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## REFORM OF THE FUND'S POLICY ON POVERTY REDUCTION STRATEGIES IN FUND ENGAGEMENT WITH LOW-INCOME COUNTRIES—PROPOSALS

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- A **Press Release** summarizing the views of the Executive Board as expressed during its June 22, 2015 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on May 26, 2015 for the Executive Board's consideration on June 22, 2015.

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## REFORM OF THE FUND'S POLICY ON POVERTY REDUCTION STRATEGIES IN FUND ENGAGEMENT WITH LOW-INCOME COUNTRIES—PROPOSALS

### EXECUTIVE SUMMARY

**Poverty reduction strategies (PRS) are central to Fund-supported economic and financial programs in low-income countries (LICs).** The joint IMF-World Bank's Heavily Indebted Poor Country (HIPC) Initiative introduced the PRS approach and established documentation requirements centered on the Poverty Reduction Strategy Paper (PRSP). The PRS approach has also been a cornerstone for the Fund's concessional financing, currently the Extended Credit Facility (ECF), and has been extended to the Policy Support Instruments (PSI), the non-financing instrument for LICs, with PRS documentation serving as the operational framework for development of strategies to promote growth and reduce poverty under Fund-supported programs.

**A new policy is now needed for the PRS process and documentation in respect of Fund-supported programs under ECF arrangements and PSIs.** A large majority of countries eligible for concessional financing under the Poverty Reduction and Growth Trust have now completed the HIPC process, and are no longer required to produce PRS documentation for the purpose of debt relief. In parallel, countries have been increasingly producing PRS documentation for their own domestic purposes on timelines determined by national needs. Reflecting these developments, the World Bank delinked its concessional financial support from the PRS process. This paper proposes a new Fund policy on the content and process of PRS documentation to address these developments. The proposed policy on PRS documentation is guided by three key principles: (i) maintaining a clear link between the member's PRS and policies under ECF arrangements and PSIs; (ii) preserving national ownership of PRS process; and (iii) providing for flexibility in the scope and coverage of PRS to reflect different country circumstances.

**The proposed policy presents a new PRS approach based on an Economic Development Document (EDD), which has the following key features:**

- **Content of the EDD:** In line with the current PRSP-based approach, a member country will produce an EDD. The EDD may take two forms: (i) an existing national development plan or strategy document on the country's PRS; or (ii) a newly prepared document on the country's PRS. Under the proposed policy, while country

circumstances would be taken into account in documenting PRS in EDDs, countries would need to meet minimum standards and would be encouraged to follow good practice guidelines. Unlike the PRSP approach where the participation of stakeholders is required in preparing PRSPs, the proposed policy only encourages but does not require a participatory process in developing EDDs. It is also proposed to streamline the content of PRS documentation and reduce its length, as appropriate, through a focus on macro-relevant aspects of the PRS.

- **Time requirements for issuance of the EDD:** Under the proposed policy, an EDD is required to be issued to the Board for completion of the first and subsequent reviews under ECF arrangements and PSIs. The PRS covered in the EDD would need to have been developed normally within 5 years but no more than 6 years leading up to and covering the relevant review.
- **Assessment of a member country's PRS documented in the EDD:** Fund staff's assessment of a member country's PRS, as reflected in the EDD, would be provided in relevant program documents (Staff Report). An assessment of the country's PRS would also be requested from World Bank staff and circulated to the Fund Executive Board for information.
- **Modalities for monitoring PRS implementation:** The process for monitoring PRS implementation would be streamlined for both countries and Fund staff. Countries would no longer be required to produce lengthy Annual Progress Reports as required under the current PRSP policy but would document PRS implementation in their (Letter of Intent (LOI)/Memorandum of Economic and Financial Policies (MEFP)). For Fund staff, the current Annual Feedback Process would be replaced by regular reporting of PRS implementation in program documents and a PRS Implementation Review, with the latter to be reported to the Board no later than the fourth review under an ECF arrangement or a PSI.
- **The proposed policy would not modify PRS requirements under the HIPC Initiative.** Countries under the HIPC Initiative would continue to be subject to the current PRS documentation requirements for purposes of reaching decision and completion points.

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Prepared by Strategy, Policy, and Review and Legal Departments, in consultation with other departments

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## Acronyms and Abbreviations

AFP	Annual Feedback Process
APR	Annual Progress Report
CEN	Country Engagement Note
CLR	Completion and Learning Review
CPF	Country Partnership Framework
CSOs	Civil Society Organizations
ECF	Extended Credit Facility
EDD	Economic Development Document
IDA	International Development Association
IEO	Independent Evaluation Office
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
JSAN	Joint Staff Advisory Note
LICs	Low-Income Countries
LOI	Letter of Intent
MEFP	Memorandum of Economic and Financial Policies
PIR	PRS Implementation Review
PLR	Performance and Learning Review
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSI	Policy Support Instrument
RCF	Rapid Credit Facility
SCD	Systematic Country Diagnostic
SCF	Standby Credit Facility
SDA	Special Disbursement Account
SMEs	Small and Medium-sized Enterprises
WBG	World Bank Group

## INTRODUCTION AND CONTEXT

*This paper proposes a new policy on documenting poverty reduction strategies (PRS) that anchor Fund-supported programs under Extended Credit Facility (ECF) arrangements and Policy Support Instruments (PSIs). The reforms reflect the near complete implementation of the Initiative for Heavily Indebted Poor Countries (HIPC) and recent practices among member countries in documenting their PRS as well as the Bank's decision to delink its International Development Association (IDA) financial support from the PRS process and documentation. However, the proposed policy does not modify the current PRS requirements for reaching decision and completion points under the HIPC Initiative.*

1. **The current policy based on Poverty Reduction Strategy Papers was launched in 1999 under the joint IMF-World Bank's HIPC Initiative.** Countries were required to adopt and implement a PRS, set out in a document entitled the Poverty Reduction Strategy Paper (PRSP), to qualify for decision points and completion points under the HIPC Initiative (Box 1). The central role of PRS documentation under the HIPC Initiative has remained in place since 1999 (Annex I).
2. **The same HIPC-based PRS documentation has been used to underpin policies under Fund-supported programs for countries eligible for support under the Poverty Reduction and Growth Trust (PRGT).** Specifically, PRS documentation has been required for ECF arrangements and PSIs consistent with their medium-term time frame.<sup>1</sup> For the ECF, a country's PRS set forth in PRS documentation should underpin policies supported under an ECF arrangement.<sup>2</sup> Similarly, for the PSI, Fund-supported programs will be based on the PRS of a country, which will be set forth in PRS documentation.<sup>3</sup> The current Fund policy on the documentation and review of countries' PRS for purposes of ECF arrangements and PSIs are summarized in Box 2.

<sup>1</sup> While PRS documentation is generally expected to underpin policies in all countries seeking concessional Fund support, formal documentation requirements do not apply for the use of two other concessional financing facilities, the Standby Credit Facility (SCF) and the Rapid Credit Facility (RCF).

<sup>2</sup> See Section II, paragraph 1(b)(3) of the Instrument to Establish the Poverty Reduction and Growth Trust (PRGT Instrument), Annex to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended.

<sup>3</sup> See paragraph 5 of the Policy Support Instrument Framework decision, Decision No. 13561-(05/85), adopted October 5, 2005, as amended.

**Box 1. Fund Policy on PRS Documentation Under the HIPC Initiative 1/**

In order to reach decision and completion points under the HIPC Initiative, a member country is required to document its PRS in a PRSP. A PRSP is prepared by a member country in a participatory process involving a broad range of stakeholders and sets out a comprehensive three-year poverty reduction strategy. Pending the development of a full PRSP, an Interim PRSP (I-PRSP) can be used to set out a preliminary poverty reduction strategy as a precursor to a full PRSP. A PRSP preparation status report is a report prepared by a member country to update the preliminary poverty reduction strategy set out in an I-PRSP in anticipation of a full PRSP. Implementation of the PRSP is reviewed in an Annual Progress Report (APR), which may also update the policies described in the PRSP. At the decision point, a member country shall have a satisfactory PRS set out in an I-PRSP, PRSP preparation status report, PRSP, or APR, that has been issued to the Executive Board normally within the previous 12 months but in any case within the previous 18 months, and has been the subject of an analysis in a Joint Staff Advisory Note (JSAN) also issued to the Board. For a completion point, the country shall have prepared a PRSP and implemented satisfactorily the strategy therein described for at least one year by the completion point as evidenced by an APR that has been issued to the Board normally within the previous 12 months but in any case within the previous 18 months, and has been the subject of an analysis in a JSAN also issued to the Board.

1/ See Section III, paragraph 2 of Trust for Special Poverty Reduction and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations (PRG-HIPC Trust), Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended.

3. **The Internal Evaluation Office (IEO) conducted evaluations of the Fund's PRS approach in 2004 and 2014 respectively, with the 2014 evaluation finding that early weaknesses in the PRS approach identified in the 2004 evaluation had been corrected and good progress had been made since 2004.** The 2004 IEO evaluation of the PRS approach found that the approach could form the basis of a country-owned and credible long-term strategy for growth and poverty reduction, but had yet to fulfill this potential.<sup>4</sup> The evaluation was conducted in the early stages of the PRS approach and focused on the intermediate stage outcomes such as the quality of the policy formulation process and strategy, the interaction between the PRS framework and the Poverty Reduction and Growth Facility (PRGF) effective at that time, and the effectiveness of the Fund's role. The evaluation reported a widespread perception that the approach was overly influenced by procedural requirements of the World Bank and the Fund, while identifying capacity constraints as a severe impediment to progress in the implementation of the PRS approach. In light of these findings, the IEO recommended that the emphasis of the initiative be shifted from the production of documents to the development of sound domestic policy formulation and implementation processes. It also called for a clarification of what was expected of the Fund under the PRS approach and the introduction of greater flexibility in the implementation of the PRS approach to fit better the

<sup>4</sup> See the 2004 Report on the Evaluation of Poverty Reduction Strategy Papers (PRS) and Poverty Reduction and Growth Facility (PRGF) (<http://www-ieo.imf.org/ieo/pages/CompletedEvaluation106.aspx>), the 2014 Report on Revisiting the 2004 IEO Evaluation of the IMF's Role in PRSPs, and the PRGF and the 2007 IEO Evaluation of the IMF and Aid to Sub-Saharan Africa (<http://www-ieo-imf.org/ieo/pages/CompletedEvaluation218.aspx>).

needs of countries at different stages of the process, and with different capacities and political and administrative systems. The IEO revisited its 2004 evaluation in 2014, and found good progress and relevant changes towards its previous recommendations, such as the replacement of Joint Staff Assessments (JSAs) with JSANs and the clarification of the Fund's role in the PRS process.

## **Box 2. Current Policy on PRS Documentation in the Context of ECF Arrangements and PSIs**

### **PRS documentation 1/**

*ECF arrangements and PSIs.* The second and every subsequent review can only be completed if (a) the member has a PRS set out in PRS documentation that has been issued to the Board normally within the previous 18 months, and has been the subject of a staff analysis, including in the staff report on a new ECF arrangement (or a new PSI) or a review under an ECF arrangement (or a PSI), or (b) the member has a PRS set out in a PRSP that has been issued to the Board and which covers a period of 12 months from the date of the completion of the relevant review and the member's program documentation describes how the current fiscal budget, the upcoming fiscal budget (when available), and planned structural reforms advance PRS implementation. 2/

### **Staff assessment of countries' PRS and PRS implementation**

The PRSP (and I-PRSP) are subject to a JSAN that is prepared by the staffs of the Bank and the Fund. JSANs contain an analysis of the strengths and weaknesses of the country's PRS and identify priority action areas for strengthening. They are issued to the Fund Executive Board for discussion or information generally within four months of the transmission to the Fund of a PRSP or an I-PRSP outside of the HIPC context. In 2009, the link between JSANs and Fund Board decisions under the PRGT and PSI was eliminated, and support under the ECF and PSI since then requires a staff analysis of the PRS documents which can be included in the staff report on the ECF arrangement or PSI.

Formerly, a JSAN was also required for a country's APR but this requirement was replaced in 2009 by an Annual Feedback Process (AFP) conducted by Fund staff. The AFP is based on informal consultations and dialogue with country authorities, the results of which are summarized as part of Article IV consultation staff reports, or in staff reports for approval of a new ECF arrangement or a PSI, or for the completion of a program review, ideally on an annual basis. The AFP generally covers: i) performance relative to PRS benchmarks and monitoring indicators; ii) the linkages between the PRS and national systems and processes; and iii) an overview of the coming year's policy intentions, in particular as reflected in the budget. The AFP draws, to the extent possible, on existing in-country mechanisms, such as annual reviews of budget, consultative groups/roundtables.

1/ For the purpose of the current PRS policy, PRS documentation comprises a Poverty Reduction Strategy Paper ("PRSP"), a PRSP Preparation Status Report, an Interim PRSP ("I-PRSP"), or an Annual Progress Report ("APR"). See Section I, paragraph 1 of the PRG-HIPC Trust, Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended.

2/ For requests of and reviews under ECF arrangements, the member has also to indicate how the program advances the member's poverty reduction and growth objectives, in line with the objectives and policies of the program.

4. **On balance, the PRS approach has been generally successful.** It provided an operational framework for governments to document their developmental priorities and to specify strategies, policies, programs and resource needs for purposes of fostering strong growth and reducing poverty. It allowed for an effective channeling of HIPC debt relief benefits towards poverty reduction and social welfare development. It also provided a framework for constructive dialogue and engagement between country authorities and various stakeholders, such as development partners and Civil Society Organizations (CSOs). However, PRSP production was often reported as a further burden on the already stretched capacity of many low-income countries (LICs).

5. **PRS documentation needs are changing as the HIPC Initiative approaches completion.** Almost all HIPC-eligible countries have now reached the completion point.<sup>5</sup> Accordingly, very few countries now need to produce HIPC-related PRS documentation to qualify for debt relief. Reflecting this development and to refocus its country engagement approach, the World Bank delinked its concessional financial support from the PRS process and documentation in 2014. Accordingly, countries will no longer need to produce PRS documentation to be eligible for International Development Association (IDA) loans (Annex II details the new country engagement approach of the World Bank).

6. **Growing national focus is also changing the nature of PRS documentation.** PRS documentation was initially prepared by countries largely for purposes of qualifying for debt relief under the HIPC Initiative. While the required domestic consultative process for PRSPs was designed to communicate and achieve buy in to poverty reduction goals and policies, the drafting process was typically also with an important eye to the needs of development partners. Over time, PRS documentation has increasingly focused on the domestic audience, as most eligible countries have graduated from the HIPC process. Nationally-oriented PRS documentation often takes the form of a national development plan or strategy, often updated on a rolling five-year cycle (Box 3). In some instances, national development plans or strategies have been developed as electoral platforms and implemented by the winning party. Although developed with a national audience in mind, the same PRS documentation is shared with the Fund for purposes of meeting PRSP requirements.

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<sup>5</sup> The HIPC Initiative, launched in 1996, has resulted in debt relief for 36 out of 39 countries (as of end-April 2015). The remaining HIPC-eligible countries of Eritrea, Somalia, and Sudan have not yet reached the decision point. Zimbabwe is currently not PRGT-eligible nor included in the list of ring-fenced countries that could benefit from the HIPC initiative.

### Box 3. Recent Experience with National Development Documents

Out of the 21 PRGT-eligible countries currently under Fund-supported programs, 13 are using for the purpose of PRS documentation a national development plan that usually covers a period of five years. A number of developing countries also have national visions documents, which cover a time span of 20 to 30 years and often focus on economic transformation and diversification, usually complementing the national development plans by providing more general and longer-term goals. A sample of recent national development plans and visions (Cameroon, Zambia, Rwanda, and Liberia) provides evidence of well-articulated development strategies that lay out how the country's macroeconomic, structural and social policies will promote broad-based growth and reduce poverty over the horizon of the document, as well as discuss the associated external financing needs and major sources of financing for their development programs. In line with the minimum standards and the good practice guidelines set out in this Board paper, these documents identify the factors that constrained growth and poverty reduction, the priorities of their strategies and policies for achieving pro-poor growth as well as the steps taken to protect the welfare of the poorest and the most vulnerable to risks and shocks. All the documents in the above sample were also developed through a country-wide consultative process.

7. **Reflecting the above trends, staff is of the view that reforms to the Fund policy on PRS process and documentation in the context of ECF arrangements and PSIs are warranted.** No proposal is made to modify the HIPC Instrument and the policies that it establishes. The HIPC Instrument is a joint initiative of the Fund and the Bank, which can be modified with the consents of both institutions. There are only three countries remaining under the HIPC Initiative and modifying the Instrument would require broad-based consultations with stakeholders on whether and how to change important elements of the HIPC debt relief process. Accordingly, reforms have not been explored as part of the current policy proposal for PRS documentation.

8. **A new approach is timely, as several countries need to produce new PRS documentation in order to move forward with their Fund-supported programs under ECF arrangements or PSIs.** Of the current twenty one ECF arrangements and PSIs, nine countries will qualify to complete a review beyond June 30, 2015 based on a PRS document issued to the Board within the preceding 18 months (Table 1 and Annex III); five countries would also be eligible to complete a review, based on the existence of a PRSP covering a 12-month forward-looking period;<sup>6</sup> and two countries would meet both criteria to complete a review. Overall, sixteen countries would meet the current PRS requirements, and five countries would need to issue new PRS documentation to complete a review beyond July 1, 2015. The number of countries for which new PRS documentation is needed would rise over time as existing PRS documentation issued to the Board become more dated.

<sup>6</sup> In this case, the member's program documents would need to describe how the current fiscal budget, the upcoming fiscal budget (if available), and planned structural reforms advance the implementation of the PRS.

**Table 1. PRS Documentation Status for Second Half of 2015**  
(Projected at end-June 2015)

Current Fund-supported programs	No. of countries	Total	Basis to complete review:			New PRS documents required
			Criterion A 1/	Criterion B 2/	Both Criteria	
ECF arrangements	17	12	6	4	2	5
PSIs	4	4	3	1	0	0

Source: IMF country teams.  
1/A poverty reduction strategy set out in an I-PRSP, PRSP preparation status report, PRSP, or APR that has been issued to the Executive Board normally within the previous 18 months.  
2/ A poverty reduction strategy set out in a PRSP that has been issued to the Executive Board and which covers a period of 12 months from the date of the completion of the relevant review.

9. **The remainder of this paper is organized in the following manner:** The next section outlines the guiding principles for the proposed reforms, while the subsequent section details specific reform proposals. Concluding sections cover the launch of the new policy as well as related transitional arrangements, other operational implications, and issues for Board discussion.

## GUIDING PRINCIPLES FOR REFORM

*The proposed policy on PRS documentation in the context of the ECF and the PSI has three broad objectives: (i) maintaining a clear link between the member's PRS and policies under Fund-supported programs with streamlined PRS documentation; (ii) preserving national ownership of the PRS process; and (iii) providing flexibility in the scope and coverage of PRS to reflect different country circumstances.*

10. **A key objective is to preserve an explicit and transparent link between member countries' PRS, and policies under ECF arrangements and PSIs.** A clearly documented link is important for demonstrating that policies under Fund-supported programs are consistent with the overall strategy for strong and durable poverty reduction and growth as evidenced in the member's PRS documentation. At present, the current PRS documentation serves to document the members' PRS for purposes of establishing this linkage. These documents, while burdensome to produce, have the benefit of providing a single, transparent reference point on the member's PRS, which would inform the Executive Board that the member has a clear strategy for reducing poverty and promoting growth underpinning the macroeconomic policies being supported under an ECF arrangement or a PSI.<sup>7</sup> The proposed reform seeks to retain this clarity and transparency while streamlining documentation more than has been the case for PRSPs.

<sup>7</sup> It is not intended to change the current policy where there is no requirement for endorsement by the Board of the PRSP in the context of ECF arrangements or PSIs.

11. **Priority is given to preserving national ownership of the PRS process.** In practice, PRS documentation provided to the Fund for purposes of meeting PRSP requirements is typically in the form of a national development plan or strategy. Where national PRS documentation has been developed, the member should, where possible, be able to use it to inform the Fund of its PRS, rather than being required to produce new PRS documents specifically for the Fund. Preparation of separate documentation for the Fund, while possibly offering scope to more precisely chart linkages between the PRS and policies under an ECF arrangement or PSI, would be seen by members as creating a new and unnecessary administrative burden. It could also be viewed as undermining national ownership of the PRS process, and could undermine policy planning, to the extent that differences emerge between the national PRS document and a separate document prepared for the Fund.

12. **The PRS documentation should reflect country circumstances.** Countries' PRS documentation varies widely across countries, reflecting their poverty situation, national preferences, national capacity for implementation of poverty-reducing policies and projects, and different approaches to the design and communication of national policies to domestic stakeholders. These country-specific circumstances should be taken into account in the PRS documentation, which underpin policies pursued under Fund-supported programs.

## REFORM PROPOSAL REGARDING THE FUND'S POLICY ON POVERTY REDUCTION STRATEGIES

*This section proposes a new PRS approach that would be used by members to document their PRS in the context of ECF- or PSI-supported programs. The proposed approach for documenting the PRS would rely on an Economic Development Document (EDD). The EDD may take two forms: (i) an existing national development plan or strategy document documenting a member's PRS; or (ii) a newly prepared document on the member's PRS. Under the proposed policy, the member may be able to meet the Fund's PRS requirements by issuing either of these documents as an EDD to the Board.*

### A. New PRS Documentation for ECF Arrangements and PSIs<sup>8</sup>

13. **Member countries with existing national development plans or strategies documenting their PRS may choose to submit these as EDDs.** Such documents will be issued to the Executive Board as an *Economic Development Document* (EDD).<sup>9</sup> This proposal in fact reflects the current practice followed by many members to use their national development plans and strategies to meet PRSP requirements. In using existing national development plans or strategies, countries

<sup>8</sup> Staff consulted CSOs from February 24 to March 24, 2015, sharing the broad principles of the proposed new approach. This process did not identify any objection by CSOs to the proposals.

<sup>9</sup> National PRS documents commonly describe policies that seek to reduce poverty as one element of a broader economic and social development agenda. Consistent with this, this broader descriptive term is proposed.

would have flexibility in deciding which part of materials to submit to the Fund, provided that they meet minimum standards described in Section B below. For example, if a national PRS is discussed in separate parts of a national development plan or strategy, one or more sections (not the national development plan or strategy in its entirety) may be submitted to the Fund as an EDD. Where the member's national PRS is not available in English, the Fund would arrange for translation.

14. **Where there is no existing national PRS documentation, a member would need to provide a new document as an EDD for the purpose of meeting PRS documentation requirements.** In these cases, the new document, submitted and issued to the Executive Board as an EDD, would serve as the primary documentation of the member's PRS. Since this new document issued as the EDD would focus on elements of the PRS that are relevant specifically to the macroeconomic policies under a Fund-supported program, the breadth and detail could be significantly streamlined in relation to a typical PRSP (and relative to many national development strategies or plans). The length of this streamlined EDD would be in line with the guidelines on contents of EDD as set forth in Section B, taking into account country circumstances. In practice, it is envisaged that a member would be able to produce an adequate EDD in around 10–15 pages.

15. **Even where there is existing national PRS documentation, a member may need to prepare a new PRS document as an EDD.** Where an existing national development plan or strategy is no longer sufficiently timely and relevant for purposes of demonstrating the member's PRS (see Section B), the member would need to produce a new document as an EDD to meet the Fund's PRS requirements; this could take the form of a new national development plan or strategy or a streamlined EDD prepared as a bridging document in cases where more time is needed to prepare a new national development plan or strategy. In other cases, where a member has produced a national PRS document that covers a broader area than required for the Fund's PRS documentation requirements, the member would have the option of submitting as an EDD either the national PRS document in its entirety or a summary of the national PRS document. The latter approach based on the summary of the national PRS document would be helpful where the national PRS document is lengthy and in a language other than English since the translation of PRS documents into English for issuance to the Board would be simplified. The summary would include the elements of the PRS relevant for a Fund-supported program.

16. **The EDD, whether it is based on an existing national PRS document or is newly-prepared, would be accompanied by a cover letter from the member country concerned to the Managing Director, which will be deemed to be part of the EDD issued to the Board.** The key functions of this cover letter are to: (i) describe the role that the national document issued as an EDD or a new EDD plays in guiding the member's PRS and the participatory process that may be reflected in the PRS; and (ii) inform the date when the national document issued as the EDD was publicly announced and the period it is covering. The cover letter may be used for other purposes. It may be used to update elements of a national development plan or strategy that is issued as an EDD where parts of such documents are outdated, or to include complementary analysis or information to meet the minimum standards or provide greater alignment with the good practice guidelines for EDDs (see Section B).

17. **The proposed policy would apply to all PRGT-eligible countries.** With respect to countries under the HIPC Initiative, the proposed policy would apply to ECF arrangements preceding decision and completion points of the HIPC Initiative. Since the HIPC Instrument remains the same, the remaining eligible countries under the HIPC Initiative will continue to document their PRS in line with the PRS documentation requirements under the HIPC Initiative to reach decision and completion points (Box 1). For the purpose of reaching the decision or completion points under the HIPC Initiative, HIPC-eligible countries need to build a track record of satisfactory performance on the basis of programs supported by, *inter alia*, the ECF. While, under the proposed policy, these countries would be subject to different PRS documentation requirements for ECF arrangements and for decision/completion points under the HIPC Initiative, such drawbacks would be compensated by the comparability of the PRS requirements under the HIPC Instrument and under the proposed policy. Specifically, an EDD used for the purpose of ECF financing could be modified with some appropriate updates and confirmation of an appropriate participatory process as required for a PRSP, and reissued as a PRSP to the Board to meet the decision or completion point under the HIPC Initiative. The member country would still have to produce an APR to confirm satisfactory implementation of the PRS for at least one year by the HIPC completion point.

18. **In summary, the proposed PRS documentation requirements based on the EDD are as outlined in Box 4.** A comparison of the current and proposed PRS documentation requirements is provided in Annex IV.

#### Box 4. New PRS Documentation for ECF Arrangements and PSIs

##### All ECF- and PSI-supported programs

PRS documentation requirements for ECF arrangements and PSIs, including those implemented by remaining HIPC-eligible countries preceding the HIPC decision and completion points, would be met by issuing an EDD that could take two forms:

- An existing national development plan or strategy. Length would be a matter of national preference: currently, such documents are often relatively long (around 100 pages).
- A newly-prepared, streamlined PRS document, which would be relatively short in length (perhaps 10–15 pages). A new PRS document could also be a streamlined document based on an existing national PRS document (either parts of the national PRS document or a summary of elements in the national PRS document relevant for a Fund-supported program).

##### HIPC decision and completion points

HIPC-eligible countries would continue to produce an I-PRSP, PRSP preparation status report, PRSP or APR subject to JSAN analyses to reach the decision and completion points under the HIPC Initiative. The PRSP could be drawn from a national development plan or strategy issued as an EDD and should reflect an appropriate participatory process.

## B. Content of the New PRS Documentation

*This section discusses the minimum standards and good-practice guidelines to be followed by members in documenting their PRS in EDDs. Country-specific circumstances would be also taken into account providing flexibility to countries in documenting their PRS.*

19. **Under the proposed policy, as a general matter, countries would have flexibility in documenting their PRS through an EDD taking into account specific country circumstances.** A member's ability to design and implement a PRS will depend on its level of administrative capacity, the existence of timely and detailed information on the characteristics of poverty, and country-specific factors that influence the transmission channel from policy actions to poverty outcomes. These country-specific circumstances would be reflected in the EDD, which would vary across countries in style and content.<sup>10</sup> Thus, for example, the constraints of countries with limited institutional capacity, such as some fragile and conflict-afflicted states, will be taken into account in the preparation of EDD.

20. **While taking into account flexibility, it is proposed to establish minimum standards for an EDD to ensure a clear strategic platform for policies supported under an ECF arrangement or PSI.** Minimum standards are designed to provide guidance on key elements to be addressed in an EDD, first for members in preparing the EDD and also for Fund staff in assessing the adequacy of the EDD. Minimum standards as set forth in Box 5 below are intended to provide clear linkages between policies under Fund-supported programs and the member's PRS, thereby avoiding circumstances in which a country submits an EDD that does not establish an adequate foundation for Fund engagement.

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<sup>10</sup> A newly prepared EDD could draw on the World Bank's Systematic Country Diagnostic, where available.

### Box 5. Minimum Standards—Core Elements for Inclusion in an EDD

An EDD or the associated cover letter to the Managing Director (as described in paragraph 16 of this paper) would include the following core elements:

- **Strategy or plan.** The EDD should describe an overall strategy or plan for poverty reduction and growth.
- **Specific policy elements.** The EDD should describe how the strategy would be pursued through specific policies, including macroeconomic and financial policies. These could include specific projects, infrastructure plans, and/or goals for public expenditure prioritization. The relationship between these policy elements and the overall strategy should be clear.
- **Launch date and timeframe for implementation.** The EDD should define a launch date and implementation period for the overall strategy for poverty reduction and growth. The timing for launch would depend on national practices (e.g., date of parliamentary approval, presidential signature, or publication of a national PRS document). For example, the EDD could indicate that the strategy or plan became effective on July 1, 2016 and covers the period 2016–2020.
- **Extent of participatory process.** The EDD should note whether there was a participatory process and if there was one, should also note the nature of such process.

21. **In addition to meeting the minimum standards, countries would be strongly encouraged to produce a “high-quality” EDD, based on good practice guidelines** (see Box 6). While countries facing administrative and capacity constraints may find it difficult to go far beyond the core elements in the minimum standards described in Box 5, where possible, countries would be strongly encouraged to provide an EDD that follows the good practice guidelines described in Box 6.

22. **Guidelines on appropriate PRS content would be particularly relevant for countries seeking to develop new, streamlined EDDs.** In such cases, clear expectations on the minimum standards and good practice guidelines would help facilitate streamlining relative to past PRSPs while ensuring that macro-critical contents are covered. In line with the minimum standards and good practice guidelines, EDDs prepared by the authorities would strengthen the focus on practical aspects of the linkage between Fund-supported program design and the authorities’ poverty reduction and growth strategies, such as discussion of budget objectives and implementation. The minimum standards and good practice guidelines would also be relevant for countries submitting national PRS documents as EDDs. While most national development plans or strategies provide comprehensive PRS documentation, which would meet the above-mentioned minimum standards and cover many of the good practice elements, these standards and guidelines would be of value to national authorities for purposes of drafting successor national development plans or strategies.

### Box 6. Good Practice Guidelines for an EDD

A comprehensive and operationally relevant EDD or the associated cover letter to the Managing Director would include the following elements, going beyond the minimum standards covered in Box 6. The EDD could draw on the World Bank's Systematic Country Diagnostic (SCD), where available.

- **Existing poverty situation and trends.** The EDD would describe the existing poverty situation and recent trends. Reference could be made to direct and indirect measures of poverty, including household income-expenditure surveys and indicators of health and social conditions.
- **Factors influencing poverty.** The EDD would identify any recognized determinants of poverty as well as known bottlenecks to poverty reduction. The identification of factors affecting poverty would help guide the choice of strategies and policies.
- **Strategy for poverty reduction.** The EDD would describe the member's PRS and focus on its macro-related aspects. Key elements would likely include approaches to foster sustained, strong growth in national incomes, as well as policies to ensure that income growth is inclusive, designed to raise the living standards of the country's poorest citizens (e.g., through safety nets, better targeting of expenditures, etc.). While comprehensive in its intent, the strategic approach would likely be described in broad terms with specific emphasis on relevant macro-critical aspects. Reference could be made to progress in implementing policies under the earlier Fund-supported program(s).
- **Specific policies.** The EDD would document what policies the member intends to implement under the PRS and their targeted impact on poverty reduction and social development. This could include priorities being given to areas of public spending (health, education, etc.), plans to strengthen financial inclusion for households and small and medium-sized enterprises (SMEs), or steps to reduce bureaucratic impediments to investment and job creation. The document would include appropriate discussion of institutional capacity building and technical assistance needs, as well as an outline of donor expected coordination and contributions in these areas.
- **Fiscal and debt framework.** The EDD would seek to prioritize development spending needs based on a realistic assessment of fiscal space. The priorities defined in the PRS document would serve as the basis for the definition of priority social spending and the setting of its indicative targets in the LOI/MEFP of ECF/PSI-supported program documentation. It would also discuss how financing of the PRS would impact on the country's debt strategy.
- **Spending effectiveness.** Poverty reduction outcomes depend not only on spending levels but also on value for money in public spending programs. Where specific steps are being taken to strengthen the efficiency of public spending, these should be mentioned in the EDD.
- **Safety nets and risk mitigation.** Many countries adopting poverty reduction strategies are vulnerable to climatic and other exogenous shocks that can jeopardize poverty outcomes. Adjustment policies to restore macroeconomic balances can also have temporary adverse consequences on the poor. An EDD would discuss any steps being taken by the government to mitigate negative spillovers and risks from adjustment policies and external shocks—such as through establishment of social safety nets, adoption of arrangements to foster food security, etc.
- **Participatory process.** Countries would be strongly encouraged to seek CSO inputs during the preparation of the EDD. The authorities would be responsible for the level of consultation needed to ensure broad ownership.

23. **Several options would be available where PRS documentation falls short of the minimum standards and good practice guidelines as appropriate.** Where the member submits a proposed EDD that falls short of the minimum standards, staff would indicate what additional

content would be needed. For a newly-drafted, streamlined EDD, the document could be modified to cover the missing content ahead of submission to the Executive Board.<sup>11</sup> In the event that the authorities were to submit a national development plan or strategy that failed to meet the minimum standards, staff would have two options. One would be to indicate that the national PRS document does not meet the standards required of an EDD, and request that the member provide a newly-prepared EDD in its place. Given the adverse impact this could have on national ownership of the PRS process, an alternative approach would be to ask the member to provide those elements that are “missing” from the national PRS document as part of the cover letter to the Managing Director. This cover letter could be expanded to the necessary length to ensure that the PRS documentation, taken together, meets the Fund’s PRS requirements.

24. **Participatory processes would be strongly encouraged, but not required.** The current PRSP policy requires that PRSPs should be prepared based on a participatory process involving a wide range of stakeholders.<sup>12</sup> This requirement will not be part of the proposed policy. While countries would be strongly encouraged to seek CSO inputs during the preparation of the EDD, such consultation would not be required,<sup>13</sup> and countries would be responsible for the level of consultation needed to ensure broad ownership. It is however required for the EDD to clarify the extent of participatory process (i.e., whether a participatory process took place) and the nature of the participatory process, if any.

25. **Existing PRSPs at the time of the Board approval of the new policy would be deemed to satisfy the new policy requirements for EDD.** These are PRSPs that have already been issued to the Board at the time of the Board approval of the new policy and have been the subject of a staff analysis in a staff report on a request for an ECF arrangement/a PSI or a review under an ECF arrangement/a PSI. They would be however subject to the requirements on coverage and expiration discussed in Section C below. Specifically, the PRS set out in PRSPs should have been developed and made publicly available normally within five years but no more than six years leading up to and covering the relevant review.

## C. Modalities for Issuance and Assessment of the New PRS Documentation

*This section discusses the modalities for issuing EDDs in the context of an ECF arrangement or PSI under the proposed policy. A balance is needed between providing operational flexibility consistent with national ownership, and ensuring that PRS documentation meets the Fund’s policy requirements.*

<sup>11</sup> Staff could provide good examples of EDDs produced by other members, and could offer comments on the authorities’ draft. However, staff should not seek to provide drafts for the authorities, which may be perceived to be detrimental to national ownership.

<sup>12</sup> See Section I, paragraph 1 of the PRG-HIPC Trust, Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended.

<sup>13</sup> Participatory processes would still be required in the context of PRSPs prepared for the decision and completion points under the HIPC Initiative.

## Timing for issuance of an EDD to the Executive Board

26. **An EDD would need to be issued to the Board for purposes of completing the first and subsequent reviews under an ECF arrangement or PSI.** The current policy requires the issuance of PRS documentation by the time of the *second* review, which provides a window of around one year for the member to prepare and issue to the Executive Board the necessary PRS documentation. Given that many countries have an existing national PRS document that can be submitted as an EDD and that, where a new EDD is required, it would be much more streamlined and shorter in length than has been the case for PRSPs in the past, there is a strong case for advancing the documentation requirement to the *first* and any subsequent review. This would help strengthen the alignment between the PRS and policies under the Fund arrangement or PSI. There is a risk that a compressed timeline could lead members to cut back on the quality of the EDD or on the participatory process; members may also object to an earlier submission schedule just when the transition away from PRSPs should reduce the country's administrative burden. On balance, staff does not see major administrative obstacles to producing the EDD by the time of the first review. While an EDD would not be required at the time of a program request, this would be encouraged, where feasible.

27. **Following existing policies for PRSPs, EDDs would not be distributed in paper format.**<sup>14</sup> EDDs will be registered by SEC as official Board documents and made available to Executive Directors via posting to IMF Connect, with Executive Directors and designated member authorities notified by email of newly posted documents. Posting of EDDs in this manner will be taken to constitute "issuance" to the IMF Board for purposes of the PRS requirements for ECF arrangements and PSIs.

## Coverage and expiration of EDDs

28. **An EDD would be eligible for completing a review under an ECF arrangement or PSI when the PRS in the EDD has been developed and made publicly available within normally five years but no more than six years leading up to and covering the date of completion of the relevant review.** Over time, a PRS document can become outdated as a result of domestic or global developments, thereby becoming less relevant for guiding poverty reduction and growth strategies underpinning an ECF arrangement or PSI. The durability and relevance of a member country's PRS would depend on the pace of social and economic change in the member country as well as the extent of external changes influencing poverty reduction and growth. Under the PRSP approach, the PRS was defined as covering a three-year period, though some PRSPs have been issued covering longer timeframes.<sup>15</sup> National development plans or strategies are commonly prepared on a rolling five-year basis, and the World Bank's Country Partnership Framework (CPF), based on a Systematic Country Diagnostic (SCD),<sup>16</sup> is also expected to have a four- to six-year

<sup>14</sup> See Decision No. 13816-(06/98), adopted November 15, 2006, as amended, on web posting.

<sup>15</sup> Three countries have recently provided the Executive Board with PRS documents that extend to 2018 or 2020.

<sup>16</sup> The SCD seeks to identify key constraints to remove and key opportunities to leverage in order to define priority areas of focus for the development of a member country.

timeframe. Consistent with the above approaches, it is proposed that a PRS set out in an EDD would remain eligible for completing a review under an ECF arrangement or a PSI normally for a five-year period.<sup>17</sup> In the exceptional case where a country's circumstances have not changed in a manner that would warrant a new strategy, a PRS launched more than five years earlier, but not exceeding six years, could be deemed eligible for purposes of an EDD. In this instance, staff would explain in the staff report why the PRS remains relevant for purposes of completing the current ECF or PSI review despite the extended period since its launch.<sup>18</sup> Exceptions to the five-year rule would be expected to be limited and no review would be completed if the PRS set out in the EDD is more than six years old. Where PRS documentation approaches the five-year mark and future program reviews are scheduled, countries would be strongly encouraged to prepare and submit a successor EDD.

29. **The time period covered by the PRS would be defined in the EDD, and would cover the date of completion of the relevant review under the ECF arrangement or PSI.** Where the PRS documentation does not specify a clear time period for policy implementation, this should be specified in the cover letter to the Managing Director. The implementation time period for an EDD should cover the review date in question. In contrast to one of the options for meeting the PRS documentation requirement under the current policy, i.e., the member has a PRS set out in a PRSP that has been issued to the Board and which covers a period of at least 12 months from the date of the completion of the relevant review, the PRS time period under the proposed policy would not be required to extend 12 months beyond the review date in question. That said, where the EDD does not cover a 12-month forward looking period, the member would be expected to document in the LOI/MEFP (a) the procedures underway to establish a successor EDD and (b) the relevance of the current EDD for the coming year. The elimination of the 12-month forward-looking feature would simplify the PRS documentation approach.

30. **The time period covered by PRS set out in an EDD would not be tied to the timeframe of Fund-supported program.** An EDD would not be required to cover the full period of the ECF arrangement or PSI. Thus, a national PRS document prepared and made publicly available some time *before* a program request may be used as an EDD for meeting the relevant PRS documentation requirements until it expires. When the period covered by the PRS set out in the EDD expires, a new EDD would be required. If the period covered under an EDD extends beyond the expiring ECF arrangement or PSI, it could be used to meet requirements for completing reviews under a successor program.

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<sup>17</sup> The launch date of the PRS would be one of the required elements in the content of the EDD (Box 1). The five year period would also apply to PRSPs existing at the time of approval of the new policy, with the latter considered as an EDD for purposes of the new policy.

<sup>18</sup> This would, in general, require an assessment by staff that the strategy for poverty reduction remains valid, which could be the case where the domestic and external factors relevant to the poverty reduction process have not changed significantly since the launch of the PRS.

## Fund staff assessment of the PRS

31. **Staff views on the authorities' PRS would be provided in program documentation.** The staff report should discuss how policies pursued under the ECF arrangement or PSI contribute to the member's PRS. A precise alignment should not always be expected to the extent that new developments may require a modification of the poverty reduction policies in relation to the PRS. The staff report should also comment on the implementation of the PRS, including whether the allocation of resources for the PRS remains adequate.

32. **The proposed reforms would eliminate the JSANs outside the HIPC Initiative context.** Current policy requirements calling for the preparation and circulation to the Executive Board of a JSAN generally within four months of a member's transmission to the Fund of a PRSP or an I-PRSP outside of the enhanced HIPC Initiative context would be eliminated.<sup>19</sup> Fund staff assessments of the EDD for ECF and PSI support would be included in the staff report. Views of Bank staff would be sought to help inform Fund staff and the Board about the PRS, which would complement the analysis provided by Fund staff in the program documentation. JSANs would retain their current role only for the PRS documentation required to reach the decision and completion points under the HIPC Initiative.

33. **Staff would also report to the Board on implementation of the PRS.** This would involve regular reporting, and a more in-depth analysis conducted on a periodic basis. On a regular basis, staff reports would include a discussion of relevant developments in the implementation of policies supporting the member's PRS. This could include, for example, the prioritization of resources in the annual budget and associated budget outturns, developments in the adoption of social safety nets, and progress in fostering growth-promoting reforms designed to strengthen the business climate.

34. **However, the proposed policy would involve less frequent reviews by Fund staff of PRS implementation.** Rather than conducting the current AFP, it is proposed that a PRS Implementation Review (PIR) be conducted by the time of the fourth review under the ECF arrangement or PSI (i.e., once for any given ECF arrangement or PSI). In-depth annual reporting on PRS implementation has not proved workable. The AFP was intended to occur broadly on an annual cycle, and involve a review of progress and challenges in PRS implementation, normally involving the interested donor community. The AFP was designed to be reported to the Board through program documentation, and to be conducted, as good practice, outside of program engagement. In practice, implementation and reporting under the AFP has been mixed, with staff reports typically discussing poverty issues in general terms rather than based on a structured AFP. One factor contributing to the limited AFP reporting has been the annual cycle, which is too short to realistically identify challenges in PRS design and implementation. The PIR approach, with less frequent reviews, would be more relevant. Like the AFP, the PIR would not be a mandatory requirement for decisions on ECF and PSI support, but rather a good practice based on informal consultations and dialogue

<sup>19</sup> See the Board Decision No. 14253-(09/8), adopted January 27, 2009, as amended, on JSAN.

with country authorities and relevant stakeholders, including the World Bank.<sup>20</sup> The outcome of the PIR would be documented in the staff report. Following existing AFP goals, the PIR would be expected to cover three basic elements: (i) performance relative to PRS benchmarks and monitoring indicators; (ii) observed linkages between the PRS and national systems and processes (e.g., budget monitoring and planning); and (iii) the coming year's policy intentions, particularly, but not exclusively, as reflected in the budget. The PIR would be encouraged as a "good practice" that could be conducted independent of a Fund program-relationship, such as in the context of Fund surveillance activities.

### **PRS commentary by the authorities**

35. **Countries would continue to provide a statement on how the Fund-supported program advances their poverty reduction and growth objectives.**<sup>21</sup> The change to the formal PRS documentation requirements discussed above would not result in any change to the separate requirement under the PRGT that, for the ECF and SCF, the member is required to present at approval of the Fund-supported program, and at each review, a "statement" describing how the program advances the country's poverty reduction and growth objectives. Approval of support under the RCF also requires that the member describes how its policies advance its poverty reduction and growth objectives. The statement would be included in the LOI/MEFP.

36. **Implementation of the PRS following its launch would be tracked in the member's LOI/MEFP.** Currently, implementation of the PRS is described in a lengthy APR. Outside of the HIPC Initiative, members would no longer prepare APRs. Under the proposed policy, members would inform the Board of the implementation of poverty reduction policies through their LOI/MEFP. This would not typically represent a significant expansion of the current coverage of the LOI/MEFP.

37. **For program requests or reviews where PRS documentation is issued to the Board, there may be scope to streamline the coverage of poverty reduction issues in the LOI/MEFP.** In such cases, the LOI/MEFP could focus on policies less directly related to poverty reduction, or on technical aspects of the implementation of poverty reduction policy measures.

### **Publication issues**

38. **It is proposed to maintain the current requirement under the Transparency Policy** that the Managing Director will not recommend the approval of or completion of reviews under ECF

<sup>20</sup> The staff review would continue to draw, to the extent possible, on existing in-country mechanisms, such as implementation reviews, other suitable domestic review processes, or annual reviews of budget support groups and consultative groups/round tables.

<sup>21</sup> See Section II, paragraph 1(b)(1) of the PRGT Instrument, Annex to Decision No, 8759-(87/176) ESAF, adopted December 18, 1987, as amended, for the ECF and Section II, paragraph 1(c) (1) of the PRGT Instrument, Annex to Decision No, 8759-(87/176) ESAF, adopted December 18, 1987, as amended, for the SCF. Approval of support under the RCF also requires that the member describes how its policies advance its poverty reduction and growth objectives (Section II, paragraph 1(d) (1) of the PRGT Instrument, Annex to Decision No, 8759-(87/176) ESAF, adopted December 18, 1987, as amended).

arrangements or PSIs unless the member agrees to publish its PRS documentation. This requirement will be maintained for the EDD.

#### D. Bank-Fund Collaboration

39. **Bank-Fund collaboration on the poverty reduction strategies of member countries would remain strong.** Regular team interactions and involvement on country work and programs within each institution will continue with greater attention to enhance coordination in the context of the new approaches taken with regard to the authorities' PRS. The SCD will be prepared by Bank staff in consultation with the authorities and other stakeholders, including the Fund. Reciprocally, Fund staff will use SCDs and seek World Bank staff's assessment of the authorities' PRS.

40. **In line with the Bank's expertise on PRS issues, the Fund would seek an assessment by Bank staff to inform the Fund's assessment.** For countries remaining under the HIPC initiative, Bank and Fund staff would continue to produce JSANs for new PRSPs for purposes of meeting requirements under the HIPC Initiative. These would be circulated to the Executive Boards of the Fund and Bank, continuing the current approach. Outside the HIPC initiative, Bank staff would be asked to provide an assessment letter in respect of the authorities' strategy for poverty reduction and shared growth. The assessment letter would provide Bank staff's perspective on the strengths and weaknesses of the strategy of the member and identify priority action areas and risks for attention during implementation. It would be requested at the time an EDD is received by IMF staff,<sup>22</sup> and following clearance by Bank Management, it would be circulated to the Fund Board to help inform the Board on the quality of the PRS. The assessment letter provided by Bank staff would not be published by the Fund. The letter is intended to inform the Fund Executive Board of the views of Bank staff on the member's PRS in the context of an ECF arrangement or PSI. The Bank has other vehicles for informing the general public of its views on country PRS and publication of the assessment letter would not add materially to these communications. The proposed approach parallels that for assessment letters prepared by Fund staff at the request of Bank staff to inform its Board in the event of lending operations, as these letters are not published by the Bank.

41. **Given Bank-Fund collaboration on member countries, it is expected that Bank and Fund staffs would normally reach a broad consensus on the authorities' PRS.** However, if Bank staff would raise concerns or express diverging views on some aspects of the authorities' PRS, Fund staff would report such views in the program documentation. Fund support under an ECF arrangement or a PSI would not be dependent on the Bank's analysis of the PRS.

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<sup>22</sup> The Bank would only be asked to provide one assessment within the timeframe of each PRS document, even if the latter is used to meet requirements for completing reviews in more than one ECF arrangement or PSI. Where an existing PRSP is deemed to be an EDD but a JSAN has not yet been issued, an assessment letter would be sought from the World Bank instead.

## LAUNCH OF THE NEW POLICY

42. **The proposed policy, if adopted, would replace the current policy on PRS process and documentation outside of the HIPC context.** Adopting the proposal on the new approach would require amending: (i) the PRGT Instrument, Annex to Board Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended; (ii) the Board Decision No. 13561-(05/85), adopted October 5, 2005, as amended, on the Policy Support Instrument Framework; (iii) the Board Decision No. 15420-(13/61), adopted June 24, 2013, as amended, on the Transparency Policy; and (iv) the Board Decision No. 13816-(06/98), adopted November 15, 2006, as amended, on web posting. The adoption of the proposal would also require the repeal of the Board Decision No. 14253-(09/8), adopted January 27, 2009, as amended, on JSAN. The policy will become effective immediately on adoption and repeal of the Board decisions.

43. **There is a need to develop transitional arrangements to allow existing PRS documents to continue in the near term allowing countries to smoothly transition into the new policy,** which are as follows:

- **Expired PRSPs with recent APRs, or existing I-PRSP or PRSP preparation status report.** A member can currently meet the PRS documentation requirement if the PRSP period has expired but an I-PRSP, APR or PRSP preparation report has been issued normally within 18 months of the relevant review date. However, this would not be possible under the new policy since there would be no possibility to use I-PRSPs, APRs or PRSP preparation status reports. Accordingly, the transitional arrangement is needed for countries that currently have I-PRSPs, APRs or PRSP preparation status reports. Under the proposed policy, the PRS document would need to specify an implementation time period that covers the review date in question, regardless of whether an I-PRSP, APR, or a PRSP preparation status report was recently issued.
- **Issuance of PRS documentation by first review.** The proposal to advance the PRS documentation requirement from the second review (current policy) to the first review could complicate planning for countries with a first review falling due shortly after adoption of the policy.

44. **A transitional arrangement is proposed to address these cases.** This would indicate that, for all ECF arrangements and PSIs that are in existence as of the date of adoption of the policy and will be approved before end-2015, the following transitional arrangement would apply (Box 7):

- The PRS documentation required to complete a review could be met either according to the approach under the new policy, or by having issued an I-PRSP, APR or PRSP preparation status report to the Board before end-2015 and within the preceding 18 months of the relevant review; and
- The PRS documentation requirements would apply to the second and every subsequent review as opposed to the first and every subsequent review under the proposed policy.

**Box 7. New Policy on PRS Documentation in ECF Arrangements and PSIs****Until end-2015:****Program request and 1<sup>st</sup> program review**

No PRS documentation required

**Second and subsequent program reviews**

Existing PRSP <sup>1/</sup> (PRS in the PRSP not older than 5/6 years),  
or I-PRSP, APR or PRSP preparation status report issued within the past 18 months,  
or new EDD issued.

**2016 and beyond:****Program request**

No PRS documentation required

**First and subsequent program reviews**

EDD issued <sup>1/</sup>

<sup>1/</sup> Existing PRSPs at time of Board approval of the new PRS policy will be considered EDDs under the new policy. The requirement of a 12-month forward-looking coverage of PRSPs for completion of reviews will no longer apply.

**OTHER OPERATIONAL AND POLICY IMPLICATIONS**

45. **The new policy if adopted could result in significant saving for the authorities in terms of resources devoted to the PRS.** With flexibility on the required scale of the consultative process required for preparation of an EDD, and with the option to produce a streamlined EDD guided by the minimum standards and good practice guidelines, the authorities could save resources on documenting their PRS. At the same time, countries would no longer need to produce frequent and comprehensive APRs, and could document progress under their PRS through a more focused discussion in the LOI/MEFP of the ECF arrangement or PSI.

46. **The proposed reform of PRS documentation represents marginal changes for staff, with possibly modest or negligible savings.** Staff will continue to base the design of policies under an ECF arrangement or PSI on the country's PRS and, to the extent that the PRS is more succinctly and effectively communicated in the EDD than in past PRSPs, this could reduce the workload of staff. While staff would no longer produce JSANs on PRSPs, a corresponding assessment of the PRS as documented in the EDD would need to be included in the program documentation. In terms of assessing and providing feedback on PRS implementation, the move from an AFP to the PIR could produce modest staff savings. Where the EDD is more succinct than the PRSP, this could also reduce the resources needed for translation. On balance, however, these changes in staffing time are not expected to be significant, and may be broadly offset by additional time devoted to discussions with the authorities on poverty reduction issues in cases where the EDD

is more directly aligned with the ECF arrangement or PSI than was often the case with PRSPs in the past.

## ISSUES FOR BOARD DISCUSSION

47. Do Directors agree on the need to modify the Fund's PRS policies as the HIPC Initiative approaches completion, as the Bank has changed its PRS policies in their lending operations, and as countries have adapted PRS documentation to their domestic needs?
48. Do Directors agree that the proposed EDD will meet key goals of: maintaining a strong and transparent link between the PRS and policies under Fund-supported programs; maintaining national ownership of the PRS process; and providing scope for streamlining and tailoring of PRS documentation to meet diverse country circumstances?
49. Do Directors endorse the proposed minimum standards and good practice guidelines for EDD content? Relatedly, do Directors agree that the proposed Fund staff analysis of PRS in program documentation and assessment letter from World Bank staff will provide appropriate assurances on the quality of the PRS?
50. Do Directors support the requirement to submit an EDD by the first review under the ECF arrangement or PSI, to ensure close alignment of the Fund-supported program with the PRS? Similarly, do Directors agree that the proposed five-year period, and exceptionally up to six years for the PRS covered under the EDD is appropriate?
51. Do Directors support staff's intention of completing a comprehensive progress review of PRS implementation, normally by the fourth review under the Fund-supported program?

## Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

### **Decision I. Amendment to the PRGT Instrument**

Section II, paragraph 1(b)(3) of the Instrument to Establish the Poverty Reduction and Growth Trust ("PRGT Instrument"), Annex to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended, along with its Appendices, shall be amended to replace the current Poverty Reduction Strategy Paper approach with the new approach based on the Economic Development Document as follows:

"(3)(i) With respect to ECF arrangements that will be approved starting January 1, 2016, the Trustee shall not complete the first or any subsequent review under an ECF arrangement unless it finds that: (A) the member concerned has a poverty reduction strategy that has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review; and (B) the poverty reduction strategy has been issued to the Executive Board as an Economic Development Document (EDD) that has been the subject of a staff analysis in the staff report on a request for an ECF arrangement or a review under an ECF arrangement. For purposes of this Instrument, the term EDD shall have the meaning as follows: (a) an EDD may be a document developed by a member country on its national development plan or strategy that is already in existence and publicly available, and documents its poverty reduction strategy; (b)

an EDD may be a document newly prepared by a member country documenting its poverty reduction strategy; or (c) a PRSP that has already been issued to the Executive Board as of [June 22, 2015] and has been the subject of a staff analysis in a staff report on a request for an ECF arrangement or a review under an ECF arrangement so long as the poverty reduction strategy set out in the PRSP has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review. An EDD shall be accompanied by a cover letter from the member country concerned to the Managing Director, and shall be issued to the Executive Board with the cover letter. As such, the cover letter shall be deemed to constitute part of the EDD.

(ii) With respect to ECF arrangements that are in existence as of [June 22, 2015] or will be approved from [June 22, 2015] to December 31, 2015, the Trustee shall not complete the second or any subsequent review unless it finds that the member concerned has a poverty reduction strategy set out in: (A) an EDD as defined in Section II, paragraph 1(b)(3)(i) above; or (B) an I-PRSP, PRSP preparation status report or APR that has been issued to the Executive Board normally within the previous 18 months and in any event not after December 31, 2015, and has been the subject of a staff analysis in the staff report on a request for an ECF arrangement or a review under an ECF arrangement.

(iii) For purposes of this Instrument, subject to the terms of Section II, paragraphs 1(b)(3)(i)-(ii) above, the terms I-PRSP, PRSP, PRSP preparation status report and APR shall have the meaning given to each of them in Section I, paragraph 1 of the PRG-HIPC Trust Instrument (Annex to Decision No. 11436- (97/10), adopted February 4, 1997, as amended)."

**Decision II. Amendment to the Policy Support Instrument**

The Policy Support Instrument Framework decision, Decision No. 13561-(05/85), adopted October 5, 2005, as amended, shall be amended to replace the current Poverty Reduction Strategy Paper approach with the new approach based on the Economic Development Document as follows:

a. Paragraph 5 of the PSI Instrument shall be amended to read:

“Poverty Reduction Strategy (PRS) Documents. The member’s program will be based on the member’s poverty reduction strategy, which will be set forth in an Economic Development Document (“EDD”).”

b. Paragraph 8 of the PSI Instrument shall be amended to read:

“8 (i) The implementation of the member’s program under a PSI will be assessed through program reviews, scheduled normally at regular intervals no more than six months apart. A review can be completed only if the Executive Board is satisfied that the member’s program is on track and that the conditions for the approval of a PSI, noted in paragraph 6, above, continue to be met. Having conducted, but not completed, a scheduled review, the Executive Board may subsequently return to that review, unless the previous scheduled review was not completed. Documentation supporting a return to the uncompleted review must be issued to the Executive Board prior to the earliest test date of the periodic quantitative assessment criteria linked to the

next scheduled review, except for the staff report which may be issued up to one month after the earliest test date of the periodic quantitative assessment criteria linked to the next scheduled review.

(ii) With respect to PSIs that will be approved starting January 1, 2016, the Trustee shall not complete the first or any subsequent review under a PSI unless it finds that: (A) the member concerned has a poverty reduction strategy that has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review; and (B) the poverty reduction strategy has been issued to the Executive Board as an EDD that has been the subject of a staff analysis in the staff report on a request for a PSI or a review under a PSI. For purposes of this Instrument, the term EDD shall have the meaning as follows: (a) an EDD may be a document developed by a member country on its national development plan or strategy that is already in existence and publicly available, and documents its poverty reduction strategy; (b) an EDD may be a document newly prepared by a member country documenting its poverty reduction strategy; or (c) a PRSP that has already been issued to the Executive Board as of [June 22, 2015] and has been the subject of a staff analysis in a staff report on a request for a PSI or a review under a PSI so long as the poverty reduction strategy set out in the PRSP has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review. An EDD shall be accompanied by a cover letter from the member country concerned to the Managing Director, and shall be issued to the Executive Board with the cover letter. As such, the cover letter shall be deemed to constitute part of the EDD.

(iii) With respect to PSIs that are in existence as of [June 22, 2015] or will be approved from [June 22, 2015] to December 31, 2015, the Trustee shall not complete the second or any subsequent

review unless it finds that the member concerned has a poverty reduction strategy set out in: (A) an EDD as defined in paragraph 8(ii) above; or (B) an I-PRSP, PRSP preparation status report or APR that has been issued to the Executive Board normally within the previous 18 months and in any event not after December 31, 2015, and has been the subject of a staff analysis in the staff report on a request for a PSI or a review under a PSI.

(iv) For purposes of this Instrument, subject to the terms of paragraphs 8(ii)-(iii) above, the terms I-PRSP, PRSP, PRSP preparation status report and APR shall have the meaning given to each of them in Section I, paragraph 1 of the PRG-HIPC Trust Instrument (Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended)."

c. Paragraph 21 of the PSI Instrument and the subheading "*Miscellaneous*" immediately preceding paragraph 21 shall be deleted.

d. Paragraph 22 of the PSI Instrument shall be renumbered as paragraph 21.

### **Decision III. Amendment to the Transparency Policy Decision**

Transparency Policy Decision, Decision No. 15420-(13/61), adopted June 24, 2013, shall be amended to give effect to the proposal to replace the current Poverty Reduction Strategy Paper approach with the new approach based on the Economic Development Document.

Paragraph 4.a shall be amended to read:

"4. a. The Managing Director will not recommend that the Executive Board approve (i) an arrangement under the Poverty Reduction and Growth Trust (PRGT) or completion of a review under such arrangement, or (ii) a Heavily Indebted Poor Countries (HIPC) decision point or completion point decision, or (iii) a member's request for a PSI or the completion of a review under a PSI, if the member concerned does not explicitly consent to the publication of its Interim Poverty Reduction Strategy Paper (I-PRSP), Poverty Reduction Strategy Paper (PRSP), PRSP preparation status report, PRSP annual progress report (APR) or Economic Development Document ("EDD") (Document 10 or Document 15, as the case may be)."

Paragraph 7.a shall be amended to read:

"7. a. For purposes of publication, deletions may be made to Country Documents, except for country policy intention documents on poverty reduction strategies (Documents 10 and 15), in accordance with paragraph 8 below. Deletions should be limited to: (i) highly market-sensitive material, mainly on the outlook for exchange rates, interest rates, the financial sector, and assessments of sovereign liquidity and solvency; and (ii) material not in the public domain, on a policy the country authorities intend to implement, where premature disclosure of the operational details of the policy would, in itself, seriously undermine the ability of the member to implement those policy intentions. For purposes of this Decision, highly-market sensitive material shall mean material that (a) is not in the public domain, (b) is market relevant within the near term, and (c) is sufficiently specific to create a clear risk of triggering a disruptive market reaction if disclosed. Politically sensitive material shall not be deleted unless the material satisfies (i) or (ii) above. Information relating to any performance

criterion or structural benchmark (Documents 1, 6 and 11-12), or to any quantitative or structural benchmark (Documents 13-14), or to any assessment criterion or structural benchmark (Documents 1, and 17-19), may not be deleted, unless the information is of such character that would have enabled it to be communicated to the Fund in a side letter pursuant to Decision No. 12067-(99/108), September 22, 1999.”

Paragraph 8.a shall be amended to read:

“8. a. Requests for deletions to a Country Document, except for country policy intentions documents on poverty reduction strategies (Documents 10 and 15) may be made by the member concerned. Except as otherwise provided in this paragraph 8, other members may also request deletions to Documents 1-3, 6, 14, and 19 if (i) the text to be deleted relates to that other member, (ii) the member to whom the document relates consents to the deletion, and (iii) the criteria set out in paragraph 7 are met. Criterion (ii) in this paragraph 8(a) shall not apply to staff reports for Article IV consultation and regional surveillance discussions (Documents 1 and 2).”

Paragraph 11 shall be amended to read:

“11. After the Executive Board (i) adopts a decision regarding a member’s use of Fund resources (including a decision completing a review under a Fund arrangement), or (ii) adopts a decision approving a PSI, or conducts a review under a PSI, or (iii) completes a discussion on a member’s participation in the HIPC Initiative, or (iv) completes a discussion on a member’s I-PRSP, PRSP, PRSP preparation status report, APR, or EDD in the context of the use of Fund resources or a PSI, a Press release, which will contain a Chairman’s statement on the discussion, emphasizing the key points

made by Executive Directors, will be issued to the public. Where relevant, the Chairman's statement will contain a summary of HIPC Initiative decisions pertaining to the member and the Executive Board's views on the member's I- PRSP, PRSP, PRSP preparation status report, APR, or EDD in the context of use of Fund resources or a PSI. Waivers for nonobservance, or of applicability, of performance criteria, and any other matter as may be decided by the Executive Board from time to time (Document 21), and waivers for nonobservance of assessment criteria, and any other matter as may be decided by the Executive Board from time-to-time (Document 22), will be mentioned in the factual statement section of the Press Release or in a factual statement issued in lieu of a Chairman's statement as provided for in paragraph 13(b). Before a Press Release is issued, it will, if any Executive Director so requests, be read by the Chairman to the Executive Board and Executive Directors will have an opportunity to comment at that time. The Executive Director elected, appointed, or designated by the member concerned will have the opportunity to review the Chairman's statement, to propose minor revisions, if any, and to consent to its publication immediately after the Executive Board meeting. Notwithstanding the above, no Press Release published under this paragraph shall contain any reference to a discussion or decision pertaining to a member's overdue financial obligations to the Fund, where a Press Release following an Executive Board decision to limit the member's use of Fund resources because of the overdue financial obligations has not yet been issued. In the case of an Executive Board meeting pertaining solely to a discussion or decision with respect to a member's overdue financial obligations, no Chairman's statement will be published."

Paragraph 13.b (i) shall be amended to read:

"(i) If a member does not consent to the publication of a Press Release containing a Chairman's statement (Documents 7 and 20) under paragraph 11 where one would be applicable, or if no

Chairman's statement has been issued because a decision was taken on a lapse-of-time basis, a brief factual statement will be issued immediately after the Board consideration. The factual statement will describe the Executive Board's decision relating to (a) that member's use of Fund resources (including HIPC initiative decisions (Document 8), waivers (Document 21), and consideration of PRSP documents and EDDs (Document 10), when relevant), or (b) the approval of a PSI for that member, or the conduct of a review under that member's PSI (including waivers (Document 22) and consideration of PRSP documents and EDDs (Document 15), when relevant)."

Paragraph 28 shall be amended to read:

"28. Documents may be published under this decision only after their consideration by the Executive Board, except for documents that are circulated for information only including: (i) I-PRSPs, PRSPs and EDDs; and (ii) Reports on Observance of Standards and Codes (ROSCs) and Assessment of Financial Sector Supervision and Regulation (AFSSR) Reports. Documents covered by this paragraph may be published immediately after circulation to the Executive Board."

Item 10 of Indicative List of Documents Covered by the Decision shall be amended to read:

"10. I-PRSPs, PRSPs, PRSP Preparation Status Reports, APRs, and EDDs"

Item 15 of Indicative List of Documents Covered by the Decision shall be amended to read:

"15. I-PRSPs, PRSPs, PRSP Preparation Status Reports, APRs, and EDDs in the context of PSIs"

#### **Decision IV. Web Posting of PRS Documentation**

Decision No. 13816-(06/98), adopted November 15, 2006, as amended, shall be amended to add the Economic Development Document in the list of documents for web posting. It shall be amended to read:

“Web posting of Poverty Reduction Strategy Papers (PRSPs), Interim PRSPs, Annual Progress Reports of PRSPs, PRSP Preparation Status reports and Economic Development Documents in accordance with the procedures outlined in SM/06/359 (10/25/06) shall be taken to constitute issuance of such documents to the Executive Board for the purposes of: (1) Section II, paragraph 1(b)(3) of the Instrument to Establish the Poverty Reduction and Growth Trust, Annex to Decision No. 8759-(87/176), adopted December 18, 1987, as amended; (2) Section III, paragraph 2(c) of the Instrument to Establish a Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations, Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended; and (3) paragraph 8 of the Policy Support Instrument-Framework, Decision No. 13561-(05/85), adopted October 5, 2005, as amended.”

**Decision V. Elimination of Joint Staff Advisory Notes**

Decision No. 14253-(09/8), adopted January 27, 2009, as amended, on JSANs is hereby repealed.

## **Attachment I. Instrument to Establish the Poverty Reduction and Growth Trust—Redlined Version**

### Introductory Section

To help fulfill its purposes, the International Monetary Fund (hereinafter called the “Fund”) has adopted this Instrument establishing the Poverty Reduction and Growth Trust (hereinafter called the “Trust”), which shall be administered by the Fund as Trustee (hereinafter called the “Trustee”). The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

### Section I. General Provisions

#### Paragraph 1. *Purposes*

The Trust shall assist in fulfilling the purposes of the Fund by providing:

(a) loans on concessional terms (hereinafter called “Trust loans”) to low-income developing members that qualify for assistance under this Instrument, in order to:

(i) support programs under the Extended Credit Facility (hereinafter called the “ECF”) that enable members with a protracted balance of payments problem to make significant progress toward stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth;

(ii) support programs under the Standby Credit Facility (hereinafter called the “SCF”) that enable members with actual or potential short-term balance of payment needs to achieve, maintain or restore stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth;

(iii) support policies under the Rapid Credit Facility (hereinafter called the “RCF”) of members facing urgent balance of payment needs so as to enable them to make progress towards achieving or restoring stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth; and (iv) for a transitional period, support programs under the Exogenous Shocks Facility that help members to resolve their balance of payments difficulties whose

primary source is a sudden and exogenous shock in a manner consistent with strong and durable poverty reduction and growth; and

(b) grants, for a transitional period, to subsidize post-conflict and/ or natural disaster emergency assistance purchases under Decision No. 12341-(00/117) made by low-income developing members as of January 7, 2010, through transfers to the Post-Conflict and Natural Disaster Emergency Assistance Subsidy Account for PRGT Eligible members annexed to Decision No. 12481-(01/45) (“the ENDA/EPCA Subsidy Account”).

Paragraph 2. *Accounts of the Trust*

The operations and transactions of the Trust shall be conducted through a General Loan Account, an ECF Loan Account, a SCF Loan Account, and a RCF Loan Account (the latter four accounts collectively referred to herein as the “Loan Accounts”), a Reserve Account, a General Subsidy Account, an ECF Subsidy Account, a SCF Subsidy Account, a RCF Subsidy Account and an ESF Subsidy Account (the latter five accounts collectively referred to herein as the “Subsidy Accounts”). The resources of the Trust shall be held separately in these Accounts.

Paragraph 3. *Unit of Account*

The SDR shall be the unit of account for commitments, loans, and all other operations and transactions of the Trust, provided that commitments of resources to the Subsidy Accounts may be made in currency.

Paragraph 4. *Media of Payment of Contributions and Exchange of Resources*

(a) Resources provided under borrowing agreements or donated to the Trust shall be received in a freely usable currency, subject to the provisions of (c) below, and provided that resources may be received by the Subsidy Accounts in other currencies.

(b) Payments by the Trust to creditors or donors shall be made in U.S. dollars or such other media as may be agreed between the Trustee and such creditors or donors.

(c) Resources provided under borrowing agreements or donated to the Trust may also be made available in or exchanged for SDRs in accordance with such arrangements as may be made by the Trust for the holding and use of SDRs.

(d) The Trustee may exchange any of the resources of the Trust, provided that any balance of a currency held in the Trust may be exchanged only with the consent of the issuers of such currencies.

## Section II. Trust Loans

### Paragraph 1. *Eligibility and Conditions for Assistance*

(a) The members on the list annexed to Decision No. 8240-(86/56) SAF, as amended, shall be eligible for assistance from the Trust.

(b) Assistance under the ECF

(1) Assistance under the ECF shall be committed and made available to a qualifying member under a single arrangement of no less than three years and up to four years (hereinafter called an "ECF arrangement") in support of a macroeconomic and structural adjustment program presented by the member. It would be expected that ECF arrangements would normally be approved for a period of three years, although arrangements for up to four years may also be approved, where appropriate, and if the member so requests. The member shall also present a detailed statement of the policies and measures it intends to pursue for the first twelve months of the arrangement, and indicate how the program advances the member's poverty reduction and growth objectives, in line with the objectives and policies of the program. The ECF arrangement will prescribe the total amount of resources committed to the member, the amount to be made available during the first year of the arrangement, the phasing of disbursements during that year, and the overall amounts to be made available during the subsequent years of the arrangement. Disbursements shall be phased at regular intervals no more than six months apart (one upon approval and at normally regular intervals thereafter) with performance criteria applicable specifically to each disbursement and appropriate monitoring of key financial variables in the form of quantitative benchmarks and structural benchmarks for critical structural reforms. Structural benchmarks may be targeted for implementation either by a specific date or by the time of a specific review under the ECF arrangement. The ECF arrangement shall also provide for reviews by the Trustee of the member's program scheduled at intervals that are the same as those applicable to disbursements to evaluate the macroeconomic and structural reform policies of the member and the implementation of its program and reach new understandings if necessary. The determination of the phasing of, and the conditions applying to, disbursements after the first year of the ECF arrangement will be made by the Trustee in the context of reviews of the program with the member. At each review, the member

will present a detailed statement describing progress made under the program, the policies it will follow during the next twelve months or up to the remaining period of the arrangement to further the realization of the objectives of the program, and how the program advances the country's poverty reduction and growth objectives, with such modifications as may be necessary to assist it to achieve its objectives in changing circumstances.

(2) Before approving an ECF arrangement, the Trustee shall be satisfied that the member has a protracted balance of payments problem and is making an effort to strengthen substantially and in a sustainable manner its balance of payments position under a policy program that supports significant progress toward a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

~~(3) The Trustee shall not complete the second or any subsequent review under an ECF arrangement unless it finds that the member concerned has (i) a poverty reduction strategy set out in an I-PRSP, PRSP preparation status report, PRSP, or APR, that has been issued to the Executive Board normally within the previous 18 months, and the I-PRSP, PRSP preparation status report, PRSP, or APR has been the subject of a staff analysis, including in the staff report on a new ECF arrangement or a review under an ECF arrangement, or (ii) a poverty reduction strategy set out in a PRSP that has been issued to the Executive Board and which covers a period of twelve months from the date of the completion of the relevant review and the member's program documents describe how the current fiscal budget, the upcoming fiscal budget when available, and planned structural reforms advance the implementation of the poverty reduction strategy. For purposes of this Instrument, the terms I-PRSP, PRSP preparation status report, PRSP, and APR shall have the meaning given to each of them in Section I, Paragraph 1 of the PRG-HIPC Trust Instrument (Annex to Decision No. 11436-(97/10), adopted February 4, 1997).~~

~~(3)(i) With respect to ECF arrangements that will be approved starting January 1, 2016, the Trustee shall not complete the first or any subsequent review under an ECF arrangement unless it finds that: (A) the member concerned has a poverty reduction strategy that has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review; and (B) the poverty reduction strategy has been issued to the Executive Board as an Economic Development Document (EDD) that has been the subject of a staff analysis in the staff report on a request for an ECF arrangement or a review under an ECF arrangement. For purposes of this Instrument, the term EDD shall have the meaning as follows: (a) an EDD may be a document developed by a member~~

country on its national development plan or strategy that is already in existence and publicly available, and documents its poverty reduction strategy; (b) an EDD may be a document newly prepared by a member country documenting its poverty reduction strategy; or (c) a PRSP that has already been issued to the Executive Board as of [June 22, 2015] and has been the subject of a staff analysis in a staff report on a request for an ECF arrangement or a review under an ECF arrangement so long as the poverty reduction strategy set out in the PRSP has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review. An EDD shall be accompanied by a cover letter from the member country concerned to the Managing Director, and shall be issued to the Executive Board with the cover letter. As such, the cover letter shall be deemed to constitute part of the EDD.

(ii) With respect to ECF arrangements that are in existence as of [June 22, 2015] or will be approved from [June 22, 2015] to December 31, 2015, the Trustee shall not complete the second or any subsequent review unless it finds that the member concerned has a poverty reduction strategy set out in: (A) an EDD as defined in Section II, paragraph 1(b)(3)(i) above; or (B) an I-PRSP, PRSP preparation status report or APR that has been issued to the Executive Board normally within the previous 18 months and in any event not after December 31, 2015, and has been the subject of a staff analysis in the staff report on a request for an ECF arrangement or a review under an ECF arrangement.

(iii) For purposes of this Instrument, subject to the terms of Section II, paragraphs 1(b)(3)(i)-(ii) above, the terms I-PRSP, PRSP, PRSP preparation status report and APR shall have the meaning given to each of them in Section I, paragraph 1 of the PRG-HIPC Trust Instrument (Annex to Decision No. 11436- (97/10), adopted February 4, 1997, as amended).

(4) A member may cancel an ECF arrangement at any time by notifying the Fund of such cancellation. An ECF arrangement for a member approved after the date of adoption of this decision will automatically terminate before its term if no program review under the arrangement has been completed over a period of eighteen months. The Trustee, at the authorities' request, may decide to delay the termination of the arrangement by up to three months in cases where the reaching of understandings between the authorities and the Trustee on targets and measures to put the ECF-supported program back on track within the term of the arrangement, appears imminent. The ECF arrangement will automatically terminate at the end of the extended period unless a program review

under the arrangement is completed within this period. After the expiration of an ECF arrangement for a member, the cancellation of the ECF arrangement by the member, or the automatic termination of the ECF arrangement, the Trustee may approve additional ECF arrangements for an eligible member in accordance with this Instrument.

## Attachment II. Policy Support Instrument—Framework— Redlined Version

### General

1. Upon request, the Fund will be prepared to provide the technical services described in this Decision to members that are eligible for assistance under the Poverty Reduction and Growth Trust (PRGT), i.e., included in the list of members annexed to Decision No. 8240-(85/56), as amended, and that: (a) have a policy framework focused on consolidating macroeconomic stability and debt sustainability, while deepening structural reforms in key areas in which growth and poverty reduction are constrained; and (b) seek to maintain a close policy dialogue with the Fund, through the Fund's endorsement and assessment of their economic and financial policies under a Policy Support Instrument (PSI).

2. A PSI is a decision of the Executive Board setting forth a framework for the Fund's assessment and endorsement of a member's economic and financial policies. A PSI may be approved for a duration of one to four years, and may be extended up to an overall maximum period of five years.

3. Members with overdue financial obligations to either the Fund's General Resources Account (GRA) or to the PRGF Trust are not eligible for a PSI.

### The Member's Documents

4. Program Documents. The member's program of economic and financial policies for the period of a PSI will be described in a letter and/or memorandum that may be accompanied by a technical memorandum ("Program Documents"). The initial Program Documents will include: (a) a macroeconomic policy framework, including a quantified framework for at least the first 12 months under the PSI, with quantitative targets set at regular intervals, and proposed assessment criteria for the first twelve months, and (b) key structural measures that are needed to meet the objectives of the program. The Program Documents will be updated from time to time, as appropriate, in the context of reviews under the PSI.

5. Poverty Reduction Strategy (PRS) Documents. The member's program will be based on the member's poverty reduction strategy, which will be set forth in an Economic Development Document ("EDD"), ~~Poverty Reduction Strategy Paper ("PRSP"), PRSP Preparation Status Report, Interim PRSP ("I-PRSP"), or Annual Progress Report ("APR")~~.

## Approval

6. A member's request for a PSI may be approved only if the Fund is satisfied that: (a) the policies set forth in the member's Program Documents meet the standards of upper credit tranche conditionality; and (b) the member's program will be carried out, and in particular, that the member is sufficiently committed to implement the program.

7. A member may be expected to adopt measures prior to the Executive Board's approval of a PSI when it is critical for the successful implementation of the program that such actions be taken.

## Program Reviews

8. (i) The implementation of the member's program under a PSI will be assessed through program reviews, scheduled normally at regular intervals no more than six months apart. A review can be completed only if the Executive Board is satisfied that the member's program is on track and that the conditions for the approval of a PSI, noted in paragraph 6, above, continue to be met. Having conducted, but not completed, a scheduled review, the Executive Board may subsequently return to that review, unless the previous scheduled review was not completed. Documentation supporting a return to the uncompleted review must be issued to the Executive Board prior to the earliest test date of the periodic quantitative assessment criteria linked to the next scheduled review, except for the staff report which may be issued up to one month after the earliest test date of the periodic quantitative assessment criteria linked to the next scheduled review.

~~In addition, the second and subsequent reviews under a PSI can be completed only if the Executive Board is satisfied that the member concerned (i) has a poverty reduction strategy evidenced by a PRS Document that has been issued to the Executive Board normally within the previous 18 months and the PRS Document has been the subject of a staff analysis, including in the staff report on a request for a PSI or a review under a PSI or (ii) has a poverty reduction strategy set out in a PRSP that has been issued to the Executive Board and which covers a period of twelve months from the date of the completion of the relevant review and the member's program documents describe how the current fiscal budget, the upcoming fiscal budget when available, and planned structural reforms advance PRS implementation.~~

(ii) With respect to PSIs that will be approved starting January 1, 2016, the Trustee shall not complete the first or any subsequent review under a PSI unless it finds that: (A) the member concerned has a poverty reduction strategy that has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review; and (B) the poverty reduction strategy has been issued to the Executive Board as an EDD that has been the subject of a staff analysis in the staff report on a request for a PSI or a review under a PSI. For purposes of this Instrument, the term EDD shall have the meaning as follows: (a) an EDD may be a document developed by a member country on its national development plan or strategy that is already in existence and publicly available, and documents its poverty reduction strategy; (b) an EDD may be a document newly prepared by a member country documenting its poverty reduction strategy; or (c) a PRSP that has already been issued to the Executive Board as of [June 22, 2015] and has been the subject of a staff analysis in a staff report on a request for a PSI or a review under a PSI so long as the poverty reduction strategy set out in the PRSP has been developed and made publicly available normally within the previous 5 years but no more than 6 years, and covers the period leading up to and covering the date of the completion of the relevant review. An EDD shall be accompanied by a cover letter from the member country concerned to the Managing Director, and shall be issued to the Executive Board with the cover letter. As such, the cover letter shall be deemed to constitute part of the EDD.

(iii) With respect to PSIs that are in existence as of [June 22, 2015] or will be approved from [June 22, 2015] to December 31, 2015, the Trustee shall not complete the second or any subsequent review unless it finds that the member concerned has a poverty reduction strategy set out in: (A) an EDD as defined in paragraph 8(ii) above; or (B) an I-PRSP, PRSP preparation status report or APR that has been issued to the Executive Board normally within the previous 18 months and in any event not after December 31, 2015, and has been the subject of a staff analysis in the staff report on a request for a PSI or a review under a PSI.

(iv) For purposes of this Instrument, subject to the terms of paragraphs 8(ii)-(iii) above, the terms I-PRSP, PRSP, PRSP preparation status report and APR shall have the meaning given to each of them in Section I, paragraph 1 of the PRG-HIPC Trust Instrument (Annex to Decision No. 11436- (97/10), adopted February 4, 1997, as amended).

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### Miscellaneous

~~21. For purposes of this decision, the terms PRSP, PRSP Preparation Status Report, I-PRSP, and APR shall have the meaning given to each of them in Section I, Paragraph 1 of the PRGF-HIPC Trust Instrument (Annex to Decision No. 11436 (97/10), adopted February 4, 1997, as amended).~~

### Periodic Review

21. The Fund will review application of this Decision at intervals of five years.

## Attachment III. Transparency Policy Decision— Redlined Version

### Preamble

Recognizing the importance of transparency, the Fund will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure. This overarching principle is reflected in the specific provisions of the Decision set forth below and of other Fund policies on transparency. The principle respects, and will be applied to ensure, the voluntary nature of publication of documents that pertain to member countries consistent with the need for the Fund to safeguard confidential information and with the provisions of Article XII, Section 8 of the Articles of Agreement concerning publication by the Fund of its views with respect to a member.

### I. General Provisions on Authorization and Consent

1. The Managing Director shall arrange for publication by the Fund of Country Documents, Fund Policy Documents and Multi-Country Documents in accordance with the principles set forth in the attached Indicative List. Country Documents shall be documents pertaining to individual countries, including documents relating to surveillance, use of Fund resources and the Policy Support Instrument (PSI), and certain reports arising from Fund technical assistance. Documents pertaining to regional surveillance discussions on common policies of a currency union shall be considered to be Country Documents. Fund Policy Documents shall be documents on general policy issues, including but not limited to, surveillance, use of Fund resources, technical assistance and Fund administrative matters. Multi-Country Documents shall be documents covering multiple countries as further defined in paragraph 17.

2. a. The publication of Country Documents is subject to the consent of the member concerned. The publication of Fund Policy Documents requires the approval of the Executive Board. The publication of Multi-Country Documents requires the consents of the members concerned or the approval of the Executive Board, as the case may be, as set forth in paragraphs 20–26. The publication of documents jointly authored by the Fund and the World Bank requires the authorization of the World Bank.

b. Under paragraphs 3(b), 14, 21(b) and 24 of this Decision, prompt publication shall mean that a document is expected to be published no later than (a) fourteen calendar days after the Executive Board has considered the document, or (b) twenty-eight calendar days after the document has been issued to the Executive Board, whichever is later.

## II. Country Documents

### A. Consent

3. a. A member's consent to Fund publication of Country Documents shall be voluntary but presumed. This presumption shall mean that the Fund encourages each member to consent to the publication by the Fund of such documents. For the purposes of encouraging members and obtaining their consent to publication, the following procedures shall apply.

b. Except as otherwise provided in this Decision, Fund publication of an applicable document will occur, unless, prior to the conclusion of the Executive Board meeting at which that document is considered or the date of adoption of a decision on a lapse-of-time basis to which that document relates, the member concerned notifies the Fund that it: (i) objects to the publication of the document; or (ii) requires additional time to decide whether or not to publish; or (iii) consents to publication but subject to reaching agreement with the Fund on deletions to the document. In the absence of a notification referred to in (i), (ii), or (iii) above, Country Documents shall be published by the Fund promptly after the relevant Executive Board meeting or the date of adoption of a decision on a lapse-of-time basis to which the document relates. Members who notify the Fund as provided for in (ii) or (iii) above are expected to reach a decision on publication of the document in question within twenty-eight calendar days of the Executive Board meeting or decision. Where a member provides the Fund with a notification as provided for in (i), (ii), or (iii) above, the applicable document shall not be published unless the member's explicit consent is received by the Fund.

c. With respect to Documents 3, 5, 10 and 15-16, paragraph 3(b) will only apply if the applicable document has been circulated to the Executive Board in the context of a meeting or a proposal for lapse-of-time approval of a decision. If the document has been circulated for information only, paragraph 28 will apply and the member's explicit consent must be provided to the Fund prior to publication.

d. Paragraph 3(b) will not apply to a Press Release containing a Chairman's Statement for the use of Fund resources (Document 7), a Press Release containing a Chairman's Statement in the context of a PSI (Document 20), or a Press Release for an Article IV consultation, a regional surveillance discussion or a Board consideration of Financial System Stability Assessment (FSSA) report (Document 4). A member's consent to the publication of these documents is governed by paragraphs 11 and 12 of this Decision.

e. In respect of any document that is subject to the procedures set out in paragraph 3(b), the Secretary's cover memorandum will indicate that the document will be published promptly after the relevant Executive Board meeting or the date of adoption of a decision on a lapse-of-time basis, unless the member concerned notifies the Fund as provided for in paragraph 3(b)(i), (ii), or (iii) above.

4. a. The Managing Director will not recommend that the Executive Board approve (i) an arrangement under the Poverty Reduction and Growth Trust (PRGT) or completion of a review under

such arrangement, or (ii) a Heavily Indebted Poor Countries (HIPC) decision point or completion point decision, or (iii) a member's request for a PSI or the completion of a review under a PSI, if the member concerned does not explicitly consent to the publication of its Interim Poverty Reduction Strategy Paper (I-PRSP), Poverty Reduction Strategy Paper (PRSP), PRSP preparation status report, ~~or~~ PRSP annual progress report (APR), or Economic Development Document (EDD) (Document 10 or Document 15, as the case may be).

b. The Managing Director will generally not recommend that the Executive Board approve a request for (i) access to resources in the General Resources Account or the PRGT, or (ii) access to Fund resources under the HIPC Trust, or (iii) assistance through a PSI, unless that member explicitly consents to the publication of the associated staff report. For purposes of this paragraph 4(b), approval of the use of the Fund's resources includes the completion of a review under an arrangement and assistance through a PSI includes the completion of a review under the PSI.

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### C. Deletions and Rephrasing in Country Documents

7. a. For purposes of publication, deletions may be made to Country Documents, except for **PRSP** country policy intention documents on poverty reduction strategies (Documents 10 and 15), in accordance with paragraph 8 below. Deletions should be limited to: (i) highly market-sensitive material, mainly on the outlook for exchange rates, interest rates, the financial sector, and assessments of sovereign liquidity and solvency; and (ii) material not in the public domain, on a policy the country authorities intend to implement, where premature disclosure of the operational details of the policy would, in itself, seriously undermine the ability of the member to implement those policy intentions. For purposes of this Decision, highly-market sensitive material shall mean material that (a) is not in the public domain, (b) is market relevant within the near term, and (c) is sufficiently specific to create a clear risk of triggering a disruptive market reaction if disclosed. Politically sensitive material shall not be deleted unless the material satisfies (i) or (ii) above. Information relating to any performance criterion or structural benchmark (Documents 1, 6 and 11-12), or to any quantitative or structural benchmark (Documents 13-14), or to any assessment criterion or structural benchmark (Documents 1, and 17-19), may not be deleted, unless the information is of such character that would have enabled it to be communicated to the Fund in a side letter pursuant to Decision No. 12067-(99/108), September 22, 1999.

b. If the Managing Director determines that the proposed deletions satisfy criteria (i) or (ii) in paragraph 7(a), the Managing Director may decide that the deletions shall be accompanied by minor rephrasing of text, whenever such rephrasing would help retain maximum candor or minimize the risks of misinterpretation.

8. a. Requests for deletions to a Country Document, except for PRSP country policy intentions documents on poverty reduction strategies (Documents 10 and 15) may be made by the member concerned. Except as otherwise provided in this paragraph 8, other members may also request deletions to Documents 1-3, 6, 14, and 19 if (i) the text to be deleted relates to that other member, (ii) the member to whom the document relates consents to the deletion, and (iii) the criteria set out in paragraph 7 are met. Criterion (ii) in this paragraph 8(a) shall not apply to staff reports for Article IV consultation and regional surveillance discussions (Documents 1 and 2).

b. Deletions shall be requested in writing. Such requests are expected to be communicated to the Fund no later than two business days before: (i) the Executive Board meeting at which the document is discussed or (ii) the date of adoption of a decision on a lapse-of-time basis to which the document relates. In any event, requests for deletions shall normally be made no later than (a) seven calendar days after the Executive Board has considered the document, or (b) twenty-one calendar days after the document was issued to the Executive Board, whichever is later.

c. Once approved by the Managing Director, deletions and related rephrasing shall be circulated to the Executive Board in redlined form. The modified document circulated to the Executive Board shall include the justification for each modification made.

d. Procedures for resolving disputes arising from requests for deletions are set forth below.

(i) In the case of a serious disagreement between the Managing Director and a member regarding that member's request for deletions, the Managing Director, or the Executive Director elected, appointed, or designated by that member, may refer the matter to the Executive Board.

(ii) In the case of staff reports for Article IV consultation and regional surveillance discussion (Documents 1 and 2), if the Managing Director approves deletions requested by other members, and the member to whom the document relates disagrees with the assessment of the Managing Director, the Managing Director, or the Executive Director elected, appointed, or designated by that member, may refer the matter to the Executive Board.

(iii) If the Managing Director is of the view that the requested deletions would result in a document that, if published, would undermine the overall assessment and credibility of the Fund, the Managing Director shall recommend to the Executive Board that the document not be published.

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#### E. Press Releases in Respect of Use of Fund Resources or the Policy Support Instrument

11. After the Executive Board (i) adopts a decision regarding a member's use of Fund resources (including a decision completing a review under a Fund arrangement), or (ii) adopts a decision

approving a PSI, or conducts a review under a PSI, or (iii) completes a discussion on a member's participation in the HIPC Initiative, or (iv) completes a discussion on a member's I-PRSP, PRSP, PRSP preparation status report, ~~or APR, or EDD~~ in the context of the use of Fund resources or a PSI, a Press release, which will contain a Chairman's statement on the discussion, emphasizing the key points made by Executive Directors, will be issued to the public. Where relevant, the Chairman's statement will contain a summary of HIPC Initiative decisions pertaining to the member and the Executive Board's views on the member's I- PRSP, PRSP, PRSP preparation status report, ~~or APR, or EDD~~ in the context of use of Fund resources or a PSI. Waivers for nonobservance, or of applicability, of performance criteria, and any other matter as may be decided by the Executive Board from time to time (Document 21), and waivers for nonobservance of assessment criteria, and any other matter as may be decided by the Executive Board from time-to-time (Document 22), will be mentioned in the factual statement section of the Press Release or in a factual statement issued in lieu of a Chairman's statement as provided for in paragraph 13(b). Before a Press Release is issued, it will, if any Executive Director so requests, be read by the Chairman to the Executive Board and Executive Directors will have an opportunity to comment at that time. The Executive Director elected, appointed, or designated by the member concerned will have the opportunity to review the Chairman's statement, to propose minor revisions, if any, and to consent to its publication immediately after the Executive Board meeting. Notwithstanding the above, no Press Release published under this paragraph shall contain any reference to a discussion or decision pertaining to a member's overdue financial obligations to the Fund, where a Press Release following an Executive Board decision to limit the member's use of Fund resources because of the overdue financial obligations has not yet been issued. In the case of an Executive Board meeting pertaining solely to a discussion or decision with respect to a member's overdue financial obligations, no Chairman's statement will be published.

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#### G. Non-publication of Press Releases in Selected Cases—Issuance by the Fund of Factual Statements in Lieu

13. A brief factual statement will be issued in the circumstances and within the time frames set forth in this paragraph 13.

a. With respect to the Executive Board's consideration of an Article IV consultation, a regional surveillance discussion, an FSSA report, a post-program monitoring, an ex post assessment or an ex post evaluation:

(i) If, after twenty-eight calendar days from the relevant Board consideration, a member does not consent to the publication of a Press Release pertaining to the Board consideration, a brief factual statement will be issued stating the fact of the Board's consideration of the matter.

(ii) If, after twenty-eight calendar days from the relevant Board consideration, the staff report has not been published, a brief factual statement will be issued stating the fact of the Board's consideration of the matter and clarifying the authorities' publication intention with respect to the staff report.

b. With respect to the Executive Board's consideration of use of Fund resources or a PSI, a brief factual statement shall be issued in accordance with the following provisions:

(i) If a member does not consent to the publication of a Press Release containing a Chairman's statement (Documents 7 and 20) under paragraph 11 where one would be applicable, or if no Chairman's statement has been issued because a decision was taken on a lapse-of-time basis, a brief factual statement will be issued immediately after the Board consideration. The factual statement will describe the Executive Board's decision relating to (a) that member's use of Fund resources (including HIPC initiative decisions (Document 8), waivers (Document 21), and consideration of PRSP documents and EDDs (Document 10), when relevant), or (b) the approval of a PSI for that member, or the conduct of a review under that member's PSI (including waivers (Document 22) and consideration of PRSP documents and EDDs (Document 15), when relevant).

(ii) With respect to the consent provisions set forth in paragraph 4(b), if, after twenty-eight calendar days from the relevant Board consideration, the staff report has not been published, a brief factual statement will be issued stating the fact of the Board's consideration of the matter and clarifying the authorities' publication intention with respect to the staff report.

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## B. Timing and Means of Fund Publication

28. Documents may be published under this decision only after their consideration by the Executive Board, except for documents that are circulated for information only including: (i) I-PRSPs, and PRSPs, and EDDs; and (ii) joint staff advisory notes (JSANs); and (iii) (ii) Reports on Observance of Standards and Codes (ROSCs) and Assessment of Financial Sector Supervision and Regulation (AFSSR) Reports. ~~Documents under item (ii) may be published only after the stated period within which an Executive Director may request that the document be placed on the agenda of the Executive Board. Other d~~Documents covered by this paragraph may be published immediately after circulation to the Executive Board.

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## Indicative List of Documents Covered by the Decision

(1) This list is indicative and is not intended to be exhaustive. Country Documents, Fund Policy Documents and Multi-Country Documents that may be created in between reviews of the Transparency Policy will be subject to this Decision, unless the Executive Board decides otherwise on a case-by-case basis.

(2) The publication rules applicable to Multi-Country Documents will be explained in the Secretary's cover memorandum for the documents.

(3) Country Documents and Fund Policy Documents pertain to individual documents. Multi-Country Documents pertain to both individual documents and material sections within individual Multi-Country Documents. Material sections shall mean whole chapters or appendices.

(4) To the extent that the coverage of any document is not clear, publication of such documents will be guided by the overarching principles set forth in the preamble to the Transparency Policy Decision.

### I. Country Documents

#### A. Surveillance and Combined Documents

1. Staff Reports for Article IV consultations and Combined Article IV consultation/Use of Fund Resources Staff Reports, Combined Article IV consultations/PSI, and regional surveillance discussions

2. Selected Issues Papers and Statistical Appendices

3. Reports on Observance of Standards and Codes (ROSCs), Financial System Stability Assessment (FSSA) Reports, and Assessment of Financial Sector Supervision and Regulation (AFSSR) Reports

4. Press Releases following Article IV consultations, regional surveillance discussions, and stand-alone Board consideration of FSSA reports

#### B. Use of Fund Resources Documents

5. Joint Fund/World Bank Staff Advisory Notes (JSANs) on Interim Poverty Reduction Strategy Papers (I-PRSPs), Poverty Reduction Strategy Papers (PRSPs), PRSP Preparation Status Reports and PRSP Annual Progress Reports (APRs)

6. Staff Reports for Use of Fund Resources, Post-Program Monitoring, Ex Post Assessment, and Ex Post Evaluation of exceptional access arrangements (excluding staff reports dealing solely with a member's overdue financial obligations to the Fund).

7. Press Releases containing a Chairman's Statement for Use of Fund Resources
  8. Preliminary, decision point, and completion point documents under the Heavily Indebted Poor Countries Initiative
  9. Press Releases following Executive Board discussions on postprogram monitoring, ex post assessments or ex post evaluations
  10. I-PRSPs, PRSPs, PRSP Preparation Status Reports, ~~and~~ APRs, and EDDs
  11. Letters of Intent and Memoranda of Economic and Financial Policies (LOIs/MEFPs)
  12. Technical Memoranda of Understanding (TMUs) with policy content
- C. Staff Monitored Program (SMP) Documents
13. LOIs/MEFPs for SMPs
  14. Stand-alone Staff Reports on SMPs
- D. Policy Support Instrument (PSI) Documents
15. I-PRSPs, PRSPs, PRSP Preparation Status Reports, ~~and~~ APRs, and EDDs in the context of PSIs
  16. Joint Fund/World Bank Staff Advisory Notes (JSANs) on I-PRSPs and PRSPs in the context of PSIs
  17. Letters of Intent and Memoranda of Economic and Financial Policies (LOIs/MEFPs) for PSIs
  18. Technical Memoranda of Understanding (TMUs) with policy content for PSIs
  19. Staff Reports for PSIs
  20. Press Releases containing a Chairman's Statement for PSIs
- E. Statements on Fund Decisions
21. Statements on Fund decisions on waivers of applicability, or for nonobservance, of performance criteria, and any other matter as may be decided by the Executive Board from time-to time
  22. Statements on Fund decisions on waivers of nonobservance of assessment criteria, and any other matter as may be decided by the Executive Board from time-to-time
- II. Fund Policy Documents

23. Fund Policy Issues Papers

24. Press Releases following Executive Board consideration of policy issues

### III. Multi-Country Documents

25. Multilateral Policy Issues Documents such as, the World Economic Outlook, the Global Financial Stability Report, the Fiscal Monitor, and Spillover Reports

26. Press Releases following Executive Board consideration of Multilateral Policy Issues

27. Country Background Pages

28. Press Releases following Executive Board consideration of Country Background Pages

29. Cluster Documents

30. Press Releases following Executive Board consideration of Cluster Documents

## Attachment IV. Web Posting of PRS Documentation— Redlined Version

Web posting of Poverty Reduction Strategy Papers (PRSPs), Interim PRSPs, Annual Progress Reports of PRSPs, ~~and~~ PRSP Preparation Status reports and Economic Development Documents in accordance with the procedures outlined in SM/06/359 (10/25/06) shall be taken to constitute issuance of such documents to the Executive Board for the purposes of: (1) Section II, paragraphs 1(b)(3) ~~and 1(c)(3)~~ of the Instrument to Establish the Poverty Reduction and Growth Trust, Annex to Decision No. 8759-(87/176), adopted December 18, 1987, as amended; (2) Section III, paragraph 2(c) of the Instrument to Establish a Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations, Annex to Decision No. 11436-(97/10), adopted February 4, 1997, as amended; and (3) paragraph ~~86~~ of the Policy Support Instrument – Framework, Decision No. 13561-(05/85), adopted October 5, 2005, as amended.

## Annex I. Evolution of the Fund's Policy on Poverty Reduction Strategies

*Poverty reduction strategies (PRS) have been central to Fund-supported programs in low-income countries (LICs). The Fund has made progress in streamlining the PRS process and documentation, while strengthening country ownership over time, allowing the PRS documentation to be more focused on substance and less on process.*

1. **The PRS approach was launched under the joint IMF-World Bank HIPC Initiative in 1999 and established documentation requirements centered on the Poverty Reduction Strategy Papers (PRSP) for purposes of HIPC Initiative decisions and concessional financial assistance.** The PRSP initially had to show how Fund and Bank financing supported the member's PRS and was required to be explicitly endorsed by the Executive Boards of both institutions as a basis for Fund (and Bank) concessional financial assistance.<sup>1</sup> In 2004, the requirement for a joint Bank-Fund endorsement of a member's PRS was eliminated, and rules on Interim-PRSPs, PRSP preparation status reports, PRSPs and Annual Progress Reports (APR) on PRSP implementation, which had evolved over time, were also consolidated.<sup>2</sup>
2. **The PRSP is guided by core principles that support the effectiveness of poverty reduction in PRGT-eligible countries.** PRS should be country-driven, developed and monitored with broad participation, and tailored to country circumstances, as such strategies are more likely to enjoy broad public ownership and to result in effective and sustained policy implementation. PRS should be also designed to achieve quantified medium- and long-term goals for poverty reduction, including key outcome and intermediate indicators that are needed to ensure that policies are effectively implemented and monitored. Further, regular assessments and feedbacks allow countries to identify progress made in the implementation of their strategy and corrective actions if there are substantial deviations from the strategy; these assessments are conducted by the authorities (APRs and Letter of Intent (LOI)/Memorandum of Economic and Financial Policies (MEFP)) or by Bank and Fund staff (Annual Feedback Process—AFP, Joint Staff Advisory Note—JSAN, and staff analysis in staff reports).
3. **The modalities for implementation of the PRS approach have evolved over time to take into account feedback from internal and external reviews and to adapt to a changing LIC environment.** Reforms have been in the direction of introducing flexibility in the PRSP requirements in terms of process while preserving the basic principles of the approach. In 2004, in addition to the elimination of the requirement for explicit endorsement by the Fund and Bank Boards as a basis for Fund concessional financial assistance (financing under the Poverty reduction and Growth Facility (PRGF) at that time) as noted above, the Joint Staff Assessment was replaced by the JSAN to enhance its feedback and advisory (rather than judgmental) role.<sup>3</sup> These modifications were

<sup>1</sup> See IMF (1999b), IMF (1999a), and IMF (1999c).

<sup>2</sup> See IMF (2004d) and IMF (2004c).

<sup>3</sup> See IMF (2004d) and IMF (2004c). See also IMF (2004b), IMF (2004a), WB OED (2004), and IMF (2005a).

intended to strengthen country ownership and separate staff assessment from the authorities' strategy, thereby addressing the perception that the World Bank and the Fund undermine country ownership by "signing off" on a country's PRS. The introduction of JSANs enhanced the candor and focus of Bank and Fund staffs' feedback on a country's PRS and eliminated the requirement for a staff statement recommending that the Fund and Bank Boards endorse the staff's assessment that the PRS was a satisfactory basis for concessional financial assistance. In 2005, PRS requirements were extended to the Policy Support Instrument (PSI).<sup>4</sup>

4. **In January 2009, a stand-alone review of JSANs further rebalanced the PRS process with more focus on substance and less on processes in the Bank and Fund.**<sup>5</sup> The JSAN requirements for PRS documents in the context of the enhanced HIPC Initiative remained unchanged. However, a number of changes were made to the policy on PRS documentation outside of the HIPC context. The JSAN was retained for full-PRSPs and I-PRSPs only, and replaced by a regular AFP for APRs.<sup>6</sup> The AFP could draw on existing in-country mechanisms such as implementation reviews, other suitable domestic review processes, or annual reviews of budget support groups and consultative groups/round tables.<sup>7</sup> The link between JSANs and Fund Board decisions under the PRGF and PSI was also eliminated. Staff was still expected to report on PRS developments for PRGF-eligible countries about once a year, but this was not a requirement that would hold up the Board decision of PRGF and PSI. Also, to minimize transaction costs, the report to the Board on progress in PRS was aligned with the timing of other processes (Article IV consultation staff reports, or in the staff reports for approval of a new PRGF arrangement or a PSI, or for the completion of a program review). Finally, the limit within which PRS documents should be issued to the Board for the second and subsequent reviews to be completed was relaxed by replacing the firm limit of 18 months with a "normal" limit of 18 months.

5. **Later in 2009, the review of facilities for low-income countries affirmed that program design should be aligned with the country's medium-term poverty reduction and growth objectives and that PRS documents are expected to underpin policies in all countries seeking concessional Fund support.**<sup>8</sup> All LIC instruments are designed to support economic policies rooted in country-owned strategies that aim to support poverty reduction and economic growth. The PRS documentation requirement was however made more flexible and tailored to the type of facilities: in

<sup>4</sup> See Board Decision on Policy Support Instrument – Framework, Decision No. 13561-(05/85), adopted on October 5, 2005, as amended and IMF (2005b).

<sup>5</sup> See IMF (2009a) and supplement.

<sup>6</sup> The JSAN for full PRSP and I-PRSP was retained.

<sup>7</sup> By building on existing processes, the AFP aimed to strengthen in-country processes by adapting to them, thereby reducing the bureaucratic processes and transaction costs perceived in previous PRSP arrangements. The AFP covered three elements: (i) an evaluation of performance relative to PRS benchmarks and monitoring indicators; (ii) a review of the linkages between the PRS and national systems and processes (e.g., budget, monitoring, and planning); and (iii) an overview of the coming year's policy intentions, particularly, but not exclusively, as reflected in the budget.

<sup>8</sup> See IMF (2009b), IMF (2009c), and IMF (2009d) and Supplements, as well as associated Chairman's summing up (BUFF/09/131, 7/28/2009).

particular, while LOIs for new financing requests should indicate how the program advances the country's poverty reduction and growth objectives, PRS documents are only required for programs supported by the ECF and the PSI, with greater flexibility on the timing in respect of issuance of PRS documentation to the Board. Program design includes an alignment with the country's medium-term poverty reduction and growth objectives, and also aims to support policies that safeguard social and other priority spending.

6. **The 2013 review of LIC facilities further eased PRS-related procedural requirement while focusing more on the substance of the linkage between PRS and program implementation.**<sup>9</sup> Specifically, the reforms allowed a member to meet the PRSP documentation requirement with a PRSP issued to the Board not necessarily within the previous 18 months if the PRSP covered a period of 12 months from the date of completion of the relevant review under the ECF arrangements or PSI. In such a case, the member's LOI/MEFP needed to describe how the current fiscal budget, the upcoming fiscal budget (when available) and planned structural reforms advance PRS implementation. The 2013 reform allowed submission of JSANs to the Board for information rather than for discussion thus eliminating the need to have a stand-alone Board meeting to discuss a JSAN when the other related country papers would have considered on a lapse of time basis or when a country does not have a Fund-supported program and no Board papers are scheduled to be discussed in the near future.

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<sup>9</sup> See IMF (2013a) and IMF (2013b).

## Annex II. World Bank's New Country Engagement Approach

The World Bank Group (WBG) has been implementing since July 2014 a new strategy for country engagement that aims at helping countries achieve the “twin goals” of eliminating extreme poverty and increasing shared prosperity in a sustainable manner. The strategy relies on a results-oriented and country-focused approach that involves widespread consultation and engagement with country authorities and stakeholders, including development partners. The approach revolves around the following elements:

- **Systematic Country Diagnostics (SCD):** The SCD presents an assessment of the constraints and opportunities faced by a country in making progress toward the twin goals. Central themes of the SCD analysis are fostering poverty reduction and inclusive growth. While not restricted to areas of current WBG activities, the SCD targets an open and forward-looking dialogue with the country. It is prepared by WBG staff in consultation with the authorities and other stakeholders.
- **Country Partnership Frameworks (CPF):** The CPF outlines a proposed program of economic and sectoral work starting from the member country's vision of its development goals as defined in its strategic documents. The CPF draws upon the SCD to develop the CPF objectives, in line with the WBG comparative advantage and the twin goals. CPFs are prepared every four to six years.
- **Performance and Learning Review (PLR), and Completion and Learning Review (CLR):** Program implementation under a CPF is monitored every two years through PLRs. The PLR focuses on key developments and program performance, introduces midcourse adjustments, and updates the results framework. At the end of the CPF period, an assessment is completed and a CLR issued.
- **Country Engagement Note (CEN):** When uncertainties regarding medium-term objectives or program engagement prevent a full-fledged SCD and CPF, a CEN covering a period of 12 to 24 months is prepared with a focus on short-term objectives. The CEN does not have a fully developed results-based framework, and successive CENs can take place if a CPF remains inappropriate.

## Annex III. Status of PRS Documentation for PRGT-Eligible Countries with Fund-Supported Programs

Country	Program	Program Approval Date	Last PRS document issued to the Board			Last PRSP		Comments: PRS documentation required in second half of 2015 under current PRS approach
			Type	Date of issue	Expiration date under 18 month rule	Date of issue	PRSP period coverage	
<b>ECF arrangement</b>								
Bangladesh	ECF	4/11/2012	PRSP	1/30/2013	7/30/2014	1/30/2013	FY11-FY15	Yes: PRS document required for 5th review to take place in July 2015
Burkina Faso	ECF	12/27/2013	ProgRp	5/15/2015	11/15/2016	6/29/2011	2011-2015	No: PRS document published in past 18 months
Burundi	ECF	1/27/2012	ProgRp	7/8/2014	1/8/2016	5/18/2012	2012-2015	No: PRS document published in past 18 months
Cote d'Ivoire	ECF	11/4/2011	ProgRp	5/21/2015]	11/30/2016	5/24/2013	2012-2015	No: PRS document published in past 18 months
Chad	ECF	8/1/2014	ProgRp	4/14/2015	10/14/2016	7/26/2013	2013-2015	No: PRS document published in past 18 months
Grenada	ECF	6/26/2014	PRSP	6/5/2015 1/	11/30/2016	6/5/2015 1/	2014-2018	No: PRS document published in past 18 months
Guinea	ECF	2/24/2012	ProgRp	1/30/2015	7/30/2016	5/9/2013	2013-2015	No: PRS document published in past 18 months
Ghana <sup>1/</sup>	ECF	4/3/2015	PRSP	7/27/2012	1/27/2014	7/22/2012	2010-2013	Yes: PRS document required for 2nd review to take place in late 2015
Liberia	ECF	11/19/2012	PRSP	6/19/2013	12/19/2014	6/19/2013	2013-2017	No: PRSP covers 12-month forward looking period
Malawi	ECF	7/23/2012	ProgRp	7/11/2012	1/11/2014	7/10/2012	2011-2016	No: PRSP covers 12-month forward looking period
Mali	ECF	12/18/2013	ProgRp	6/17/2014	12/17/2015	4/18/2013	2012-2017	No: PRSP covers 12-month forward looking period and Progress Report issued
Niger	ECF	3/16/2012	PRSP	3/14/2013	9/14/2014	3/14/2013	2012-2015	Yes: PRS document required for 2nd review to take place in late 2015
Sao Tome e Principe 2/	ECF	7/20/2012	PRSP	1/13/2014	7/13/2015	12/14/2012	2012-2016	No: PRSP covers 12-month forward looking period
Sierra Leone	ECF	10/21/2013	PRSP	8/23/2013	2/23/2015	8/23/2013	2013-2018	No: PRSP covers 12-month forward looking period
Solomon Islands	ECF	12/7/2012	I-PRSP	12/23/2013	6/23/2015	--	--	Yes: PRS document required for 4th review
Yemen, Republic of 3/	ECF	9/2/2014	ProgRp	5/23/2006	11/23/2007	7/16/2002	2003-2005	Yes: PRS document required if 2nd review takes place in 2015
Kyrgyz Republic 4/	ECF	4/8/2015	PRSP	6/13/2014	12/13/2015	6/13/2014	2013-2017	No: PRSP covers 12-month forward looking period and issued within 18 months
<b>PSI</b>								
Mozambique	PSI	6/24/2013	ProgRp	5/30/2014	11/30/2015	5/25/2011	2011-2014	No: PRS document published in past 18 months
Rwanda	PSI	12/2/2013	PRSP	6/6/2013	12/6/2014	6/6/2013	2013-2018	No: PRSP covers 12-month forward looking period
Tanzania	PSI	7/16/2013	ProgRp	2/24/2015	8/24/2016	1/11/2011	2010/11-14/15	No: PRS document published in past 18 months
Uganda	PSI	6/28/2013	ProgRp	11/21/2014	5/21/2016	4/1/2010	2010/11-14/15	No: PRS document published in past 18 months
Source: IMF country teams, MONA database								
1/ Expected date of issuance to the Board.								
2/ A new ECF program is currently being discussed. The ECF arrangement, currently in place, went off track and is set to expire on July 19, 2015, with four reviews outstanding.								
3/ The first review was originally scheduled for 4/15/2015, but it has not been completed yet.								
4/ Ghana and Kyrgyz Republic ECF were approved in April, 2015 and have not completed a review yet, but Ghana's second review under the ECF arrangement in 2015 will require PRS documentation.								

## Annex IV. Comparison of Current and Proposed PRS Documentation Requirements

<b>PRS Documentation Requirements</b>	
<b>Current policy</b>	<b>Proposed policy</b>
<b>PRS documentation under the HIPC Initiative</b>	
At the decision point, a member country shall have a satisfactory PRS set out in an I-PRSP, PRSP preparation status report, PRSP, or APR, that has been issued to the Executive Board normally within the previous 12 months but in any case within the previous 18 months, and has been the subject of an analysis in a JSAN also issued to the Board. For a completion point, the country shall have prepared a PRSP and implemented satisfactorily the strategy therein described for at least one year by the completion point as evidenced by an APR that has been issued to the Board normally within the previous 12 months but in any case within the previous 18 months, and has been the subject of an analysis in a JSAN also issued to the Board.	No change.
<b>PRS documentation for purposes of ECF arrangements and PSIs</b>	
PRS documentation comprises of I-PRSP, PRSP preparation status report, PRSP and APR.	PRS documentation provided by an Economic Development Document (EDD). EDD could be an existing national development plan or a new document meeting the minimum standards and expected to follow good practice guidelines.
Potentially frequent submission of PRS documentation. Reviews can proceed with PRSP, I-PRSP, PRSP preparation status report or APR issued within normally previous 18 months.	Less frequent PRS documentation. PRS documentation potentially remains valid for completing a review up to 5 years (maximum of 6 years under special circumstances).
Where PRSP, I-PRSP, PRSP preparation status report or APR not issued within previous 18 months, a PRSP should be in place with 12 months of forward-looking coverage.	No requirement for 12-month forward-looking coverage of PRS documentation.
PRS documentation for ECF arrangements and PSIs is required for 2 <sup>nd</sup> and subsequent review.	PRS documentation would be required for the 1 <sup>st</sup> and subsequent review.
Countries required to present in the LOI/MEFP a detailed statement of the policies and measures during the next 12 months (or up to the remaining period of the arrangement), and how the program advances the country's poverty reduction and growth objectives.	No change.
PRS documentation issued within the previous 18 months is subject to staff analysis, including in a staff Report.	PRS documentation submitted to the Board would remain subject to staff analysis in a staff report. In addition, Bank assessment letters would be requested for new PRS documentation, with Fund assessment separately provided in the staff report.
While not required for Fund decisions on ECF and PSI support, outside a HIPC context, Joint Bank-Fund staff assessment of PRSPs and I-PRSPs through JSANs are to be prepared and issued to the Board within 4 months of the transmittal of these documents.	The existing JSAN requirement would be terminated (except for I-PRSP, PRSP, PRSP Preparation Status Report, and APR under the HIPC Initiative).
Participatory process required in PRSP.	Participatory process would be encouraged but not required in new PRS documentation.
PRS implementation reviewed by a member in APR. While not a requirement for ECF and PSI support, a "good practice" approach is a staff assessment of APRs in context of Annual Feedback Process.	PRS implementation would be described in member's LOI/MEFP, and assessed by staff through a good practice of a PRSP Implementation Review (PIR) to take place by the 4 <sup>th</sup> review under the Fund-supported program. APRs are no longer required.

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