

INTERNATIONAL MONETARY FUND

**Implementation of the Policy Support Instrument**

Prepared by the Policy Development and Review and Legal Departments

In consultation with other Departments

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## I. INTRODUCTION

1. **In concluding the discussion on Policy Support and Signaling in Low-Income Countries, most Directors supported the establishment of a framework for Policy Support Instruments (PSIs).**<sup>1</sup> The PSI is designed to address the needs of low-income members that may not need, or want, Fund financial assistance, but seek Fund advice, monitoring and endorsement of their economic policies. It will add to the toolkit of instruments from which low-income countries can choose their desired form of engagement with the Fund. Directors underscored that the PSI would not replace, but instead complement, the PRGF, which would remain the main instrument for Fund financial support for low-income members with balance of payments needs. Directors also emphasized the importance of ensuring that the PSI be a voluntary, “demand-driven,” instrument.

2. **The proposed decisions on the establishment of the PSI are based on the guidance received from Executive Directors.**<sup>2</sup> In particular, they provide that availability of the new instrument would be limited to all PRGF-eligible members<sup>3</sup> with: (i) a poverty reduction strategy (PRS) in place to help ensure ownership of policies to be implemented under the PSI; and (ii) a policy framework that focuses on consolidating macroeconomic stability and debt sustainability, while deepening structural reforms in key areas that constrain growth and poverty reduction. Policies would need to meet the standard of upper credit tranche conditionality. Reviews would be conducted on a regular basis, with only limited flexibility around a six-monthly schedule. Publication of PSI-related documents would be voluntary but presumed.<sup>4</sup> Although a safeguards assessment would not be a requirement, members with a PSI would be encouraged to undertake one and to implement

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<sup>1</sup> “Policy Support and Signaling in Low-Income Countries” and Chairman’s Summing Up.

<sup>2</sup> A general decision establishing the framework for PSIs is proposed with two specific decisions to give effect to the proposals on the 24-month Article IV consultation cycle and post program monitoring. A forthcoming supplement to this paper will cover the incorporation of PSIs into the Transparency Policy Decision (Decision No. 13197-(04/16), February 20, 2004, as amended).

<sup>3</sup> Only PRGF-eligible members have expressed potential interest in PSIs. However, in the event that other members express an interest in these types of instruments in the future, it may be necessary for the Fund to revisit the issue of eligibility.

<sup>4</sup> PSI Letters of Intent, Memoranda of Economic and Financial Policies, Technical Memoranda of Understanding, PRS-related documents, staff reports, and Chairman’s Statements shall be subject to voluntary but presumed publication. These publication issues will be discussed in the forthcoming supplement to this paper.

its recommendations. Under the proposed decision, engagement in a PSI would provide an alternative vehicle for post program monitoring.<sup>5</sup>

3. **Other PSI features discussed in “Policy Support and Signaling in Low-Income Countries” have also been incorporated in the proposed decisions.** These features include: (i) a duration of a PSI from one to three years, which may be extended up to a maximum period of four years;<sup>6</sup> (ii) the distinction between assessment criteria, which need to be waived if missed to allow completion of a review, and indicative targets and structural benchmarks;<sup>7</sup> (iii) the possible use of prior actions;<sup>8</sup> (iv) the requirement that PSI-supported programs be fully financed; (v) a treatment of obligations to official and external private creditors that should be analogous to that required in Fund arrangements;<sup>9</sup> (vi) the placement of members with a PSI on the 24-month Article IV consultation cycle; and (vii) PSIs would not count towards determining longer term program engagement (LTPE).<sup>10</sup> Except where the proposed decision establishing the framework for PSIs sets forth a different or more specific provision, the Guidelines on Conditionality will apply where relevant.<sup>11</sup> Also, it is clarified

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<sup>5</sup> Accordingly, members with a PSI would be treated similarly to members with programs supported by a Fund financial arrangement or staff monitored programs for the purposes of post program monitoring, as per Decision No. 1354-(05/26), March 4, 2005.

<sup>6</sup> It is expected that in practice a duration of two years or more would be the norm, consistent with the notion that PSI-supported programs would focus on medium-term growth-enhancing reforms.

<sup>7</sup> To the extent possible, procedures applicable to the use of waivers will be streamlined (e.g., a formal request from the member to the Board to grant waivers would not be required in every case, though the staff report would need to make clear the member’s interest in a waiver, and make the case for a waiver, and the Board would need to waive the nonobservance of any missed assessment criteria before the relevant review could be completed).

<sup>8</sup> Prior actions, specified by the Managing Director, would deal with measures needed in order for the Managing Director to recommend that the Executive Board either approve a PSI or complete a review. Given the fixed schedule for conducting reviews under PSIs, the application of prior actions is expected to be less frequent than in Fund financial arrangements.

<sup>9</sup> Overdue financial obligations to the Fund in the General Resources Account or to the PRGF Trust would preclude eligibility for a PSI. Failure to meet a repurchase/repayment expectation, e.g., under the policies on time-based repurchase expectations or GRA/PRGF misreporting, would not preclude a member’s eligibility for a PSI.

<sup>10</sup> The forthcoming review of the policy on LTPE will examine the treatment of PSIs and precautionary arrangements.

<sup>11</sup> The provisions of the Guidelines on Conditionality relevant to PSIs include those on member’s ownership and capacity to implement the program, tailoring to the circumstances of members, focus

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that side letters may be used subject to the same conditions as in the use of Fund resources context.<sup>12</sup> The decision establishing the framework for PSIs does not predetermine the expiry of this framework, but provides that a review of the experience with PSIs would take place in three years. Upon adoption of the decisions, staff will prepare an operational guidance note, which will be issued for information of Executive Directors.

4. **Within the terms of the proposed decisions, staff has formulated specific proposals on a number of issues** raised in general terms during the previous Board discussion: (i) the modalities for a fixed schedule of reviews, including how to signal that a program is back on track;<sup>13</sup> (ii) the application of a misreporting framework under the PSI; and (iii) the relationship between the PSI and the PRS process. These issues are discussed in the next section.

## II. STAFF PROPOSALS FOR SOME PSI MODALITIES

### A. Initiation of a PSI and the Fixed Schedule of Reviews

5. As outlined in the paper on Policy Support and Signaling in Low-Income Countries, following an expression of interest in a PSI, the member and Fund staff would conduct discussions on a program of economic and financial policies. Based on the Managing Director's recommendation, the Executive Board would consider approval of the PSI. The Chairman's statement issued upon approval of a PSI would state, inter alia, that the member's policies meet the standard of upper credit tranche conditionality.

6. During the Board discussion of "Policy Support and Signaling in Low-Income Countries", Directors requested that staff elaborate the modalities for a fixed schedule of reviews and for signaling when a program comes back on track. Most Directors considered that two regular reviews per annum conducted by the Board, with only limited flexibility around a fixed six-monthly schedule, would ensure the strength and consistency of the

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on program goals, scope of conditions and some aspects of monitoring of performance. The PSI Guidance Note will elaborate further on the operational aspects of applying the relevant provisions of the Guidelines on Conditionality.

<sup>12</sup> Use of side letters in the PSI context would be governed by Decision No. 12067-(99/108), September 22, 1999.

<sup>13</sup> Since the average time needed to complete a review under a PRGF arrangement is about nine months, staff engagement in a PSI, with its fixed schedule of six-monthly reviews, is likely to be more resource intensive than in a (low-access) PRGF arrangement. However, the fixed schedule of reviews will reduce the recourse to staff assessment letters, envisaged in EBS/05/87, in the context of PSIs.

Fund's signal and provide donors timely information to help them make independent judgments about their financing decisions. With the aim of monitoring that upper credit tranche conditionality standards are maintained, many procedures under the PSI have been designed to approximate those under a Fund financial arrangement. Staff therefore proposes the following modalities.

### **Timing of Reviews**

7. Test dates for quantitative assessment criteria would normally be set on a semi-annual basis,<sup>14</sup> which would be tied to reviews that would be conducted irrespective of the status of program implementation or prospects. When designing the schedule of test dates, careful consideration should be given to alignment with the country's budget cycle, given the constraints implied by the fixed review cycle. All the documentation<sup>15</sup> supporting Board discussion of a review would normally be issued to the Board within four months following the test date for the quantitative assessment criteria<sup>16</sup> relevant for that review, and in any case prior to the test date for the periodic quantitative assessment criteria relevant for the next review. It is expected that Board discussion of the review would normally occur two weeks after the circulation of such documentation. This procedure in principle would provide for regular reviews, with limited flexibility around a semi-annual schedule.

### **Nature of Assessments**

8. Completion of a review by the Board would signify the Fund's assessment that the program is on track. This assessment entails both backward-looking and forward-looking elements. The backward-looking assessment of performance is primarily based on the member's performance against assessment criteria linked to the specific review, indicative targets and structural benchmarks, and implementation of prior actions (if any).<sup>17</sup> The forward-looking assessment starts with a determination that the conditions for approval of the

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<sup>14</sup> Any proposed deviation from this norm would need to be justified in program documentation.

<sup>15</sup> A memorandum of economic and financial policies (MEFP), or a supplement to the previous one, would be expected when staff recommends completion of a review. This supplement could be short.

<sup>16</sup> Assessment criteria are the program targets that need to be waived, if not observed, to allow completion of a review. They are, in a number of respects, analogous to performance criteria in Fund financial arrangements.

<sup>17</sup> A review will not be completed unless each assessment criterion related to that review is observed or waiver for the nonobservance is granted. The Board will grant a waiver for the nonobservance of an assessment criterion only if it is satisfied that, notwithstanding the nonobservance, the program will be successfully implemented, either because of the minor or temporary nature of the nonobservance or because of corrective actions taken by the authorities.

PSI remain in place; it also extends to assessing the prospects for successful program implementation, including that understandings have been reached on assessment criteria for the next two reviews. If the conclusions of both the backward-looking and forward-looking elements are satisfactory, the staff will judge the program to be on track and will recommend Board completion of the scheduled review. The last sentence of the staff appraisal would be standard: "Staff recommends completion of the X scheduled review." To ensure clarity and consistency of signal, the Chairman's statement would also include standardized language on the completion of the review.

9. Conversely, in the event that performance is not sufficiently strong, or if understandings cannot be reached on the forward-looking elements of the program, a staff report would still be circulated to the Board. The report would provide an assessment of performance by sectors/policy areas and indicate clearly areas where staff's and the authorities' views diverge. The staff appraisal would recommend that the review not be completed at this time.<sup>18</sup> To the extent possible, it will elaborate on the steps needed to bring the program back on track. The last sentence of the staff appraisal would be standard: "Staff does not recommend completion of the X scheduled review." The Chairman's statement would also include standardized language on the non-completion of the review.

### **Getting Back on Track**

10. The conclusion that a review is not completed at the scheduled time would not preclude the possibility of returning to the uncompleted review within a limited timeframe.<sup>19, 20</sup> On the basis of staff's assessment that recent performance and policy commitments are sufficient to have brought the program back on track, the Managing Director could propose that the uncompleted review be returned to, and that the Board complete the relevant review. This procedure could provide the member an early opportunity to bring its program back on track. However, since the timeframe for returning to an uncompleted review would be short, recourse to this procedure is expected to be infrequent. The normal procedure for Board assessing that an off-track program has been brought back

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<sup>18</sup> In this respect, the process of conducting PSI reviews would contrast to the practice under Fund financial arrangements in that the timing of the *conduct* of PSI reviews by the Board would not be dependent on the prior recommendation of the Managing Director supporting *completion* of the review.

<sup>19</sup> This option would be available only if the review is not the second consecutive uncompleted scheduled review (see paragraph 11 below).

<sup>20</sup> To avoid overlap with the next scheduled review, documentation supporting a return to the uncompleted review would need to be circulated to the Board before the test date for the periodic quantitative assessment criteria linked to the next scheduled review. With six-monthly test dates, this would give, in practice, two to three months to return to an uncompleted scheduled review.

on track would be through completing the next scheduled review. In addition, staff assessment letters could be used to fill information gaps between two scheduled reviews, and in particular, to report on performance improvements following an uncompleted scheduled review.

### **Lapse of PSI due to Two Consecutive Uncompleted Scheduled Reviews**

11. The noncompletion of two consecutive scheduled reviews signals substantial shortcomings in the member's policy implementation and/or the Fund's capacity to assess the PSI-supported program, e.g., due to data deficiencies. The noncompletion of two consecutive scheduled reviews would therefore signify the lack of Board endorsement of the member's policies, and the PSI would automatically lapse (as of the date of the Board's second consecutive decision not to complete a scheduled review). In these circumstances, the staff appraisal should then include the following language: "Staff does not recommend completion of the Y scheduled review. With two consecutive reviews not completed, the current PSI should lapse." The Chairman's statement would include similar standard language.<sup>21</sup>

### **Board Meetings**

12. Although reviews could be conducted on a lapse-of-time basis, Board meetings are expected to be the norm.<sup>22</sup> A summing up will be prepared after each Board meeting, reflecting the range of the Board's assessment of the PSI-supported program. The summing up would form the basis of the Chairman's statement. In the event that the member concerned does not consent to the publication of the Chairman's statement or if no Chairman's statement has been issued because a decision was taken on a lapse of time basis, a brief factual statement would be released indicating that the Executive Board decided to, or decided not to, complete the review.

## **B. Provision of Information to the Fund and Misreporting**

13. The provision of timely and accurate information from the member would be an essential basis for the Fund's assessments made under PSIs. The procedures and safeguards within member countries would play the primary role in ensuring that appropriate data is provided to the Fund.

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<sup>21</sup> The authorities could decide to request a new PSI, should they remain interested in this kind of engagement relationship with the Fund and should understandings on a new PSI-supported program be reached.

<sup>22</sup> The lapse of time procedures with respect to reviews under Fund financial arrangements (Decision No. 11515-(97/59), June 9, 1997) will be applied to PSIs.

14. Where the authorities do not provide final data on performance that would allow the Fund to determine the observance of an assessment criterion or that a waiver of nonobservance is warranted, the corresponding review will not be completed.<sup>23</sup> In those circumstances where data with respect to an assessment criterion is unavailable, the assessment leading to the decision not to complete the review will assess performance against the assessment criteria and other program elements for which data were available.

15. A framework for dealing with possible cases of misreporting is necessary to safeguard the integrity of Fund assessments under PSIs. This framework needs to be tailored specifically to the PSI modalities and the fact that the PSI does not entail use of Fund resources (UFR). Accordingly, the PSI misreporting framework is abridged and simplified compared to the more comprehensive framework applicable in the UFR context.<sup>24</sup>

16. Board decisions approving a PSI or completing a review under a PSI would be conditioned on the accuracy of information reported by the member on performance under assessment criteria (whether found to have been met or waived) and on the implementation of prior actions (if any) specified in the respective Board decision. Whenever evidence comes to the attention of the staff indicating that the member's reporting of such information was inaccurate<sup>25</sup> in relation to a PSI approved or a review completed within the preceding three years,<sup>26</sup> the Managing Director shall promptly inform the member concerned. If the

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<sup>23</sup> It would not be open to the Board to delete an assessment criterion (or provide the equivalent of a waiver of applicability) after its test date. In contrast, the Board may modify assessment criteria prior to or, in limited circumstances, after, their test dates, similar to the modification of performance criteria under Fund financial arrangements.

<sup>24</sup> As in the case of the PRGF, the misreporting framework under Article VIII, Section 5 of the Fund's Articles of Agreement will not be applied to information provided to the Fund solely for the purposes of a PSI. However, Article VIII, Section 5 and its associated procedures will apply to information provided in the context of a PSI when such information is otherwise subject to Article VIII, Section 5 (such as data listed in Annex A of Decision No. 13183-(04/10), January 30, 2004).

<sup>25</sup> "Inaccuracy" of information should be interpreted in the same manner as in cases of misreporting under PRGF arrangements. For example, with respect to a quantitative assessment criterion, information would be inaccurate if (i) the member reported that the assessment criterion was met when it turns out not to have been met; or (ii) the member reported that the assessment criterion was not met by a margin but it turns out not to have been met by a wider margin.

<sup>26</sup> The considerations in determining an appropriate limitation period include the fact that in practice, many misreporting incidents only come to light after some time, often more than two years from the incident. However, the limitation period need not extend to the four years applicable under the PRGF and GRA Misreporting Guidelines, given that the purpose of safeguarding Fund resources in relation to noncomplying disbursements does not arise in the PSI context and because the effectiveness of the

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Managing Director finds, after consultation with the member, that the member had reported inaccurate information to the Fund, in the above-noted circumstances, the Managing Director shall promptly notify the member of this finding. The Board's consideration of the misreporting would normally take place at the same time as the next scheduled PSI review, based on a combined staff report. The Executive Board shall reassess program performance in light of the revised information associated with the misreporting.<sup>27</sup>

17. In all cases in which the Board has determined that misreporting has occurred, relevant information on the Board decision, such as the finding of misreporting and any impact on past Board assessments under the member's PSI, would be published.

### **C. Relationship to the PRS Process**

18. The PRS would be considered a source for program targets. The quantified medium-term macroeconomic framework set out in the PRS should be used to derive quantitative assessment criteria and indicative targets. Structural assessment criteria and benchmarks should also be drawn from, or elaborate on, the structural measures contained in the PRS, in areas where the Fund has expertise, consistent with the Guidelines on Conditionality.<sup>28</sup>

19. Approval of a PSI, or completion of a review, requires that the member have a PRS in place. Such a PRS will be evidenced by an interim PRSP (I-PRSP), PRSP preparation status report, PRSP, or annual progress report (APR), that has been issued to the Executive Board within the previous 18 months,<sup>29</sup> along with a Joint Staff Advisory Note.<sup>30</sup>

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limited remedy for misreporting in the PSI context is substantially time-dependent. Staff considers that a limitation period of three years strikes an appropriate balance between the competing considerations in the PSI context.

<sup>27</sup> Such reassessment of past program performance in the light of a misreporting would not lead to the Board retroactively reversing its decision completing a review, which subsequently had become associated with a misreporting. Accordingly, such reassessment of past performance would not affect the count of the number of uncompleted reviews that would cause the lapse of a PSI on the second consecutive uncompleted review.

<sup>28</sup> Decision No. 12864-(02/102), September 25, 2002.

<sup>29</sup> The 18-month requirement is consistent with the upper limit allowed for PRS documents in the context of PRGF arrangements.

<sup>30</sup> Except in the case of a PRSP preparation status report, in which case the analysis of the PRSP preparation status report will be included in the documentation supporting the request for a new PSI or completion of a PSI review.

20. Members that have never had, and are not in a position to prepare, a PRSP at the time of the Board approval of a new PSI should prepare an I-PRSP.<sup>31</sup> The I-PRSP should present a timeline and consultative process by which the full PRSP will be developed, and outline the main elements of the member's poverty reduction strategy, including a three-year macroeconomic framework and three-year policy matrix. Should a full PRSP not be available within 18 months of the I-PRSP, the authorities can provide a short PRSP preparation status report for the purpose of approving a new PSI or completing a PSI review.

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<sup>31</sup> A member may already have a PRS in place that is expounded in a document equivalent to a full PRSP. Should such a member request a PSI, its PRS document would be submitted to the Board as a full PRSP, and would be accompanied by a JSAN.

### **III. PROPOSED DECISIONS**

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

#### **DECISION A**

##### **Framework for Policy Support Instruments**

###### *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 Facility (PRGF), 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 three years, and may be extended up to an overall maximum period of four 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 quarterly or semi-annual quantitative targets, and proposed assessment criteria for the first and second scheduled reviews, 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 a 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; (b) the member's program will be carried out, and in particular, that the member is sufficiently committed to implement the program; and (c) the member has a poverty reduction strategy evidenced by a PRS Document that has been issued to the Executive Board within the previous 18 months, accompanied by a Joint Staff Advisory Note ("JSAN").

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. The implementation of the member's program under a PSI will be assessed through program reviews, which will normally be scheduled semi-annually. 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 test date of the periodic quantitative assessment criteria linked to the next scheduled review.

9. Implementation of the program will be monitored, in particular, on the basis of assessment criteria, indicative targets, structural benchmarks and prior actions:

(a) Assessment criteria.

(i) For the purposes of each review, the Fund shall establish assessment criteria, which shall include: (a) assessment criteria linked to that review; and (b) assessment criteria that will apply on a continuous basis. Assessment criteria will apply to clearly-specified quantitative variables or structural measures that can be objectively monitored and are critical for the achievement of program goals or for monitoring implementation and whose nonobservance would normally signify that the program is off-track. In principle, quantitative assessment criteria shall be established with test dates at six month intervals. Documentation with respect to the conduct of a scheduled review would normally be issued to the Executive Board within 4 months of the test date for the periodic quantitative assessment criteria linked to that review and shall in any event be issued before the test date of the periodic quantitative assessment criteria linked to the next scheduled review.

(ii) A review will not be completed unless each assessment criterion related to that review is observed or a waiver for the nonobservance is granted. A review will not be completed where the member does not provide information necessary for the Fund to

conclude that: (a) an assessment criterion linked to that review is observed, or (b) a waiver of nonobservance is warranted. The Fund will grant a waiver for the nonobservance of an assessment criterion only if it is satisfied that, notwithstanding the nonobservance, the program will be successfully implemented, either because of the minor or temporary nature of the nonobservance or because of corrective actions taken by the authorities.

(iii) In order to complete a review, assessment criteria must be established for the shorter of: (a) the next two scheduled reviews, or (b) the remaining period of the PSI.

(b) Indicative targets and structural benchmarks. Variables and measures may also be established as quantitative indicative targets or structural benchmarks that will be examined in a review's assessment of program performance.

(c) Prior actions. A member may be expected to adopt measures prior to the Executive Board's completion of a review.

#### *Misreporting*

10. Any decision approving a PSI or completing a review will be made conditional upon the accuracy of information provided by the member regarding implementation of prior actions or performance under related assessment criteria.

11. Whenever evidence comes to the attention of the staff indicating that the member's reporting of information noted in paragraph 10 above was inaccurate, the Managing Director shall promptly inform the member concerned.

12. If after consultation with the member, the Managing Director finds that, in fact, the member had reported such inaccurate information to the Fund, the Managing Director shall promptly notify the member of this finding.

13. In any case where a PSI was approved, or a review was completed, no more than three years prior to the date on which the Managing Director informs the member, as provided for in paragraph 11 above, the Executive Board shall decide whether misreporting has occurred and shall reassess program performance in the light of that determination.

14. The Fund shall proceed to make relevant information public in every case following an Executive Board decision under paragraph 13 above, with prior Executive Board review of the text for publication.

#### *Applicability of Certain UFR Policies*

15. The Guidelines on Conditionality (Decision No. 12864-(02/102), September 25, 2002) shall apply where relevant and except where this Decision sets forth different or more specific provisions.

16. In addition, the Fund's policies on the following subjects shall apply by analogy to PSIs: (a) requirement of full program financing; (b) arrears to official sector and external private creditors; and (c) use of side letters.

*Termination of a PSI*

17. A member may cancel a PSI at any time by notifying the Fund of such cancellation.

18. A PSI for a member will terminate upon: (a) the relevant member incurring overdue financial obligations to the GRA or PRGF Trust; or (b) noncompletion of two consecutive PSI scheduled reviews.

*Miscellaneous*

19. For purposes of this decision: (a) 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); and (b) the term JSAN shall have the meaning given to it 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*

20. The Fund will review application of this Decision at intervals of three years.

**DECISION B**

**Placement of Member with Policy Support Instrument on 24-month Article IV Consultation Cycle**

1. The following provisions shall be added as paragraph 4 to Decision No. 12794- (02/76), July 15, 2002, as amended:

“Whenever a Policy Support Instrument (“PSI”) is approved for a member, that member shall automatically be placed on a 24-month Article IV consultation cycle. If, however, the last Article IV consultation was completed 6 months or more before the approval of the PSI, the next consultation is expected to be completed by the later of 12 months (plus the usual 3-month grace period) after the last consultation or 6 months after the approval of the PSI. Following termination of a PSI—whether through expiry or lapse—the member is automatically placed back on the standard 12-month cycle and the first consultation is expected to be completed by the later of 6 months after the end of the PSI or 12 months (plus a grace period of 3 months) after the completion of the previous consultation but in no event later than 24 months after the completion of the previous consultation.”

**DECISION C**

**Exclusion of Member with Policy Support Instrument from General Decision on Post Program Monitoring**

1. Paragraph 1 of Decision No. 1354-(05/26), March 4, 2005, as amended, shall be amended to include the following words in italics: “and the member does not have a program supported by a Fund arrangement or is not implementing a staff monitored program with reports issued to the Executive Board, *or the member does not have a program supported by a Policy Support Instrument (“PSI”)....*”