place, the staff report requesting the SBA/SCF arrangement would be required to explain the rationale for retaining the PCI, weighing the associated benefits and limitations.²² When the duration of the concurrent SBA/SCF arrangement exceeds 12 months, all

²⁰ Access would be quicker and less cumbersome than under the situation where the country with a standalone PCI subsequently requests an SBA/SCF, notwithstanding the expectation that an on-track PCI could expedite the approval of the new SBA/SCF.

²¹ Under the RST policy, the RSF arrangement automatically terminates when the accompanying UCT-quality instrument terminates or is cancelled.

²² Depending on country circumstances, the staff report could, for instance, justify concurrent use based on the authorities' strong preference to avoid adverse market reactions from the cancellation of the PCI, with benefits outweighing operational considerations such as the risk of desynchronized test dates owing to the authorities' demonstrated ownership and implementation capacity.

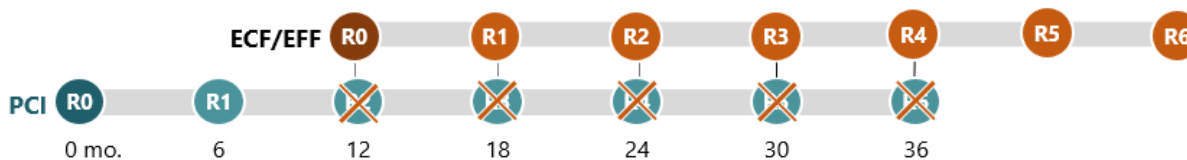
subsequent staff reports for reviews under the PCI would also be required to explain the continued appropriateness of concurrent use (Figure 1, Scenarios 2-4).

- The authorities' program is spelled out in the Letter of Intent (LOI) and the Memorandum of Economic and Financial Policies (MEFP), which will also serve as the PCI's Program Statement (PS) for the duration of concurrent use.²³
- Documentation with respect to the conduct of a scheduled review under the PCI is issued to the Board at the same time and combined with documentation for a review under the SBA- and/or SCF arrangement. In other words, there is only one combined staff report, MEFP and TMU.
- When a PCI is used concurrently with the SBA/SCF, assurances should also be given that the country has the capacity to repay the Fund through (i) discussion in program documents, (ii) BoP medium-term projections and (iii) the standard table on indicators of the capacity to repay the Fund. See also ¶54 in case of Post Financing Assessment.

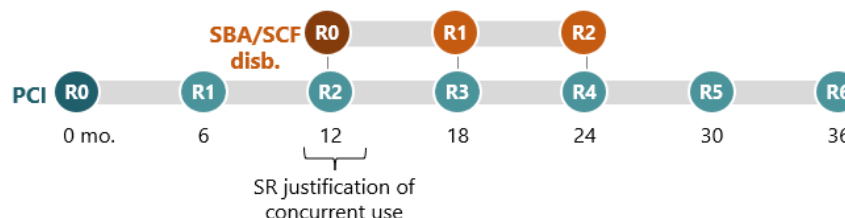
²³ For a new PCI request (not concurrent) and for program reviews, the authorities of the country will need to sign a PS that sets out the policies and measures they intend to pursue in line with their Fund-supported program. See ¶26 and Annex III for further details. In the concurrent setting, the LOI/MEFP would also constitute the member's PS under the PCI policy; the MEFP should state so explicitly in an upfront footnote. Moreover, tables of QPCs and SBs should also stipulate that these measures constitute QTs and RTs, respectively, under the PCI.

Figure 1. Illustrative Scenarios on Concurrent Use

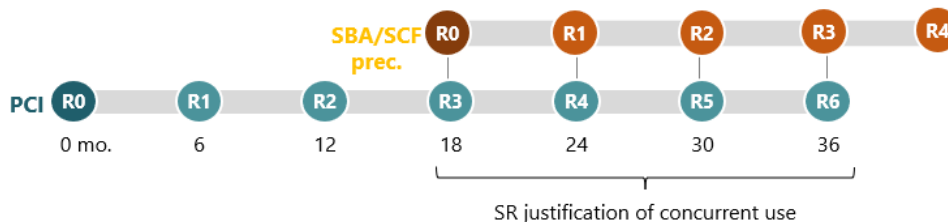
Scenario 1. A major crisis opens a BoP gap and exposes wide-ranging weaknesses, which resulted in protracted BoP need and structural imbalances a year after the approval of a three-year PCI. A three-year EFF/ECF arrangement is approved to address the BoP problem. The PCI must be cancelled.



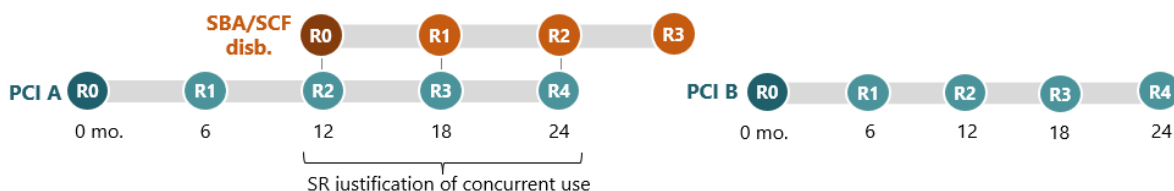
Scenario 2. A short-term actual BoP need arises a year after the approval of a three-year PCI. A 12-month SBA/SCF arrangement is approved. The staff report on the request for completion of the PCI review issued alongside the request for the approval of the SBA and/or SCF arrangement would be required to justify concurrent use versus a standalone SBA/SCF arrangement.



Scenario 3. A short-term potential BoP need arises at the mid-term of a three-year PCI. A 24-month SBA/SCF arrangement treated as precautionary is approved which extends beyond the PCI period. The staff report on the request for completion of the PCI review issued alongside the request for the approval of the SBA/SCF arrangement and staff reports for subsequent reviews are required to justify concurrent use.



Scenario 4. A short-term actual BoP need arises at the mid-term of a two-year PCI. An 18-month SBA/SCF arrangement is approved that extends beyond the PCI period. The staff report on the request for completion of the PCI review issued alongside the request for the approval of the SBA/SCF arrangement and staff reports for subsequent reviews are required to justify concurrent use. A successor PCI is approved after the end of the SBA/SCF arrangement.



Concurrent Use with the RSF

21. Concurrent use with the RSF.²⁴ The PCI is also a qualifying UCT-quality instrument for purposes of an RSF arrangement allowing a country that has no need for GRA or PRGT financing to request financing under an RSF arrangement. The duration of the RSF arrangement would be expected to coincide with the duration of a new PCI (when the two are requested together) or with the remaining duration of an existing PCI (when the RSF arrangement is requested at the time of a review under the PCI).²⁵ Upon termination, cancellation, or expiration of the accompanying PCI, the RSF arrangement is automatically terminated.²⁶

FINANCING ASSURANCES, ARREARS, AND SAFEGUARDS

22. Financing Assurances. The PCI requires the same financing assurances as Fund arrangements.²⁷ This means that, where needed, creditors and donors have provided assurances that they will extend the necessary support to meet the program financing requirements. Specifically, the Fund would need to be satisfied that (i) firm commitments of financing are in place for the first 12 months following approval of the PCI, and (ii) good prospects are in place that there will be adequate financing for the remaining period of the PCI beyond the first 12 months. Program reviews require assurances of full financing for each successive 12-month period (or whatever period is left under the PCI). With respect to the post-program period, staff needs to assess whether the member's prospective policies deliver a projected post-program performance that adequately safeguard repayments to the Fund consistent with a sustainable debt path during the program period. PCIs for countries that seek financing from other sources still require assurances that financing is sufficient to support an assessment that the program is fully financed in line with the Fund's policy on financing assurances.

23. Arrears. The Fund's policies on sovereign arrears apply.²⁸ The Fund's policy on sovereign external arrears to official multilateral creditors, in which the Fund generally calls for the resolution

²⁴ See [Resilience and Sustainability Facility—Operational Guidance Note](#) for details, including on RSF financing presentation (Annex II of the Guidance Note) and documentation requirements.

²⁵ Similar to other UCT-quality programs accompanying the RSF arrangement, the PCI needs to have at least 18 months remaining before expiration at the time of the RSF arrangement approval. Ensuring that the duration of the RSF arrangement coincides with that remaining under an existing PCI may warrant extending the duration of the PCI, which cannot exceed an overall maximum period of four years (118).

²⁶ Issues regarding concurrent use of the PCI with the RSF will be discussed at the 2024 interim RST review, planned for April 2024, to ensure a holistic treatment across Fund arrangements.

²⁷ For details, see [Review of the Fund's Sovereign Arrears Policies and Perimeter](#), Annex I.

²⁸ For the Fund's arrears policy, see [Review of the Fund's Sovereign Arrears Policies and Perimeter](#).

of existing arrears²⁹ and non-accumulation of new arrears during the period of the program, applies to the PCI by analogy.³⁰ The Fund’s policies on lending into arrears to official bilateral creditors (LIOA) and to private creditors (LIA) also apply by analogy in terms of enabling PCI engagement, on a case-by-case basis, in a situation of sovereign arrears to either group of external creditors.³¹ The resolution of any existing arrears to official creditors should be the normal case. Where this is not possible, a commitment to future arrears resolution to official creditors needs to be consistent with the macroeconomic program assumptions under the PCI, which implies that the authorities and the staff have common understandings on the timing and modalities of arrears clearance. The assumptions on arrears clearance do not prejudge eventual agreements between the member and official creditors. Staff should have reasonable assurances that arrears clearance understandings are realistic. PCIs should also address domestic arrears, if any, as part of the overall program design. The specification of policies related to domestic arrears depends on the country context, in particular, the fiscal framework.

24. Overdue financial obligations to the GRA, PRGT, and RST. A member in arrears to the Fund in the GRA, the Special Disbursement Account, or the SDR Department, or to the Fund as Trustee (including the PRGT and RST), is not eligible for PCI support. Moreover, any existing PCI for a member terminates upon the relevant member incurring the above-mentioned arrears.

25. Safeguards assessment.³² A safeguards assessment is not automatically required for a PCI. However, when a member seeks financing under an RSF arrangement with a concurrent program supported by the PCI, a safeguards assessment is required under the concurrent PCI. In general, members with a PCI are also encouraged to undertake such an assessment on a voluntary basis as a way of enhancing the accountability, transparency, and institutional strength of their central banks. This would also facilitate quick access to Fund resources in the event that a need materializes. Safeguards-related reforms can also be included as part of structural conditionality, wherever critical to the program’s success. Requests for voluntary assessments should be coordinated with FIN.

²⁹ In the case of arrears to the World Bank, there must be upfront clearance of the arrears or an agreed plan between the member and the Bank.

³⁰ Since the PCI does not involve Fund financing, the arrears policies apply by analogy, i.e., they apply in full unless there is a policy justification for a deviation, taking into account consistency and uniformity of treatment. For example, the requirement under the policy on arrears to official bilateral creditors or under the Lending into Arrears policy for private creditors that there is a need for prompt Fund financial assistance is not applicable.

³¹ For the policy on arrears to official bilateral creditors, see BUFF/15/107. The LIA policy (BUFF/99/71 and BUFF/02/142) applies to both sovereign arrears to external private creditors and non-sovereign arrears arising from the imposition of exchange controls. In UFR cases, the Fund can lend only where: (i) prompt Fund support is essential for the successful implementation of the member’s adjustment program; and (ii) the member is pursuing appropriate policies and is making a good faith effort to reach a collaborative agreement with its private creditors (or to facilitate such an agreement between private debtors and their creditors, and good prospects exist for the removal of exchange controls). The first requirement does not apply to the PCI, which does not involve Fund financing.

³² See further guidance by FIN, including [Operational Guidelines for Safeguards Assessments](#) and [Safeguards Assessments – 2022 Review of Experience](#).

PROGRAM OBJECTIVES AND DESIGN

A. Program Objectives

26. Objectives in the Program Statement (PS). The PS specifies objectives and policy actions under the PCI, similar to a LOI/MEFP in other programs. The PCI supports countries in designing and implementing policies through a fully-fledged macroeconomic program to (i) prevent crises and build buffers, (ii) enhance macroeconomic stability, and/or (iii) address macroeconomic imbalances and vulnerabilities. The member’s program of economic and financial policies and objectives for the period of a PCI should be clearly articulated in the PS and associated staff report for a new PCI and could include:

- **Fiscal policies**, where (i) the fiscal stance is well anchored to help ensure macroeconomic stability and fiscal/debt sustainability, (ii) revenue and spending policies take due account of the country’s growth and social objectives, and (iii) budgets are guided by medium-term fiscal frameworks to the extent possible. These could be supplemented by public financial management reforms.
- **Monetary policies** that are consistent with inflation, exchange rate, and reserve objectives, and that take into account the cyclical stance.
- **Exchange rate policies** that ensure a unified exchange rate and a real exchange rate level that is broadly in line with fundamentals and desirable policy settings, ensuring a stable and sustainable external position.
- **Financial sector policies** geared toward financial stability with a view to fostering investment, financial inclusion and preventing financial crises.
- **Other structural reforms** that are critical for achieving the program’s macroeconomic objectives, aimed at enhancing the country’s growth potential, resilience to external shocks (including stemming from climate change), capacity to manage volatility, and ability to achieve social goals, including poverty reduction.

B. Design

27. Medium-term debt strategy and fiscal framework. PCI programs should be underpinned by a thorough Debt Sustainability Analysis (DSA) to inform the elaboration of medium-term debt strategies and fiscal frameworks. DSA-related process issues — such as periodicity, engagement with the authorities, with the Fund, and with the World Bank — are guided by the provisions for program countries in the relevant (Sovereign Risk and Debt Sustainability Framework (SRDSF) or LIC) DSA guidance notes.³³

³³ See the [Staff Guidance Note on the Bank-Fund Debt Sustainability Framework for Low-Income Countries](#) and the [Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for Market Access Countries](#).

28. Links to Poverty Reduction Strategies (PRS) and social spending.

- **Social and other priority spending.** For PRGT-eligible members, social and other priority spending should be safeguarded and, whenever appropriate, increased under PCI programs.³⁴ This objective should usefully be monitored, for instance through a memorandum item on social and other priority spending.
- **Poverty reduction.** Where poverty reduction is deemed critical to the program’s success, the PCI should be aligned with the country’s own PRS. While the PCI is not subject to the requirements of poverty reduction strategies as is the case of PRGT arrangements, cases where poverty reduction is a main objective of the program would be expected to follow similar processes. In particular, a Poverty Reduction and Growth Strategy (PRGS) document is encouraged as part of the program, and the PS should state how the PCI advances the country’s poverty reduction and growth objectives. In cases where a relevant PRGS document already exists, this description in the PS for the PCI request should cross-reference the PRGS document. Otherwise, the poverty reduction discussion should be expanded in the PS for a review, once a new PRGS document is produced by the country.

29. Capacity Development (CD) and collaboration with development partners. When capacity gaps constrain the implementation of recommended policies, the implementation of relevant CD should be incorporated into the design of the PCI program.³⁵ Fund staff should consult with development partners active in the country when designing and monitoring a PCI program. When establishing and monitoring conditions based on variables and measures that are not within its core areas of responsibility, Fund staff will, to the fullest extent possible, draw on the advice of other multilateral institutions, particularly the World Bank (see ¶31).³⁶ In PRGT-eligible countries, in addition to this routine collaboration, World Bank and Fund country teams should consult with each other at least once a year in order to identify the country’s key macroeconomic and structural reform challenges and coordinate work plans in support of addressing these challenges.³⁷

30. Interactions with RFAs. Given that one of the purposes of the PCI is to facilitate access to financing from other GFSN sources, the mandate and decision-making process of each institution needs to be respected while upholding the Fund’s independence and reputation. Interactions with RFAs in the context of a PCI are guided by the Fund’s principles of collaboration between the Fund and RFAs.³⁸ In particular, collaboration should depend on the mandates and technical expertise of

³⁴ See the [2023 Handbook of IMF Facilities for Low-Income Countries](#) for details.

³⁵ PNs should present a clear and comprehensive assessment of the proposed structural conditionality, ideally using an evaluation matrix. Such a matrix would also provide a transparent overview for each reform area and could be included in the PN or country engagement strategy. PN should also include an annex table mapping (whenever possible) structural benchmarks with CD findings and planned CD from the Fund and other multilateral organizations that would support the reform implementation.

³⁶ For more details, see [Operational Guidance Note on Program Design and Conditionality](#) (T41).

³⁷ For more details, see the [2023 Handbook of IMF Facilities for Low-Income Countries](#).

³⁸ See [Collaboration between Regional Financing Arrangements and the IMF](#) and [Executive Board Assessment](#).

RFA and the Fund: when some division of labor between the Fund and the RFA is possible, it can be based on a “lead agency” model, while still preserving the close involvement of the RFA in the program. For example, in this model the Fund would take the lead on the macroeconomic framework and policies, while the RFA would focus on areas within its comparative advantage. When the division of labor is not possible due to overlapping mandates and technical expertise, early engagement and collaboration based on one coherent program would be called for.

CONDITIONALITY

A. Principles

31. Criticality. Conditionality under a PCI is intended to ensure that a member’s policies are strong enough to meet the program objectives. Conditionality is set at the time of approval of the PCI and updated at the time of program reviews. Consistent with the Fund’s [Guidelines on Conditionality](#) and supplemented by the [Operational Guidance Note on Program Design and Conditionality](#), conditions will normally consist of macroeconomic variables and structural measures that are reasonably within the member’s direct or indirect control and that are, generally, either (i) of critical importance for achieving the goals of the program (or for monitoring program implementation), or (ii) analogous to the UFR context, necessary for the implementation of specific provisions of the IMF Articles of Agreement or policies adopted under them.³⁹ In some cases, conditions may be outside the Fund’s core areas of expertise, in which case a more detailed explanation of their critical importance would be required. Moreover, for non-core but critical measures, staff should, to the extent possible, draw on the advice of other multilateral institutions, particularly the World Bank, or of bilateral donors that can provide the expertise. The design and modalities for these conditions should be consistent with the Fund’s Guidelines on Conditionality.

32. Upper Credit Tranche (UCT) standard. In a financing context, a program supported by Fund resources would require two conditions under the Fund’s legal and policy framework to be met. First, a program would need to be designed to solve the member’s BoP problem and achieve medium-term external viability, and second, adequate safeguards would need to be in place for the Fund’s lending, including the member’s capacity to repay the Fund.⁴⁰ PCI programs must meet the UCT conditionality standard, which requires the commitment and capacity by the authorities to implement a set of policies that is adequate to correct external imbalances, and, in the event that the member uses Fund resources or has any credit outstanding under the GRA, PRGT or RST, enable repayment to the Fund within the specified maturity period. Note that irrespective of credit outstanding to the Fund, a PCI cannot be approved and a review cannot be completed if there are financing gaps forecasted beyond the end of the PCI, as that would indicate the existence of a prospective BoP need for Fund financing, which—unless covered under a concurrent Fund

³⁹ See also the [Operational Guidance Note on Program Design and Conditionality](#).

⁴⁰ See [Changes to the Fund’s Financing Assurances Policy in the Context of Fund Upper Credit Tranche Financing Under Exceptionally High Uncertainty](#).

arrangement—is incompatible with the completion of a PCI review. Implementation of the program is monitored as informed by QTs, RTs, Standard Continuous Targets, Prior Actions (PAs), and other relevant information. Standard Continuous Targets apply to all PCI programs, while some programs can have QTs but not RTs, or vice versa as needed. The targets to be monitored under the program should be defined in a Technical Memorandum of Understanding (TMU), which normally is annexed to the PS in the request/review documentation.⁴¹

B. Specification of Program Conditions

33. Target test dates. Test dates for targets are normally set on a semi-annual basis and correspond to scheduled reviews. At approval of a PCI or at the completion of a review, QTs and/or RTs should be set for the subsequent two reviews (i.e., for a 12-month period in the case of semi-annual reviews) or through the end of the PCI if it is scheduled to expire in less than 12 months. See ¶146 for guidance on setting target test dates.

34. Quantitative Targets (QTs). QTs apply to clearly specified quantitative variables that can be objectively monitored and are of critical importance for achieving the goals of the program or for monitoring program implementation. QTs typically include measures of net international reserves, central bank domestic assets, domestic debt and fiscal balances or financing, limits on external debt, and any other indicators critical to meet program objectives. QTs may be subject to program adjusters that reflect deviations from estimated values driven by unforeseen factors. At the time of a review, QTs associated with the subsequent review can be modified — for instance when basic program assumptions have not been realized or significant developments have occurred that had not been anticipated when the QTs were set — provided that the new targets remain critical to program success.

35. Memorandum items. Variables that might be established as indicative targets (ITs) in other Fund-supported programs are not included in PCI program conditionality.⁴² Since there is only one type of quantitative conditionality in PCI programs (QTs, as opposed to PCs and ITs), and since the misreporting framework applies to all QTs (while it does not apply to ITs), it may not be appropriate to include variables as QTs which would otherwise be included as ITs. Instead, such variables can be included as commitments by the member authorities, and discussed in the PS, without becoming subject to program reviews like QTs. These can be optionally included in the quantitative conditionality table as “memorandum items”.

36. Reform Targets (RTs). RTs apply to key structural measures that are needed to meet the objectives of the program. RTs should be used parsimoniously, and their criticality explicitly justified

⁴¹ As the PS combines the function of both LOI and MEFP in Fund arrangements, the PS should have the standard LOI consultation clause, as required by the [Operational Guidance Note on Program Design and Conditionality](#). For more details, see Annex III.

⁴² While the inclusion of ITs under an SCF and/or SBA arrangement approved concurrently with the PCI is not legally disallowed, such inclusion is strongly discouraged to avoid situations where the program is on track under one instrument but off track under the other, with resulting conflicting signals.

in program documents. The appropriate number of RTs depends on a variety of country-specific factors, including the centrality of structural reforms for achieving the program’s objectives and country capacity. RTs should be set with specific test dates, taking into account the review schedule so that a review allows staff to assess whether the RT was met.⁴³ To the extent that the implementation of a RT is delayed beyond the relevant test date, such a measure will be found not to have been met but it can be proposed to the Board to establish such a measure as a new RT linked to a new test date, if the target remains critical to the program’s success. If implementing an RT is no longer possible as defined under the program (say, due to a change in the authorities’ reform plans or other changes in circumstances), a new target or a modified version of the original one may be appropriate as long as it remains critical to achieve program goals.

37. Standard Continuous Targets. Standard Continuous Targets will relate to trade and exchange restrictions, bilateral payments arrangements, multiple currency practices and non-accumulation of external payments arrears, analogous to those provided in paragraphs 3(d) and 3(b)(ii), respectively, of Attachment A of Decision No. 10464-(93/130), adopted September 13, 1993, as amended.⁴⁴

38. Prior Actions (PAs). Prior Actions are measures that a member is expected to adopt prior to Management recommending to the Executive Board approval of a PCI or completion of a review. As is the case in Fund arrangements, prior Actions before PCI approval or completion of a review would be applied when it is critical for the successful implementation of the program that such actions be taken to underpin the upfront implementation of important measures and are to be applied parsimoniously and specified in clear, objective, and unambiguous terms. Prior Actions should in principle be implemented at least five working days before the Board discussion.

C. Monitoring

39. Review-based monitoring. Monitoring of PCI conditionality is fully review-based. Under a review-based approach, QTs differ from performance criteria (PCs) in that a failure to meet a QT does not trigger the need for a formal waiver. Rather, deviations from targets serve as indicators that the PCI might no longer be on track for successful implementation (similar to indicative targets and structural benchmarks in current monitoring of Fund arrangements). Completion of the review in such a case requires a judgment by the Board that there are compensating factors (e.g., that missed targets are assessed to be the result of minor or temporary factors, or corrective actions have been taken). In case of substantial deviations from target(s) and insufficient commitments to correct slippages, the review cannot be completed. In practical terms, “review-based monitoring” is

⁴³ RTs may be set for implementation either by a specific test date or by the time of a specific program review.

⁴⁴ Standard Continuous Targets are always included in the text of all Fund arrangements, and, given their nonquantitative nature, are usually not listed in the table for QTs. As in Fund arrangements, members with a PCI are expected not to: (i) impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) introduce or modify multiple currency practices; (iii) conclude bilateral payments agreements which are inconsistent with Article VIII; (iv) impose or intensify import restrictions for balance of payments reasons; and (v) accumulate external payments arrears.

virtually identical to monitoring under normal programs except that there are no requirements for requesting waivers when targets are missed; the substantive requirements for monitoring conditionality are the same.

40. Missed targets. When targets are missed, the discussion in the staff report needs to remain as comprehensive as under the “traditional” approach of monitoring conditionality:

- The program performance section (or equivalent) needs to discuss missed targets and ascertain that the program remains on track despite these deviations (i.e., deviations were small, temporary, or corrective actions taken). The PS should also refer to missed targets.
- The staff appraisal section reiterates why staff considers the program on track and recommends completing the review.
- The PS includes tables of QTs and RTs, with clear indication of status for past targets.

D. Misreporting Framework

41. Principle. A tailored misreporting framework applies to the PCI. The PCI does not entail the use of Fund resources, and the Fund’s misreporting framework has not been applied to targets that are not “binding” (in the sense that missing the targets would not prevent completion of a review absent a Board waiver).⁴⁵ However, the credibility of the data is critical for the monitoring and signaling objectives of the PCI program. Therefore, despite using a review-based approach of monitoring conditionality, any decision approving a PCI or completing a review will be conditional upon the accuracy of information provided by the member regarding implementation of Prior Actions or performance under associated QTs or Standard Continuous Targets.

42. Procedures. When evidence comes to the attention of the staff indicating that the country’s reporting of information on performance under QTs, Standard Continuous Targets, or PAs was inaccurate in relation to a PCI approved or a review completed within the preceding three years, the Managing Director (MD) shall promptly inform the member concerned. If after consultation with the member, the MD finds that, in fact, the member has reported such inaccurate information to the Fund, the MD shall promptly notify the member of this finding. In any case where a PCI was approved, or a review was completed, no more than three years prior to the date on which the MD informs the member, the Executive Board shall decide whether misreporting has occurred. There are no waivers for misreporting, and the Board shall reassess program performance in the light of that determination including the revised information associated with the misreporting. Such a reassessment of past program performance in the light of a misreporting will not lead to the Board retroactively reversing its decision completing a review, which subsequently had become associated with a misreporting. If the Board determines misreporting has occurred (and it is not found to be *de*

⁴⁵ While the misreporting framework under Article VIII, Section 5 does not apply to information provided to the Fund solely for the purposes of a PCI, these procedures would apply in the context of a PCI when such information is otherwise subject to [Article VIII, Section 5](#). See also paragraph 18 (a)(ii) of Decision No. 13849-(04/10), as amended.

minimis), the member would be required to take corrective action, if necessary to ensure that the cause of the misreporting does not hinder future program implementation or monitoring, as a condition for continued PCI support, and the relevant information would be published.

43. *De minimis* procedures. Misreporting procedures are streamlined in cases that are deemed *de minimis*, which is defined as so small as to be trivial with no impact on the assessment of performance under the relevant member's program.⁴⁶ In particular, when Management determines that the possible misreporting is *de minimis* in nature:

- the communications referred to in above paragraph may be made by a representative of the relevant Area Department;
- the Executive Board shall be informed of the misreporting in a staff report on a review under the relevant PCI or, if no such review is provided for, a staff report which deals with issues other than the misreporting, and shall include a recommendation that the Executive Board find that the misreporting was *de minimis* in nature and had no effect on program performance under the PCI. In those rare cases in which no review is provided for, and no other such staff report on the member is to be issued to the Board promptly after the MD concludes that misreporting has taken place, the MD shall consult with Executive Directors and if deemed appropriate, may decide to issue a stand-alone report on the misreporting to be considered by the Executive Board, normally on a lapse-of-time basis.

Whenever the Executive Board finds that misreporting was *de minimis*, (i) it shall also find that the misreporting had no effect on program performance; and (ii) the fact of misreporting shall not be published by the Fund.

PROGRAM REVIEWS

A. Purpose of Program Reviews

44. Assessment of program performance. Program reviews evaluate whether the program is on track to achieve its objectives. A country's past performance under the PCI would be assessed in the context of periodic reviews. Reviews are based on a backward-looking assessment—taking into account performance against Quantitative, Reform and Standard Continuous Targets, as well as Prior Actions—and a forward-looking assessment of the prospects for successful program implementation, in particular whether policy capacity and commitments are adequate for implementing the UCT-quality program and achieving the program's objectives. Reviews establish policy understandings for the future, including updates to program design and conditionality in cases of changed conditions or prospects. Completion of a review by the Board would signify the

⁴⁶ See examples in Table 1 of [Making the Misreporting Policies Less Onerous in De Minimis Cases](#).

Fund’s assessment that policies and commitments are on track to meet program objectives, in accordance with the standard of UCT quality policies.

45. Updating the program design. Reviews also update the program design, in particular by specifying forward-looking policies and conditionality, and modifying previously established conditionality, as may be necessary to achieve the program’s objectives in changing circumstances. Just like at approval, at the time of each review, the authorities’ PS updates their policy program, and a staff report provides an overall assessment of performance and policy commitments.

B. Fixed Review Schedule and Test Dates

46. Schedule. Reviews are on a fixed schedule, with a limited time buffer to provide some flexibility (see Figure 2 for illustrative examples). The timing of all reviews and test dates is summarized in a staff report table at the time of the PCI approval, and — to ensure the PCI provides a timely and regular signal — the schedule cannot be modified during subsequent reviews.⁴⁷ Reviews by the Board would normally be conducted on a semi-annual basis, although a more frequent review schedule (e.g., quarterly) could be applied in the case of an urgent and wide-ranging reform agenda and/or when doing so could improve coordination with other financing partners. At the time of the PCI request, there is scope for some flexibility in setting review and test dates (e.g., shifting from a quarterly to a semi-annual schedule, or timing the first review such that the entire review schedule is aligned with the statistical data publication calendar), but normally they are scheduled at most six months apart. Each review can be completed within three months (in the case of semi-annual reviews) following the review date specified in the PCI request; this period represents the review window (or “buffer”). If the review is not completed within three months (in the case of semiannual reviews) from the scheduled review date, an interim performance update (IPU) by staff would be provided to the Board for information (see ¶48 below). For more frequent review schedules, the review window is shortened proportionally, and closes at the midpoint between the two reviews.⁴⁸

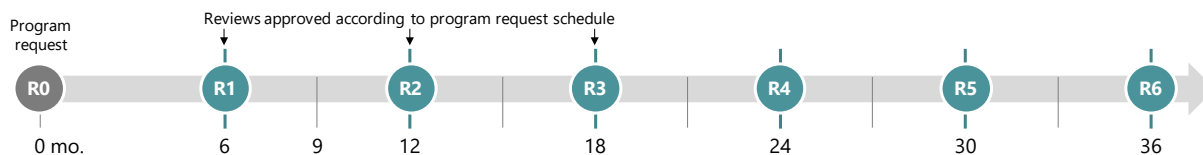
⁴⁷ While the term of the PCI could be extended, it is not possible to change the dates for reviews once established, unlike in the case of rephasing in Fund arrangements.

⁴⁸ For programs on a more frequent review schedule, the period after which an IPU is required would be adjusted downward (e.g., 1½ months for programs on a quarterly review schedule). The automatic termination period will also be reduced proportionally but will not be shorter than 12 months).

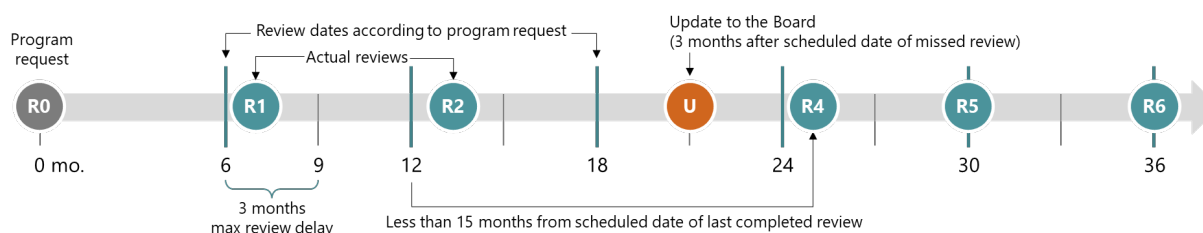
Figure 2. Illustrative Scenarios Under a Three-Year PCI

PCI on track throughout the program duration

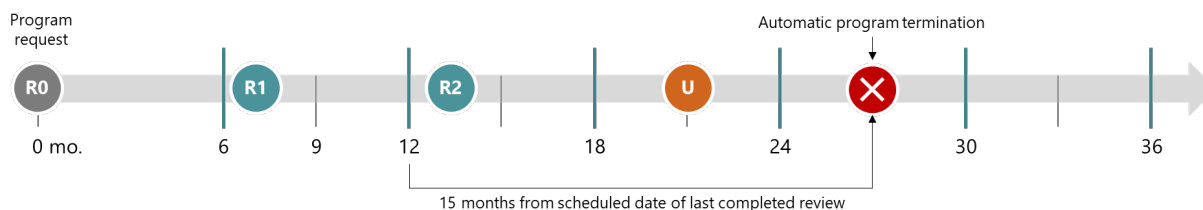
Reviews take place every six months in accordance with the schedule set by the Board at the time of the request for the PCI.

**PCI off track for one review, plus minor delays for a number of reviews**

First and second reviews are completed with slight delays. The third review is not completed within three months from the scheduled review date, triggering an IPU to the Board within two weeks of the end of the review window. Program is back on track from the fourth review onward.

**PCI terminated automatically fifteen months after the scheduled review date of the last completed review**

First and second reviews are completed with slight delays. The third review is not completed within three months from the scheduled review date, requiring an IPU to the Board within two weeks of the end of the review window. As the fourth review is not completed within 15 months from the scheduled review date of the second review, the PCI is automatically terminated.



47. Test dates. Each review is linked to a particular test date for QTs and RTs⁴⁹ and each review would need to be associated with its own set of QTs and/or RTs.⁵⁰ Several factors should be taken into consideration when setting the test dates:

⁴⁹ As in the PRGT, but unlike GRA arrangements, where the most recent test date is controlling for each review.

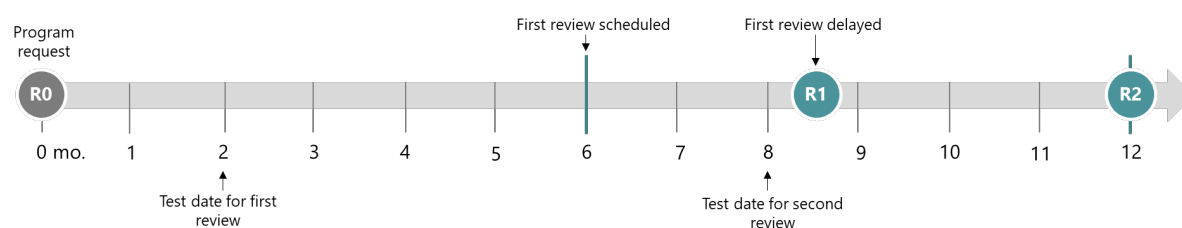
⁵⁰ RTs may be set for implementation either by a specific test date or by the time of a specific program review.

- The test dates for QTs and RTs must be set such that all scheduled reviews can take place before the end of the PCI, taking into account reporting lags and preparation and circulation periods for staff reports.
- The review dates that are specified in the PS and the approval Decision should be set such that all data needed to confirm observance of targets at the related test dates would have become available. As the PCI features review-based conditionality without any waivers, there is no possibility of a waiver of applicability where data for targets are not available. In the event that data are not available for a PCI review, the review cannot be completed. When designing the schedule of test dates, careful consideration should be given to alignment with the country's budget cycle.
- Data availability permitting, test dates and review dates should be set such that there is sufficient time between the fixed review date and the next test date. Since a PCI review can be completed within the buffer period (3 months for a semi-annual PCI review schedule) and each review is linked to a particular test date, there can be instances where a review is completed after the test date of the next review if the test date falls very close to the fixed review date of the preceding review (see Figure 3). It is therefore recommended that, to the extent feasible, the test date under PCIs with a semi-annual review schedule is scheduled at least three months from the preceding fixed review date.

Figure 3. Illustrative Scenario on Test Dates

In the illustrative scenario below, the PCI has a semi-annual review schedule, with the first review scheduled for month 6. The test date for the first review is set for month 2 and the test date for the second review is scheduled for month 8. The first review is completed with a two-and-a-half-month delay (after month 8). In this scenario, the test date for the second review has already passed when the first review is completed.

While this does not preclude PCI users from using the buffer period (following the scheduled review date) and completing the current review, to minimize any potential complication, it is recommended that data permitting, the test dates are scheduled with sufficient time between the fixed review date and the next test date. In this illustrative scenario, data availability permitting, the test date for the second review should fall at least after month 9—since the first review must be completed by month 9 at the latest per the PCI policy—(and the test date for the first review should be scheduled accordingly such that the test dates for future reviews would be normally six months or less apart). This will ensure that the first review will be completed (including the three-month buffer period) before the test date for the second review, even if the first review is completed with delay.



C. Noncompletion of Reviews and Automatic Termination

48. Interim performance update (IPU). If the review is not completed within the review window, staff is required to provide an IPU to the Board for information.⁵¹ The goal of the IPU is to reduce uncertainty as to why the review has not been completed. The document, expected to be somewhat more succinct and focused than a program review staff report, will provide an overview of the economic situation and program performance, indicating the sources of delay, and highlighting the corrective actions, if any, needed in order to bring the program back on track.⁵² Since non-completion of review could signal a difference of views between staff and the authorities, staff should engage in policy discussions if possible and reflect the authorities' views in the document. Since the IPU is sent to the Board for information only, it cannot be used to adjust targets.

49. Procedure. IPUs should be issued to the Board within 2 weeks of the end of the review window. To avoid uncertainty in signaling, it is important that IPUs not be delayed beyond this buffer period. The internal review process for IPUs is the same as for staff reports.

50. External communication. A brief factual statement in the form of a press release stating the issuance of the IPU would be published, and the IPU report should be published subject to the member's consent (see Annex III for an example). If the report is published, the press release could also summarize staff views set out in the IPU. Where a member does not provide consent to publication of an IPU report, Management will take this into account when determining whether to recommend that the Executive Board complete a subsequent review of the member's PCI.⁵³

51. Bringing a PCI back on track. The procedure for indicating that an off-track program has been brought back on track is through completion of the next scheduled review (as conditionality for that review has already been set as required under the PCI; see ¶31). A review cannot be completed after the requirement for an IPU has been triggered. Unlike in Fund arrangements where reviews must generally be completed sequentially, in the case of the PCI, a review delayed beyond the review window is "dead" and the program moves onto the subsequent review. To the extent that performance was not sufficiently strong to complete a particular review, bringing a PCI program back on track requires corrective action.

⁵¹ Management could propose an ad-hoc Board briefing on the update, or Executive Directors could request it.

⁵² There are no guidelines on the length of the document, but it could be as short as a couple of pages, supported by a selection of charts and tables, at least including the Selected Economic and Financial Indicators table, the quantitative and reform targets tables.

⁵³ This is in line with the general expectation, pursuant to the Transparency Policy decision, that members will consent to publication in all Fund-supported programs.

52. Automatic termination of the PCI. For PCI programs with semi-annual reviews, non-completion of a review for a fifteen-month period^{54, 55} since the scheduled review date of the most recently completed review or since Board approval of the PCI signifies lack of Board endorsement on the member's policies and results in an automatic termination of the PCI. A factual statement in the form of press release stating the termination of the PCI is to be relayed for information to the Board via SEC and then published. In cases of concurrent use with an SBA and/or SCF arrangement, the automatic termination of the PCI has no implications on the status of the Fund arrangement (except an RSF arrangement for which the PCI is the only accompanying UCT-quality instrument), which continues through expiration or until canceled by the authorities.

D. Flexibility When Transitioning to An Arrangement

53. Grace period. When a PCI is on track and a PCI user expresses its intention to make joint requests for the simultaneous completion of a PCI review and approval of a new Fund arrangement, and to notify the Fund of its decision to cancel the PCI, a review could be completed within 30 days ("grace period")⁵⁶ beyond the regular buffer period in limited circumstances. Specifically:

- For the 30-day grace period to apply, a staff-level agreement (SLA) on the completion of the PCI review and request for a new Fund arrangement must have been reached and announced within the buffer period—i.e., three months of the scheduled review date for PCI with semi-annual reviews, to help signal the authorities' commitment to implement the program and maintain the regularity in the signaling of the PCI.⁵⁷
- The PCI review must be completed jointly with a request for a new Fund arrangement and the cancellation of the PCI in the same Board meeting.
- If the buffer period has expired and the joint Board meeting on completion of a PCI review, and request for a new Fund arrangement cannot be held within the additional 30-day grace period, then the PCI review can no longer be completed. An IPU will need to be issued if the preceding review had been completed, or the PCI would be automatically terminated if an IPU had been issued for the previous review.

⁵⁴ For PCI programs with a more frequent review schedule, the automatic termination period will be reduced proportionally (and will not be shorter than 12 months). Specifically, the PCI program would automatically terminate upon the lapsing of 12 months plus the buffer period available for the completion of the review, which has a duration based on the PCI review frequency (e.g., 13.5 months for PCI programs with quarterly reviews).

⁵⁵ A grace period of 30 days can be added to this automatic termination period if a country is transitioning from a PCI program to a Fund arrangement in limited circumstances (see ¶53 below).

⁵⁶ This additional 30-day grace period would be the same regardless of the frequency of the PCI review schedule.

⁵⁷ The new arrangement can be either precautionary or disbursing. Regarding financial assistance from the GRA and PRGT, the PCI policy only requires that countries are not seeking such assistance at the time of the PCI request. Hence the completion of PCI reviews will not be affected by the emergence of short-term BoP needs after PCI approval that require Fund financing under an SBA and/or an SCF arrangement.

- Given the risks associated with not completing a PCI review if a joint Board meeting cannot take place within the grace period, the grace period should only be used to accommodate minor administrative challenges and used only when there is a high degree of certainty that a joint Board meeting will be able to take place within the 30-day grace period. The grace period should not be seen or used as an extra buffer for delaying reviews. If there is uncertainty about the request for a new Fund arrangement, the PCI review should be completed within the regular three-month buffer and the request for a new Fund arrangement be made at a later date.

OTHER RELEVANT POLICIES

54. Post Financing Assessment (PFA).⁵⁸ A PCI provides an alternative vehicle for PFA for members that are, in principle, subject to such monitoring in light of their outstanding obligations to the Fund. For the purpose of the PFA, members with a PCI are treated similarly to members with programs supported by a Fund arrangement or SMP. In such cases, PCI staff reports should include a section on the member's capacity to repay the Fund and other elements as specified in the PFA guidance.

55. Article IV consultation cycle.⁵⁹ The 24-month cycle for Article IV consultations applies to members with a PCI. An Article IV consultation can also be combined with a PCI program review. Specifically, Article IV consultations with members that have an on-track PCI in place are expected to be completed within 24 months after the completion of the previous Article IV consultation. In cases where a PCI program review is not completed by the date for completion specified in the PCI, the next Article IV consultation is expected to be completed by the later of (i) six months after the scheduled review date and (ii) 12 months plus a grace period of three months after the previous Article IV consultation, *unless* the program review has been completed prior to the later of these two dates, in which case the 24-month cycle continues to apply. A member with an expired PCI who completed all reviews under the expired PCI remains on the 24-month cycle, if it does not meet any of the criteria specified in paragraph 2 of [Decision No. 14747-\(10/96\)](#). At the time of the final review under the PCI, staff should assess whether the consultation cycle should be shortened back to 12 months, based on the criteria mentioned above. When this is the case, the staff report for the final review should recommend the Board approve transition to the 12-month cycle. Where the PCI is cancelled by the member or expires with uncompleted reviews, the member will remain on the existing cycle, unless the Executive Board determines, based on the criteria specified in paragraph 1 of [Decision No. 14747-\(10/96\)](#) that a different cycle will apply.

56. Other UFR policies. The PCI is generally subject to the same policies as UFR, with those policies being applied by analogy to the PCI. This includes, for example, the Transparency Policy⁶⁰,

⁵⁸ For more details, see [2017 Guidance Note on Post Program Monitoring](#) (now renamed Post Financing Assessment).

⁵⁹ For more details, see [Guidance Note for Surveillance under Article IV Consultations](#).

⁶⁰ Although paragraph 7(a) of the Transparency Policy decision refers to PCs and SBs, it applies by analogy to QTs, RTs, and Standard Continuous Targets for PCIs.

the Open Archives Policy, Guidelines on Public Debt Limits in Fund Arrangements, Lapse of Time Procedures for Completion of Program Reviews, and policies on use of side letters. The PCI is also subject to data reporting framework under the Decision on [Strengthening the Effectiveness of Article VIII, Section 5](#). The PCI cannot be used to establish a track record for a HIPC decision or completion point, as the PCI is not included in the list of instruments that can be used for this purpose. In line with the practice with Fund arrangements, staff and management may also seek political assurances in the run-up to national elections.

57. Administrative costs. Any generally applicable policies on the financing of TA also apply to the PCI, as it is considered a TA, including charging policies or expectations of self-financing. According to current TA policy, advanced economies are generally expected to self-finance Fund TA, and therefore advanced economies would generally be expected to self-finance the administrative costs of the PCI.

Annex I. Comparison of the PCI with Other Instruments^{1,2}

	PCI	SBA	SCF	EFF	ECF	SMP	PMB
Objective	Support countries in designing and implementing policies through a fully-fledged macroeconomic program to (i) prevent crises and build buffers, (ii) enhance macroeconomic stability, or (iii) address macroeconomic imbalances.	Support policies to help resolve underlying BoP vulnerabilities and improve resilience; supplement external buffers in case BoP risks materialize	Achieve stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth	Provide assistance to countries experiencing serious payment imbalances because of structural impediments or slow growth and an inherently weak BoP position	Assist PRGT-eligible countries with a protracted BoP problem to implement economic programs that make significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.	Policy monitoring to implement the authorities' economic program, with a view to establish track record towards UCT-quality UFR. No board endorsement	Policy monitoring to implement the authorities' economic program, with a view to establish track record towards UCT-quality UFR. With limited Board involvement
Eligible Members	All Fund members	All Fund members	PRGT-eligible members	All Fund members	PRGT-eligible members	All Fund members	All Fund members
BoP Need at Approval	No present, potential, or prospective BoP need	Short-term present or potential BoP need	Short-term present or potential BoP need	Medium-term BoP need	Protracted BoP problem	Track record building instrument for Fund financing. UCT UFR. No BoP need required	Track record building for Fund financing. No BoP need required
Duration	6 months to 4 years	6 months to 3 years	1 to 3 years	2 to 4 years	3 to 5 years	Duration normally 6-18 months	Duration normally 6-18 months.
Repeated Use	No restrictions	No restrictions	No more than 3 SCF arrangements in any 6 years. No restrictions when SCF use is precautionary	No restrictions	No restrictions	No restrictions	No restrictions
Access Limit (percent of IMF quota)	No financial. Can expedite process for requesting Fund financial arrangement	Subject to overall GRA annual and cumulative access limits; above these limits, is subject to exceptional access policy.	Subject to overall PRGT annual and cumulative access limits; above these limits, is subject to PRGT exceptional access policy.	Subject to overall GRA annual and cumulative access limits; above these limits, is subject to exceptional access policy.	Subject to overall PRGT annual and cumulative access limits; above these limits, is subject to PRGT exceptional access policy.	No financing	No financing
Costs For Members	Follow TA charge policies. According to the current policies, advanced economies need to cover administrative costs	Progressive commitment fee structure: 15 bps for first 115 percent of quota 30 bps on 115 to 575 percent of quota 60 bps above 575 percent of quota Refunded pro-rata when amounts drawn	The SCF's interest rate setting mechanism has been aligned with that of the ECF and is currently set at zero percent until July 31, 2025. 15 bps availability fee on undrawn portion of precautionary SCF during each 6-month period.	Progressive commitment fee structure: 15 bps for first 115 percent of quota 30 bps on 115 to 575 percent of quota 60 bps above 575 percent of quota Refunded pro-rata when amounts drawn	Currently zero	None	None
Review Schedule	Normally semi-annual; shorter possible. Fixed schedule (with a buffer) to provide regular and uninterrupted signal	Normally semi-annual; shorter possible	Normally semi-annual; shorter possible	Normally semi-annual; shorter possible	Normally semi-annual; shorter possible	Quarterly or semi-annual; reports circulated for information basis, unless review coincides with Article IV	Quarterly or semi-annual
Non-Completion of Reviews	3-month buffer for review completion in normal case. Performance Update sent to Board (for information) when buffer expires	No time limit for completing a review; reviews can be combined	No time limit for completing a review; reviews can be combined	No time limit for completing a review; reviews can be combined	No time limit for completing a review; reviews can be combined	No time limit for completing a review; reviews can be combined	No time limit for completing a review; reviews can be combined

¹ For a detailed discussion on how the PCI fits into the Fund toolkit, see [Review of the Policy Coordination Instrument and Proposal to Eliminate the Policy Support Instrument](#) (¶17).

² This table does not show an exhaustive overview of all lending instruments. In particular, FCL, SLL, PLL, and Emergency Financing are excluded.

	PCI	SBA	SCF	EFF	ECF	SMP	PMB
Automatic Termination	15 months after Board approval of the PCI request or of the scheduled review date of the last completed review (for PCI with semi-annual review)	None	Automatically terminates if no program review is completed over 18-month period. Procedures available to delay termination.	None	Automatically terminates if no program review is completed over 18-month period. Procedures available to delay termination.	None	None
Conditionality	UCT-quality, may contain QTs, RTs, and Continuous Targets, as well as PAs, as needed	UCT-quality, contains QPCs, ITs, SBs and Continuous PCs, as well as PAs, as needed	UCT-quality, contains QPCs, IT, SB and Continuous PCs, as well as PAs as needed	UCT-quality, contains QPCs, ITs, SBs and Continuous PCs, as well as PAs, as needed	UCT-quality, contains QPCs, ITs, SBs and Continuous PCs, as well as PAs, as needed	Not UCT-quality, contains QTs, ITs, SBs, and Continuous Targets, as well as PAs as needed	Not UCT-quality, contains QTs, ITs, SBs, and Continuous Targets, as well as PAs as needed
Monitoring of Conditionality	Review-based monitoring of QTs and RTs. No waivers if missed, but substantive requirements for completing reviews same as under PC-based monitoring	QPCs require waivers if missed; review-based monitoring of SBs	QPCs require waivers if missed; review-based monitoring of SBs	QPCs require waivers if missed; review-based monitoring of SBs	QPCs require waivers if missed; review-based monitoring of SBs	No requirement for waivers if QTs missed; review-based monitoring of SBs	No requirement for waivers if QTs missed; review-based monitoring of SBs
Concurrent Use	With SBA/SCF or RFI/RCF (but cannot request simultaneously) or RSF.	Blending with SCF pursuant to blending policy. Concurrent use with RCF/RFI only under certain conditions. Concurrent use with RSF *	Blending with SBA pursuant to blending policy. Concurrent use with RCF/RFI only under certain conditions. concurrent use with RSF	Blending with ECF pursuant to blending policy. Concurrent use with RCF/RFI only under certain conditions. Concurrent use with RSF	Blending with EFF pursuant to blending policy. Concurrent use with RCF/RFI only under certain conditions. Concurrent use with RSF	With RCF/RFI	With RCF/RFI
Financing Assurances	Firm financing commitment for next 12 months; good prospects for adequate financing for remainder of arrangement	Firm financing commitment for next 12 months; good prospects for adequate financing for remainder of arrangement	Firm financing commitment for next 12 months; good prospects for adequate financing for remainder of arrangement	Firm financing commitment for next 12 months; good prospects for adequate financing for remainder of arrangement	Firm financing commitment for next 12 months; good prospects for adequate financing for remainder of arrangement	Standards for financing assurances do not apply fully, but staff should seek to examine financing situation	Standards for financing assurances do not apply fully, but staff should seek to examine financing situation
Safeguards Assessment	Not required, but encouraged	Required by the time of 1 st review	Required by the time of 1 st review	Required by the time of 1 st review	Required by the time of 1 st review	Not required	Not required
Misreporting	Tailored misreporting framework applies to PAs, QTs and CTs	Standard GRA misreporting framework	Standard PRGT misreporting framework	Standard GRA misreporting framework	Standard PRGT misreporting framework	Not applicable	Not applicable

Annex II. Comparison of Nomenclature

GRA/PRGT	PCI
Prior Action	Prior Action
Quantitative Performance Criterion	Quantitative Target
Continuous Performance Criterion	Continuous Target
Indicative Target	n/a (memo item)
Structural Benchmark	Reform Target

Annex III. Documentation and Review Process

This Appendix briefly summarizes documentation requirements and the chronological steps for a typical mission cycle in a PCI.

A. Pre-Mission Work

1. **Early consultation.** Mission teams are encouraged to consult informally with SPR (and if relevant FIN or LEG) at an early stage to get information on relevant Fund PCI policies and technical requirements.
2. **Policy Note (PN).** In preparation for the PCI policy discussions with country authorities, area departments will prepare a PN. Among others, program tables should include (a) a table with Quantitative Targets (QTs) that covers (i) previously established targets and outturns (QTs) since PCI approval or over at least the past 12 months, (ii) QTs for the subsequent two reviews (i.e., for a 12-month period in the case of semi-annual reviews) or through the end of the PCI if it is scheduled to expire in less than 12 months (from the expected Board date), (iii) memo items, optionally, as ITs are not included in PCI program conditionality, and (iv) continuous targets that relate to trade and exchange restrictions, bilateral payments arrangements, multiple currency practices and non-accumulation of external payments arrears; (b) an RT table covering (i) the implementation status of previously established RTs, (ii) RTs covering the next two reviews, highlighting their timing and macro criticality, and (iii) any Prior Actions (PAs). A preliminary DSA and other annexes normally found in UFR request PNs should also be included.
3. **Policy Consultation Meetings (PCM).** A PCM should be held approximately two to three weeks prior to missions. The PCM should establish a firm idea of what the final PN will look like, discussing issues and ideally reaching an agreement.
4. **Cover memorandum for PN.** The PN should be sent to Management for clearance with a cover memorandum. The cover memorandum should provide concise and candid information on the following: (i) key issues—economic situation, including vulnerabilities to an external or financial crisis; (ii) staff’s main recommendations; (iii) main issues raised in the review process, including reconciliation of diverging departmental views as appropriate; and (iv) any controversial aspects.

B. On Mission

5. **Program Statement (PS).** For new requests and for program reviews, the authorities of the country will need to sign a PS that sets out the policies and measures they intend to pursue in line with their Fund-supported program. The PS is presented in the form of a letter and includes an accompanying memorandum (also titled “Program Statement”), and an annexed Technical Memorandum of Understanding. Specific policy objectives should be clearly articulated in the PS (and associated staff report) for a new PCI and would typically include the following policies and reform areas: fiscal, monetary, exchange rate, financial sector, and structural reforms. As the PS combines the function of both LOI and MEFP in Fund arrangements, the PS should have the

standard LOI [consultation clause](#)¹ (as required by the 2024 Operational Guidance Note on Program Design and Conditionality) and tables on the implementation status of e.g., QTs and RTs. A draft letter/PS should be discussed during the mission, and the authorities should be advised that these understandings are reached with staff *ad referendum*, i.e., subject to Fund Management approval. The authorities should therefore not sign the letter prior to Management approval.

6. Technical Memorandum of Understanding (TMU). A TMU is annexed to the PS. The TMU clearly and precisely defines the program conditions, including the definitions of indicators, the coverage of public debt of the government and the monetary authorities, exchange rate valuation for program purposes, program adjustors, data submission requirements, etc. Standard language on the definition for external debt should also be included.

7. End-of-mission Press Release. It is often useful for missions to issue a press statement at the end of a mission, especially when understandings on a new PCI financing request or program review are reached.² Such press statements can provide an opportunity to focus the attention of the local media and key stakeholders on the main policy issues and build an understanding for the role of the Fund in the country. Staff should inform the authorities of their intention to issue a press statement. Missions are encouraged to inform the COM country press officer or Media Relations of press plans early on and should clear the written statement before its release. The mission should also give the authorities an opportunity to review the draft press statement.

C. Post-Mission Work

8. Back-to-Office Report (BTO). The mission chief should send a BTO to Management within two working days of the mission's return to headquarters. The BTO should be short (up to two pages) and should mention the nature of the mission (with mission members listed in a footnote) and the key issues, with an attached Selected Economic Indicators table.

9. Staff Report (SR). A staff report is required for an initial PCI request, and at the time of each program review. The SR provides an overall assessment of performance and policy commitments. The timing of all reviews and test dates is summarized in a SR table at the time of the PCI approval. When targets are missed, the discussion in the staff report needs to remain as comprehensive as under the “traditional” approach to monitoring of conditionality. The program performance section (or equivalent) needs to discuss missed targets and ascertain that program remains on track despite these deviations. The staff appraisal section reiterates why staff considers the program on track and recommends completing the review. The reports (or its annexes) should include tables of quantitative and reform targets, with clear indication of status for past targets. Regarding annexes:

¹ The standard consultation clause states the following: “The Government believes that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. [Member] will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund’s policies on such consultation.”

² When the PCI discussion is combined with an Article IV consultation, the press release is replaced by a concluding statement, which also summarizes the discussions between country authorities and the IMF staff team. See [Review of the IMF’s Communications Strategy](#).

- **Debt Sustainability Analysis.** Staff reports should be underpinned by a thorough DSA to underpin medium-term debt strategies and fiscal frameworks. DSA-related process issues—such as periodicity, engagement with the authorities, with the Fund, and with the World Bank—will be guided by the provisions for program countries in the relevant (SRDSF or LIC) DSA guidance notes. The main conclusions of the DSA should be discussed in the body of the staff report.
- **External Sector Assessment (ESA).** An ESA is required every 12 months and for Article IV consultations. An update should be included if circumstances have substantially changed since the last assessment.
- **Informational Annex.** An informational annex is not required for PCI staff reports, except when combined with Article IV staff reports.

10. Interim Performance Update. If the review is not completed within the review window, an interim performance update by staff is required to be provided to the Board for information. Interim performance updates should be issued to the Board within 2 weeks of the end of the review window. A brief factual statement in the form of a press release stating the issuance of the performance update would be published, and the performance update report would be published subject to the authorities' consent.³

11. Management Clearance Memo. Management clearance of staff reports is based on a clearance note that states the main issues addressed in the report, lays out any differences in views among departments, explains clearly any significant deviations from the PN, and highlights potentially controversial issues. A copy of the staff report's Executive Summary should be attached.

12. Summing Up/Chairman's Statement. All stand-alone PCI discussions and combined PCI discussions with Article IV consultation discussions require both a Summing Up and Chairman's Statement. Similar to other country meetings, SEC prepares the Summing Up and Chair's Statement after receiving an initial draft from staff. For questions regarding Lapse of Time procedures, an early engagement with SPR and SEC is critical for ensuring that the procedural criteria are assessed in a timely manner.

13. Press Release. COM issues Press Releases for new PCI programs and reviews, containing the Chair's statements. Area Departments prepare the background section, to be reviewed by SPR upon demand. COM prepares the initial draft, including the Chair's statement, and requests comments from the area department, LEG and FIN (as needed), and the Executive Director of the country in question. Box 1 provides an example.

14. Publication regime for PCI-related documents. The Board documents for both requests for the PCI and completion of reviews under the PCI, after being sent to the Board for approval, are published pursuant to the Transparency Policy, subject to the authorities' consent, together with a Press Release containing the Chair's Statement. IPU's prepared by staff would be issued to the Board for information and a brief factual statement to that effect would be published. The IPU would also

³ See, for example, [Rwanda's 2020 IPU](#) and [Seychelles' 2020 IPU](#).

be published, subject to the consent of the authorities. While publication of PCI-related documents would be voluntary, they would be subject to the stronger publication presumption under the Transparency Policy⁴, so as to provide a clear and transparent signal.

Box 1. Example of a Press Statement on an Interim Performance Update (IPU)

Staff has sent to the Executive Board an interim performance update (IPU) concerning the [3rd] Review under the [Country name] PCI program. An IPU is issued to the Board when a review cannot be completed within [3] months of the scheduled date. It provides an overview of the economic situation and program performance, indicating the sources of delay in completing the scheduled review, and highlighting the corrective actions needed to bring the program back on track. [Summary of the IPU and link to the full document, if the authorities have agreed to its publication.]

15. Staff Statements or Supplement. Staff statements or supplements should be prepared as needed if new or additional information becomes available after the submission of the staff report to the Board and before the Board meeting. The statement/supplement should explicitly mention whether the new information changes the thrust of staff’s assessment in the staff report. Staff supplements are used when there is significantly new material information that can change the staff appraisal. They are subject to Management clearance. Staff statements provide factual updates without changing the staff appraisal. They are subject to SPR review and no Management clearance is required. However, it is good practice to share the statement with Management for information. The statement/supplement should be sent to SEC for Board circulation at least four days before the Board meeting.

D. Other Documents

16. Poverty Reduction and Growth Strategy (PRGS) document. For PRGT-eligible countries whenever poverty reduction is considered critical to program success, a Poverty Reduction and Growth Strategy (PRGS) document, while not required, would be encouraged as part of program conditionality. In such cases, the PRGS would be expected to meet the same minimum standards as those required by PRGT arrangements.

17. Safeguards Assessment.⁵ A safeguards assessment is not required for a PCI. However, countries with a PCI are encouraged to undertake such an assessment on a voluntary basis (see ¶23).

⁴ Under the Transparency policy, the Managing Director will generally not recommend that the Executive Board approve a request for assistance under the PCI, including the completion of a review under the PCI, unless that member explicitly consents to the publication of the associated staff report. In addition, the Transparency Policy provides that where the member does not consent to the publication of an IPU, the Managing Director may take this into account when determining whether to recommend that the Executive Board approve a subsequent review. Please see SM/17/139 Supplement 1.

⁵ See further guidance by FIN, including [Operational Guidelines for Safeguards Assessments](#) and [Safeguards Assessments – 2022 Review of Experience](#).

E. Length of Country Documents

18. Word limits. On July 22, 2014, Management approved the current limits on document length for PNs and staff reports, which apply for all notes/reports sent to Management. In addition, Management requested that, to ensure traction, all documents subject to word limits indicate both the actual word count and the applicable limit in the cover note, and that staff indicate the reasons for significant deviation in the cover note. The word limits for a stand-alone PCI staff report are 6,000 for program approval and 5,000 for program review.